



**FISHERIES
AND OCEANS**

**PÊCHES
ET OCÉANS**

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Our file / Notre référence

NU-07-0050

July 12, 2010

Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West
Toronto, Ontario M5H 1T1

Attention: Jim Millard and Matthew Pickard

Dear Mr. Millard and Mr. Pickard:

**Subject: Proposed Compensation for Impacts to Marine and Freshwater Fish
Habitat for the Rail Route and Steensby Inlet of the Mary River
Project**

Fisheries & Oceans Canada (DFO) met with Baffinland Iron Mines Corporation (Baffinland) on May 27, 2010 to discuss components of the EIS currently under development. One of the items of discussion included Baffinland's fish habitat compensation options for the harmful alteration, disruption or destruction (HADD) of fish habitat that will likely occur as a result of the Mary River project. DFO would like to take this opportunity to follow-up on the discussion that took place.

At the meeting, Baffinland presented several options including:

- Construction of a compensation lake upstream of Cockburn Lake to compensate for all HADDs associated with the Mary River project, both marine and freshwater;
- Smaller habitat enhancement / improvement projects; and,
- Community projects.

It was stated that the preferred compensation option for Baffinland is the construction of a lake upstream of Cockburn Lake.

As you are aware, during the meeting DFO voiced several concerns with this preferred approach and recommended that it be considered as an option of last resort. Concerns that DFO presented include:

- Potential release of mercury resulting from the flooding of new areas of shoreline;

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- Upstream impacts due to the change from a stream to a lake, which could result in a HADD;
- Construction of the dam resulting in a HADD;
- Impacts to fish inhabiting the existing stream;
- Ability of stocked fish to produce a self-sustaining population and the length and breadth of the monitoring program that would be required to demonstrate that the habitat is functioning as intended;
- Long-term maintenance requirements for the dam, specifically upon mine abandonment;
- The suitability of overwintering fish habitat in the new lake;
- Source of the brood stock; and,
- The possible loss of fish over the dam.

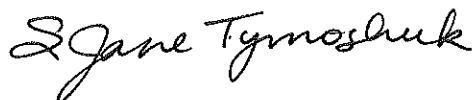
DFO also indicated that stocking fish is generally considered a compensation option of last resort.

DFO acknowledges that, typically, it is in favour of a single project to compensate for a series of small HADDs. However, given the concerns highlighted above, DFO is of the opinion that the lake construction/ fish stocking proposal poses a high risk of being unsuccessful given the many unknowns. It should be noted that if the construction of a new lake fails to function as intended, Baffinland will still be required to provide sufficient compensation for the loss of fish habitat, including any HADDs resulting from the construction of the compensation works themselves.

At this time, DFO recommends that Baffinland re-evaluate their options for potential fish habitat compensation for the Mary River project. DFO remains committed to working with Baffinland on issues relating to fish and fish habitat throughout the environmental and regulatory process.

Should you have any questions or comments, please contact Nicola Johnson at (867) 669-4933 or e-mail (nicola.johnson@dfo-mpo.gc.ca).

Sincerely,



S. Jane Tymoshuk
A/ Senior Habitat Biologist
Fisheries and Oceans Canada
Eastern Arctic Area

Copy Eric Kan, Fisheries and Oceans Canada
 Nicola Johnson, Fisheries and Oceans Canada
 Ryan Barry, Nunavut Impact Review Board

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