

May 06, 2008

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**Re: Mary River Project
Land Use Permit #N2006C0036
Operational Update**

Mr. Robertson and Mr. Dewar

The above noted land use permit was issued by Indian and Northern Affairs Canada (INAC) on April 4, 2007 and subsequently amended on March 14th, 2008 following completion of requisite environmental screenings by the Nunavut Impact Review Board (NIRB). The purpose of this letter is to provide the Inspector and the Engineer with an update on work being completed under the land use permit and obtain written approvals as necessary. This letter reflects detailed execution planning for the work contemplated and approved under the permit applications.

Section 31(1)(a) – Location and Area

Clause 1 of this Section states that only lands designated in the accepted application will be used unless otherwise approved by the Engineer.

Although not explicitly stated in the application the temporary camp part way along the future railway alignment (referred to as Rail Camp) was shown on supporting drawings to be centred at approximate Latitude 70°46'34"N and 78°6'57"W. This location was selected as the approximate mid-point between Mary River and Steensby Camps adjacent to a lake intended for potable water use and to support re-supply using float plane.

As part of detailed execution planning, Baffinland has reviewed the camp location and determined that the currently identified location is not conducive to the landing of float planes. As one of the purposes of establishing Rail Camp was to off-set helicopter usage for the movement of people, fuel, and supplies the inability to land float planes renders the camp in its current location of limited use.

Baffinland requests approval to adjust the location of Rail Camp to the location delineated on the attached Figure 1. The proposed camp location is at approximate Latitude 70°58'20"N and 78°22'15"W. A proposed camp layout is shown on Figure 2. We have copied the Nunavut Water Board and the Water License Inspector on this letter as an adjusted camp location is also of relevance to Water License #2BB-MRY2010.

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Section 31(1)(c) – Equipment

This Clause states that only the equipment type, size and number listed in the application will be used without prior approval from the Inspector.

Also as part of detailed program planning, Baffinland is finalizing the equipment and supplies planned for delivery to Steensby Inlet by dry cargo sea-lift in 2008. Although there are no material changes to the planned equipment supporting the land use operation, Baffinland is proposing the addition of a wheeled loader (CAT 950H) stationed at Steensby Inlet to support camp operations. The wheeled loader is in addition to the fork-lift and skid steer identified in the application.

Other Notes

Through ongoing execution planning the following are provided as updates to the Inspector and Engineer:

- *Personnel.* An expanded tent camp has been established at Steensby Inlet for use during the 2008 season. Whereas it was originally anticipated that up to approximately 50 people may need to be stationed at this camp during peak periods to support the approved program, it is now expected that the camp population may peak at approximately 60 people. No additional water outside of currently approved limits under the water license is expected to be required.
- *Fuel Supply.* Barrel fuel will be used at Steensby and Rail Camps to support camp operations and associated field programs (geotechnical drilling, environmental baseline, and engineering studies). Fuel supply to these locations will be supported from the Mary River Camp until receipt of the dry cargo sea-lift at Steensby Inlet in August 2008. In partial support of the 2008 program as well as the 2009 program, a planned delivery of approximately 3,100 barrels of diesel and 4,150 barrels of Jet A will be received at Steensby Inlet. Consistent with Baffinland practice and wherever practicable, lined areas have/will be established for barrel caches at Steensby and Rail Camps. As granular resources are not available at these remote camp locations, barrel caches will be established within prefabricated and self supporting containment berms.
- *Trailer Camp.* As part of its application, Baffinland noted that either a tent camp or trailer camp would be used at Steensby Inlet. Baffinland has successfully secured an existing (and new) trailer camp for delivery to Steensby Inlet in 2008. This trailer camp will be erected in later 2008 or 2009 and replace the tent camp currently in place. It is expected that a dozer will accompany the sea-lift to facilitate the off load of individual trailer units to the camp site. The dozer will not remain on-site as part of land use operations.

- *Sewage Management.* Included with the above noted trailer camp is a pre-engineered sewage treatment system whereas currently sewage management at the Steensby Inlet camp is through the use of latrines. As the trailer camp is supplied with this provision it is our intention to ship the sewage treatment system but not commission it at this time. Should Baffinland choose to propose to transition from the use of latrines, further approvals, including a request for a modification under the Water License will be required. Requisite approval requests would be sought at a later date and under separate cover.
- *Water Supply.* Currently domestic water for the Steensby Camp is supplied from approved freshwater lake(s) not immediately adjacent to the camp. As per our application, Baffinland may alternately establish a desalination plant to support the Steensby Inlet camp. Should this be the case, the equipment and supplies would be mobilized as part of the 2008 dry cargo sea-lift. A desalination system would not be commissioned until 2009.

Should you have any questions, please do not hesitate to contact the undersigned at (416) 844-0903.

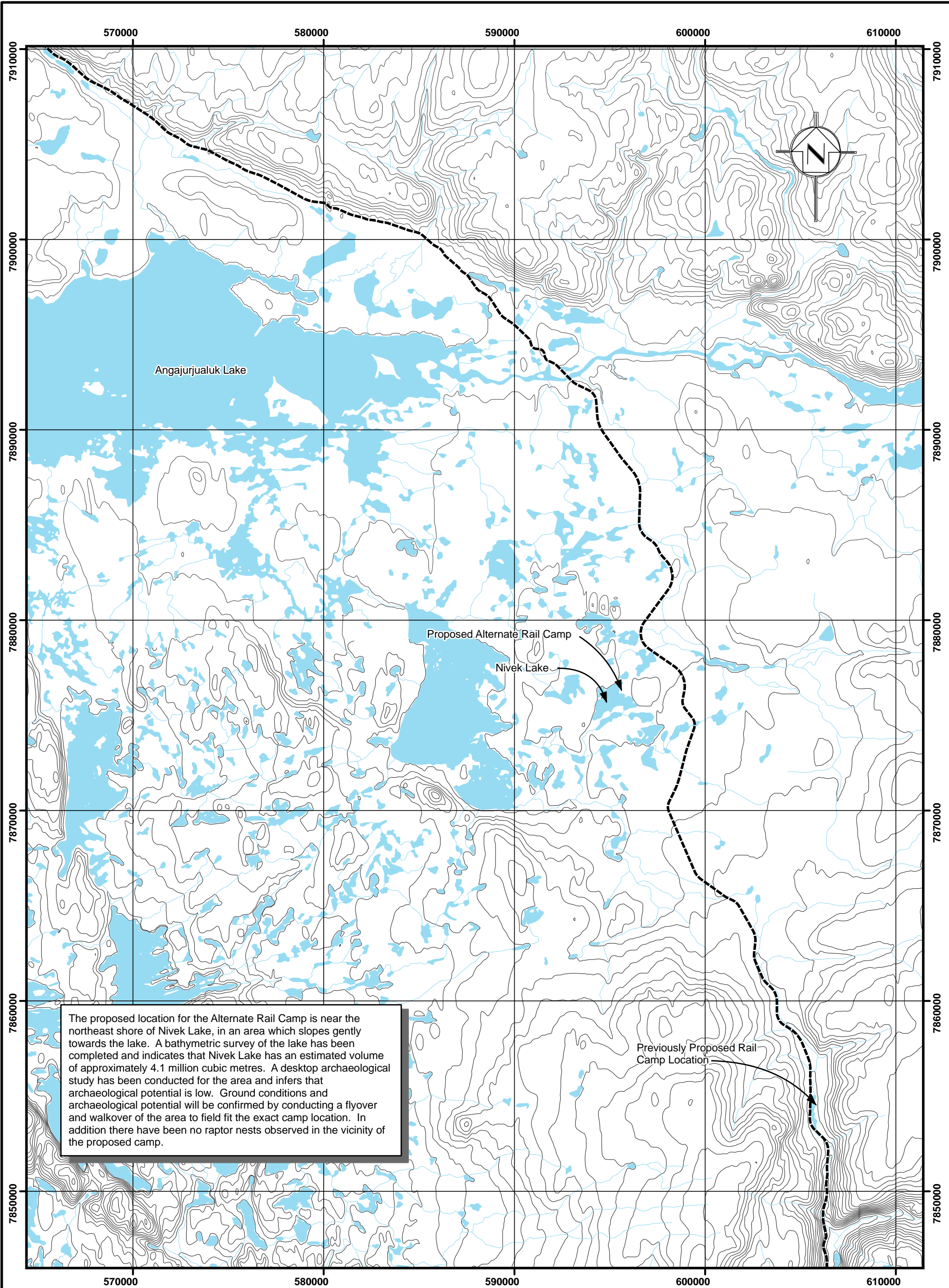
Best Regards,

Baffinland Iron Mines Corporation



Derek Chubb
VP, Sustainable Development

Cc: Andrew Keim, INAC, Water License Inspector
Phyllis Beaulieu, Nunavut Water Board, Manager of Licensing

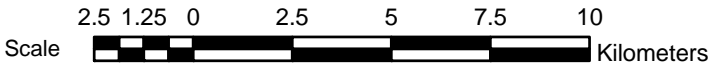


LEGEND:

- Contour
- River/Stream/Drainage
- Proposed Rail Alignment

NOTES:

- Base Map: © Her Majesty the Queen in Rights of Canada, Department of Natural Resources, (2004). All rights reserved.
- Coordinate grid is shown in UTM (NAD83) Zone 17 and is in metres.
- Contours are in metres. Contour interval varies.
- Proposed Rail Alignment provided by Canarail Consultants Inc. in late 2007.



MARY RIVER PROJECT			
PROPOSED ALTERNATE RAIL CAMP			
	P/A NO. NB102-00181/11	REF. NB08-00510	REV. 0
	FIGURE 1		

