

February 19, 2008

Ms. Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut X0B 1J0

**Re: Mary River Project
NWB License MRY-0710
Field Geotechnical Drilling Program**

Ms. Beaulieu,

Baffinland Iron Mines Corporation (Baffinland) is preparing for the initiation of the winter portion of its 2008 geotechnical drilling program, scheduled to commence in early March. Specific requirements of the above noted license related to the planning of this program include:

- **Part C, Items 3 and 4**, which state that streams can not be used as water sources and that water use volumes can't be used such that draw down of the water source occurs;
- **Part F, Item 1** which states that the Licensee shall not conduct any land based drilling within 30 metres of the ordinary high mark of any water body unless approved by the Board;
- **Part F, Item 2** which states that maps and GPS coordinates shall be provided to the Board along with proposed mitigation measures should approval for land based drilling within 30 metres of the high water mark of any water body be sought;
- **Part I, Item 17** which requires submission to the Inspector, the GPS locations of all water sources, prior to utilization

The embedded link, <ftp://NWB:wu95hzin@ftp.knightpiesold.com/NWB>, is to a series of tables and figures summarizing winter drill hole locations as currently planned and in accordance with Part I, Item 17. The tables and figures do not include drill holes planned on the sea ice at Steensby Inlet required to support port infrastructure planning, as these are outside of the scope of the water license. The exact number and locations of drill holes are subject to adjustment based on the information obtained through the course of this program.

The open water season portion of the geotechnical drill program (ie. post June 2008) will be submitted at a later date. In accordance with the intent of Part F, Item 1, open water season drill holes will, to the extent possible, be planned for locations greater than 30 metres away from the ordinary high water mark of any adjacent water body. Approvals will be sought from the NWB at that time for any drill holes planned for locations within 30 metres of any water bodies during the open water season.

The focus of the winter portion of the geotechnical program is to advance during frozen conditions those drill holes at locations within 30 metres of the normal high water mark of adjacent water bodies, and in some cases, within the high water mark. These holes are required in order to evaluate ground conditions and provide the information needed for design of water

crossings such as bridges. With the exception of perhaps the largest of water crossings, it is expected that water courses in these areas will be frozen to the bottom and that there will not be any water present. As such, winter drilling is planned as mitigation against potential receiving water quality effects.

Baffinland recognizes that inland, “on-ice” drilling at water course locations where there may be open water below the ice is currently not permitted under the terms of the license and is subject to NWB approval of an amendment application currently being considered by the Board.

To support the winter program, water sources to support drilling operations have been selected in concordance with Part C, Items 3 and 4 of the water license. Streams have not been selected as water sources and a desktop threshold of 5% maximum water withdrawal has been used to guide water source selection. This criterion is consistent with the Department of Fisheries and Oceans (DFO) guideline established for under-ice water use¹. The location of water sources is provided in the tables and figures referenced above.

By copy of this letter, Baffinland is providing the Qikiqtani Inuit Association, the Water License, and INAC Lands inspectors with the requisite notice of intent to commence drilling operations in the month of March. A copy of this letter has also been forwarded to the federal Department of Fisheries and Oceans for their information and guidance, as appropriate.

Should you have any comments or concerns, please do not hesitate to contact the undersigned.

Best Regards,

Derek Chubb
Vice President, Sustainable Development

Cc: Cheryl Wray, Baffinland
Stephen Bathory (QIA Lands)
Andrew Keim, INAC (Water License Inspector)
Craig Robertson (INAC Lands Inspector)
Amy Lui, DFO

Attachments:

Table 1 - Proposed Winter Drillhole Locations
Table 2 – Proposed Winter Water Sources for Each Drillhole
Table 3 – Proposed Winter Water Sources – Summary
Figures 1 to 8 - South (Steensby) Rail Alignment Winter Site Investigation Plans (Sheets 1 to 8)
Figures 9 to 20 - South (Steensby) Rail Alignment Aerial Photographs (Sheets 1 to 12)

¹ DFO Protocol for Winter Withdrawal of Water in the Northwest Territories, January 31, 2005