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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BB-MRY0710/C3

August 24, 2010

Jim Millard, M.Sc., P.Geo.
Senior Environmental Superintendent
Mary River Project
Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West
Toronto, ON M5H 1T1
Email: Jim.Millard@baffinland.com

Subject: Baffinland Iron Mines Corporation (BIMC); Submission of a request for approval of water use from two rivers for the Mary River Project; Licence 2BB-MRY0710

Dear Mr. Millard;

The Nunavut Water Board ("NWB") would like to acknowledge the receipt of your letter dated August 5, 2010 with respect to a request for approval of water use from two rivers, under Part C, Item 3¹ of Licence 2BB-MRY0710.

The information received included:

- a. Cover letter detailing the request and summarizing information attached;
- b. Maps (Figures 1 to 4 in Attachment A) and GPS coordinates of proposed drilling activities along with planned mitigation measures (attachment B) required under Part F, Item 2; and
- c. Submission of GPS locations of all water sources, prior to utilization required under Part I, Item 17

The NWB has carried out a technical review of the request and information provided, and has determined that Part C, Item 1² of Amendment No. 2 to Licence 2BB-MRY0710 adequately addresses the use of additional water sources for drilling purposes and that the requirements of Part C, Items 3 and 4 of Licence 2BB-MRY0710 have been met through the submission of the information provided.

For clarification of Part C, Item 3, with respect to restricted use of streams as a water source without prior authorization and approval of the Board, the NWB includes this general condition to minimize use of low flow streams. Given the information provided, BMIC has indicated that by adhering to operational

¹ Part C, Item 3: Streams cannot be used as a water source unless authorized and approved by the Board.

² Part C, Item 1: "...Total water use for domestic purposes from all sources shall not exceed a combined total of sixty (60) cubic metres per day. Water for the purposes of drilling and other associated uses, shall be obtained from sources adjacent to drill targets, or as otherwise approved by the Board and is not to exceed four hundred and fifty five (455) cubic metres per day."

commitments, restricting the withdrawal of water to less than 5% of the actual flow volume of the two river sources, the NWB determined that conditions of Part C, Item 3 and Item 4 do not apply.

In addition, with respect to Part F, Item 2³, information regarding planned drillhole locations, including those within thirty (30) metres of the normal high water mark of adjacent water bodies, has been provided in Figures 1-4. Mitigating measures as required under Part F, Item 2 are provided in the drilling standard (provided in the Attachment B), and finally, the required ten (10) days notice in advance of drilling is provided through this request.

The NWB would like to bring to the attention of BIMC that, with respect to Part I, Item 17⁴, the approximate location of water sources, where applicable, was summarized in Table A.1 (provided in Attachment A), however, notification is to be provided directly to the Inspector prior to utilizing waters.

In addition to the above commitments, the NWB requests that documentation be provided on the water source flows (rates at the time of water withdrawal), rates of withdrawal during drilling at each location, the daily and total water use from each location, the location of the designated drill waste deposits identified on appropriately scaled map(s) and inclusion of photographs and reclamation activities consistent with Part H, Item 5 and 6 of the Licence, or as otherwise required under Licence 2BB-MRY0710.

The NWB would like to take this opportunity to remind the Licensee of Part A, Item 1(ii) of Licence 2BB-MRY0710, which states that:

Compliance with the terms and conditions of this Licence does not absolve the Licensee from responsibility for compliance with the requirements of all applicable Federal, Territorial and Municipal legislation.

In closing, the NWB would like to bring to the attention of BIMC a typographical error in the Licence (amendment) issued July 27, 2007 with respect to water use volume authorized. The main Licence page (page 3) indicates an authorized water volume of 535 m³/day, whereas the volumes under Part C, Item 1 total 515 m³/day (60 m³/day for domestic uses and 455 m³/day for drilling). For clarification, the amount authorized should **not exceed 515 m³/day** as originally applied for. An errata will be issued under separate cover.

³ Part F, Item 2: The Licensee may, for the purpose of geotechnical investigations as described in the application for Amendment, carry out drilling activities within thirty (30) metres of the high water mark of any water body, provided that such activities are consistent with the terms of this Licence and a request has been submitted and received by the NWB, ten (10) days in advance of drilling, that includes a thorough description of the proposed activities and the following:

- a. An appropriately scaled site map, complete with approximate GPS coordinates of planned drilling locations and the associated water bodies;
- b. Locations of waste deposition, that are consistent with Part F, Item 4; and
- c. Mitigation measures that are planned to be in place, prior to, during drilling and following if required to protect waters.

⁴ Part I, Item 17: The Licensee shall provide the GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where sources of water are utilized for all purposes. The Licensee shall report these co-ordinates to the Inspector prior to utilizing waters.

Should you have any further questions, please feel free to contact the undersigned at (780) 443-4406, at your earliest convenience, or the Manager of Licensing at licensing@nunavutwaterboard.org .

Yours truly,

Original Signed By:

David Hohnstein, C.E.T.
Director Technical Services

Cc: Distribution list