

Pebble Project Water Rights Applications

At the 2006 annual meeting, shareholders reminded the BBNC Board and management that the Pebble project is an immediate concern. BBNC heard their concern; however, until the explorer makes a formal proposal, BBNC will maintain its current position. In the short-term, BBNC is preparing to act by 1) monitoring the project closely, and 2) supplying pertinent information to shareholders so that they may make educated decisions. BBNC is intensifying newsletter coverage of Pebble and other earth resource developments in the region. For additional information and a copy of BBNC's current Pebble position, go to http://www.bbnc.net/our_land.

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In July 2006, Northern Dynasty Mines Ltd. (NDM), proponent of the Pebble project, applied for rights to waters of the Koktuli River and Talarik Creek, and for groundwater in the project area. These are important water bodies for salmon and trout. The quantity of water available for fish habitat, spawning, and migration is an important consideration and a concern for BBNC shareholders.

What is a Water Right? A legal right to use surface or groundwater. It is a property right that can be conveyed by the State of Alaska through the Department of Natural Resources (DNR).

Who needs a Water Right? Any person or company that will use a "significant amount of water" must obtain a water right. Essentially all mines require a significant amount of water as defined in State of Alaska regulations.

How does DNR decide whether to issue a Water Right? DNR reviews the available supply of water, the effect on other water rights holders, if any, and effects on fish and wildlife. There is a list of criteria DNR must consider in making its decisions. For mining projects, the main criteria DNR will consider include: 1) Benefit to the applicant resulting from the proposed appropriation, and 2) Effect of the economic activity resulting from the proposed appropriation, and 3) Effect of fish and game resources and on public recreation opportunities, and 4) Effect of public health.

Public comment is an important component of DNR's analysis. DNR will also seek comments from other state and federal agencies.

Can the Water Right application be denied? Upon completing its review, DNR will issue a decision to deny the water right, approve the water right, or approve it with stipulations to protect other uses of the water, including fish and wildlife.

What happens if the Water Right is approved? If the water right is approved, DNR will issue a permit to appropriate water. The project operator may then use the water, but only in a manner consistent with the permit stipulations. Once the project operator begins to actually use the water, a Certificate of Appropriation is issued.

What happens if there are competing Water Right applications? DNR has the authority to adjudicate competing water right applications. The first water right application received usually has some priority (First in time; first in right). In the event that there is inadequate water to meet the needs of both applicants, the first-received application will have priority. Ultimately, the decision is made on the basis that constitutes the most beneficial use.

Will fish be protected? DNR has the ability to demand that a certain stream flow be maintained. Stream flow for fish has priority over the needs of a mine, regardless of who applied for the water right first.

The effect to date? The application for these water rights has ignited increased controversy and concern from BBNC shareholders and others living in the area. The timing of the application prompted opponents of the project to claim that NDM is pursuing its permits to construct and operate a mine in a piecemeal fashion. Environmental groups have used this event as a call to arms for project opponents. BBNC has monitored the situation closely. The Lake & Peninsula Borough acted quickly when it learned of the water right applications by asking that DNR delay processing of the water rights applications. DNR has accepted the applications, but has indicated that the matter will not be adjudicated at present. The right to use water will be determined during the State's Large Mine Permitting process, and the federal NEPA process, which will be initiated if NDM proceeds to file applications to construct and operate a mine. NDM currently indicates that it intends to make such applications in 2008.