



July 2, 2014

Phyllis Beaulieu  
Manager of Licensing  
Nunavut Water Board  
PO Box 19  
Gjoa Haven NU X0B 1J0

**Re: Baffinland Response to Interveners' Submission on Renewal and Amendment  
Application for 8BC-MRY1314**

Dear Phyllis,

Baffinland would like to respond to the following interveners submissions received on June 30th 2014.

In response to QIA Letter issued June 20<sup>th</sup> 2013 Re: Application for Renewal and amendment to Type B Water Licence 8BC-MRY1314, Baffinland would like to issue the following response.

***Baffinland Response:***

The estimated security required for the reclamation and closure of the scope of work conducted under the Type 'B' Licence 8BC-MRY1314 is based on the level of information available at the time of the submission. This reclamation and security estimate is subject to change as the level of information available increases and based on the results of ongoing consultations on the scope of work, basis of estimate, and standardization of reclamation activities and costs with the QIA. Therefore, Baffinland proposes that the scope of work captured under the Type B Water Licence be captured in the next Annual Security Review (ASR). This process will also facilitate transparency, communication and allow for a mechanism to ensure all key stakeholder feedback is recognized. The ASR process is conducted in accordance with Schedule C of Type "A" water license 2AM-MRY1325 and Section 9.2 of the Commercial Lease, No. Q13C301, agreed to between Baffinland and the QIA and includes consultation with Land-owners and other key stakeholders. The planned schedule of the ASR Process, as defined by Type A Water Licence, 2AM-MRY1325 Item #1, Part b), results in a determination that would allow for these adjustments to be established before the completion of the Type 'B' Water Licence scope of work to ensure full security liability would always be maintained.

In responses to AANDC Letter issued June 20<sup>th</sup> 2014 Re: 8BC-MRY1314 – Baffin Iron Mines Corporation – Mary River Site Preparation Project – Renewal and Amendment Application, Baffinland would like to issue the following responses.

***Item 4: Water Use***

The hydrological assessment completed by Knight Piesold on behalf of Baffinland (Appendix 4) determined that the daily withdrawal rate of 367.5 m<sup>3</sup> / day (68.5 m<sup>3</sup> / day allowed under 2AM MRY1325 and 299 m<sup>3</sup> / day proposed under 8BC-MRY1325) will have minimal impact on the river flows and lake levels. The hydrological assessment is based on the extrapolation of data obtained from a gauged tributary to Phillips Creek in 2006 to 2008, and 2011. More information is requested on the field verification methods used to confirm that

the hydrological modeling completed for the Phillips Creek monthly discharge accurately reflect the hydrological conditions for the Phillips Creek watershed.

***Baffinland Response:***

The hydrological assessment is based on the same hydrology data and assessment methods applied in the FEIS and FEIS Addendum, supported by the Baseline Hydrology Report included as Appendix 7A of the FEIS. Field verification methods used for deriving the flow estimates are described in this baseline report.

***Item 6: Monitoring***

Schedule I of 2AM-MRY1325 includes a monitoring station for bulk sample stockpile area seepage. Laydown areas were constructed under 8BCMRY1314 using crushed ore from the bulk sampling stockpile under 2BBMRY1114. In their response to the 2013 AANDC Inspection Report submitted in the 2013 Annual Report, Baffinland commits to monitoring downstream of crushed ore stockpiles (monitoring of bulk sample stockpile area seepage is currently required under Schedule I of 2AM-MRY1325). It is understood that the potential for acid rock drainage (ARD) or metal leaching (ML) was low in 2007 and that monitoring would be implemented to confirm this. AANDC requests an update from Baffinland on the potential for the crushed ore for ARD or ML and clarification as to whether additional monitoring will be required to fully characterize potential impacts from the laydown areas.

***Baffinland Response:***

Monitoring of the stockpiles since 2008 has indicated minimal runoff with no exceedances of metals and no indication of acid generation. Given that the ore naturally occurs in a stable and oxidized state, these results were expected and are unlikely to change with time. Based on the several years of monitoring, Baffinland does not believe that further monitoring is required for the laydown area at Milne Port.

***Item 9: Reclamation Cost Estimate***

The Minister of AANDC currently holds security of \$122,019 for water licence 8BC-MRY1314. Baffinland estimated a financial liability of \$279,000 for ERP in their 2014 Work Plan submitted for the Annual Security Review. Baffinland estimates a total of \$146,826.10 (\$122,019.26 currently held by AANDC plus a proposed marginal increase of \$24,806.84) for closure and reclamation activities required under the proposed amendment. More details are required to confirm that all reclamation activities associated with the Type B water licence are included in the calculation of the reclamation cost estimate. For instance, clarification is requested on whether the reclamation cost estimate (\$164,826.10) includes activities such as building and associated infrastructure removal and municipal effluent disposal costs, in the event that the reclamation activities are required prior to the carry-over of the Type B water licence activities into the proposed Type A amended water licence.

Section 2.0 of the A&R memo notes that ERP facilities related to the on-land ore stockpiling and loading facilities were captured in the 2014 Marginal Closure Cost Estimate. AANDC confirms that the ore stockpile reclamation costs have been considered under the 2014 Marginal Reclamation and Closure Security under the Milne Port estimates as "Other (ore stock pile pad)". However, it is unclear whether the ship loading facility, the sedimentation

ponds associated with the ore stockpile and the ore conveying equipment are covered in the reclamation cost estimate.

**Baffinland Response:**

The estimated security required for the reclamation and closure of the scope of work conducted under the Type 'B' Licence 8BC-MRY1314 is based on the level of information available at the time of the submission. This reclamation and security estimate is subject to change as the level of information available increases and based on the results of ongoing consultations on the scope of work, basis of estimate, and standardization of reclamation activities and costs with the QIA. Therefore, Baffinland proposes that the scope of work captured under the Type B Water Licence be captured in the next Annual Security Review (ASR). This process will also facilitate transparency, communication and allow for a mechanism to ensure all key stakeholder feedback is recognized. The ASR process is conducted in accordance with Schedule C of Type "A" water license 2AM-MRY1325 and Section 9.2 of the Commercial Lease, No. Q13C301, agreed to between Baffinland and the QIA and includes consultation with Land-owners and other key stakeholders. The planned schedule of the ASR Process, as defined by Type A Water Licence, 2AM-MRY1325 Item #1, Part b), results in a determination that would allow for these adjustments to be established before the completion of the Type 'B' Water Licence scope of work to ensure full security liability would always be maintained.

If you have any questions please do not hesitate to contact me for additional information.

Sincerely,



Oliver Curran  
Director, Sustainable Development

CC:  
Sean Joseph (NWB)  
David Hohnstein (NWB)  
Damien Côté (NWB)  
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