

March 14, 2008

Mr. Spencer Dewar
Manager, Land Administration
Indian and Northern Affairs Canada
P.O. Box 100, Building 918
Iqaluit, Nunavut
Canada, X0A 0H0

Re: Land Tenure for the Mary River Project - Mine Development Phase

Dear Mr. Dewar:

Baffinland Iron Mines Corporation (Baffinland) is pleased to submit its application for land tenure supporting mine development at Mary River.

This letter and the attached application are also accompanied by Baffinland's Development Proposal (March 2008), outlining the Company's plans for mine development. As described in the Development Proposal, the mine will consist of the following:

- An 18 million tonne per year iron ore mine developing Deposit No. 1 as an open pit
- Construction of mine support facilities at Mary River
- Construction of a 143-km long railway from Mary River to Steensby Inlet
- Establishment of quarries and borrow areas along the rail line, as well as construction access roads, to facilitate rail construction
- Establishment of temporary camps during the construction phase
- Construction of a port consisting of rail off-loading facilities, ore stockpiles, ship loading facilities and docks, rail servicing facilities, accommodations, and an airstrip, all of which is located on Crown Land
- Use of the existing Milne Inlet tote road as a winter road, a portion of which traverses Crown Land

Project components that will be located on Crown Land include most of the railway; quarries; borrow sources; access roads and camps used during construction; the Steensby Inlet port and related facilities; and a small portion of the Milne Inlet Tote Road south of Katiktok Lake. Figure 1.2 of the Development Proposal shows land tenure in the region, in relation to the various Project components.

Various forms of land tenure are required to support mine construction and operations phases of the project. It is Baffinland's understanding that the portions of the project footprint that will be used only during the 4-year construction phase may be subject to a Class A land use permit. This includes Project features such as access roads, camps, and aggregate sources that will be used only during construction. For project development areas that will be used beyond the construction phase, Baffinland requests leases that will provide the certainty and exclusive use required. This will include the railway right-of-way, port site, and any aggregate sources identified for use into the operations phase of the Project.

The following land tenure requirements have been delineated for project activities on Crown Land, along with requested land tenure instruments in accordance with the *Territorial Lands Act*.

Railway

Baffinland is requesting a Land Lease from the onset of construction that will encompass the railway right-of-way (ROW) required for rail operation. A Land Lease, as opposed to an initial Land Use Permit or an Easement is required for certainty of land control required for Project financing.

The railway route has been defined from Mary River to the proposed port site at Steensby Inlet, and the current alignment is shown on Drawings in Appendix E1 of the Development Proposal. The total length of the railway to be on Crown Land is estimated at 117.3 kilometres. The physical footprint along the length of the proposed railway footprint ranges from a minimum width of 13 metres from toe to toe of the embankment to a maximum of 200 metres wide, with the average width of the railway footprint ranging from 30 to 50 metres. For the purpose of a land lease, a 60 m right-of-way (ROW) along the length of the alignment is appropriate for most (approximately 80%) of the length of the railway traversing Crown Land. Exceptions to a 60 m ROW are required for areas of larger embankment, slope treatments, large rock cuts, or major water crossings; these areas are shown in Appendix E1 of the Development Proposal. Additional railway lease areas are required to include railway-related facilities at the port (Figure 1).

The approximate railway lease area is described as follows:

- Approximately 950 ha of land for the railway mainline based on a 117.3 km length and a 60 m ROW adjusted for areas of exceptions as shown on the drawings
- Approximately 200 ha of land at the port terminal

The total lease area for the railway is in the order of 1,150 ha. The drawings provide a detailed breakdown of the exceptions based on the current alignment. Since both the alignment and the embankment height/width are dependent on ground conditions, ongoing geotechnical work over the next three years may result in changes to sections of the alignment. As such, although the lease is required from the onset, the boundaries of the lease will only be defined after construction.

Additionally, several of the quarries used during construction (described below) will continue to be used throughout operations for railway maintenance. BAL-1A, shown on Drawing DWG-5000-LT-008 in Appendix E1, is expected to continue to be used through operations, and would form part of the railway lease.

Additional shorter term land tenure is required for a larger construction footprint to encompass infrastructure and activities associated with the railway construction, including:

- A 40 metre allowance outside of the railway lease ROW to encompass the construction access road where it is built adjacent to the rail line
- A ROW measuring 40 metres either side of the construction access road centreline where the road deviates from the railway alignment along Cockburn Lake
- Areas required for up to four proposed construction camps along the railway alignment

In addition, continued land tenure will be required for periodic use of the 4.7 km section of the Milne Inlet Tote Road over Crown Land.

Quarry permits will be required for the 41 rock quarries identified on Crown Land for use during railway and port construction, as shown on Table 3.1 of the Development Proposal. Estimates of aggregate required from each aggregate source are also listed in Table 3.1, and is conservatively based on the assumption that one in three identified quarries will be suitable material for construction. Additional geotechnical and geochemical testing in 2008 will confirm aggregate quality and volumes from each source. As mentioned above, one of the quarries, BAL-1A, is expected to be used through the operation phase as well.

Steensby Inlet Port Site

A Land Lease will be required which encompasses infrastructure and activities associated with the port throughout the life of the Project. The proposed lease area is a 1 km buffer around all project infrastructure at the port, excluding the railway lease areas. The area requested for the port site land lease is approximately 1,950 ha.

In addition, a waterlot lease is required for the near shore areas around proposed docks. This area will be defined upon further discussion with INAC.

Pre-Construction Staging

As described in the Development Proposal, Baffinland is proposing to stage equipment, fuel and materials at Steensby Inlet during the summer of 2009, prior to receiving regulatory approval for mine development and for which a Class A Land Use Permit will be required. Pre-construction staging of equipment, fuel and materials is a critical path item for construction. The staging activity is described in the Development Proposal with supplemental information included as Appendix F.

Summary of Land Use Requirements

An Application for Land Use Permit is appended to this letter. The estimated areas of Crown Land to be used are provided as follows:

- Land Leases
 - Rail alignment lease - estimated at 1,150 ha
 - Steensby port site area lease – estimated at 1,950 ha
 - Steensby port waterlot lease – area and bounds to be determined
- Class A Land Use Permit or Lease
 - Staging areas, construction camps and construction access roads associated with the railway and port
 - The 4.7 km section of the Milne Inlet Tote Road over Crown Land
- Quarry Permits
 - 41 short-term quarries and borrow sources for rail, port and camp construction
 - Long-term quarry for operation and maintenance – quarry BAL-1A

The railway, port and waterlot leases are requested to commence immediately upon receipt of a Project Certificate enabling federal authorities to issue permits and licenses and be valid for a term ending December 31, 2043 which will encompass construction, operation, reclamation and post-closure monitoring Project phases. For construction-related activities, quarries, and use of the Crown Land portion of the Milne Inlet Tote Road, land use permit(s) or lease(s) and quarry permits are requested for a minimum 5-year term, to encompass the 4-year construction phase of the Project as well as a period for progressive reclamation of construction facilities and areas early in construction.

The footprint of the Project on Crown Land is greater than 640 acres, requiring that an Order-in-Council be obtained from Cabinet before the Minister of INAC can issue the leases. We look forward to initiating negotiations for the leases as soon as possible within the regulatory phase so as to reduce the work and time required to receive the leases and permits following issuance of the Project Certificate.

Closure

We trust the enclosed information is sufficient for INAC to process our application for land tenure and scope a future environmental review. Please do not hesitate to contact the undersigned at 416-814-3171 or derek.chubb@baffinland.com.

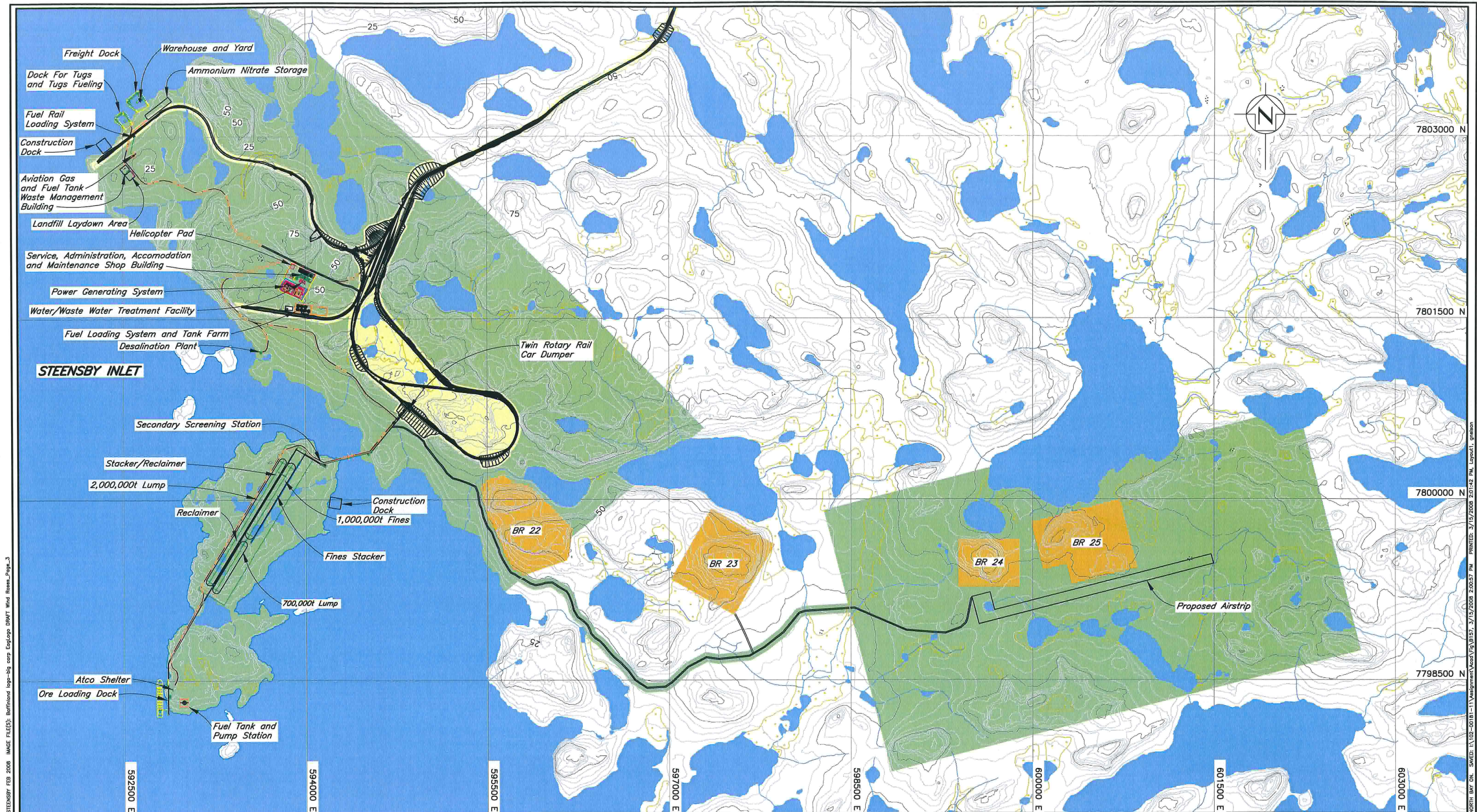
Best Regards,
Baffinland Iron Mines Corporation

A handwritten signature in blue ink, consisting of a stylized 'D' followed by a cursive 'C' and a small dot.

Derek Chubb
VP, Sustainable Development

Attachments:









- Figure 1 - Steensby Port Proposed Lease Boundaries (1 page)
- Attachment 1 - Application for Land Use Permit - Completed (4 pages)



XREF: FILE(S): STEENSBY_2; STEENSBY; AKER STEENSBY; FEB 2008; IMAGE FILE(S): Baffinland; log-log; corp; Eng; Corp; DRAFT; Wind; Rows; Page_3

NORTH: BAY ON; SAVED: 11-02-00181-11; Assignment; Area; VEG; B157; 3/15/2008; 2:00:57 PM; PRINTED: 3/15/2008; 2:01:42 PM; Layout1; gnslen

LEGEND:

- | | |
|---|--|
|  Water |  Proposed Lease Boundary for Port |
|  Wetland |  Proposed Lease Boundary for Railway |
|  River/Stream/Drainage |  Boundaries of Proposed Rock Quarries |
|  Direction of surface water runoff | |
|  Contour | |

NOTES:

1. Topography provided by Eagle Mapping (2005).
2. Coordinate grid is shown in UTM (NAD83) Zone 17 and is in metres.
3. Contours are in metres. Contour interval is 5 metres.
4. Steensby Inlet Infrastructure provided by Aker Kvaerner Drawing No. DWG-0000-G-0003.

Scale 300 150 0 300 600 900 1200 1500 Metres



MARY RIVER PROJECT

**STEENSBY PORT
PROPOSED LEASE BOUNDARIES**

**Knight Piésold
CONSULTING**

P/A NO.	REF.	REV.
NB102-00181/11	NB08-00149	0

FIGURE 1



Indian and Northern Affairs Canada
Affaires Indiennes et du Nord Canada

**APPLICATION FOR LAND USE PERMIT
DEMANDE DE PERMIS D'UTILISATION DES TERRES**

Office use only - Réservé pour usage interne seulement

Application fee - Droits de demande de permis Land use fee - Droits d'utilisation des terres General receipt no. - N° de reçu Date Class - Catégorie Permit no. - N° de permis

To be completed by all applicants - A remplir par tous les requérants ➤

New application

Amendment X N2006C0036

1. Applicant's name and mailing address (Full name, no initials) - Nom et adresse du ou des requérant (s) Nom au complet, pas d'initiales)

Derek Chubb, VP Sustainable Development
Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West
Toronto, Ontario M5H 1T1

Fax no. - N° de téléopieur
(416) 364-0193

Telephone no. - N° de téléphone
(416) 814-3171

2. Head office address - Adresse du siège social

Suite 1016, 120 Adelaide Street West
Toronto, Ontario M5H 1T1

Fax no. - N° de téléopieur
(416) 364-0193

Telephone no. - N° de téléphone
(416) 364-8820

Field supervisor - Chef de chantier

Radio telephone - Téléphone-radio

Rod Cooper, VP Operations and Chief Operating Officer

Telephone no. - N° de téléphone
(416) 814-3158

3. Other personnel (Subcontractor, contractors, company staff, etc.) - Autre personnel (sous-Traitants, entrepreneurs, personnel desociété, etc.)

Refer to Section 1.4 of the Development Proposal

TOTAL: Refer to Section 5 of the Development Proposal

4. Qualifications - Titres No(s) exploration permit mineral claims – if applicable
N°(s) des permis d'exploration minière, s'il y a lieu
2483, 2484, 2485

Refer to Section 21 - Territorial Land Use Regulations
Consultez l'article 21 - du Règlement sur l'utilisation des terres territoriales

a(i) ☐ a(ii) ☐ a(iii) ☐ b ☒ c ☐

5. a) Summary of operation (Describe purpose, nature and locations of all activities - refer to Section 22 (2) (b) - Territorial Land Use Regulations). (Use last page of form if additional room is required).
Résumé des opérations (exposez le but, la nature ainsi que l'emplacement de toutes les activités - consultez l'article 22 (2)(b) - du Règlement sur l'utilisation des terres territoriales). Utilisez la dernière page du formulaire si vous avez besoin d'espace supplémentaire).

Refer to the Executive Summary of the Development Proposal



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- b) Please indicate if a camp is to be set up (Use last page to provide details).
Indiquez si un camp doit être aménagé (Utilisez la dernière page pour donner des détails).

Yes, refer to Sections 2, 3, and 4 of the Development Proposal

-
6. Summary of potential environmental and resource impacts (Describe the effects of the proposed program on land, water, flora & fauna and related socio-economic areas (Use separate pages if necessary)
Résumé des conséquences possibles sur l'environnement et les ressources (décrire les effets du programme proposé sur les terres, l'eau, la flore et la faune et les domaines socio-économiques connexes (Utilisez des pages supplémentaires au besoin)

To be addressed in a future Environmental Impact Statement (EIS)

-
7. Proposed restoration plans (please use last page if required) - Plans proposés de remise en état des terres (au besoin, utilisez la dernière page).

Conceptual restoration plans are presented in Section 4.6 of the Development Proposal. A more detailed plan will accompany a future EIS.

-
8. Other rights, licenses or permits related to this permit application (mineral claims, timer permits, water licences, etc.)
Autres droits, autorisations ou permis associés à cette demande de permis (claims miniers, permis de coupe, permis d'exploitation hydraulique, etc.)

Exploration being conducted under Class A Land Use Permit #N2007F0004, on mining leases 2483, 2484 and 2485.

Renewals of the Commercial Lease for Inuit Owned Lands No. Q07L3C001 and the Type B Water License #2BB-MRY0710 are being sought.

- | | | | |
|---------|--|---|--|
| Roads | Is this to be a pioneered road?
Please provide details on back page | Has the route been laid out of ground truthed? | Has funding been applied for i.e. RTAP? |
| Routes: | <input checked="" type="checkbox"/> La route doit-elle être aménagée?
Donnez les détails sur la dernière page | <input checked="" type="checkbox"/> La tracé a-t-il été établi et le terrain nivelé ? | <input type="checkbox"/> Avez-vous demandé du financement? |

-
9. Proposed disposal methods - Méthodes d'élimination proposées

- | | |
|---|--|
| a) Garbage:
Ordures: | c) Brush & trees: Not applicable
Broussailles et arbres: |
| b) Sewage (Sanitary & Grey Water):
Eaux usées (Eaux d'égout et eaux ménagères)
déchets, etc.) | d) Overburden (Organic soils, waste material, etc.):
Terrain de recouvrement: (Dépôts organiques, |

Refer to Sections 2, 3 and 4 of the Development Proposal for proposed disposal methods for garbage, sewage and overburden.

-
10. Equipment (includes drills, pumps, etc.) (Please use last page if required)
Matériel (comprend foreuses, pompes, etc.) (Utilisez la dernière page au besoin)

Type & Number - Type et nombre	Size - Dimension	Proposed use - Utilisation proposée
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Refer to Sections 2, 3 and 4 of the Development Proposal



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The above equipment will operate on Crown lands between Milne Inlet and Mary River, at Steensby Inlet or between Mary River and Steensby Inlet. Additional equipment is on IOL at the Mary River Site and surrounding area.

11.

Fuels - Combustibles	Number of containers - Nombre de réservoirs	Capacity of containers - Capacité des réservoirs

Refer to Sections 2, 3 and 4 of the Development Proposal

12. Containment fuel spill contingency plans (Please attach separate contingency plan if necessary)
Plans d'urgence d'isolement de carburant en cas de déversement (veuillez joindre un plan d'urgence distinct au besoin)

A Spill Contingency Plan is in place for current exploration activities. The Spill Contingency Plan will be updated as required.

13. Methods of fuel transfer (To other tanks, vehicles, etc.) - Méthodes de transfert des combustibles (vers d'autres réservoirs, véhicules, etc.)

Refer to Sections 2, 3 and 4 of the Development Proposal

14. Period of operation (includes time to cover all phases of project work applied for, including restoration)
Période d'opération (comprend toute période du début à la fin des projets, y compris la remise en état)

Refer to the Executive Summary of the Development Proposal

15. Period of permit (up to two years, with maximum of one year extension)
Période du permis (valable pour une durée de deux ans et prolongation maximale d'un an)
Start date - Date du début du projet Completion date - Date d'achèvement

Refer to accompanying letter; several forms of land tenure being sought.

16. Location of activities by map co-ordinates (attached maps and sketches)
emplacement de activités selon les coordonnées géographiques (cartes et esquisses ci-jointes)

Refer to figures in the Development Proposal

MN Lat Deg: 70 MN Lat Min: 16 MAX Lat Deg: 80 MAX Lat Min: 28

MN Long Deg: 77 MN Long Min: 19 MAX Long Deg: 80 MAX Long Min: 13

Map Sheet No.

N°de feuille de carte ➤ 37F, 37G, 47H



Indian and Northern Affairs Canada
Affaires Indiennes et du Nord Canada

17. Applicant - Requéant

Print name in full - Ecrivez votre nom au complet en lettres majuscules

March 14, 2008

	Signature	Date
18. Fees - Droits	<input type="checkbox"/> Class A \$150.00 <input type="checkbox"/> Class B \$150.00	\$

Land use fees:

Droits d'utilisation des terres (Less than or equal to 2 ha) \$

(Each additional ha or portion of a ha in excess of 2 ha) __ Hectare @ \$50.00 = \$

Total application and land use fees

Total des droits de demande de permis et d'utilisation des terres \$

Fees to be confirmed through discussions with INAC.

Office use only - Réservé pour usage interne seulement

19. Calculation of area involved (including access, staging areas, airstrips, campsites, etc.)

Calcul des aires en cause (comprend l'accès, les aires de transit, les pistes d'atterrissage, les camps, etc.)

Total area (Ha.)	Less 2 hectares	TOTAL (For fee calculation)
Superficie totale	Moins 2 hectares (-2)	(Aux fins du calcul des droits)

20. Application checklist - Vérification de la demande

- | | |
|--|--|
| 1. <input type="checkbox"/> Application signed and dated
Demande signée et datée | f) <input type="checkbox"/> Timber permit applied for
Permis de coupe du bois demandé |
| 2. <input type="checkbox"/> Fees attached
Droits ci-joints | g) <input type="checkbox"/> Fees attached
Droits ci-joints |
| c) <input type="checkbox"/> Map included
Carte incluse | h) <input type="checkbox"/> Lease applied for
Bail demandé |
| d) <input type="checkbox"/> Address and telephone number
Adresse et numéro de téléphone | |
| e) <input type="checkbox"/> Screening report
Rapport d'examen | |

Accepted by - Acceptée par _____ Date _____

Remarks - Remarques _____

21. Additional information (attach additional pages if necessary) - Renseignements additionnels (joindre des pages supplémentaires au besoin)