



March 14, 2008

Mr. John Amagoalik
Director of Lands
Qikiqtani Inuit Association
PO Box 1340
Iqaluit, Nunavut
Canada, X0A 0H0

Re: Request for a Production Lease and Quarry Concession to Support Mary River Project Mine Development

Dear Mr. Amagoalik:

Baffinland Iron Mines Corporation (Baffinland) is pleased to submit this request for land tenure to develop a mine 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 construction, operation and decommissioning of:

- An 18 million tonne per year iron ore mine developing Deposit No. 1 as an open pit
- Mine support facilities at Mary River
- A 143-km long rail line from Mary River to Steensby Inlet
- Temporary camps, access roads, quarries and borrow sources during the construction phase
- A deep sea port, operated year round, 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
- Upgrades and use of the existing Milne Inlet Tote Road to be used as a winter road, a portion of which traverses Crown Land

Project components that will be located on Inuit Owned Land (IOL) include the mine site, approximately 25 km of the railway, numerous quarries and borrow sources, corresponding access roads, and most of the Milne Inlet Tote Road. With the exception of potential re-alignments to the Milne Inlet Tote Road to allow passage of large construction equipment, all project components on IOL lie within the bounds of the current Commercial Lease.

Baffinland would like to enter into negotiations to transition the current lease to a new Production Lease for the development phase of the Project.

Baffinland Iron Mines Corporation

Suite 1016 120 Adelaide Street West, Toronto, ON Canada M5H 1T1

Tel: +1 (416) 364-8820 • Fax: +1 (416) 364-0193

www.baffinland.com

A quarry concession is also required to allow Baffinland to access the previously established borrow and quarry areas, for mine construction as well as new quarry locations along the proposed rail alignment, at locations shown on the rail alignment drawings in Appendix E of the Development Proposal. Estimated volumes of quarry and borrow materials required for the project is provided in Table 3.1 of the Development Proposal.

A preliminary form applying for access to Inuit Owned Land is attached. The Development Proposal provides a number of figures showing locations and some details of the various activities proposed for the project. More specifically, Figure 1.2 shows the boundaries of the IOL and Crown Lands in relation to the various Project components. The proposed Mary River site layout during operations is provided on Figure 4.5. The proposed quarry and borrow source locations on IOL are provided on Figures 1.2 and 3.3, and drawings in Appendix E1. Locations and infrastructure for each of these proposed activities, including the railway, are subject to modifications pending the outcome of geotechnical investigations, environmental studies and the outcome of the alternatives analysis and environmental review by the Nunavut Impact Review Board.

We look forward to developing this exciting project, in partnership with the QIA. 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:

- Application for Access to Inuit Owned Land, including Appendices A and B (10 pages)

QIKIQTANI INUIT ASSOCIATION

APPLICATION FOR ACCESS TO INUIT OWNED LAND

Office use only

Category	Application No:	Accepted By:	Date Accepted:
----------	-----------------	--------------	----------------

To be completed by all applicants

1. Applicant's name and mailing address (Full name, no initials or abbreviations)

Baffinland Iron Mines Corporation

Suite 1016, 120 Adelaide Street W., Toronto, Ontario M5H 1T1

Contact: Derek Chubb, VP Sustainable Development

Telephone no.

(416) 814-3171

Fax no

(416) 364-0193

2. Head Office address

Same as above

Telephone no.

(416) 364-8820

Fax no.

(416) 364-0193

3. Field supervisor and address if different from above

Rod Cooper, Vice President and Chief Operating Officer

Telephone no.

(416) 814-3158

4. Other personnel list (Subcontractors or contractors to be used)

Refer to Sections 1.4 and 5 of the Development Proposal

5. Location of activities by map coordinates. Attach **ORIGINAL** maps and sketches.

MAX Latitude	71 °	55'	--	MAX Longitude	81 °	00'	--
MIN Latitude	71 °	19'	--	MIN Longitude	78 °	59'	--

Map Sheet No: 37G, 47H

Inuit Land Parcel No: PI-16, PI-17, PI-19

Coordinate of camp (Mary River) Lat. 71 ° 19' 27 " Long. 79 ° 22' 44.6 "
Milne Inlet camp 71 ° 53' 0.7 " Long. 80 ° 54' 18 "

NOTE: Please specify projection, datum, and digital format. Please provide the data as an Arc Info cover, ArcView Shape file or an .E00 file.

6. Periods of operation; including periods of seasonal shut down and periods for restoration.

Refer to Appendix B1 of the Development Proposal

7. Period of access required (up to one or two years for licenses, depending on license level, up to five years for	Start date	Completion Date
---	------------	-----------------

residential/recreational leases and level I and II commercial leases, and up to forty years for level III commercial leases)

Upon obtaining Project
Certificate

3 1 1 2 2043

8. Other rights, licenses, permits or leases related to this application. Provide proof of rights or indicate if in the process of applying for rights.

- ☒ NTI Subsurface Right
☒ DIAND Subsurface Right
☒ NWB Water License

- ☐ NRI Research License
☐ RWED Tourism License
☒ Explosives Permit

- ☐ CWS Permit
☒ Other

Specify: QIA Quarry
Concession; INAC land use
and quarry permits

2BB-MRY0710

Mineral Leases: ML2483, 2484, 2485; MOU between Baffinland and NTI for exploration lands on PI-17

9. TYPE OF LAND USE ACTIVITY

Check off the appropriate land use activities.

Mining/Oil & Gas

- ☐ Staking and Prospecting
☒ Exploration (geophys-grd/air)
☒ Drilling (diamond/ice, etc)
☒ Mine (open pit, underground)
☒ Bulk fuel storage
Other: _____

Construction:

- ☒ Camp
☒ Building
☒ Winter road
☒ All Season road
☒ Quarrying
☒ Other: Railway and Various
Mine Infrastructure

Tourism:

- ☐ Tourism facility
☐ Outfitting
☐ Other _____

Municipality:

- ☐ Bulk Storage
☐ Residential Building
☐ Commercial Building
Other: _____

Research:

- ☐ Wildlife/fish/birds/marine
☐ Survey (grd/aerial/collars)
☐ Collection of species
☐ Research Satiation
Other: _____

Other:

- ☐ Commercial harvest
☐ Recreational Camp
☐ Other _____

Water Use

10. TYPE OF WATER USE

Select the kind of project for which you will use the water, and the type of water use

Undertaking

- ☒ Advanced Exploration
☒ Exploration Drilling
☐ Industrial
☒ Mine Development
☒ Power
☐ Remote/Tourism
Other: _____

Water Use:

- ☒ To Obtain Water
☒ To Modify the bed or bank of water course
☐ To Alter the flow of, or store water
☒ To Cross the Watercourse
☒ To Divert the Watercourse
☐ Flood Control
Other: _____

11. QUANTITY OF WATER INVOLVED

Please include the quantity of water to be used during the Land Use activity

Quantity of water to be used:

88,000

m³/year

Quantity to be returned:

79,000

m³/year

Water will be used for potable uses mainly; with small volumes used for dust control during summer. Water use during construction will be higher than operation and is therefore construction estimates have been used. Estimate is based on a peak camp occupancy at Mary River during construction of about 800 people, 65 people maximum at Milne Inlet, and a per capita water consumption of 250 Lpd (216 m³/day) plus up to 25 m³/day for miscellaneous uses (dust suppression, concrete manufacture).

12. WASTE

Describe the type of waste produced by the activity

- ☒ Bulky Items/Scrap metals
- ☒ Grey water
- ☒ Hazardous
- ☒ Sewage
- ☒ Sludge
- ☒ Solid waste
- ☒ Waste Oil

Other:

Describe:

- Bulky items/scrap metals are salvaged and removed off site for recycling or landfilled
- Sewage at camp locations will be treated in waste water treatment facilities
- Sewage sludge will be incinerated
- Greywater will be disposed of in waste water treatment facilities or in sumps
- Solid waste will be incinerated or landfilled
- Waste oil will be burned in waste oil burners
- Hazardous waste is temporarily stored and transported off site for disposal in a licensed facility

13. LAND USE PERMIT

Select Land Use Permit Issued

- | | |
|---|-----|
| <input checked="" type="checkbox"/> DIAND | yes |
| <input checked="" type="checkbox"/> Qikiqtani Inuit Association | yes |
| <input type="checkbox"/> Commissioner | |
| <input type="checkbox"/> Department of Environment | |

If not, date expected	Expires July 6, 2009, renewal with amendments submitted in November 2007. A subsequent application for the mine development to be submitted concurrent with this application to QIA.
If not, date expected	Expires October 31, 2009; an extension to the current lease will be required to bridge the current exploration with the amendment or new lease permitting mine development.
If not, date expected	
If not, date expected	

14. IMPACT

Predicted environmental impacts of undertaking and proposed mitigation measures (direct, cumulative impacts)

Describe:

To be addressed in a future Environmental Impact Statement

NPC conformity check Current activities on IOL received positive conformity check to the North Baffin Land Use Plan

Revised NOVEMBER 2004

NIRB Screening

<input type="checkbox"/>	Yes
<input checked="" type="checkbox"/>	No

If not, date expected

Expect screening of this and other applications to be completed by NIRB

Proposed Time Schedule

☒ Same as the Land Use

☐ Check for **Annual Work**, specify the days of operation [Leave unchecked for multi year work]
Start day Completion date

-
15. On a separate page, provide a NON-TECHNICAL project summary. This should include a non-technical description of the project proposal, no more than 300 words, in English and Inuktitut (Inuinaktun, in the West Kitikmeot). The project description should outline the project activities and their necessity, method of transportation, any structures that will be erected, expected duration of activity and alternatives considered. If the proposed activity fits into any long-term developments, please describe the projected outcome of the development for the area and its timeline.

Refer to the Executive Summary of the Development Proposal

16. Attach a detailed project description as outlined in APPENDIX A.

See Appendix A below

17. Land Use Application Fees:

- | | |
|---|--|
| <input type="checkbox"/> Land Use License I | <input type="checkbox"/> Commercial Lease I \$1000.00 |
| Inuit \$0 | <input type="checkbox"/> Commercial Lease II \$2500.00 |
| Non-Inuit \$100.00 | <input type="checkbox"/> Commercial Lease III \$5000.00 |
| <input type="checkbox"/> Land Use License II \$250.00 | |
| <input type="checkbox"/> Land Use License III \$500.00 | |
| <input type="checkbox"/> Residential/Recreational Lease | <input type="checkbox"/> Right of Way Agreement \$500.00 |
| Inuit \$0 | |
| Non-Inuit \$250.00 | |
| <input type="checkbox"/> Exemption Certificate \$0 | |

Land Use Area Calculation:

Milne Inlet Camp: 83.20 ha

Existing Tote Road: 801.21 ha

Borrow Source 1 (Includes Temporary Explosives Areas and Existing Tote Road): 355.49 ha

Rock Quarry 1: 89.47 ha

Borrow Source 2 (Includes Section of Tote Road): 229.16 ha

Borrow Source 3 (Includes Section of Tote Road): 352.46 ha

Deposit No. 4 Camp Lease Boundary (Includes Winter Road): 59.25 ha
Mine Area Surface Lease Boundary (Excludes Mining Leases): 7715.69 ha
Proposed Rail Alignment (allowing for 60 m wide ROW, plus 50% for exceptions): 236.6 ha

Total Area = 9,922.53 ha

Lease fees to be finalized during lease process

Note: The land use fee is for the amount of land used on an annual basis.

18. Water Application Fees:

Water License Application type:

- ☐ For Land Use license Class I
the corresponding *Water Application fee* is **\$50.00** per year plus **\$ 1** for Water use charge, *Volumetric fee*, **Total \$51** every year
- ☐ For Land Use License Class II
the corresponding *Water Application fee* is **\$250.00** every 2 years plus **\$ 1** for Water use charge, *Volumetric fee*, **Total \$251.00** every year
- ☐ For Land Use License III
The corresponding *Water Application fee* is **\$500.00** every 2 years and **\$26.35/1000m³** for Water Use charge *Volumetric fee*. **Total \$526.35** every year
- ☐ For Commercial Lease I
The corresponding *Water Application fee* is **\$50.00** and **\$ 26.35 /1000m³** for Water use charge, *Volumetric fee*. **Total \$76.35** every year
- ☐ For Commercial Lease II
The corresponding *Water Application fee* is **\$500.00** and **\$ 26.35 /1000m³** for Water use charge, *Volumetric fee*. **Total \$526.35** every year
- ☐ For Commercial Lease III,
The corresponding *Water Application fee* is **\$5000.00** and **\$ 26.35 /1000m³** for Water use charge, *Volumetric fee*. **Total \$5026.35** every year

Water application fees to be finalized during lease amendment process

Water Use Fee [Volumetric fee]: # volume water use (88,000 m³ annually) * \$26.35/1000m³ = \$ 2,319.68

Note: The water application type is related to the Land use application type. A water Protection fee will be charged according to the type and stage of the development project.

19. a) The Applicant request a Certificate of Exemption

☐

OR

b) The Applicant agrees to be bound by terms and conditions to be attached to the Inuit Land User License or Lease

☒

Sign name in full:



Signature

March 14, 2008

Date

Note: Schedule B should be Included

APPENDIX A

All applicants must provide a detailed project description that includes ALL of the following:

1. Outline project activities, their necessity, their expected duration and alternatives considered. If the proposed activity fits into any long-term developments, describe the projected outcome of the development for the area and its timeline.

Refer to the Executive Summary of the Development Proposal

2. Schedule of activities including both operations and shutdowns.

Refer to the Executive Summary of the Development Proposal

3. Provide a preliminary plan showing the location of the lands proposed to be used and an estimate of their area in hectares. The preliminary plan should show the approximate location of all:

- i) existing or new lines, trails, rights-of-way and cleared areas proposed to be used in the exercise of the Right;
- ii) buildings, campsites, air landing strips, air navigation aids, fuel and supply storage sites, waste disposal sites, excavations, ponds, reservoirs and other works and places proposed to be constructed or used during the exercise of the Right;
- iii) manmade structures and works, including bridges, dams, ditches, highways, roads, transmission lines, pipelines, survey lines and monuments, air landing strips; all topographical and natural features, including eskers, rivers, streams, lakes, inland seas and ponds; and all areas of biological interest, including wildlife and fish habitat, specifically, calving, denning, spawning or nesting areas, identified in consultation with the NWMB, RWO, or HTO, as appropriate, that may be affected by the exercise of the Right; and
- iv) the accurate location of all carving stone, archaeological sites, and archaeological specimens.

Refer to Figures 1.4, 4.1, 4.2 and 4.3 of the Development Proposal

4. Provide a list of structures that will be erected.

Refer to Sections 3 and 4 of the Development Proposal

5. Equipment to be used, indicating type and number, size and ground pressure and proposed use. Include all drills, pumps, vehicles etc.

Refer to Sections 3.2, 4.1, 4.2 and 4.3 of the Development Proposal

6. Fuels to be used, capacity of containers and number of litres. Include diesel, gasoline, aviation fuel, propane and other fuel types. Describe method of fuel transfer.

Refer to Sections 3.2, 4.1, 4.2 and 4.3 of the Development Proposal

7. Provide a copy of fuel spill contingency plan.

A Spill Contingency Plan is in place for current exploration activities. An updated Spill Contingency Plan will accompany a future Environmental Impact Statement.

8. Describe the methods of transportation.

Refer to Sections 3.2, 4.1, 4.2 and 4.3 of the Development Proposal

9. Indicate the components of the environment that are near the project area, as applicable. Include the type of species, the important habitat area (calving, staging, denning, migratory pathways, spawning, nesting etc.), and the critical time periods (calving, post-calving, spawning, nesting, breeding etc.). Also, include information on eskers, communities, and historical/archaeological sites.

To be addressed in a future Environmental Impact Statement

10. Summary of potential environmental, wildlife and resource impacts and mitigation measures to be used. Describe the effects of the proposed program on lands, water, flora and fauna.

To be addressed in a future Environmental Impact Statement

11. Reclamation cost analysis for advanced exploration activities.

A reclamation cost analysis for current exploration and bulk sampling activities has been prepared and submitted to the Nunavut Water Board. This cost has been accepted by the QIA and a letter of credit for \$5.407 M is in place through the QIA lease.

12. Proposed reclamation plan, that includes, but is not limited to the proposed methods and procedures for the progressive:

- i) removal of all structures, equipment, and other manmade debris;
- ii) rehabilitation of the area to its previous standard of human utilization and natural productivity;
- iii) replacement of overburden and soil;
- iv) grading of the area back to its natural contours; and
- v) re-establishment, to the extent possible, of flora.

Include information about on going site remediation throughout the duration of the project.

Refer to Section 4.0 of the Development Proposal

13. Indicate the number of Inuit to be employed, the Inuit firms to be contracted, and the socio-economic benefits to the area.

Refer to Section 6 of the Development Proposal

In addition to the above requirements, COMMERCIAL LEASE APPLICANTS must provide the following information:

- If the land is surveyed, state the lot and block number. If unsurveyed, state the size of the parcel and general area. Provide a detailed description and detailed sketch of the area applied for.
- Describe the type of commercial use.

A Commercial Lease is currently in place covering the majority of the lands proposed for mine development. Refer to the Executive Summary, Section 1.2 and Figures 1.4, 4.1 and 4.3 of the Development Proposal.

In addition to the above requirements, RESIDENTIAL/RECREATIONAL LEASE APPLICANTS must provide the following information:

- If the land is surveyed, state the lot and block number. If unsurveyed, state the size of the parcel and general area. Provide a detailed description and detailed sketch of the area applied for.
- For what purposes will the land be used? Describe any buildings or improvements on this land. What is the value of the improvements on the land and who is the owner of the improvements.
- Provide a list of improvements planned for construction, the value of these improvements and within how many months of the effective date of the lease these improvements be finished.

In addition to the above requirements, QUARRY LICENSE or QUARRY CONCESSION AGREEMENT applicants must provide the following information:

- A description by meters and bounds of the land applied for;

Refer to the attached letter and to Figures 1.4, 4.1 and 4.3 of the Development Proposal

- The name of the specified substances that the applicant desires to remove from the area; and

Refer to the Sections 3.2.3 and 3.3.3 of the Development Proposal

- A sketch showing clearly the position of the parcel in relation to a survey monument, prominent topographical feature or other known point and shown in its margin, copies of the markings on the posts or cairns.

Refer to Figures 1.3, 1.4, 4.1 and 4.3 of the Development Proposal

- If for commercial use, the description shall contain an affidavit sworn by the applicant setting forth:
 - i) that the land contains material of the kind applied for in merchantable quantities;
 - ii) that the volume of specified substances are required for a project that has been approved by the appropriate level of government; and

- iii) that the applicant has obtained a contract for the delivery of those Specified Substances.

Please prepare this project description on a separate sheet of paper and attach it to your application form marked as APPENDIX A. Return the original, signed and dated application form, with attached APPENDICES A and B and all ORIGINAL maps of the area to the QIA Lands Office at Box 1340, Iqaluit, NU, X0A 0H0.