

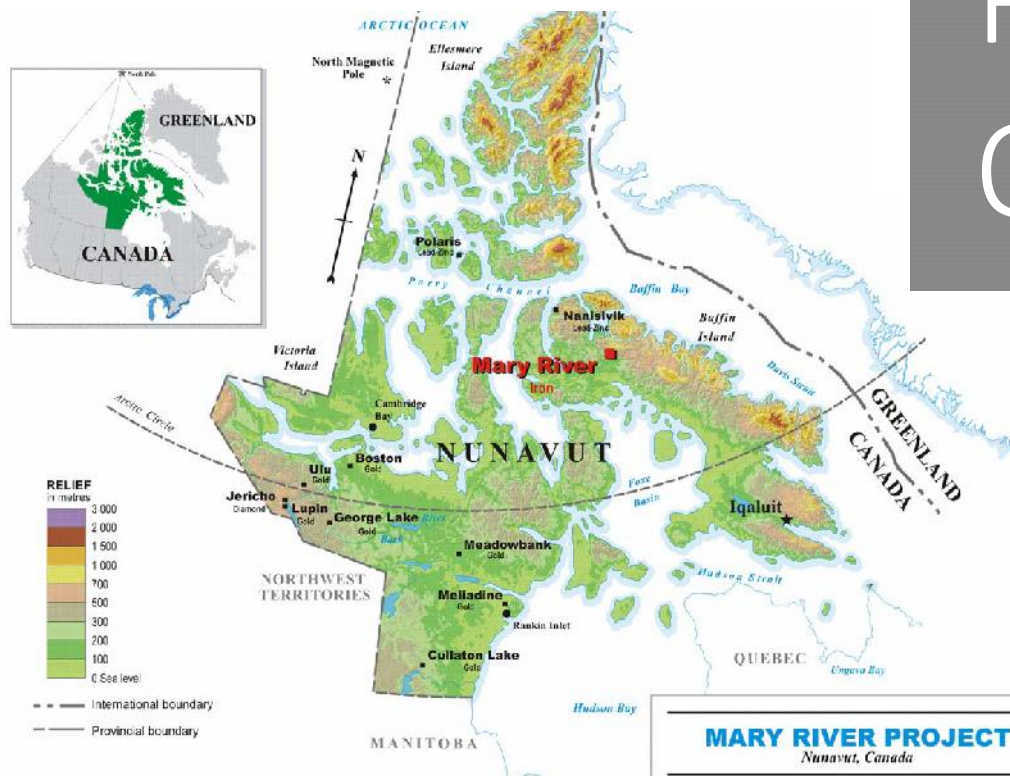


Mary River Project

Nunavut Water Board – Mining Day – Jan. 17, 2018

Andrew Vermeer

Project Overview



Background

- The Mary River Project is amongst the highest iron ore quality and quantity worldwide
- Resource estimates to date, in measured and indicated categories, total more than 350 million tonnes at an average grade of 64% iron.
- Baffinland has proposed a phased approach to develop the Project's iron ore deposits
- Current Operations: Early Revenue Phase (ERP)
- ERP mining operations at Deposit 1 commenced in 2014.
- Due to the high grade of the iron ore, no processing besides crushing is required, resulting in no tailings being generated in the development of Deposit 1
- Operated Project sites:
 - Mary River Mine Site
 - Tote Road
 - Milne Port



Current Operations – Early Revenue Phase



Current ERP operations consists of:

- ❑ Blasting and mining ore from Deposit 1
- ❑ Crushing ore at the Mary River Mine Site
- ❑ Trucking ore to Milne Port using the Tote Road
- ❑ Shipping ore from Milne Port to markets during the open water season (July 15 to October 15)



Mining of Deposit 1
(October 2017)



Milne Port - Shipping Ore to European Markets (October 2017)

A wide, shallow river with many rocks and a rocky bank. The water is a light blue-grey color, and the riverbed is covered with numerous dark, rounded rocks of various sizes. The right bank is steep and rocky, with some sparse green vegetation. The left bank is also rocky and covered with a layer of grey gravel. The overall scene is a natural, rugged landscape.

Current Water Licences

Water Licences

Baffinland currently has two water licences issued by the Nunavut Water Board (NWB)

- Type “A” Water Licence – 2AM-MRY1325 (Amend. 1)
 - Scope of Licence
 - Current Early Revenue Phase operations
- Type “B” Water Licence – 2BE-MRY1421
 - Scope of Licence
 - Exploration Activities – drilling and establishment of satellite exploration camps
 - Geotechnical drilling to support ongoing engineering studies (i.e. Phase 2)
- Baffinland is considering submitting an application for an additional Type B Licence for Baffinland’s Ege Bay prospect

Enforcement Actions

Since mining operations began in 2014, Baffinland has received the following enforcement actions:

- Fisheries Act Direction (June 2016)
 - Sedimentation concerns at the Mine Site and along the Tote Road
- INAC Inspector's Letter of Non-Compliance (June 2016)
 - Deficient surface water management infrastructure for the Milne Port Ore Stockpile Pad
 - Sedimentation concerns along the Tote Road
- INAC Inspector's Direction (June 2017)
 - Construction of a camp pad at Milne Port on an ephemeral drainage path
- INAC Inspector's Direction (September 2017)
 - Release of non-compliant surface water runoff from Waste Rock Stockpile Facility

Corrective Actions Taken and Planned

Baffinland is committed to resolving concerns highlighted by the enforcement actions and has taken several corrective actions to address identified concerns.

- Fisheries Act Direction (June 2016) - **Status:** Ongoing
 - Developed and commenced the implementation of Dust and Sedimentation Mitigation Action Plans
 - Ongoing upgrades to Project surface water infrastructure
- INAC Letter of Non-Compliance (June 2016) – **Status:** Ongoing
 - Completed surface water ditching around Milne Port Ore Stockpile Pad in July 2016
 - Developed and commenced the implementation of the Sedimentation Mitigation Action Plan
- INAC Inspector's Direction (June 2017) – **Status:** Ongoing
 - Completed construction of surface water diversion ditch around camp pad
 - Construction Summary Report in development
- INAC Inspector's Direction (September 2017) – **Status:** Ongoing
 - Baffinland has retained Golder Associates to develop an action plan to address outstanding concerns regarding the Waste Rock Stockpile Facility

Standard Submissions

Standard Water Licence Submissions

Submission	Description	Water Licence	Submission Date
Monthly Monitoring Reports	Provides monthly water take and discharge volumes and results for prescribed water quality monitoring.	Type A Water Licence	30 days following the month being reported.
Modification Request	Required to modify or construct new waste or water management infrastructure.	Type A Water Licence Type B Water Licence	As required.
Biannual Geotechnical Inspection Reports	Inspections of earthworks, geological and hydrological regimes of the Project during the summer.	Type A Water Licence	60 days following each inspection.
Annual Work Plan & Marginal Security Estimate	Outlines planned activities for the upcoming year and provides a marginal estimate for reclamation security for planned activities.	Type A Water Licence	October 31 st
Annual Report	Includes annual reporting requirements as outlined each water licence.	Type A Water Licence Type B Water Licence	March 31 st

An aerial photograph of an industrial facility, likely a port or refinery, situated in a cold, snowy environment. The facility features large storage tanks, processing units, and a network of roads and pipelines. Several ships are visible in the water, including a large red and white tanker and several smaller vessels. The surrounding landscape is covered in snow and ice, with mountains visible in the background under a cloudy sky.

Annual Work Plan & Security Review

Annual Work Plan & Security Review Process

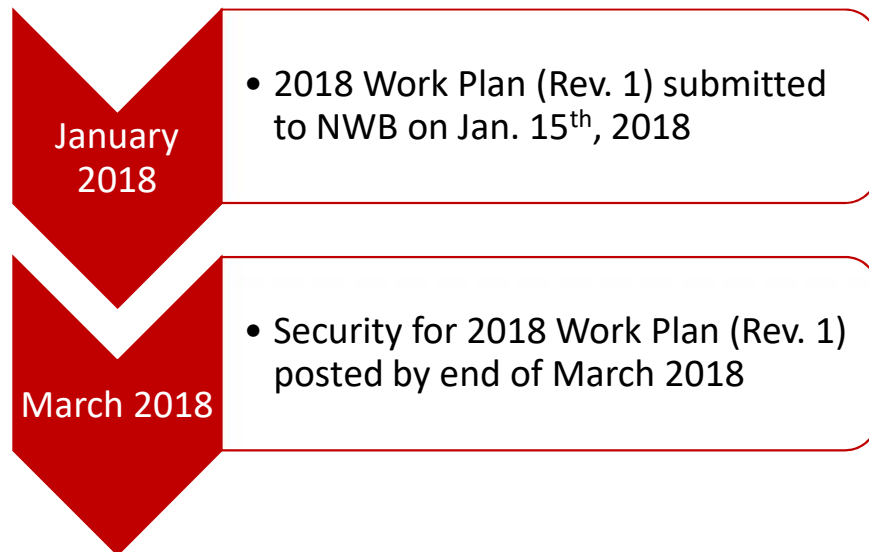
- Under the Type A Water Licence, Baffinland is required to submit an Annual Work Plan to the NWB by Oct. 31st of each year.
- Work Plan outlines planned activities for the upcoming year and provides an estimate for additional reclamation security required for proposed activities.
- The Qikiqtani Inuit Association (landowner) and Indigenous and Northern Affairs Canada (INAC) review the Work Plan and submit their own reclamation security estimates to the NWB.
- NWB acts a mediator between parties in the security review process and makes the ultimate determination on the amount of marginal security required.
- Reclamation security for the current year typically posted by the end of March each year.

2018 Work Plan & Security Review

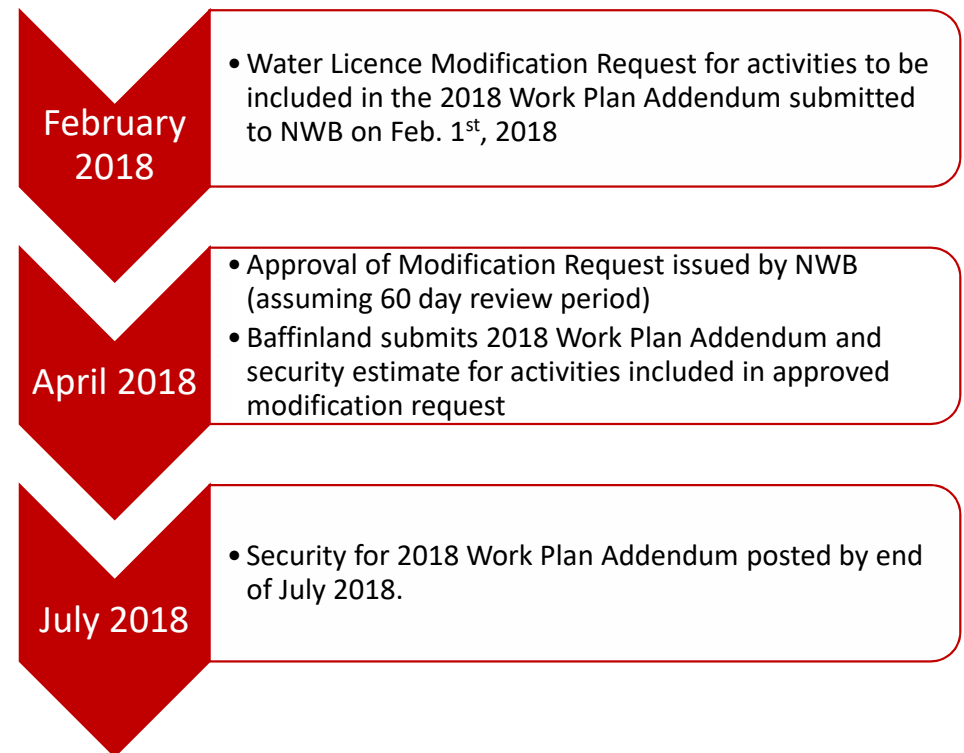
- 2018 Work Plan (Rev. 0) included activities deemed outside the scope of Baffinland's current approvals
- 2018 Work Plan (Rev. 1) submitted to the NWB on Jan. 15th
 - Activities categorized into 3 categories based on type of approvals required
 - Within current approvals, water licence modification request and Project Certificate amendment.
 - Security estimate modified to exclude all activities outside current approvals
- Completion of annual security review for 2018 Work Plan (Rev. 1) anticipated for end of March 2018.
- Baffinland plans to submit a 2018 Work Plan Addendum that will include a security estimate for activities requiring a water licence modification request. Date of submission has yet to be determined.

Proposed 2018 Work Plan Schedule

2018 Work Plan (Rev. 1)



2018 Work Plan Addendum



2018 Modification Request



2018 Modification Request

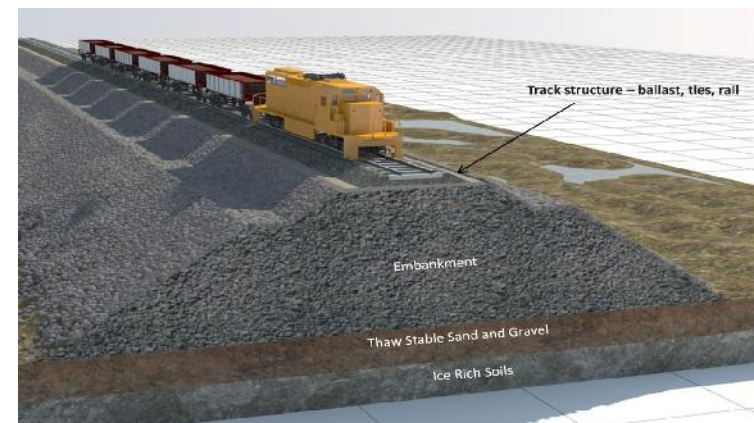
- Baffinland plans on submitting a modification request under the Type A Water Licence for activities to be included in the 2018 Work Plan Addendum
- Activities will include:
 - Upgrades to surface water management infrastructure (Mine Site & Milne Port)
 - Realignment of sewage effluent discharge lines to accommodate new infrastructure (Mine Site & Milne Port)
 - Relocation of fuel manifold and construction of access roadways (Milne Port)

Phase 2 Expansion Project



Phase 2 Expansion Project

- Proposed expansion consists of:
 - Increasing capacity to 12Mtpa
 - 110 km railway between Mine Site and Milne Port
 - Primary crushing at Mine Site
 - Secondary crushing at Milne Port
 - Expanding ore stockpiles and establishing a second shiploader at Milne Port
 - Shipment of ore to markets during open water season



Phase 2 Approvals Status Update

- Project Proposal submitted to the Nunavut Planning Commission (NPC) in February 2017
- Amendment to North Baffin Land Use Plan proposed by Baffinland to permit rail within current Tote Road transportation corridor
- NPC hearings held in Pond Inlet in December 2017 to discuss Baffinland's proposed amendment to North Baffin Land Use Plan
- Nunavut Planning Commission expected to issue determination on proposed amendment in early March 2018



Conclusion



Conclusion

- Key submissions planned for 2018
 - 2018 Work Plan
 - 2018 Work Plan Addendum
 - Modification Request
(to support 2018 Work Plan Addendum)
 - Action Plan to address Waste Rock Stockpile Facility concerns
- 2018 Pre-Freshet Meeting at Site



Baffinland looks forward to working with the Nunavut Water Board to advance the development of current operations and the proposed Phase 2 Expansion Project.

Questions

