



January 10, 2013

Mr. Ryan Barry
Executive Director
Nunavut Impact Review Board
PO Box 1360
Cambridge Bay, NU
X0B 0C0

Re: Request to Amend Project Certificate No.005 – Mary River Project

Dear Ryan:

The Project Certificate issued by the Nunavut Impact Review Board (NIRB) on December 28th, 2012 has authorized the Mary River Project, as described in the Final Environmental Impact Statement (FEIS), to proceed to the Regulatory phase where various permits and licences will be pursued by Baffinland. Once obtained, the Project Certificate along with all applicable regulatory permits, enable the planned four year construction of the Mary River Project. In the current global financial environment the large development capital cost for the Mary River Project is difficult to finance. This same effect is being felt by many major projects around the world. Additionally, the risks associated with large capital developments are magnified during tight financial markets.

ArcelorMittal and Iron Ore Holdings wish to proceed with the project, and have authorized the company to execute a phased approach to the Mary River Project. At a Board meeting held just before Christmas the Board of Directors made the decision to develop a phased strategy approach that will initially see a first development phase with reduced upfront capital requirements and shortened construction duration such that production and revenue generation are able to commence sooner with the objective of facilitating the second, larger, Rail phase (as described in the FEIS) of the Project at a later date. This importantly will allow for training, employment, and business opportunities for the region to commence in 2013 and allow all parties to be in a stronger position to realize maximum benefits once the second larger phase development proceeds.

Baffinland remains committed to the Project as defined in the FEIS and to the approved Project Certificate. However, Baffinland is re-introducing a concept that was considered earlier but was deferred at that time due to business drivers. The Early Revenue Phase (the proposed first development phase) will include development of a nominal 3.5 million tonne per annum (Mt/a) road haulage operation from Mary River to a small port facility at Milne Inlet for shipping of iron ore during the open water season. The operation will be very similar in concept to the bulk sample program undertaken by Baffinland in 2008. Please refer to Appendix A for an overview of the Early Revenue Stage.

The road haulage of ore from the Mine Site to Milne Port was originally proposed and evaluated in the Draft Environmental Impact Statement (DEIS) that was submitted by Baffinland in January 2011 but was subsequently removed prior to the submission of the FEIS. It is also important to

note that community scoping sessions were held and Guidelines developed and issued by the NIRB as guidance for Baffinland's development of the Environmental Impact Statement. There was also an initial round of Information Requests (IR's) submitted by all parties on the DEIS submission. It will be the intention of Baffinland to ensure it addresses information requests when it submits an addendum to the FEIS for the Early Revenue Phase. The addendum will describe the activities associated with the Early Revenue Phase, and will provide an updated effects assessment for the activities proposed for the various Valued Ecosystem Components (VEC's). Management Plans will be updated to accommodate changes relevant to proposed ERP activities.

Baffinland recognizes and appreciates that this Early Revenue Phase will require an amendment to the recently issued Project Certificate #005 and that transporting of ore to Milne Inlet as well as shipping ore out of Milne Inlet will only proceed once an approved amendment has been issued and other potential amendments to Regulatory permits and licences are complete. It is envisioned that an amended Project Certificate may need to alter some existing terms and conditions or may need to add additional terms and conditions. Baffinland looks forward to direction from the NIRB as to what documentation and review process will be required for the Early Revenue Phase.

Baffinland remains fully committed to and will continue to obtain all the various existing Regulatory permits and licences applied for (i.e. Class A Water Licence, DFO Authorizations, Leases, Land Use Permits, etc.) under the recently approved Mary River Project.

We recognize and appreciate all the hard work and contributions by the NIRB, the various regulatory review agencies, the Qikiqtani Inuit Association, the Government of Nunavut, and our community stakeholders in obtaining a Project Certificate for the Project. Baffinland remains committed to developing the Mary River Project in the near term despite the current global financial challenges, and believe that this Early Revenue Phase will allow the Project generate benefits to Nunavut in the near term. We look forward to the NIRB reviewing this request and initiating the process required to amend the project certificate in a timely manner.

Should there be any questions or clarifications required from this letter, please feel free to call the undersigned at 416-996-5523 or Oliver Curran at 416-814-3195.

Yours truly,

A handwritten signature in black ink, appearing to read 'Erik Madsen', with a stylized flourish at the end.

Erik Madsen, Vice President
Sustainable Development, Health, Safety & Environment

c.c Damien Cote (NWB)

Appendix A

Early Revenue Phase (ERP) Component Overview

Overview

The Early Revenue Phase (ERP) will produce a nominal 3.5 million tonnes per annum (Mt/a) of iron ore mined from Deposit 1 and transported from the Mine Site to Milne Port over the Milne Inlet Tote Road on a year round basis. The ore will be stored in stockpiles at Milne Port ready for loading onto ships and transport to customers during the open water season only. Fuel to support the trucking operation will continue to be delivered to a tank farm facility at Milne Port each year. Ore handling operations consist of an ore stockpile, conveyors to transfer ore to the ore dock, and ship loading facilities at the ore dock. Shipping of supplies to Milne Port will occur during the approximately 90-day ice-free period of approximately July 15 to October 15. During the operation phase, the port will continue to be used to ship ore as part of the early revenue operation, as well as for resupply. Ships will follow a nominal shipping route from Milne Port, through Milne Inlet and into Eclipse Sound within the Nunavut Settlement Area and will continue to customer ports, primarily in Rotterdam and other European Ports.

Construction and Operations

The existing facilities at Milne Port will play a key logistical support role for receiving sealift materials at Milne Port and supporting construction of upgrades and operation of the Milne Inlet Tote Road.

The existing Milne Port facilities will be expanded early in the construction phase to prepare for the shipment of an expected nominal 3.5Mt/a of iron ore to markets. Existing facilities include: a personnel camp, water supply and treatment facilities, mobile diesel generators, a sewage treatment plant, an incinerator, steel fuel tanks, borrow areas, rock quarries, laydown area, airstrip, and bulk sampling ore stockpile area will be expanded to accommodate the early revenue phase operation.

Ore stockpile areas, an ore dock and loading facilities will be added to the existing facilities to allow the loading of iron ore onto ships during the open season at Milne Port. A permanent freight dock will be installed to facilitate the timely offloading of equipment and materials from ships and the existing camp will be expanded to accommodate the peak personnel estimated to be needed during the construction phase. Prior to construction of the freight dock, early shipments will utilize barges that will be beached and offloaded.

Truck unloading facilities and conveyors will be constructed to move the ore from the transport trucks to the ore stockpiles. Mobile equipment (front-end loaders and a conveyor) will be provided for loading the ore from stockpiles onto ship loaders. Ore stockpiles will be constructed at Milne Port to store both lump and fine ore. The total stockpile size will have an approximate capacity of 3.5 Mt.

The Milne Inlet Tote Road was upgraded in 2008 from a winter road to an all-season road adequate for transporting equipment and ore during the bulk sampling program. The upgraded road follows the original alignment from when the road was constructed in the 1960s. While the road was upgraded over the period of 2007 and 2008, upgrades are required to support the level of traffic proposed with year round ore haulage from the Mine Site to Milne Port.

Ore carrying vessels will be chartered and operated by an established ship owner. Approximately 70 effective ship loading days during the open water period have been assumed to be available. Ore carrying vessels will arrive at Milne Port, will be loaded and will leave Milne Port during this period. Ships will be scheduled to arrive just prior to the completion of loading of the previous ship. Each round trip of a ship from Milne Port to a port in Europe is estimated to take 25 to 27 days.

In summary, the table below describes the project components and activities of the Early Revenue Phase at Milne Port and the Milne Inlet Tote Road.

Project Component	Description of Component/Activity
1. Shipping to and from Milne Port	Open water shipping from Milne Port during the life of the Project.
2. Use of the Milne Inlet laydown area	Lay down areas will be developed during construction. As well, ore stock piles, ore loading and conveyance systems, and port facilities will need to be constructed and operated during the life of the project.
3. Milne Tote Road	Upgraded for continuous year round operations. All weather water crossings and realignment of certain sections of the road will be constructed with quarry material.
4. Milne accommodation complex	Milne Inlet accommodation complex will be expanded during construction and used during operations including associated water, sewage, waste management, fuel storage.
5. Ore loading and handling	Crushing, screening and ore handling for truck transport from Mary River to Milne Port.

6. Maintenance services	Maintenance services need to be expanded to accommodate ore haulage trucks and road support crews at the Mary River Camp and at Milne Port.
7. Mary River accommodations and administrative support	Increased numbers of operators and support staff will be required to construct and manage the trucking activity, including expansion of associated accommodations, water, sewage, waste management, fuel storage.
8. Mining at Deposit 1	Mining of ore at deposit 1 including upgrade of mine haul road, explosive plant installation, and waste rock storage.