



Solomon Amuno
Technical Advisor II
Nunavut Impact Review Board

July 19 2019

Re: Summer 2019 Sealift of equipment and materials to Mary River Mine

Dear Solomon,

Following a request from the Nunavut Impact Review Board (NIRB), Baffinland Iron Mines Corporation (Baffinland) is writing to provide further information respecting certain equipment and materials that are scheduled for delivery by sealift to Milne Port in 2019.

A. Description of Scope of Activities to be Undertaken

Baffinland conducts annual sealifts to mobilize and demobilize equipment from Site under the existing approved Project Certificate No. 005 as amended. Sealift equipment brought in or out of site each year is described in the Work Plan submitted each year to the Qikiqtani Inuit Association (QIA) and Nunavut Water Board (NWB). As described in the 2019 Work Plan dated November 1, 2018, some of the equipment and materials to arrive on sealift this summer will be stored on site during 2019-2020 in anticipation that they will be used by Baffinland during the construction and operation of the Phase 2 Expansion Project (the Phase 2 Proposal), should an amended Project Certificate be issued by the NIRB and an amended Type A Water Licence be issued by the NWB. Delivery of these materials during 2019 is necessary in light of the constraints presented by the short Arctic construction and shipping season and the prospect that should the Phase 2 Proposal be approved, having certain equipment on-site in advance of the shipping season in 2020 is critical to meet construction and operation timelines.

The materials and equipment being mobilized to site include pre-fabricated buildings and infrastructure that will be commissioned and utilized once the Phase 2 Proposal is approved. The materials (collectively referred to as 'the Modules') consist of the crushing building, screening building, car dumper, conveyors, shiploader and rail materials. A full list of the materials referred to is contained in Table 8-3 of the 2019 Work Plan (attached for reference).

The Modules that consist of pre-fabricated buildings will be placed on existing laydown areas or on their final support structures and foundations, as they are very challenging to move and double handling of these Modules is not viable. The Modules will be mobilized to site for storage purposes only, until such time that the Phase 2 Proposal is approved. Baffinland will clearly mark the equipment as 'Phase 2 only – Do Not Use' until such a time that the Phase 2 Proposal reconsideration process has been finalized. Should the Phase 2 Proposal not be approved, Baffinland could remove the equipment from site or where possible, re-purpose the equipment and materials for use in the on-going operations.

The activities include:

- the shipment of the Modules as part of the annual sealift into Milne Port during open water season;

- off-loading the Modules from the ship using existing Milne Port infrastructure, and moving them within the existing footprint of the Milne Port site, within existing Impact Areas of the Commercial Lease area;
- storing the Modules at the Milne Port site within existing Impact Areas of the Commercial Lease area, on existing laydown areas or on existing support structures and foundations; and
- if the Phase 2 Proposal is not approved and the Modules are not useful for an authorized purpose on Site, the demobilization of the Modules, shipping them out via Milne Port in a future open water season.

The Modules will be offloaded, transported and stored entirely within QIA leased Inuit Owned Lands, within the previously disturbed footprint at Milne Port. The activities do not involve the storage of any fuel or other hazardous materials or the construction of new facilities, trails or roads.

B. Explanation of Activities

The storage of the Modules on existing development on Inuit Owned Land is a land use activity that does not require a permit or authorization from the Government of Canada or the Territorial Government, and Baffinland has not identified any other regulatory approvals that would be required to carry out this activity. It is important to note that:

- No new geographic area will be disturbed by these activities. Impacts of storage activities within the existing constructed area at Milne Port were already assessed as part of the Mary River Project, and existing project monitoring is in place.
- As the area being used is an area within the previously assessed and now developed footprint at Milne Port, the storage of the Modules will not cause any impacts to areas of ecosystemic sensitivity, or historical, cultural or archaeologically significant areas.
- No new impacts are expected on the human and animal populations in the area from the storage of the Modules within the existing project footprint. The only new potential impact that Baffinland has identified is that the Modules will ultimately need to be removed from site at some point in the future. Baffinland has accordingly included demobilization as part of the activities, and has provided security to QIA under the Commercial Lease to ensure that the cost of demobilization is properly secured. As such, this impact has been fully mitigated and there is no residual impact arising from the activities.
- The impact of storing the Modules on site is fully reversible, and there is no residual impact expected from the activities of storing the Modules within the existing Project footprint.
- The activities are being conducted at existing Mary River Project facilities, and there is no residual impact expected from the activities, so therefore Baffinland has not identified any potential for cumulative impacts.

The existing terms and conditions of the Project Certificate will ensure that the delivery and storage of the materials is protective of the environment. Baffinland also notes the extensive monitoring programs required under the Project Certificate, which would also capture the activity of storage of these materials

in existing disturbed areas. The delivery and storage of these materials does not represent significantly different Project circumstances from those anticipated at the time the Project Certificate was issued, and the activity would not have any implications for NIRB's existing required reporting.

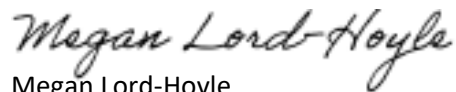
Given the above, the only potential impact from these activities is that the placement of the Modules in Impact Areas on the Commercial Lease will ultimately require the demobilization of the Modules if they are not used for the Phase 2 Proposal or any authorized purpose. Furthermore, these activities do not involve the use of waters or deposit of waste.

Through 2018, Baffinland and QIA were engaged in discussions on reclamation security and both parties agreed that reclamation security for the Modules would be based on their demobilization from Site, rather than decommissioning as would be considered once the equipment is operational (i.e. on approval of the Phase 2 expansion). Baffinland therefore estimated the cost of demobilization of the Modules in its 2019 Work Plan, which was reviewed by the NWB, QIA and CIRNAC in the course of the 2019 Annual Security Review (ASR) for the Mary River Project. Both CIRNAC and QIA included a value for demobilization of the Modules in their security estimates for the 2019 ASR, and QIA in their Joint Submission with Baffinland (attached for reference) agreed that security in the amount of \$18 million would be posted in July 2019 to cover the estimated cost of demobilization. Although the NWB did not include demobilization costs in its determination of security required under the water licence for 2019, this does not prevent Baffinland from posting this additional security with QIA under Baffinland's Commercial Lease, as the storage of the Modules on Inuit Owned Land is not an activity that requires a water licence.

Baffinland subsequently provided a letter to the NWB on July 12, 2019 indicating our intention to proceed with the posting of security under the Commercial Lease with QIA as described in the Joint Submission, and proceed with the sealift of the Modules in 2019 as set out in the 2019 Work Plan. Baffinland has posted the updated value of reclamation security with QIA as if July 19, 2019, in advance of the sealift season.

Should you have additional questions about this planned shipment of equipment and materials for the purposes of storage on Inuit Owned Lands at Milne Port, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink that reads "Megan Lord-Hoyle".

Megan Lord-Hoyle

Vice-President, Sustainable Development

cc: Jared Ottenhof, Chris Spencer, QIA
Grant Goddard, Lou Kamermans, Christopher Murray, Baffinland

Attachments:

Attachment 1 – Table 8-3 – Expansion Project Equipment and Materials

Attachment 2 – 2019 Annual Security Review Joint Submission

Attachment 1

Table 8-3 Expansion Project Equipment and Materials

Table 8-3: Expansion Project Equipment and Materials

Module Package	Description	Total Volume (m3)
Shiploader	Shiploader	77,938
	Jetty Travel Gear for Shiploader	2,268
	Landside Travelgear for shiploader (Pivot Point)	1,174
	Lower Part Pivot point for shiploader (to be casted in grouting)	20
Subtotal Shiploader		81,400
Car Dumper	Steel Tub, Car Dumper, Car Dumper Hall including E-Houses	12,579
	Positioner Hall (Indexer Building) One piece with shipping braces	8,401
	Hopper Support Structure	2,099
	Positioner	487
	Apron Feeder	496
	Hopper	296
	Positioner Track Dwg# 4933706	97
	Hydraulic Power Unit Car Dumper	45
	40' DC or OT (Drive units, small geared motor for the spillage scraper)	77
	Transformer house	179
Subtotal Car Dumper		24,756
Crushing	Crusher building including 4.2 to 4.5	21,111
	Main Shaft Kubria M210	63
	Spider Complete Kubria M210	70
	Crusher feeding chute S6	31
	Various disassembled small parts stowed in 20' Containers	154
	Various disassembled small parts stowed in 20' Containers	387
Subtotal Crushing		21,815
Screening building	Screening building	33,278
Subtotal Screening		33,278
BMH Conveyors (Transfer Conveyor)	Detail 1 Tower (Lower section)	1,476
	Detail 1 Tower (top section)	996
	Detail 1 Tower (diagonal brace)	167
	Detail 1 Tower (horizontal brace)	0
	Detail 2 Tubular Gallery type 2	691
	Detail 3 Tubular Gallery type 1	3,488
	Detail 4 Transfer Truss PT. 1 Head End (Platform)	1,332
	Detail 4 Transfer Truss PT. 2 - Head End (Truss)	349
	Detail 5 Bent TC-B3	184
	Detail 6 Bent TC-B4	129
	Detail 7 Bent TC-B5	97
	Detail 8 Bent TC-B6	73
	Detail 9 Bent TC-B7	38
	Detail 10 Bent TC-B8	21
	Detail 11 Bent TC-B9	0
	Detail 1 - Gravity Takeup Counterweight (4122)	10
	Transfer Conveyor tables, tail and take up pulley supports	232
	Transition walkway	8

Module Package	Description	Total Volume (m3)
	Corrugated wall panels for tower base	0
BMH Conveyors (Screen Feed Conveyor)	Detail 4 - Tubular gallery (Type 2)	578
	Detail 24 - Tubular gallery (Type 4)	1,744
	Detail 24 - Tubular gallery (Type 5)	581
	Detail 5 - Tubular gallery (Type 3)	527
	Detail 6 - Truss section	596
	Detail 8 - Bent SF-B3	76
	Detail 9 - Bent SF-B4	38
	Detail 10 - Bent SF-B5	17
	Detail 11 - Bent SF-B6	8
	Detail 12 - Bent SF-B8	2
	Detail 12 - Bent SF-B9	0
	Detail 15 - Gravity Take up Tower Bent SF-B2	329
	Detail 15 - Gravity Take up Tower Platform	110
	Detail 16 - Gravity Take up Tower Bent SF-B1	121
	Detail 13 - Caged Ladders	77
	Detail 14 - Caged Ladders	77
	Detail 2 - Counter Weight (CV-001)	8
	Bracing, Guarding, Bolts, Monorail and Monorail Supports in Containers	155
	Detail 4 - Transition walkway	10
BMH Conveyors (Stockpile #1 Conveyor)	Apron Feeder Modular Structure Dribble and head chute	1,011
	Apron Feeder Modular Structure and Dribble and head chute	1,045
	Detail 25 - Apron Feeder Modular Structure stairs	0
	Detail 21 - Feeding Hopper (Top Half)	201
	Detail 18 Arches	573
	Detail 18 Arch cross beam connectors	0
	Reclaim tunnel concrete foundations	1,152
	Reclaim tunnel corrugated steel segments and Exit tunnel segments	189
BMH Conveyors (Oversize Conveyor)	Detail 13 - Gravity Takeup Counterweight (CV-002)	8
	Detail 2 - Truss	726
	Detail 3 - Tubular Gallery (Type 1)	493
	Detail 3 - Tubular Gallery (Type 2)	493
	Detail 3 - Tubular Gallery (Type 3)	1,480
	Detail 4 - Tubular gallery (Type 4)	406
	Detail 5 - Bent OSC-B1	113
	Detail 6 - Bent OSC-B2	61
	Detail 7 - Bent OSC-B3	30
	Detail 8 - Bent OSC-B4	14
	Detail 9 - Bent OSC-B5	6
	Detail 10 - Caged Ladder	77
	Detail 11 - Caged Ladder	77
	Detail 12 - Bent OSC-B6	363
	Detail 13 - Gravity Take up Tower Bent OSC-B7	131
	Detail 13 - Gravity Take up Tower Platform	110
	Containers	155
BMH Conveyors	Detail 1 Head Platform for Fines Collection Conveyor	182

Module Package	Description	Total Volume (m3)
(Fines Conveyor)	Detail 2 Head Platform Stairs and legs for Fines Collection Conveyor	77
	Fines collection conveyor stick built section and Head Chute	0
BMH Conveyors (Lump Conveyor)	Detail 1 - Tubular Gallery Section (Type 1)	405
	Detail 1 - Tubular Gallery Section (Type 2)	405
	Detail 2 - Tubular Gallery Section (Type 3)	366
	Detail 3 - Bent LC-B3	3
	Detail 4 - Bent LC-B2	10
	Detail 5 - Bent LC-B1	17
	Detail 6 - Platform	237
	Detail 6 - Platform Columns	36
	Detail 8 - Platform Stairs	33
	40' Container	155
	Detail 7 - Chute - 2336-CV-001 Head Lump conveyor	19
	Detail 7 - Chute - 2336-CV-001 Head Lump conveyor	7
	Detail 7 - Chute - 2336-CV-001 Head Lump conveyor	6
	Detail 7 - Chute - 2336-CV-001 Head Lump conveyor	1
BMH Conveyors (Stockpile #2 Conveyor)	Detail 1 - Truss Sections T1	508
	Detail 1 - Truss Sections T2	1,016
	Detail 1 - Truss Sections T3	508
	Drive Station	9,023
	Chute - 4211-CV-001 Head Yard Stockpile #2 conveyor	67
	Chute - 4211-CV-001 Head Yard Stockpile #2 conveyor	183
	Chute - 4211-CV-001 Head Yard Stockpile #2 conveyor	23
	Chute - 4211-CV-001 Head Yard Stockpile #2 conveyor bypass chute	23
	Stockpile Conveyor Chute Platform - shipped in container	0
	Detail 11 - Tail Section	0
	Conveyor table parts in 40 ft containers or pallets	1,084
	Detail 2 Bent STYC-B1	6
	Detail 2 Bent STYC-B2	3
	Detail 2 Bent STYC-B3	1
	Detail 2 Bent STYC-B4	0
	Detail 10 Loading Area Holding assembly	0
BMH Conveyors (Shiploader Feed Conveyor)	Containers	387
	Tail End Assembly and Conveyor Loading module	0
	Conveyr Stick Built parts for conveyor tables / modules	0
	Conveyor table modules	0
	Drive Station	3,844
	Detail X Bent SFC-B1	7
	Detail X Bent SFC-B2	24
	Detail X Bent SFC-B3	22
	Detail X Bent SFC-B4	39
	Detail X Bent SFC-B5	78
	Detail X Bent SFC-B6	139
	Detail X Bent SFC-B7	250
	Detail X Bent SFC-B8	612
	Detail X Truss T1-1	529

Module Package	Description	Total Volume (m3)
	Detail X Truss T1-2	529
	Detail X Truss T1-3	529
	Detail X Truss T1-4	529
	Detail X Truss T1-5	529
	Detail X Truss T1-6	529
	Detail X Truss T2	534
	Detail X Truss T3	487
	Head Bridge support	163
	Head Bridge support column	125
	Head Bridge support column	125
	Head Truss 1st section	1,201
	Head Truss Final section	845
	Head Platform	96
	Head Chute Removable Portion Section 1	14
	Head Chute Removable Portion Section 2	22
	Head Chute Stationary portion	15
Subtotal BMH Conveyors		49,868
Rail Materials	Pandrol Victor Tie Plates (preplated on ties)	764
	Screw Spikes Bags (30/bag)	1,447
	E-Clip Fastener Bags (25kg - 40 bags/pallet)	126
	11" Tie Plates Pallet (300/pallet)	2
	Rail Ties Bundle of 30 ties	11,213
	weld kits (25/ pallet)	171
	Keg track spikes (48/pallet)	3
	joint bar (100/pallet) 136#	3
	Keg bolts & washers (48/pallet)	3
	turnout rail 136# AHH RE	17
	joint bar 115#	10
	HW turnout package ties	150
	TO frog	8
	Sliding Derail	1
	Bumping Post	12
	136# RE RAIL guardrail	3
	Crossing Panel	19
	Timber Screws (1 Pallet)	142
	Rails 25 per bundle	4,059
	115# RE Rail	17
Subtotal Rail		18,172

Additional supplies to support construction and operations through 2019 and 2020 will arrive on the 2019 sea lift include:

- Delivery of ammonium nitrate (AN), up to 12,142 m³ (9,714 tonnes) to be stored on-site in 2019
- Delivery of pre-packaged explosives, up to 176,000 kg to be stored on-site in 2019
- Delivery of maintenance parts.
- Delivery of consumables (lubricants, grease, detergents, boosters, EZ Dets, dry goods, food, household supplies, etc.).

Attachment 2

2019 Annual Security Review Joint Submission

JOINT SUBMISSION TO THE NUNAVUT WATER BOARD

15 March 2019

Subsequent to the 13 December 2018 conference call hosted by the Nunavut Water Board (NWB) regarding the 2019 Annual Security Review (ASR), Baffinland Iron Mines Corporation (Baffinland) and the Qikiqtani Inuit Association (QIA) have had further discussions respecting estimates, including the proposed 2019 Work Plan.

The current security value (as agreed upon during the 2018 ASR and 2018 ASR Addendum) posted pursuant to the Commercial Lease is \$73,829,271 in respect of Inuit Owned Lands (IOL) held by the QIA.

Baffinland and the QIA have identified a way forward, subject to the process to resolve outstanding differences referred to below, for Baffinland to post an additional \$30,857,887 to the QIA related to Baffinland's 2019 Work Plan. This interim measure will result in the QIA holding total security in the amount of \$104,687,658. This additional amount will be posted as a credit towards the security requirements under the provisions of the signed Commercial Lease (Q13C301) between Baffinland and the QIA. These additional monies will be posted in a form consistent with the requirements of the Commercial Lease. Once submitted to the QIA a copy of the security amendment will be provided to the NWB for their own records upon receipt by the QIA.

Furthermore, Baffinland has requested, and QIA has consented, that the posting of these monies be divided into two (2) tranches; the first will be posted no later than 25 March 2019 with a total value of \$12,857,887, the second will be posted no later than 20 July 2019, in advance of the 2019 sealift, with a total value of \$18,000,000. The second installment is to account for the expansion project materials to arrive on the 2019 sealift. Both parties agree that QIA's consent of these amounts is without prejudice and will in no way restrict the rights of QIA to propose differing values for the work described in the 2019 Work Plan as part of the arbitration process referred to below.

Baffinland and QIA agree that the joint submission value of \$30,857,887 is considered a placeholder value without prejudice to either parties' rights under the Commercial Lease. These payments will be credited by QIA against the final amount required under the Commercial Lease determined by the process referred to below.

Baffinland posting \$12,857,887 in the first tranche for additional security will allow the 2019 Work Plan to commence, and the posting of \$18,000,000 in the second tranche for the materials to arrive on the 2019 sealift, while Baffinland and QIA have agreed, without prejudice and without malice, to enter into arbitration under the Commercial Lease. The arbitration will seek to resolve the 2019 amount of annual adjustment of reclamation security for the Mary River Project, which may affect the overall aggregate and cumulative amount of security for the Mary River Project. With the \$30,857,887 additional security posted, the parties remain \$19,925,042 apart in their respective security estimates for the 2019 adjustment, and there are several key issues related to security that have yet to be resolved. The final value of reclamation security required for 2019 is subject to adjustment based on the final determination of the arbitration process. The NWB will be advised of the outcome of the arbitration.

Baffinland and QIA look forward to working with NWB when parties embark on future ASR processes.