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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYIT
OFFICE DES EAUX DU NUNAVUT

NWB File No: 2AM-MRY----

October 25, 2012

Erik Madsen
Vice-President Sustainable Development,
Health, Safety & Environment
Baffinland Iron Mines Corporation
120 Adelaide Street West, Suite 1016
Toronto, Ontario M5H 1T1
Email: erik.madsen@baffinland.com

Re: File No. 2AM-MRY---- Mary River Project: Issues Requiring Follow-up Actions - Preliminary Technical Meeting for Type 'A' Water Licence Application

Dear Mr. Madsen:

On October 18, 2012, the Nunavut Water Board (NWB) held a preliminary technical meeting (meeting), via teleconference, to informally discuss matters related to the Type "A" Water Licence Application (Application) submitted by Baffinland Iron Mines Corporation (BIMC or Proponent) as part of its Final Environmental Impact Statement (FEIS) for the Mary River Project (Project). The meeting was intended to assist both the applicant and interested parties to identify and resolve issues in advance of any potential formal technical meeting and pre-hearing conference.

Although the NWB is well aware that it cannot proceed with the formal water licensing process until the Minister of Aboriginal Affairs and Northern Development Canada (AANDC) has issued his decision on the Nunavut Impact Review Board's (NIRB) Final Hearing Report, the NWB felt that the informal meeting was warranted given the time that has elapsed since parties have submitted their technical review comments on the Application (June 2012) and the role that the meeting could play in helping to identify major issues at this stage in the process. However, the meeting should not be perceived as the NWB predetermining the outcome of the Minister's decision or proceeding with the licensing process for the Application in the absence of the Minister's decision and/or the NIRB's Project Certificate.

Representatives from several organizations participated in the meeting including Aboriginal Affairs and Northern Development Canada (AANDC), Fisheries and Oceans Canada (DFO), Environment Canada (EC), the Northern Projects Management Office (NPMO), Natural Resources Canada (NRCan), Nunavut Tunngavik Incorporated (NTI), the Qikiqtani Inuit Association (QIA), Baffinland Iron Mines Corporation (BIMC), and the Nunavut Water Board (NWB). For information purposes, a list of attendees and a list of items/issues/commitments requiring follow-up actions by various participants are attached to this letter. Copies of both lists

are also available on the NWB's ftp site and can be accessed using the following link (Username: *public* and Password: *registry*):

<ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY----%20BIMC/2%20ADMIN/4%20HEARINGS/1%20PREHEARING/>

As indicated in the attached Table, Item #17, at the meeting, in response to questions from several parties, the NWB committed to providing additional guidance to the parties regarding the NWB's general approach to licensing of the potential ice roads proposed by BIMC. The parties questioned whether ice roads associated with the project would be included under the Type A water licence for the mine, the existing Type B water licence authorizing advanced exploration, or under a separate Type B water licence(s) specifically authorizing the construction, operation, maintenance and reclamation of ice roads.

As stated at the meeting, the NWB has not yet received specific details regarding any potential ice roads as proposed by BIMC; therefore, the NWB cannot provide particular guidance regarding the licensing approach that will be taken in this case. The NWB will revisit the Board's general approach to licensing ice roads at that time. In addition, the NWB notes that when an application is provided by BIMC to authorize the use of water and deposit of waste associated with a proposed ice road, the NWB will provide specific guidance to the parties regarding the applicable type of licence and licensing process associated with the proposed undertaking and may, at that time, invite comment from the parties regarding the NWB's specific approach.

Subject to these limitations, the NWB offers the following general guidance. In general, in the past the NWB has licensed ice roads under a Type B water licence when the following conditions are met:

- the ice road is temporary and is to be used for a limited term or project phase, such as being used for the pre-construction delivery of materials, construction or specific maintenance project; and
- the primary use of the ice road is to support advanced exploration, in which case the undertaking may be included in the scope of the existing Type B licence authorizing advanced exploration or under separate licence.

The NWB's rationale for this general approach has been that the level of water use and waste deposit typically associated with an ice road meeting these conditions would generally trigger the requirement for a Type B water licence rather than a Type A water licence. In addition, given the variable nature of an ice road, it may not be reasonable to include an ice road under a Type A water licence that has significant requirements such as notice and comment periods and potential hearings associated with amendments to the licence,.

Details including the nature and extent of the water use and deposit of wastes associated with a proposed ice road, the term of use and the primary purpose for the ice road are all factors that would have to be considered by the NWB to determine how this type of undertaking would be licensed by the NWB. Until such details are provided, the NWB is unable to provide further guidance regarding the Board's proposed approach in this case.

In closing, as noted in the meeting, while the parties await the decision and direction of the Minister, in addition to fulfilling the commitments listed in the Table, the NWB encourages both the proponent and interveners to continue to work cooperatively together to resolve as many outstanding issues in relation to the Application as possible, while keeping the NWB informed through written correspondence for the file of ongoing progress and resolution of specific issues.

Should you have any inquiries on technical matters related to the above, please contact Sean Joseph, Technical Advisor, at (604) 321-8185 or by email to sjoseph@nunavutwaterboard.org or David Hohnstein, Director of Technical Services, at (780) 443-4406 or by email to dts@nunavutwaterboard.org. For any procedural inquiries and/or request for information, please contact Phyllis Beaulieu, Manager of Licensing, at 867-360-6338 or by email to licensing@nunavutwaterboard.org.

Sincerely,

Original signed by:

David Hohnstein, C.E.T.
Director, Technical Services
Nunavut Water Board

Attachments: Table 1 – List of Participants
Table 2 – List of Issues

cc. Mary River Project Distribution List