



Letter of Non-Compliance

June 16, 2016

Sylvain Proulx
Chief Operations Officer
Baffinland Iron Mines Corporation Mary River Project
2278 Upper Middle Road East, Suite 300
Oakville, ON L6H 0C3

RE: Letter of Non-Compliance issued to Baffinland Iron Mine's Corporation for non-compliance with Part D Item 4 of Nunavut Water Board Licence 2AM-MRY1325

Background

In June 2015, during a routine Water Licence Inspection at Baffinland Iron Mines Corporation's Mary River Project, it was identified that proper diversion ditches were not installed around the Ore Stockpile Pad at Milne Inlet to divert water into the Ore Stockpile Sedimentation Ponds. These ditches were identified as a priority to prevent sediment water from directly entering the environment. In a follow-up report, BIMC committed to commissioning the ditching system related to this infrastructure prior to freshet 2016.

Furthermore, in August 2015, during a routine Water Licence Inspection, it was identified that there are sections along the Tote Road that require preventative measures to deal with sedimentation because soil conditions along the road are prone to sloughing, excessive wetness and silt loading. In a follow-up report, BIMC has committed to using armour stone in ditches that receive high levels of flow prior to freshet 2016.

During the recent May 2016 Water Licence Inspection, the Ore Stockpile Pad Diversion Ditches and the areas prone to sedimentation along the Tote Road were inspected. It was noted that BIMC has not met the deadline they committed to in June 2015 to complete the diversion ditches leading to the sedimentation ponds at the Ore Stockpile area prior to Freshet 2016; and, that BIMC did not implement significant sedimentation prevention measures along the Tote Road to prevent sediment from entering water.

Justification for why these commitments were not completed was only communicated to the Inspector after the deadline was passed.

Determination

This letter is being issued to BIMC because their commitments to address the sites of concern as identified in previous inspections have not been achieved prior to their deadlines.

It should be noted that since the Inspection in May 2016, BIMC has produced a plan to address



the Ore Stockpile Diversion Ditches at Milne Inlet with a completion date by July 17, 2016. This plan was submitted to INAC on May 23, 2016 and this is considered a reasonable approach to address this situation.

BIMC has also committed to producing an Action Plan to address the sedimentation of watercourses along the Tote Road. This plan shall be submitted to the INAC Inspector by June 24, 2016 and will include a schedule of work to be done in 2016 on the Tote Road to specifically deal with the sedimentation of watercourses.

This letter also serves as a warning that further enforcement measures may be taken if reasonable diligence towards meeting the requirement of their licence, Part D Item 4, are not addressed, namely *"The Licensee shall implement sediment and erosion control measures, as required, prior to ensuring all phases of the Mary River Project to prevent and/or minimize sediment loading into water."*

Should you have any questions please contact me at (867) 975-4517.

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