



March 13, 2018

Jonathan Mesher, Water Resource Officer
Nunavut Field Operations, INAC
P.O. Box 100
Iqaluit, NU X0A 0H0

RE: Email Request of March 1 from INAC, 2018 concerning the Waste Rock Stockpile Facility Strategy for 2018

Dear Jonathan,

Thank you for your request concerning an update on Baffinland Iron Mines Corporation (Baffinland) Waste Rock Stockpile. Below is a brief summary addressing the current status of the modification request and also addressing your request to "Please provide INAC with an update on what BIMC's intentions are to prevent the uncontrolled/unauthorized deposit of waste from the Waste Rock Stock Pile Sedimentation Pond".

On March 8, 2018, Baffinland submitted "Mary River Project - Modification Request No. 7 - 2018 Upgrades at the Mine Site and Milne Port (Water Licence 2AM-MRY1325-Amendment No. 1)" to the Nunavut Water Board. The notice of modification included the following specific activity relevant to your request:

Mine Site Waste Rock Sedimentation Pond Improvements (2018 Work Plan Item No. 5) - "Installation of a conventional water treatment plant at the waste rock sedimentation pond located north of the mining area, so that effluent discharged from the pond will meet the discharge limits specified in the Type A Water Licence."

Baffinland is aware of Part G, Item 1(a) of the Water Licence 2AM-MRY1325, which states the licensee must submit a modification request at least 60 days prior to beginning a modification. Baffinland does not intend to proceed with this activity prior to May 8, 2018. Mobilization of equipment, materials and construction preparation for the treatment system will be initiated in the interim to ensure that Baffinland is ready to commission the treatment system on approval. The modification request and relevant documentation are available in electronic form on the Nunavut Water Board public registry at the following link:

[http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/6%20MODIFICATIONS%20\(G\)/Modification%20No.%207%202018%20Upgrades%20Mine%20Site%20&%20Milne%20Port/](http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/6%20MODIFICATIONS%20(G)/Modification%20No.%207%202018%20Upgrades%20Mine%20Site%20&%20Milne%20Port/).

Should you prefer a printed copy, please advise and we will provide you with a printout of these materials as soon as possible.

What follows provides further context for the Waste Rock Stockpile Facility Strategy for 2018.

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In fall 2017 after seepage was identified on inspection with Environment and Climate Change Canada (ECCC) and Indigenous and Northern Affairs Canada (INAC) Baffinland took immediate action, with expert external consultation, to evaluate the Waste Rock Stockpile Sedimentation Pond as per original specifications denoted in issued for construction drawings. Hatch Ltd. (Hatch), who oversaw the implementation of this design at time of construction, performed a review of the current structure and recommended action to restore the Pond to specifications. The required remediation identified was to level and re-slope the key in to the pond, in order prevent suspected surface water drainage from the Waste Rock Stockpile from infiltrating below the liner key-in. Baffinland implemented remedial actions as per Hatch's action plan. Temperatures and snow cover made it difficult to evaluate the effectiveness of the remediation however it was identified after freeze up that the ice level of the pond had dropped. Upon this determination, further action and evaluation was performed with tracer dye testing and monitoring. As indicated previously, Baffinland now suspects the liner at the base of the pond is compromised. The emergency containment ditch was reinforced during this time period. Baffinland intends to further investigate the integrity of the pond liner following installation of the water treatment facility in 2018, and if required will re-inforce or restore the liner to design specifications to mitigate further releases.

Baffinland, under consult from Golder Associates, have chosen to implement a 280 m³/hr Water Treatment Plant adjacent to the existing Waste Rock Containment Facility and Pond – without the use of additional storage. The planned treatment system will be operational for the 2018 freshet. The treatment system includes a physical-chemical treatment for pH adjustment, chemical precipitation, and removal of solids by a physical barrier. The proposed treatment rate of 280 m³/hr is sufficient to avoid untreated discharge to the environment from the facility in the occurrence of a 1 in 10 year precipitation event during freshet and summer. The proposed option will require the mine to use the current pond during the Freshet period, however once this period of heavy run-off has ceased, the treated water can then be pumped out and the pond repaired for continued use. The treatment rate of 280 m³/hr is robust. The water contained in the emergency ditch below the facility will be recirculated continually back into the pond for processing with the treatment system until the pond has been pumped down, evaluated and repaired. Inspection and remediation of the base of the liner is not possible during frozen conditions. Frozen seepage within the emergency containment ditch will be excavated to the extent possible and transported so it reports to the pond from the upstream drainage and perimeter ditching to mitigate the volume of impacted water that will have to be pumped from the emergency ditch to the pond upon thaw.

McCue Engineering Contractors (McCue) has been chosen by Baffinland as the preferred contractor for the design, procurement, transport to site, and construction of the water treatment system. McCue has been awarded the contract and have begun work on the design, specifications and procurement of long lead items. Baffinland is working closely with McCue to ensure the water treatment system is operational for the 2018 freshet.

Baffinland has retained Golder to update the 1 to 5 year waste rock management plan. The updated plan is to be completed by the end of December 2018, with two interim plans (Jan 2018 and March 2018) to be provided prior to the December 2018 plan. The January 2018 plan has already been provided to INAC and to the Nunavut Water Board. The March 2018 plan will be completed by March 31, 2018 and will also be provided to INAC and the Nunavut Water Board. The interim plan focusses on actions to be taken in winter 2018 to help freeze the pile in place, limit acid generation, and limit release of acidic water. The March 2018 plan will address observed geochemical conditions and characteristics,

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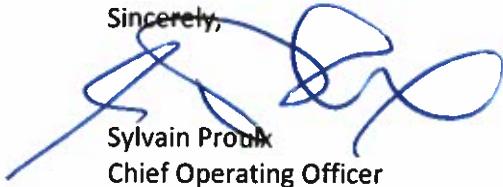
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geochemical evaluation plan, winter dump deposition strategies to aggrade permafrost, and summer disposal strategies to reduce seepage out of the pile.

Baffinland has also retained Golder to update the 5 year waste pile design, update the geochemistry and thermal characterisation program and water quality model. This work is scheduled to be completed by December 2018 and includes field components summer 2018.

Baffinland will follow up and advise INAC once the Water Treatment System Work is completed. In the meantime, should there be any concerns, questions or comments, please do not hesitate to contact the undersigned.

Sincerely,



Sylvain Proûlx
Chief Operating Officer

Cc: Gerald Rogers, Francois Gaudreau, Cody Gagne, Trevor Brisco, Todd Burlingame, Timothy Ray Sewell, Connor Devereaux, Christopher Murray, Megan Lord-Hoyle, Andrew Vermeer (Baffinland)
Ian Parsons, Eric Allain (INAC)