



July 7, 2017

Licence Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven NU X0B 1J0

RE: Baffinland Response to NWB e-mail on June 30, 2017 regarding comments on the 2017 Work Plan Addendum.

As requested by the Nunavut Water Board (NWB), Baffinland is providing additional information to address the comments raised by the Qikiqtani Inuit Association (QIA) and Indigenous and Northern Affairs Canada (INAC) regarding the 2017 Work Plan Addendum that was submitted by Baffinland to the NWB on May 26, 2017.

QIA Comments:

With regard to QIA's comments provided in their letter dated June 28, 2017, Baffinland provides the following additional information:

1. *QIA notified Baffinland that any work associated with new quarries, changes to the boundaries of existing quarries, and adjustments to the Tote Road would require further information and QIA approval before the work commences, as per the Lease. The addendum as submitted is considered incomplete under the Lease; a full review and therefore QIA Lease approvals cannot be completed without further information. Commencement of a review under the Lease will occur upon receipt of complete work plan addendum materials. QIA has communicated additional information requirements and we understand Baffinland is working to address these outstanding information requests.*

Baffinland recognizes that the purpose of the Work Plan is not to provide 'approval' for the proposed work but to provide a basis for the development of security for the Mary River Project and to provide parties with an indication of the work that will be performed on site during the upcoming year. Baffinland will provide additional information, as required under the Commercial Lease and/or Baffinland's Type "A" Water Licence (Water Licence), to get approval for each component of the proposed work.

2. *Without limitation, the QIA considers the following elements of the 2017 Work Plan Addendum to have a relationship to Baffinland's Water Licence:*
 - a. *Updated Environmental Management Plans associated with water quality, quantity and flow associated with the Tote Road.*
 - b. *Reclamation security.*
 - c. *Proposed activities completed under the Lease satisfy all other applicable environmental laws and regulations.*

As per the Lease, Baffinland cannot commence the proposed activities until these elements have been satisfied.

Baffinland confirms that work on the proposed activities will not start until the required reclamation security is in place and that any required modifications to permits have been approved as required under Part G of the Water Licence.

We will continue to work with the QIA on updating Environmental Management Plans associated with the Tote Road recognizing that proposed activities not related to the Tote Road can proceed prior to these Plans being updated and that some work along the Tote may be required to move ahead prior to completion of Updated Plans in order to address other regulatory requirements.

3. *If the NWB would like to complete a formal review of security or any activities proposed under the 2017 Work Plan Addendum QIA will be available to participate in the NWB's processes. QIA specifically requests that in coming to a decision on steps to be taken under the water licence that the NWB is clear in what has guided their decision on process and next steps, including listing any specific details relied upon (i.e. past decisions of the Board, documents file by the proponent, sections of the existing water licence).*

Baffinland is committed to ensuring that security is in place to protect QIA and INAC from financial risk. As per Part C, Item 3 of the Water Licence "the Licensee may, at any time, submit to the Board for consideration and approval, a request to change the amount of security outlined in Part C, Item 1."

Based on the ASR process that has been effective in recent years, Baffinland is working with the QIA to develop a joint submission of the required security, which will be submitted to the NWB and INAC for their consideration. Since all of the work proposed in the 2017 Work Plan Addendum is located on Inuit Owen Land, there will be no change to the security required for Crown Lands.

We propose that this interim process to establish security be undertaken in the short term to address the additional work proposed in the 2017 Work Plan Addendum and that these changes be captured in the formal Annual Security Review (ASR) process that will occur later this year starting in October 2017.

INAC Recommendations:

With regard to INAC's comments provided in their letter dated June 28, 2017, Baffinland provides the following additional information

1. *INAC is of the opinion that the proposed modifications, such as tripling the camp capacity at Milne, are of such a magnitude that they constitute amendments to the project and we recommend the licensee submit amendment applications to the NIRB and NWB to seek authorization for these changes.*

Baffinland recognizes INAC's concerns regarding the proposed changes and will provide additional information regarding each of the proposed facilities in Request for Modifications as stipulated

under Part G of the Water Licence. The Modification Requests will describe how the proposed facilities are consistent with the NIRB Project Certificate and consistent with the Water Licence.

As Baffinland explained, the addition of camp beds will be an upgrade of existing camp space. The existing soft wall tent camps will remain in place as the new camps are constructed and commissioned and then, once the new camps are up and running, the old camps will be decommissioned. The new camps will also provide an increase in camp capacity to address the increased number of employees required to deliver the 4.2 Mtpa production target. Baffinland realizes that the number of employees required to deliver the 4.2 Mtpa production target is over the employment estimates made during the EIS process.

2. *Baffinland's amended workplan submission did not include an updated reclamation cost estimate. During the June 22, 2017 teleconference, they informed us they were working with the QIA in order to present a joint submission for the cost. QIA confirmed they had received the information and were analyzing it, but did not know how long it might take for them to complete the work. Before Baffinland can bring material not included in the November 2016 version workplan to site or execute any work not described in the plan, the NWB must set the amount of security to be held for the project's reclamation. INAC will want time to review and comment on the updated reclamation cost.*

As discussed in QIA Comment #3 above, Baffinland will continue to work with QIA to expedite the development of a joint submission for the updated security to ensure that security is in place prior to materials arriving on site and to ensure that NWB and INAC have an opportunity to comment on the proposed security.

3. *INAC recommends Baffinland submit a management plan for the quarry they plan to develop before undertaking work in the area.*

Baffinland has not finalized a schedule for the development of Q13 Quarry. We confirm that we will develop a Quarry Management Plan for review and approval before developing Q13 Quarry.

Please let us know if you have any additional questions or comments regarding the 2017 Work Plan Addendum. We would be happy to have a follow-up discussion with the parties if that would be helpful.

Regards,



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Director, Sustainable Development

- cc. Sean Joseph, Senior Technical Advisor, NWB
Stephen Williamson Bathory, Director, Department of Major Projects, Qikiqtani Inuit Association
Sarah Forté, Water Management Coordinator, INAC
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