

**BAFFINLAND IRON MINE CORPORATION'S 2014 WORK PLAN AND RECLAMATION
SECURITY ESTIMATE – 06 December 2013**

Additional Comments and Areas Requiring Clarification

Milne Inlet Landfarm

1. Section 3.1 of the 2014 Work Plan states that no progressive reclamation credits have been applied for in the reclamation estimate for any planned progressive reclamation conducted in 2014. However, Section C. 2.6.15 of the 2014 Marginal Closure and Reclamation Cost Estimate states that the value associated with decommissioning of the bladder farm (73 bladders were drained, folded, and containerized and shipped off site) has been applied as a credit.

In Figure B4 on the 2nd last line entry a credit of \$243,984 is shown for "*Decommission of existing bladder farm*". This is equal to the first two itemized costs in Section C.2.6.15 (i.e., "*Milne Inlet fuel farm Oil water Separation Operation*" - \$199,280 and "*Drain, fold, and containerize Milne bladder tanks*" - \$44,704). The other itemized costs under Section 2.6.15 totaling \$129,678 are still carried forward from the 2013 estimate. The cost for the sealift does not appear to be a part of the itemized costs in this Section and it is unclear whether Baffinland took a credit elsewhere in the estimate for shipping the bladders offsite.

Appendix F of the 2014 Marginal Reclamation and Closure Security Estimate includes 9 pages of manifests of "*Hazardous Waste Shipped Off-site in 2013*". These manifests indicate that 71 bladders were placed in sea containers. Unfortunately these manifests are not fully signed and dated to verify they have actually left the site.

AANDC recommends that Baffinland clarify exactly what activities are associated with the reclamation credit; confirm what reclamation activities took place in 2013 and what reclamation activities remain in 2014 (if any); provide signed manifests to confirm that the bladders were placed in sea containers; clarify whether the bladders were shipped offsite and whether this has been incorporated in the reclamation security estimate.

2. Section 6.0 of the Milne Inlet Preliminary Hydrocarbon Impacted Soil Storage and Landfarm Facility states that "soils that do not respond to bioremediation treatment may be disposed of off-site." AANDC recommends that this should be accounted for in the marginal reclamation and closure security estimate as a precautionary measure to ensure that shipping of all hydrocarbon impacted soil off site is accounted for, should it be determined that the soil does not respond to the treatment.
3. Section C.2.6.8 states that hydrocarbon contaminated soil will be transported from Mary River bulk fuel farm to the Milne Inlet Landfarm. The Milne Inlet Landfarm was initially designed to treat soil impacted by hydrocarbons (Jet A fuel) when a fuel bladder ruptured in 2008. Will the design of the landfarm sizing requirements be revised to accommodate soil from Mary River? And if so, in what way will this affect the remediation process with respect to additional security requirements?

Waste

4. Section C.2.7.2 states that removing hazardous waste is an annual activity that has been accounted for in the 2013 estimate. Appendix F of the 2014 Marginal Reclamation and Closure Security Estimate includes 9 pages of manifests of "*Hazardous Waste Shipped Off-site in 2013*". Unfortunately these are not fully signed and dated to verify they have actually left the site. AANDC maintains that credits for ongoing reclamation work be based on evidence of the work having been completed. In this case signed manifests should be provided to parties to confirm that all hazardous waste was removed from site.
5. Section C.2.7.4 states that the estimate includes the costs of removing 20% of the explosives brought on site. According to Mine Site Reclamation Policy for Nunavut and Water Licence 2AM-MRY1325, the total financial security amount must be sufficient to meet the highest reclamation liability in the upcoming year (2014-15). AANDC recommends that the cost estimate should account for the highest reclamation liability by including the costs of removing closer to 100% of explosives brought on site.
6. Section C.2.6.9 states that the 12 ML diesel fuel storage tank at Milne is allocated but the 750,000L (0.75 ML) Jet A fuel storage tank indicated in Section 2.2 of the 2014 Work Plan is not allocated in the 2014 marginal security cost estimate. The 2013 Work Plan Marginal Cost Summary (Section D.2.6.5) already includes a cost to decommission a 0.75 ML fuel storage tank and re-contour the tank site. AANDC requests clarification on whether the 0.75 ML Jet A fuel storage tank indicated in Section 2.2 of the 2014 Work Plan is a second 0.75 ML storage tank.

Clarification of the Concordance Issue

8. It is understood that the work plan is divided into ERP, Type B, and Type A activities but as reviewers and enforcers of the water licences, it would be helpful if the ERP and Type B sections were further divided into activities that are approved vs those that are pending approval. So rather than having to focus a part of our review trying to distinguish between the two, we can concentrate more fully on our review of the estimate itself and more importantly it would be clear that Baffinland can show that they have a plan to carry out each activity. It needs to be clear what activities in the work plan are licenced and what revisions and approvals may be necessary in order to carry out all of the activities in the work plan. So in this way, a concordance table would be very helpful to show all this information. For an example of how a concordance could clarify how Baffinland plans to conduct their activities in the work plan, please refer to Table 1 below for some examples of activities where clarification would be appreciated. As stated yesterday, we are requesting a concordance table listing all the activities and cross-referencing them to a licence (Type A or Type B), where they are referenced in the cost estimate (Type A, Type B, ERP), and whether they are already approved, and if so whether a revised plan or other documentation is required (i.e. updated management plans, etc.), or whether the activity is pending approval.

Table 1: Example of a Concordance Table of 2014 Work Plan activities

Activity	Reference / Cross Reference	Licence Scope	Approved / Pending approval	Required Revisions
Construct Landfarm		Within scope of Type A	Approved	Update/finalize landfarm plan
Disposal of Dredging material		Within scope of Type A	Pending approval of ERP	Update waste management plan
Construct ore stockpile/run off management at Milne Inlet		Type B? doesn't appear to be in scope of Type A (Part 1, Item 1)	Pending approval of ERP and Type A amendment?	Update management plans
Future bulk sampling program		Type B	Approved for Deposit #1 only	Update Bulk Sampling Management Plan
Establishing future satellite camps		Type B	Pending approval of Type B renewal/ amendment	Renewal/amendment application required