



October 10, 2014

Damien Côté
Executive Director
Nunavut Water Board
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Gjoa Haven, NU X0B 1J0
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Re: Response to NWB Request for Comment on the Timing and Process for the Annual Security Review for 2015-2016 under Part C and Schedule C of Type "A" Water Licence 2AM-MRY1325 Mary River Project

Dear Damien,

In response to correspondence received from the Nunavut Water Board (NWB or Board) on October 7th 2014, Baffinland would like to note that the updated Interim Closure and Reclamation Plan (BAF-PH1-830-P16-0012) submitted to the Board on June 27, 2014 was intended to apply to the 2014 and 2015 Annual Security Review (ASR) process as well as satisfying Part J, Item 2 of Type A Water Licence 2AM-MRY1325.

As per Baffinland's Commercial Lease and Type 'A' Water Licence No. 2AM-MRY1325 (the Licence) obligations, by November 1, 2014 Baffinland will provide to the Board, the Qikiqtani Inuit Association (QIA), Aboriginal Affairs and Northern Development Canada (AANDC) and any other relevant stakeholders the 2015 Work Plan. The 2015 Work Plan will contain all information Baffinland intends to rely upon for the upcoming ASR process including information that supports any change (increase, maintenance or reduction) of the total financial security held under the Licence and any information that supports any change to the total of any equivalent financial security being held by the Minister and/or the QIA. As will be the case in all future ASR processes, this information will include and rely upon the current version of the Interim Closure and Reclamation Plan in the ASR process. For the purpose of the 2015-2016 ASR process, the information will be based on the updated Interim Closure and Reclamation Plan (BAF-PH1-830-P16-0012) submitted to the Board on June 27, 2014.

As outlined in the letter issued to the Board on October 3, 2014 *Re: Next Update to the Interim Closure and Reclamation Plan*, there is agreement between the QIA and Baffinland on an approach forward to fulfill all requirements of this plan under the Commercial Lease. Therefore, Baffinland would like to inform the Board that it is Baffinland's intention to update this plan taking into consideration all comments received and submit it for review and approval to the QIA prior to submission to the Board. The plan will be submitted to the Nunavut Water Board with the Annual Report which is due for submission by March 31, 2015 and all agreed updates and revisions will be relied on in future ASR processes.

Baffinland would also like to note that financial securities pertaining to the Ore Dock and construction activities on Crown Land authorised under the Land Lease (#47H16-1-2) should be

discussed at in the Annual Security Review and negotiated with the Aboriginal Affairs and Northern Development Canada. It is also suggested that since Baffinland also has securities related to the design/construction and monitoring of the ore dock with the Fisheries and Oceans Canada (DFO) that these amounts also be discussed in the upcoming ASR process. As far as process, as noted in Schedule C, Baffinland is fine with holding a conference call and or an in person meeting in the first week of December with all parties, and it is suggested DFO also be invited. This will provide parties a month to review the documentation submitted prior to the meeting and to set out timelines as required moving forward taking into account timelines outlined in the QIA's Commercial Lease.

Please do not hesitate to contact me if there are any problems or concerns.

Respectfully,

A handwritten signature in dark ink, appearing to read 'O. Curran', with a stylized flourish at the end.

Oliver Curran
Director, Sustainable Development

C.C:

Stephen Bathory (QIA)
Murray Ball (AANDC)
Tracy McCaie (AANDC)
Georgina Williston (DFO)
Phyllis Beaulieu (NWB)
David Hohnstein (NWB)
Sean Joseph (NWB)
Erik Madsen (BIM)