



Karén Kharatyan
Director of Technical Services
Nunavut Water Board

July 12, 2019

Re: Update regarding shipping of equipment and materials to Mary River Mine Site during Summer 2019

Dear Karén,

Baffinland is writing to provide an update respecting certain equipment and materials that are scheduled for delivery by sealift to Milne Port during July 2019.

As described in the 2019 Work Plan, and discussed previously with the Nunavut Water Board (**NWB**), some of the equipment and materials to arrive on sealift this summer will be stored on site during 2019-2020 in anticipation that they will be used by Baffinland during the construction and operation of the Phase 2 Expansion Project, should an amended Project Certificate be issued by the Nunavut Impact Review Board (**NIRB**) and an amended Type A Water Licence be issued by the NWB. This approach is necessary in light of the constraints presented by the short Arctic construction and shipping season.

We wish to provide clarification to the NWB on the following related points:

- The Commercial Lease with QIA allows Baffinland to store equipment and materials on the “Impact Areas” within the Commercial Lease Area, in accordance with the terms and conditions of the Commercial Lease. QIA has agreed to the placement of the equipment and materials on the “Impact Areas” within the Commercial Lease Area.
- Should the Phase 2 Expansion Proposal not be approved and Baffinland is not able to use the equipment and materials for another permitted purpose, Baffinland will remove the materials from site in accordance with its Commercial Lease with QIA. Baffinland will be providing an additional \$18 million security in accordance with the Commercial Lease, in order to ensure that any potential demobilization costs are properly secured. The calculation of the reclamation security costs for this equipment were derived expressly with the intent that they are demobilized from Site by sealift as detailed in both the Baffinland and QIA estimates for the 2019 Annual Security Review.
- The equipment and materials will be placed on existing laydown areas for storage purposes only until such time the Phase 2 Expansion Project is approved. Prefabricated building modules will be placed on existing foundations for storage purposes only, and Baffinland confirms that after placement, such buildings will not be prepared for use (e.g. connection to power, plumbing, connections with conveyers etc.) until such time the Phase 2 Expansion Project is approved. In order to ensure that there is no confusion at the site operations level, the prefabricated buildings will be clearly labelled “Phase 2 Use Only – Do Not Use”.
- Baffinland has not identified any federal or territorial permits or other regulatory approvals that

would be required in order to store materials in existing constructed areas located on Inuit Owned Lands at Milne Port, and delivery of freight is a long standing activity for the Mary River Project. No new construction will be undertaken this summer in order to accommodate the placement or storage of the equipment and materials. It is Baffinland's understanding that no land use permit or other authorization from the Crown is required to store the equipment and materials on Inuit Owned Lands. With respect to water licensing, it is noted that there will be no use of waters or deposit of waste associated with the offloading and storage of the equipment and materials.

Baffinland has shared the above points with QIA, and QIA is in agreement that the shipment, offloading and storage of equipment and materials on Inuit Owned Lands can proceed in July 2019. In QIA and Baffinland's Joint Submission to the NWB dated March 15, 2019, QIA provided written agreement to this activity, its timing, and the associated posting of security under the Commercial Lease by July 20, 2019. Baffinland confirms that the security will be posted on the agreed schedule.

Should you have additional questions about this planned shipment of equipment and materials for the purposes of storage on Inuit Owned Lands at Milne Port, please do not hesitate to contact me directly.

Sincerely,



Lou Kamermans
Director, Sustainable Development

cc:

Tara Arko, Cory Barker, Solomon Amuno, NIRB
Jared Ottenhof, Chris Spencer, QIA
Grant Goddard, Megan Lord Hoyle, Christopher Murray, Baffinland