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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2AM-MRY1325

July 22, 2019

Lou Kamermans
Director, Sustainable Development
Baffinland Iron Mines Corporation
Suite 300 – 2275 Upper Middle Road East
Oakville, Ontario, Canada L6H 0C3

Email: lou.kamermans@baffinland.com

Subject: NWB Response to Update Regarding Shipping of Equipment and Materials to Mary River Mine Site During Summer 2019

Dear Mr. Kamermans:

The Nunavut Water Board (NWB or the Board) acknowledges the receipt of the letter from Baffinland Iron Mines Corporation (BIMC or the Licensee) in regards to the shipping of equipment and materials for Phase 2 Development of the Mary River mine¹ on July 12, 2019 (the Notification).

The Notification can be accessed through the NWB's Public Registry and FTP site using the following link:

[ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20\(C\)/2019](ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20(C)/2019)

In the letter, the Licensee outlined its intent to commence the sealift of equipment and materials associated with the Phase 2 Development Project Proposal (the Phase 2 Proposal). The NWB is aware that the Phase 2 Proposal is currently under review by the Nunavut Impact Review Board.

The Board would like to remind the Licensee that no activities that change the liability under Water Licence 2AM-MRY1325 Amendment No. 1 ought to take place without the Board's approval. In its 2019 Annual Security Review direction, NWB stated the following:

... the Board has not included additional security for activities associated with the Phase 2 Expansion Project Proposal. The Board agrees with CIRNAC's position that it is inappropriate for the NWB to include in the global security amount reclamation security for activities associated with the Phase 2 Expansion Project Proposal that have not yet been assessed by the Nunavut Impact Review Board

¹ Lou Kamermans (BIMC) to Karén Kharatyan (NWB), Re: Update regarding shipping of equipment and materials to Mary River Mine Site during Summer 2019, dated July 12, 2019.

and therefore have not been approved to proceed to licensing. Until the assessment has concluded there is no certainty regarding whether these activities will be allowed to proceed in whole or in part. This update to the total global security amount of \$88,136,459 reflects the allocation of security in the amount of at least \$86,687,658 being held by the QIA under the BIMC-QIA Commercial Lease, which is the value indicated by BIMC and QIA in their joint submission minus the \$18,000,000 estimate for the Phase 2 Expansion Project Proposal-related activities. In addition, the total global security amount includes an increase from the current amount of security held under Part C, Item 1 of Water Licence No: 2AMMRY1325 from \$1,298,555 to \$1,448,801, because the Board accepts the submissions of CIRNAC that the activities proposed by BIMC in the 2019 Work Plan will increase the reclamation liability by approximately \$150,000 on Crown Lands.

The Board understands that the equipment and materials to be delivered during the 2019 sealift will be stored solely on Inuit-Owned Land with the approval of the Qikiqtani Inuit Association (QIA), and, as such, the security under the Water Licence will not change. Therefore, the Board seeks confirmation from BIMC that there will be no change to the reclamation liability associated with the activities on Crown Land and no increase to the associated security held under Part C, Item 1 of the Water Licence as a result of the 2019 sealift activities.

The Board recognizes that the NWB does not determine the amount of security held by the QIA under the Commercial Lease. However, because the placement of additional security with the QIA in the amount of \$18,000,000 for the 2019 equipment and materials sealift is a material change to the security held by the QIA for the reclamation of the undertaking, the Board requests confirmation from the QIA under Part C, Item 5 of the Licence that the additional security required to reflect the 2019 sealift activities has been posted with the QIA prior to the sealift taking place.

Should you have any questions regarding the above, please contact the undersigned by email to karen.kharatyan@nwb-oen.ca or by phone at (867) 360-6338.

Sincerely,

Karén Kharatyan
Nunavut Water Board
Director, Technical Services

KK/ak/rqd

Cc: Distribution List – Mary River, Nunavut Impact Review Board