Baffinland

April 30, 2014

Phyllis Beaulieu
Manager of Licencing
Nunavut Water Board
PO Box 119
Gjoa Haven, NU
X0B 1J0

Re: Updated Life-of-Mine Waste Rock Management Plan (NWB Licence No. 2AM-MRY1325)

Dear Phyllis,

In accordance with Part F, Item 3 of NWB Type 'A' Licence No. 2AM-MRY1325, please find attached the updated Life-of-Mine Waste Rock Management Plan for review. This document has been updated from the original Waste Rock Management Plan, dated January 2012, that was approved in Part F, Item 2 of the Type 'A' Water Licence. The attached document is now renamed "Life-of-Mine Waste Rock Management Plan" (Baffinland Doc No. BAF-PH1-830-P16-0031).

The Life-of-Mine Waste Rock Management Plan (the Revised Plan) covers the two approved mining scenarios. The document as a whole outlines the requirements and geochemical characteristics inherent in the ultimate generation of 650 Mt of waste rock from the execution of the approved rail option to Steensby Inlet. The Revised Plan also specifically presents, in Appendix 6, the detailed operational plan and geochemical analyses covering the years one to five of the approved Early Revenue Phase (ERP). This document is entitled, "Phase 1 Waste Rock Management Plan", Baffinland Doc No. BAF-PH1-830-P16-0029) Under the ERP years one to five, much less waste is to be generated in comparison to the Steensby rail option (17 Mt vs. 650 Mt).

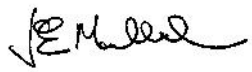
The Revised Plan provides updates to the management of waste rock related to the approved mining scenarios as follows:

- On-going waste rock characterization program and further refinement of acid rock drainage and metal leaching aspects of the waste rock to be disposed of in the waste rock stockpile.
- Segregation of potentially acid generating waste rock especially during the ERP.
- Results of ongoing humidity cell kinetic test work.
- Details regarding construction of downstream water management structures.

Due to the much smaller volume of waste rock to be generated during the next five years during the execution of the ERP, it has been recognized that there is little benefit to updating the water quality models at this time and that the existing waste rock and pit water quality model results reflect a conservative outcome relative to what is to be expected during the ERP. The much smaller waste rock stockpile to be developed during the ERP will provide strategic opportunities for testing the geochemical, water quality, temperature, and geotechnical characteristics of the waste rock and pit prior to the initiation of the rail phase involving the much larger volumes of waste rock and much larger pit.

Please do not hesitate to contact the undersigned should you have any questions, comments, or require any clarification.

Sincerely,



James Millard, M.Sc, P.Geo.
Environmental Manager

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