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NUNAVUT WATER BOARD  
NUNAVUT IMALIRIYIN KATIMAYINGI  
OFFICE DES EAUX DU NUNAVUT

**File: 2AM-MRY1325 – Amendment No. 1 / G 1  
Modification No. 2**

September 14, 2017

Wayne McPhee, Director of Sustainable Development  
Baffinland Iron Mines Corporation  
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**RE: Licence No. 2AM-MRY1325 Type “A” – Amendment No. 1; Modification No. 2 Application by Baffinland Iron Mines Corporation for Proposed Increase in Capacity of Fuel Storage Facility at Milne Inlet/Port Site of Mary River Project**

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Dear Mr. McPhee:

*Background*

The Nunavut Water Board (NWB or Board) received, on June 12, 2017, from Baffinland Iron Mines Corporation (BIMC or Licensee), an application and supporting information (Application) for a proposed increase in the storage capacity of the Fuel Storage Facility at the Milne Inlet/Port Site of the Mary River Project (Project) in the context of a modification to the Type “A” Water Licence No. 2AM-MRY1325 – Amendment No. 1 (Licence), issued to the Project. The application and supporting information (the Application) included the following documents:

- Mary River Project – Milne Inlet Fuel Storage Facility Capacity Increase (Modification Request) Water Licence No. 2AM-MRY1325 – Amend. No. 1:
  - Attachment 1 – Port Site TM001 Fuel System Process Flow Diagram (H353004-48000-210-282-0001-0001, Rev. 1);
  - Attachment 2 – Port Site TM001 Fuel System Overall Layout (H353004-48400-240-272-0001, Rev. 2);
  - Attachment 3 – Milne Port Fuel Tanks 003, 010 & 011 Setting Out Earthworks (H353004-40000-220-260-0003-0001, Rev. 0);
  - Attachment 4 – Port Site TM001 Fuel System Piping Layout (H353004-48400-240-272-0002, Rev. 4);
  - Attachment 5 – Memo: Calculation of Tank Farm Containment Capacity (H353004-00000-240-202-0001, Rev. A); and
  - Attachment 6 – Construction Methodology Milne Inlet Fuel Storage Facility System (H353004-40000-400-050-0002, Rev. 0).

Details included in the Application indicate that the Licensee proposed to increase the capacity of the Milne Inlet Fuel Storage Facility by installing a 15 – million litre Arctic Diesel tank, a 3 – million litre Arctic Diesel tank, and a 750 – thousand litre Jet A-1 tank. The Licensee stated that the additional fuel storage is required to carryout planned operational improvements for the Project during the upcoming year as well as to enable the Licensee to achieve the maximum mining production rate of 4.2 million tonnes per annum, allowed for under the Early Revenue Phase (ERP) by the amended NIRB Project Certificate No. 005 issued to the Project.

Following receipt and internal review, the NWB distributed the Application on July 14, 2017 for a three (3) week public review and comment period with the deadline for comments set for August 4, 2017. On or before the comment deadline, submissions<sup>1</sup> were received from Indigenous and Northern Affairs Canada (INAC) and the Qikiqtani Inuit Association (QIA). INAC in its comments recommended that the Licensee submit an amendment application to the NIRB and the NWB seeking the relevant authorizations to carryout the proposed changes and that if the proposed changes are acceptable to the NWB, it would be necessary for the additional infrastructure to be accounted for in the reclamation cost for the entire Project and prior to BIMC’s transportation of materials to the Project site. In addition, INAC mentioned that the NWB must set the amount of security to be held for reclamation of the Project and that INAC will require time to review and comment on the updated reclamation cost for the Project. The QIA in its submission stated that the proposed activities are components of the 2017 Work Plan addendum and that reclamation security have been assessed relative to the Commercial Lease and posted by BIMC for the activities proposed. In addition, the QIA mentioned that it expects to receive completed as-built plans and drawings following completion of construction activities in accordance with the relevant terms and conditions in the Licence.

In response particularly to INAC’s comments, BIMC submitted on August 22, 2017 a revised Application for the proposed capacity increase of the Milne Inlet/Port Fuel Storage Facility. In its revised Application, BIMC proposed to construct a 3 – million litre Arctic Diesel tank and a 750 – thousand litre Jet A-1 tank. The 15 – million litre Arctic Diesel tank initially proposed as part of the original Application was excluded from BIMC’s revised Application. Similar to the original Application, however, the revised Application indicated that the two additional tanks proposed will be constructed within the existing containment structure of the current Milne Inlet/Port Fuel Storage Facility. The revised Application included the following documents:

- Mary River Project – Milne Inlet Fuel Storage Facility Capacity Increase (Revised Modification Request) Water Licence 2AM-MRY1325 – Amend. No. 1:
  - Attachment 1 – Port Site TM001 Fuel System Process Flow Diagram (H353004-48000-210-282-0001-0001, Rev. 3);
  - Attachment 2 – Port Site TM001 Fuel System Overall Layout (H353004-48400-240-272-0003, Rev. 0);
  - Attachment 3 – Port Site TM001 Fuel System Piping Layout (H353004-48400-240-272-0002, Rev. 5);
  - Attachment 4 – Mile Port Fuel Tanks 010 & 011 Setting Out Earthworks (H353004-40000-220-260-0003-0001, Rev. 1);
  - Attachment 5 – Milne Port Fuel Tanks 010 & 011 Details Typical Section (H353004-40000-220-273-0001-0001, Rev. 1);
  - Attachment 6 – Memo: Calculations of Tank Farm Containment Capacity (H353004-00000-240-202-0001, Rev. A); and
  - Attachment 7 – Construction Methodology Milne Inlet Fuel Storage Facility System (H353004-40000-400-050-0002, Rev. 1).

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<sup>1</sup> Indigenous and Northern Affairs Canada (INAC), August 4, 2017 and Qikiqtani Inuit Association (QIA), July 31, 2017.

The NWB distributed BIMC’s revised Application on the same date of receipt, August 22, 2017, for a public review and comment period and submissions<sup>2</sup> related to this Application were received from INAC and the QIA. INAC stated in its comments that BIMC’s modified request addressed INAC’s concerns regarding the additional amount of fuel that BIMC had originally proposed for storage; however, INAC still has concerns regarding the financial security for the work outlined in BIMC’s August 22, 2017 letter and how this additional amount of security was calculated. The QIA in its submission mentioned that on August 7, 2017, BIMC posted with the QIA an additional \$10,257,771 as reclamation security for the 2017 Work Plan addendum as required under the Commercial Lease No. Q13C301 and that the scope of the fuel storage activities is smaller than that considered under the August 7, 2017 reclamation security determination for the Project. Therefore, the security held by the QIA is considered adequate for the activities in question. The QIA further stated that BIMC should not undertake the proposed activities until the required regulatory approvals are granted and that following construction, the relevant post-construction reports should be provided in accordance with the Licence.

Copies of all documents received in support of the original and revised Applications to increase the fuel storage capacity of the Milne Inlet/Port Fuel Storage Facility can be accessed through the NWB’s Public Registry and FTP site using the following Link:

[http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/6%20MODIFICATIONS%20\(G\)/Modification%20No.%202%20Milne%20Inlet%20Fuel%20Storage/](http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/6%20MODIFICATIONS%20(G)/Modification%20No.%202%20Milne%20Inlet%20Fuel%20Storage/)

*Nunavut Impact Review Board’s (NIRB) Determination*

Part G, Item 1 of the Licence states that the following requirements must be met in order for an application to be considered or carried out as a modification under the Licence:

- 1. The Licensee may, without written consent from the Board, carry out Modifications provided that such Modifications are consistent with the terms of this Licence and the following requirements are met:*
  - a. The Licensee has notified the Board in writing of such proposed Modifications at least sixty (60) days prior to beginning the Modifications;*
  - b. Such Modifications do not place the Licensee in contravention of the Licence or the Act;*
  - c. Such Modifications are consistent with the NIRB Project Certificate;*
  - d. the Board has not, within sixty (60) days following notification of the proposed Modifications, informed the Licensee that review of the proposal will require more than sixty (60) days; and*
  - e. The Board has not rejected the proposed Modifications*

Consistent with Part G, Item 1(c) of the above-referenced Licence terms and conditions, BIMC through its relevant application requested<sup>3</sup> and received written confirmation from the Nunavut Impact Review Board (NIRB) that the proposed capacity increase of the Milne Inlet/Port Fuel Storage Facility, as described in the revised Application, is not in conflict with the existing terms and conditions in the amended Project Certificate No. 005. The NIRB, in its confirmation<sup>4</sup> also stated that the proposed capacity increase of the Milne Inlet/Port Fuel Storage Facility does not appear to be beyond the scope of the Project assessed and approved by the NIRB.

<sup>2</sup> Qikiqtani Inuit Association (QIA), August 24, 2017; and Indigenous and Northern Affairs Canada (INAC), August 29, 2017.

<sup>3</sup> Baffinland Iron Mines Corporation (BIMC) Revised Application, August 23, 2017.

<sup>4</sup> Nunavut Impact Review Board (NIRB) Determination, September 7, 2017.

NWB’s Review and Decision

The NWB, having fully reviewed the Licensee’s request in the context of the NIRB’s determination, interveners’ comments and recommendations, potential impact of the proposed activities on the freshwater environment, and consistency of the proposed activity in relationship to the scope of the Licence, determined that the fuel storage capacity increase proposed for the existing Milne Inlet/Port Fuel Storage Facility is consistent with the scope of activities considered under the Licence issued to the Project. Therefore, by way of this correspondence and in accordance with **Motion No. 2017-10-02** and Part G, Item 1 of the Licence, the Board authorizes BIMC to undertake fuel storage capacity increase proposed for the Milne Inlet/Port Site in accordance with BIMC’s revised Application. In granting the aforementioned authorization, the Board notes that INAC still has outstanding concerns regarding the reclamation security posted for the project. However, given the additional security<sup>5</sup> posted by BIMC and accepted by the QIA for the proposed activities, which are expected to be primarily on Inuit Owned Land (IOL), and BIMC’s desire to undertake the relevant activities prior to the winter period, the Board believes that significant opportunities will be presented to comprehensively address INAC’s concerns during the upcoming Annual Security Review (ASR) for the Project, expected to commence in late October / November 2017.

In concluding, the Board advises the Licensee that in accordance with Part G, Item 2 of the Licence’s terms and conditions, changes in excess of that allowed under the modification authorized above, may constitute a separate potential modification or amendment to the Licence, which may require respective determination(s) from the Nunavut Planning Commission (NPC) and/or the NIRB prior to receiving any consideration(s) and/or determination(s) from the NWB. Further, in keeping with Part G, Item 4 of the Licence’s terms and conditions, the submission of post – construction information, including as-built plans and drawings, remain applicable to this authorization.

Should you have any questions regarding the above, please contact the NWB Licensing Department by email to [licensing@nwb-oen.ca](mailto:licensing@nwb-oen.ca) or by phone at (867) 360-6338.

Sincerely,

Lootie Toomasie  
Nunavut Water Board, Chair

LT/sj/rd

Enclosure: NIRB’s Determination  
Comments – INAC, and QIA

Cc: Distribution List – Mary River

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<sup>5</sup> Joint Submission to the Nunavut Water Board from BIMC and the QIA, August 24, 2017.