



August 25, 2017

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**RE: Modification Request - Milne Port Accommodations Camp Upgrade
Water Licence 2AM-MRY1325 – Amend. No. 1**

On July 19, 2017, Baffinland Iron Mines Corporation (Baffinland) submitted a Modification Request in accordance with Part G of Baffinland's Type "A" Water Licence 2AM-MRY1325 Amendment No.1 (Water Licence) to request approval from the Nunavut Water Board (NWB) for a planned modification at the Mary River Site involving the addition of a new structure that includes a proposed new camp facility at Milne Port, water treatment systems, camp pad and the associated drainage diversion system. This Modification Request superseded the Modification request that Baffinland submitted to the NWB on June 23, 2017 related to the Milne Port Accommodations Camp Pad and Proposed Surface Water Diversion System. At the request of the NWB, Baffinland combined the June 23rd Modification Request with the Modification Request for the new camp facility and associated water treatment systems.

At that time, Baffinland indicated that, in the event that there is a significant delay in the approval of the combined Modification Request, Baffinland would request direction from the NWB to allow the construction of the proposed Surface Water Diversion System in order to minimize potential future impacts and to allow Baffinland to comply with the Inspector's Direction from Indigenous and Northern Affairs Canada (INAC) received on June 9, 2017.

Given the comments submitted by Indigenous Affairs and Northern Development Canada to the NWB on August 16, 2017, where INAC recommends "the licensee submit amendment applications to the NIRB and NWB seeking authorization for the proposed changes", Baffinland is expecting that there will be a significant delay in the approval of the combined Modification Request.

In their comments INAC also indicted a concern regarding water flowing seasonally through a second stream covered by new pad and requested information on how this stream would be managed. The second stream was identified on historical drawings but has been diverted by the road northeast of the proposed pad (diversion ditch is shown as a blue line on the drawings provided by INAC and attached to

this letter) in order to install the already existing laydown area directly northeast of the new pad. No additional diversion structures are required to manage the second stream.

In order to comply with the Inspector's Direction and complete construction works prior to the ground freezing, Baffinland would need to start construction of the proposed Surface Water Diversion System around the pad by September 1, 2017. As a result, Baffinland requests that the NWB provide either an indication that the Modification Request for the Milne Camp Upgrade will be processed quickly or provide direction to Baffinland to indicate that the proposed Surface Water Diversion System around the pad can be constructed as a Modification under the Water Licence.

Please do not hesitate to contact the undersigned or Andrew Vermeer should you have any questions or comments.

Regards,



Wayne McPhee,
Director Sustainable Development

Attachement 1: Figure 1 from INAC letter dated August 16, 2017

Cc: Stephen Williamson Bathory (Qikiqtani Inuit Association)
David Hohnstein (NWB)
Justin Hack, Jonathan Mesher, Sarah Forté, Karen Costello (INAC)
Todd Burlingame, Adam Grzegorzczuk, Andrew Vermeer (Baffinland)

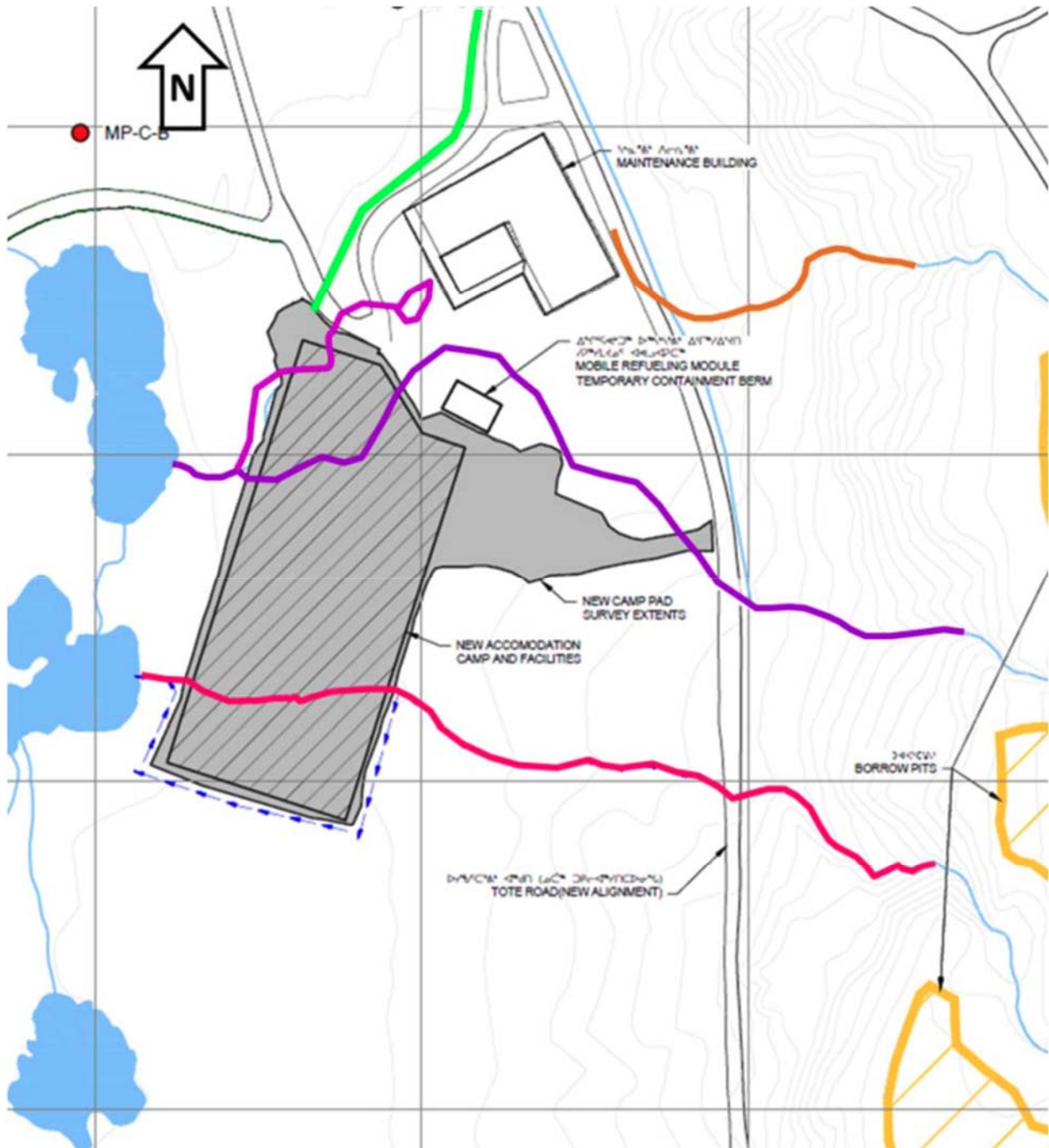


Figure 1: Snapshot of map in Attachment 1 of the modification request showing planned diversion ditch with blue arrows. Streams not coloured blue were added from maps included in the 2017 workplan and 2016 annual report.