

Attention: Sean Joseph - Nunavut Water Board

In response to recent correspondence from the NWB regarding Licence 2BB-MRY1114, BIMC wishes to clarify the following items:

1. Project Name

BIMC confirms that it wishes to rename Licence 2BB-MRY1114 as the “Mary River Exploration Project”.

2. Scope of the Licence

Consistent with the reduced scope of activities identified in BIMC’s October 31, 2012 correspondence, the following scope of activities should be included under any potential initial amendment to Licence 2BB-MRY1114:

2.1 *Milne Port Site*

- Geotechnical drilling to support future infrastructure development;

2.2 *Mine Site*

- On-going exploration drilling and geotechnical drilling activities on Baffinland’s mineral claims and development areas for the life of the Project;
- Use of existing camp infrastructure to house to service exploration and geotechnical drilling programs;
- Drill water use to support ongoing exploration and geotechnical drilling for the life of the Project (specific sources identified prior to drilling);
- Potential for establishing future satellite camps to support exploration and drilling activities (amendment of licence would be required);

2.3 *Steensby Port Site*

- Geotechnical drilling to support future infrastructure development;
- On-going exploration drilling and geotechnical drilling activities on Baffinland’s mineral claims and development areas for the life of the Project;
- Use of existing camp infrastructure to house to service exploration and geotechnical drilling programs;
- Drill water use to support ongoing exploration and geotechnical drilling for the life of the Project (specific sources identified prior to drilling);

2.4 *Railway Corridor*

- Geotechnical drilling to support future infrastructure development;

2.5 *Water Crossings*

- New water crossings for the railway require a DFO authorization (letter of advice or specific authorization);

2.6 *Baffinland's Mineral Claims in the North Baffin Region*

- *Potential for establishing future satellite camps to support exploration and drilling activities (amendment of licence would be required) on Baffinland's mineral claims and development areas for the life of the Project;*

As BIMC has a number of exploration targets, “confirmation with respect to the number of proposed and/or existing camps, including coordinates where currently possible, that will be associated with the project under the reduced scope of activities” cannot be provided at this time. However, under this Licence, BIMC proposes that a condition be included in the amended licence that would enable the Company to proceed with the development of satellite camps after informing the Board. Details of the satellite camp(s) would be provided with such notification (coordinates, size, duration and other characteristics of the installation).

2.7 *Project Extent*

BIMC confirms that the project extents under any amended 2BB-MRY1114 Licence are going to be the same as those currently contained in the licence.

3. Water Use

3.1 Water use under the amended Type B Licence will be 299 m³/day.

3.2 The sources of water will be on BIMC's mineral claims some of which are on Inuit Owned Lands and some on Crown Land. Exact locations of water sources for drilling activities cannot be identified at this time.

4. Waste Deposit

4.1 Types of Wastes

For future satellite camps and drilling activities, the types of wastes generated will be similar in nature and volume to the types of wastes currently generated by the Steensby pioneer camp. Waste consists mainly of camp wastes and waste from drilling activities.

4.2 Waste Management

All wastes generated by activities permitted under the 2BB-MRY1114 Licence will be managed in accordance to the terms and conditions of the 2AM-MRY1325 Licence. The Waste Management Plan approved by the Board under 2AM-MRY1325 Licence will contain an addendum which addresses waste management associated with the activities of 2BB-MRY1114 Licence.

5. Bulk-Sampling Program

BIMC confirms that future bulk-sampling program planned for 2014 will be carried out under the amended 2BB-MRY1114 Licence.

BIMC request that the amended 2BB-MRY1114 Licence contain provisions for future bulk sampling campaign from other site within BIMC's mineral claims in North Baffin Region.

6. Drilling

BIMC confirms that exploration and geotechnical drilling within 30 metres of the ordinary high water mark should be retained under any amended 2BB-MRY1114 Licence.

7. Security

BIMC confirms that \$1,250,000 will remain under Type "B" licence 2BB-MRY1114 as reclamation security for relevant activities and/or facilities.

Confirmation is required from BIMC on the percentage of the total amount of security under the Type "B" licence that would be allocated for potential land or water related reclamation. This will be undertaken each year when the Security for the entire site is evaluated and reviewed as per the Type A licence. This undertaking can be included for the Type B each year.