



January 8, 2006

Carolanne Inglis-McQuay  
Technical Advisor  
Nunavut Impact Review Board  
Box 1360  
Cambridge Bay, Nunavut  
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Dear Carolanne,

Re: Clarification of Scope of Two Project Proposals Submitted for the Mary River Project

In response to NIRB's letter dated December 20, 2006 signed by Joshua Gladstone, we are pleased to provide clarification as to the two project proposals recently submitted to Nunavut regulatory agencies, for the Mary River Project.

Baffinland Iron Mines Corporation (Baffinland) has been undertaking exploration drilling at Mary River since 2004, under three main regulatory instruments as follows:

Type of Authorization	Permit No.	Authorizing Agency	Governing Activity	Dates Valid
Water License (Type B)	NWB2MRY0406	Nunavut Water Board	Water use and waste disposal	Mar 10, 2004 to Dec 31, 2006
Inuit Land Use License	Q05L2C14	Qikiqtani Inuit Association	Exploration activities on Inuit Owned Lands	June 17, 2005 to Dec 31, 2006
Land Use Permit	N2004C0017	Indian and Northern Affairs Canada	Exploration activities on Crown Land	June 29, 2004 to June 28, 2007

Two of the above instruments, for which renewals have been sought, have now expired as of December 31, 2006.

Baffinland proposes to conduct two distinct activities at Mary River in the upcoming two years, described separately below.

#### **Proposal 1 - Continuation of Exploration and Geotechnical Drilling Program**

Baffinland proposes to continue its existing diamond drilling activities in 2007-2008. Exploration drilling will continue at Deposit Nos. 1, 2, 3 and 3A at Mary River, and will additionally include Deposit No. 4 located 27 km north of Mary River. Geotechnical drilling will be conducted at potential infrastructure areas including the Mary River project site and potential transportation corridors, port sites areas, and alternative energy sites (wind and hydro). These activities have

been referred to by the Nunavut Planning Commission in recent correspondence as “Study of Port Location and Possible Transportation Corridor, Renewal and Amendment”.

The following activities are proposed under the Exploration and Geotechnical Drilling Program:

- Mobilization of three additional rock coring drills (for an on-site total of 7 rigs)
- Continued mineral exploration on Mining Leases 2483, 2484 (Deposits #1, 2, 3 and 3A)
- Initiation of mineral exploration on Mining Lease 2485 (Deposit No. 4)
- Continued operation of the existing 80-person tent camp and expansion to 100-persons
- Land-based geotechnical investigations (drilling and testpitting) of mine-related infrastructure at Mary River, potential transportation routes, potential hydro and wind power sites, and port-related facilities at Milne Inlet and Steensby Inlet
- On-ice geotechnical drilling investigations of port-related facilities at Milne Inlet and Steensby Inlet
- Temporary installation of an 8-12 person fly camps at Milne Inlet, Steensby Inlet and Deposit No. 4 to support nearby drilling activities

Both the exploration drilling and the geotechnical investigations will provide information required to support the preparation of a definitive feasibility study for a full-scale mining operation.

The proposed continuation and expansion of the drilling program at Mary River requires three authorizations, covered by the existing permit/licenses, and additional authorizations are not required. On October 18, 2006 Baffinland submitted, to the Nunavut Water Board, Department of Indian and Northern Affairs and the Qikiqtani Inuit Association, applications to renew and amend the respective permit/licenses issued by these agencies. We have attached each of these application packages for your reference.

It was our expectation that these renewals were relatively straight forward and would be processed in a timely manner, in advance of the pending bulk sampling program submission and ensuring Baffinland remains in compliance with current permit/licenses. Land use plan conformity check and NIRB screening of this project proposal was not expected, given the activities represent incremental increase in the same activities being carried out for the Project, and the original project were subject to both a land use plan conformity check and NIRB screening.

As requested in the Nunavut Impact Review Board's (NIRB's) letter, we have also attached the appropriate NIRB Screening Forms describing the exploration and geotechnical drilling programs, as follows:

- NIRB Part 1 Form (English)
- NIRB Part 1 Form (Inuktitut)
- NIRB Part 2 Form for Mineral Exploration

## **Proposal 2 - Bulk Sampling Program**

The proposed bulk sampling program involves the extraction of a 250,000 t ore sample and the transport of the sample off-site, over an approximate 18-month period in 2007-2008. There are multiple objectives to be achieved by the program, as outlined in the previously submitted Bulk Sampling Program Environmental Screening Document, but most important is the supply of an adequate volume of ore sample to steel makers in Europe who have been identified as potential long-term customers of a future full-scale mining operation at Mary River. Demonstration of ore quality and consistency to potential customers is a fundamental step in the development of this project; Baffinland expects to negotiate marketing contracts with these customers following their use and testing of the ore. These marketing contracts are necessary for Baffinland to obtain adequate financing for development of a full-scale mining operation. The steel makers require a

sufficient ore sample for testing before they will make any commitments, making the bulk sampling program integral to advancement of the Project.

Other objectives of the bulk sampling program include obtaining technical information on the ore (i.e., consistency, chemistry, crushability, etc.) which will assist Baffinland in detailed engineering design that follows completion of the definitive feasibility study.

The bulk sampling program will involve the following activities:

- The delivery of contractor mining and crushing equipment, camp materials and fuel in 2 ship voyages to Milne Inlet in August 2007, in accordance with standard northeast arctic sealift procedures, using standard sealift ships based in the vicinity of Montreal
- Upgrade of the existing Milne Inlet tote road to allow all-weather use, including the quarrying and placement of fill on the road bed and the replacement/installation of a large number of culverts at watercourses
- Construction of a 100-person all-weather tent camp at Mary River, next to the existing seasonal exploration camp
- Establishment of temporary trailer camps at Milne Inlet and part-way along the Milne Inlet tote road
- Establishment of temporary fuel storage facilities at Milne Inlet, the roadside (Midway) camp and at Mary River
- The drilling, blasting and storing of 169,300 dry tonnes (t) of weathered surface rock on the top of Deposit No. 1 at Mary River over one or two months in late 2007 or early 2008
- The drilling, blasting, and crushing of 250,000 t of iron ore bulk sample from Deposit No. 1 at Mary River over three-to-five months, in early 2008
- Hauling the 250,000 t bulk sample from Mary River to Milne Inlet, over the course of the first half of 2008.
- Temporary stockpiling of the iron ore sample at Milne Inlet
- Loading of iron ore at Milne Inlet on 3 ships that will make a total of five voyages in August-September 2008 (two ships each make two voyages, one ship makes one voyage)

The Bulk Sampling Program Environmental Screening Document, forwarded to NIRB and other agencies in early December 2006, was prepared describing the bulk sampling program activities with the recognition that the exploration and geotechnical drilling programs would be carried out concurrently. Documents such as the Emergency and Spill Response Plan and the Abandonment and Restoration Plan consider the activities and infrastructure associated with both the bulk sampling program and the drilling programs.

The bulk sampling program will require either amendments to the existing permit/licenses, or entirely new permit/licenses. The program also will require additional authorizations, including a quarry concession on Inuit Owned Land, fisheries authorizations pursuant to the *Fisheries Act*, permits under the *Explosives Use Act*, and possibly approvals under the *Navigable Waters Protection Act*.

### **Two Distinct Proposals and Submission of Two Permit Renewal Applications**

Permit renewal applications were submitted first for the exploration and geotechnical drilling program in mid-October, subsequently followed by the bulk sampling program application in December, for the following reasons:

- The drilling program and bulk sampling program are two distinct programs relating to the Mary River Project. Both programs will function to advance the Mary River Project, but the programs have separate objectives and one program is not reliant on the other.

- Two of the three existing permit/licenses were to expire on December 31, 2006. Since exploration and geotechnical drilling has been conducted at the Project site in previous years, the proposed drilling programs represented an incremental increase in the level of existing activities, primarily the geographic expansion of investigation areas and the use of temporary drill camps. Additionally, the plans for the drilling programs were established this fall by the time Baffinland submitted its applications. It was intuitive that the company should include these activities within the scope of permit/license renewals before these permit/licenses were to expire.
- The bulk sampling program involves activities distinct from the drilling program, namely road upgrades; establishment of larger camps at Milne Inlet and Mary River; bulk fuel storage; explosives use; operation of mining equipment; and increased marine traffic. The Bulk Sampling Program Environmental Screening Document has been prepared to provide the appropriate level of detail for NIRB to screen the proposal, which is considerable more detail than that provided in permit/license renewal applications to continue and expand the drilling programs at Mary River.
- The amount of time required to screen and permit the bulk sampling program was expected to be more than that of the drilling program. With the pending expiration of existing permit/licenses, it did not make sense to tie the bulk sampling program in with permit renewals. Prior to submitting documentation for either program, Knight Piesold discussed on Baffinland's behalf with each of the Nunavut Water Board, Qikiqtani Inuit Association and Indian and Northern Affairs Canada, the two pending proposals. Each agency concurred that it was appropriate to first submit renewal applications for existing permit/licenses for the drilling program, followed later by applications for the bulk sampling program proposal.

We understand that NIRB screens project proposals according to a permit or permit application number, and at present both proposals refer to the renewal of the same permit/licenses. In acknowledgement of this, we have requested both the Qikiqtani Inuit Association and INAC to process the Drilling Program application (Project Proposal 1) as an amendment to the existing permit/license, but to assign new permit numbers to the bulk sampling program (Proposal 2). By doing so, we hope that this would facilitate separate screenings for the two project proposals. Formal letters were sent to each agency today, and we expect to receive confirmations in the next day or so, and that NIRB and the Nunavut Planning Commission would be copied on such correspondence.

#### **Closure**

We trust this provides the necessary clarification between the two proposals tabled by Baffinland for the Mary River Project. Please let us know if additional information is necessary or if there is anything else we may do to help expedite the screening and processing of these applications.

Yours very truly,

**BAFFINLAND IRON MINES CORPORATION**

Original signed by:

Rodney (Rod) Cooper, P.Eng.  
Vice-President, Operations

c.c. Steve Aiken & Richard Cook – Knight Piesold  
Brian Aglukark & Peter Wilson – Nunavut Planning Commission  
Spencer Dewar – Indian and Northern Affairs Canada  
Joe Murdock & Richard Dwyer for Phyllis Beaulieu – Nunavut Water Board  
Salamonie Shoo – Qikiqtani Inuit Association  
Kevin Buck – NIRB

Attached:

- NIRB Part 1 Form (English)
- NIRB Part 1 Form (Inuktitut)
- NIRB Part 2 Form for Mineral Exploration
- Spill Contingency Plan (September 2006)
- Mary River Exploration Camp Abandonment and Restoration Plan (October 2006)
- Renewal Application Package to Qikiqtani Inuit Association
- Renewal Application Package to Indian and Northern Affairs Canada
- Renewal Application Package to Nunavut Water Board