



October 10, 2013

Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0

Attention: Damien Côté
Executive Director

Dear Mr. Côté:

Re: Proposed Nunavut Water Board Initiated Amendment (No.1) to the Scope and Associated Terms and Conditions for the Undertaking and Security Provisions of the Type "B" Water Licence No. 2BB-MRY1114 – Mary River Project, Nunavut; Baffinland Iron Mines Corporation ("Baffinland")

Baffinland has reviewed your September 27, 2013 letter requesting comments from interested parties relating to the above noted issue. As set out in that letter, the Nunavut Water Board (the "Board") is requesting comments on the following matters:

- identifying any overall issues with the Board's approach to the amendment of scope and associated conditions and security under a Board initiated amendment;
- commenting on any issues associated with the wording of the scope and security components of the proposed Amendments (No.1) to the existing Type "B" Water Licence;
- commenting on any issues associated with the direction proposed to be issued by the Board under Part C, Item of 5 of the Type "A" Water Licence; and
- identifying for the Board any additional requests for direction regarding security required by the parties pursuant Part C, Item of 5 of the Type "A" Water Licence.

Baffinland is pleased to provide its comments on these matters as follows.

1. Overall Scope and Approach

Baffinland is supportive of the general approach proposed by the Nunavut Water Board for a Board initiated amendment.

2. Wording of Scope Components of the Proposed Amendments

With respect to the wording of the scope and security components of the proposed Amendments (No. 1) to the existing Type "B" Water Licence, Baffinland has identified some activities that should remain in the scope change proposed in Part A, Item one. In Baffinland's

view, these activities are already included within the existing Type “B” Water Licence, and Baffinland wishes to retain these activity options under that licence. The suggested changes are as follows (all changes are underlined):

1. Scope

This amended Licence allows for the use of Water and the deposit of Waste in support of a Mining and Milling Undertaking, classified as per Schedule 1 of the Regulations, at Mary River Exploration Project (Previously called Mary River Project), located approximately 160 kilometres (km) south of Pond Inlet within the Qikiqtani Region, Nunavut. The activities associated with the Undertaking generally includes geotechnical and exploration drilling programs (both land based and on-ice drilling) at various project sites as outlined in Appendix A to the Licensee's submission to the NWB dated October 10, 2013 ~~Licensee's correspondence to the Board in October 2012,~~ bulk sampling, progressive reclamation programs, activities in support of future engineering and scientific studies and the operation of existing satellite camps and associated water uses.

It is also requested that Appendix A be updated to reflect the suggested revised scope, as per the attached revised Appendix A.

As noted by the Board, a significant number of the overall terms and conditions in the Licence are inextricably linked to the scope and will have to be accordingly modified or removed from under the Proposed Board initiated Amendment (No.1) to Licence 2BB-MRY1114 for consistency reasons. For illustrative purposes only, Baffinland has included a proposed draft at Appendix B which shows which conditions of 2BB-MRY1114 that may be modified or removed given the changes to the licence scope proposed by the Board.

3. Direction Proposed to be Issued by the Board under Part C, Item 5 of the Type “A” Water Licence

Baffinland has reviewed the suggest wording and approach to change Part B, Item 2 of 2BB-MRY1114 and agrees with the proposed change to reduce security held under Licence 2BB-MRY1114 to \$1,250,000.

Baffinland also wishes to confirm that as per Table 1 Summary of Reconciled Security Requirements Updated 2013 – the \$5,488,216.00 LOC will need to be transferred to the Type A Water licence once this Board initiated amendment is issued.

4. Identifying for the Board any additional requests for direction regarding security required by the parties pursuant to Part C, Item 5 of the Type A Water Licence

Baffinland has no additional requests for direction regarding security pursuant to Part C, Item 5 of the Type A Water Licence at this time.

Thank you for the opportunity to provide the Board with our submissions on this matter. Should you need any clarification on any of the above points, please feel free to contact me at 416-996-5523.

Yours truly,

A handwritten signature in black ink, appearing to read "Erik Madsen". The signature is fluid and cursive, with the first name "Erik" written in a stylized, looped manner and the last name "Madsen" written in a more standard cursive script.

Erik Madsen, Vice President
Sustainable Development, Health, Safety & Environment

c.c. David Hohnstein (NWB)
Sean Joseph (NWB)
Karen Costello (AANDC)
Stephen Bathory (QIA)
Oliver Curran (BIMC)

Appendix A:

List of Activities and Undertakings under the Existing or Pre-amended Licence 2BB-MRY1114, those proposed by the Licensee following the Type “A” Licence Issuance and that being considered under the Board Initiated Amendment

Site	Activities and Undertakings under Existing Licence 2BB-MRY1114	Activities and Undertakings Proposed as Part of the Reduced Scope of Licence 2BB-MRY1114	Activities and Undertakings Considered under the Proposed Board-Initiated Amendment
<i>Milne Inlet Site</i>	Fuel Storage (one steel tank and bulk fuel bladder farm) Sewage Treatment Plant and Polishing Waste Stabilization Pond (PWSP) Camp Temporary hazardous/nonhazardous waste and materials storage Oily water treatment system Water supply from Philips Creek and 32 km Lake Incinerator	Geotechnical drilling to support future infrastructure development	Geotechnical drilling to support future infrastructure development
<i>Mine Site</i>	Exploration drilling and geotechnical drilling activities	Ongoing exploration drilling and geotechnical drilling activities on Baffinland's mineral claims and development areas for the life of the Project	Ongoing <u>land-based and on-ice</u> exploration drilling and geotechnical drilling activities on Baffinland's mineral claims and development areas

Site	Activities and Undertakings under Existing Licence 2BB-MRY1114	Activities and Undertakings Proposed as Part of the Reduced Scope of Licence 2BB-MRY1114	Activities and Undertakings Considered under the Proposed Board-Initiated Amendment
	Exploration camp and sewage treatment plant, PWSPs, and pipelines	Use of existing camp infrastructure to house to service exploration and geotechnical drilling programs	
	Water supply from Camp Lake for potable and other uses	Drill water use to support ongoing exploration and geotechnical drilling for the life of the Project (specific sources identified prior to drilling)	Drill water use to support ongoing exploration and geotechnical drilling for the life of the Project (specific sources identified prior to drilling), <u>land-based and on-ice</u>
	Bulk fuel storage farm (bladders)	Potential for establishing future satellite camps to support exploration and drilling activities (amendment of licence would be required)	
	Landfill		
	Temporary hazardous/nonhazardous waste and materials storage		
	Explosives magazines		
	Incinerator		
Steensby Port	Current tent camp	<u>Operation of existing camp and associated uses + geotechnical drilling to support future infrastructure development</u>	<u>All currently permitted satellite camp facilities + Geotechnical drilling to support future infrastructure development</u>
	48 person hardwall camp and sewage treatment plant (not yet installed)		
	Drummed fuel storage		
	Temporary waste and materials storage		
	Water supply		
	Incinerator		
Railway Corridor	Mid-rail tent camp	<u>Operation of existing camp and associated uses+ Geotechnical drilling to support future infrastructure development</u>	<u>All currently permitted satellite camp facilities + Geotechnical drilling to support future infrastructure development</u>
	Water supply		
	Incinerator		
	Temporary waste storage		

Site	Activities and Undertakings under Existing Licence 2BB-MRY1114	Activities and Undertakings Proposed as Part of the Reduced Scope of Licence 2BB-MRY1114	Activities and Undertakings Considered under the Proposed Board-Initiated Amendment
Water Crossings	Tote road water crossings currently regulated under existing DFO authorizations and letters of advice	New water crossings for the railway require a DFO authorization (letter of advice or specific authorization)	
Misc.	<u>Bulk sampling (on notice to Board as per Part D Item 24)</u>	<u>No change - Bulk sampling (on notice to Board as per Part D Item 24)</u>	<u>No change - Bulk sampling (on notice to Board as per Part D Item 24)</u>
Misc.	<u>Progressive reclamation programs (as described in scope and generally within 2BB-MRY1111)</u>	<u>No change - Progressive reclamation programs (as described in scope and generally within 2BB-MRY1111)</u>	<u>No change - Progressive reclamation programs (as described in scope and generally within 2BB-MRY1111)</u>
Misc.	<u>Activities in support of engineering and scientific studies (as described in scope)</u>	<u>No change- Activities in support of future engineering and scientific studies (as described in scope)</u>	<u>No change - Activities in support of future engineering and scientific studies (as described in scope)</u>

Appendix B:
Illustrative Type B Water Licence