

7.0 Early Revenue Phase (ERP) Environmental Impact Assessment

As stated in correspondence to the NIRB on January 13, 2013, due to various business drivers, Baffinland proposes to make changes to the schedule and some activities in the initial stages of project development associated with the Mary River Project Proposal for which the NIRB recently issued Project Certificate No. 005 (the 'Project Certificate').

In its request to the NIRB, Baffinland indicated that although the Proponent remains committed in the long-term to developing the Project as authorized in the Project Certificate, in the short term Baffinland proposes to change some development activities and project timelines to accommodate a proposed "Early Revenue Phase" which would include development of a nominal 3.5 million tonnes per annum (Mt/a) road haulage operation from the Mary River mine site to a port facility at Milne Inlet for shipping of iron ore during the open water season. As noted by Baffinland, this development option was presented previously as a project alternative, and was included within the initial technical review of the Draft Environmental Impact Statement for the Mary River Project Proposal.

Baffinland recognizes that this Early Revenue Phase will require an amendment to the Project Certificate which in turn requires the submission and review of an Environmental Impact Assessment. In accordance to the directives issued by the NIRB, Baffinland expects to complete its Environmental Impact Assessment for the Early Revenue Phase (ERP) of the Project by June 2013. It is anticipated that this EIA will be submitted to the NIRB by June 30, 2013, and the proposal will be subjected to the NIRB review process which is expected to be completed by the first quarter of 2014.

Once a favorable decision is granted from the Minister of AANDC with respect to the ERP, and subject to obtaining any amendments (if any) which might be necessary to the Water Licence, Baffinland will proceed with the construction of facilities required for the completion of the ERP. This work will be included in the 2014 Work Plan, once the Project Certificate has been amended.

8.0 Potential 2014 Bulk Sampling Campaign

In addition to the scope of activities described herein, Baffinland is also considering the undertaking of a second "bulk ore sampling" campaign. This campaign would consist of mining up to 500,000 tonnes of ore for shipment to potential customers via Milne Port during the 2014 open water season. A feasibility study is in progress and a decision by Baffinland's Board of Directors on whether to proceed with this bulk sampling campaign is expected by the end of March 2013. Should the decision of the Board be favorable, an addendum to this 2013 Work Plan will be submitted in April 2013. This addendum will highlight additional activities that must be undertaken in 2013 in order to execute the 2014 bulk sampling campaign.

