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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI

File No: NWB2MRY0406 Type “B”

August 4, 2005

Michael Zurowski, P.Eng.
President, Baffinland Iron Mines Corporation.
Suite 500, Temperance Street
Toronto, Ontario M5H 3V5
Email: Michael.zurowski@baffinland.com

RE: Amendment 1 to NWB2MRY0406 Type “B”

Dear Mr. Zurowski:

Please find attached Amendment 1 to License No. NWB2MRY0406 Type “B” issued to Baffinland Iron Mines Corporation by the Nunavut Water Board (**Motion #: 2005-26**) pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The terms and conditions of the original Licence related to water use and waste disposal remain an integral part of this approval.

Sincerely,

Original signed by:

Philippe di Pizzo
Executive Director

Enclosure: Licence No. **NWB2MRY0406 Type “B”-Amendment 1**

cc: Jim Rogers, DIAND Iqaluit
Scott Stewart, DIAND Inspector
Salamonie Shoo, Qikiqtani Inuit Association
Josee Gallipeau, Nunavut Wildlife Management Board
Colette Spagnuolo, Environment Canada
Earle Baddaloo, GN-DOE
Derrick Moggy, Department of Fisheries and Oceans
Tania Gordanier, Department of Fisheries and Oceans

LICENCE AMENDMENT No. 1

Licensee:	Baffinland Iron Mines Corporation
License No:	NWB2MRY0406 Type "B"
License Issued:	June 11, 2004
Effective Date:	August 4, 2005

Pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters* and the *Nunavut Surface Rights Tribunal Act*, the Nunavut Water Board hereby grants the following license amendment.

The License issued June 11, 2004 shall be amended to extend the expiry date from June 30, 2006 to December 31, 2006 and to include the following terms and conditions to allow Baffinland Iron Mines Corporation an increase in water use to undertake camp operation and drilling activities associated with the Mary River Project (latitude 71°18'30"N and longitude 79°23'30"W). This Amendment shall also allow for Baffinland Iron Mines Corporation to undertake airstrip and seasonal use road rehabilitation activities involving the replacement of several culverts along its route as indicated in the application filed on March 13, 2005.

PART A: SCOPE, DEFINITIONS & ENFORCEMENT

2. Definitions

Insert **"Engineer"** means a professional engineer registered to practice in Nunavut in accordance with the Engineering, Geological and Geophysical Act (Nunavut) S.N.W.T. 1998, c.38, s.5;

"Modification" means an alteration to a physical work that introduces a new structure or eliminates an existing structure and does not alter the purpose or function of the work, but does not include an expansion;

3. Enforcement

- i. Failure to comply with this Licence will be a violation of the *Act*, subjecting the Licensee to the enforcement measures and the penalties provided for in the *Act*;
- ii. All inspection and enforcement services regarding this Licence will be provided by Inspectors appointed under the *Act*; and
- iii. For the purpose of enforcing this Licence and with respect to the use of water and deposit or discharge of waste by the licensee, Inspectors appointed under the *Act*,

hold all powers, privileges and protections that are conferred upon them by the *Act* or by other applicable law.

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1 The Licensee shall obtain water for domestic use from a small lake to the west of the proposed camp and adjoined to Mary Lake, up to a maximum of 5 cubic metres per day. Water use for drilling operations shall be obtained from the Mary River and its tributaries and is not to exceed 290 cubic meters per day.

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

Amend Item 5 The Licensee shall, for interim use, contain all sewage in the latrine system as described in the letter dated May 25, 2005. The wastes shall be collected and incinerated prior to treatment with lime and covered with native material to achieve the pre-existing natural contours of the land prior to abandonment. For full camp capacity use, the commercial incineration toilet system shall be used with ashes and any remaining residue generated through the course of the operation backhauled and disposed of in an approved waste disposal site.

PART E: CONDITIONS FOR CAMPS, ACCESS INFRASTRUCTURES AND OPERATIONS

Insert Item 5 The Licensee shall submit a report with respect to Part B, item 2(vi) on the rehabilitation of the Milne Inlet Access Road that summarizes all work completed during the 2005 season and any work planned for 2006. The report shall also include, but not be limited to a detailed description of the road route, length, width, mitigation efforts, culvert replacement and their locations complete with maps and photos where applicable. A description of any problem areas noted and planned mitigation should also be included.

Insert Item 6 The Licensee shall operate and maintain the Milne winter road as a seasonal use road during the months of March, April and May with required summer seasonal access allowed only for maintenance and repairs when necessary;

Insert Item 7 The Licensee shall ensure that all fill materials used are from an approved source and shall be free of contaminants.

Insert Item 8 The Licensee shall implement measures as required, to control erosion resulting from surface disturbances and shall be required to undertake corrective measures

to mitigate impacts on surface drainage resulting from the Licensee's operations.

Insert Item 9 For rehabilitation of the airstrip and the future stabilization, the Licensee shall confirm that the use of products chosen is in compliance with all appropriate legislation and that the importing of products meets requirements of the Canadian Environmental Protection Act. The use of any products for the stabilization of the airstrip shall be used on a location at least thirty (30) metres above the ordinary high water mark of any water body, where direct flow into a water body is not possible and no additional impacts are created.

PART I: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Amend Item 1

1. The Licensee shall, for the purposes of the monitoring program;
 - i. measure and record in cubic metres the daily quantities of water utilized for camp operations and drilling operations, for all purposes; and
 - ii. while the latrine pit system remains in use, monitor the water body located immediately downstream from the latrine pit area, once every four weeks during the period when open water exists, for BOD5, Fecal Coliform and TSS.

Insert Part J

PART J: CONDITIONS APPLYING TO MODIFICATIONS

1. The Licensee may, without written consent from the Board, carry out Modifications to the Water Supply Facilities and Waste Disposal Facilities provided that such Modifications are consistent with the terms of this License and the following requirements are met:
 - i. the Licensee has notified the Board in writing of such proposed Modifications at least sixty (60) days prior to beginning the Modifications;
 - ii. such Modifications do not place the Licensee in contravention of the License or the *Act*;
 - iii. the Board has not, during the sixty (60) days following notification of the proposed Modifications, informed the Licensee that review of the proposal will require more than sixty (60) days; and
 - iv. the Board has not rejected the proposed Modifications.

All remaining terms and conditions of the License NWB2MRY0406 Type ‘B’ dated June 11th, 2004 still apply.

This License Amendment issued and recorded at Gjoa Haven on August 4, 2005.

Approved by,

Original signed by:

Philippe di Pizzo
Executive Director