



P.O. Box 119
GJOA HAVEN, NU X0B 1J0
TEL: (867) 360-6338
FAX: (867) 360-6369

ᓄᓇᓴᓐ ᐃᓕᓕᓴᓐᓐ ᑲᓴᓴᓴᓴ
NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BB-MRY0710

February 29, 2008

Attn. Mr. Derek Chubb
V.P. Sustainable Development
Baffinland Iron Mines Corporation
Suite 1016, 120 Adeliade Street West
Toronto, Ontario M5H 1T1
Email: derek.chubb@baffinland.com

RE: 2BB-MRY0710 Type "B" – AMENDMENT NO. 2

Dear Mr. Chubb:

Please find attached Amendment No.2 to Licence 2BB-MRY0710 Type "B" issued to Baffinland Iron Mines Corporation (Baffinland) by the Nunavut Water Board (NWB) under **Motion 2007-19-14** 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.

Attached is a copy of comments from the Qikiqtani Inuit Association (QIA) and the Government of Nunavut, Department of Environment (GN-DoE) with respect to your amendment application. The board recommends that these comments be taken into consideration by Baffinland when preparing updated plans and reporting.

Sincerely,

Thomas Kabloona
Acting Chief Executive Officer

Enclosure: Licence No. **2BB-MRY0710 - Amendment 2**
QIA & GN-DoE Comments

Cc: Qikiqtani Approved License Distribution

LICENCE AMENDMENT No. 2

Licensee:	Baffinland Iron Mines Corporation
Licence No:	2BB-MRY0710 Type "B"
Licence Issued:	February 20, 2007
Amendment No.1 Issued	July 16, 2007
Effective Date of Amendment	
No.2:	February 13, 2008

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 licence amendment.

The Licence renewal, issued February 20, 2007 and subsequently amended on July 16, 2007 with a licence expiry date of February 28, 2010 shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during all activities as described within the scope of the Licence, at the Mary River Exploration and Bulk Sampling Project, located in the Qikiqtani Region, Nunavut. This Amendment No.2 incorporates the errata dated October 10, 2007 for Part C, Item 1 and the letter of authorization dated October to include the Kilometer 32 Lake as an alternative water source for the Milne Inlet Camp.

SCOPE

The Licensee has made application for amendment of the current licence in order to accommodate the need for an additional temporary, seasonal camp at a location along the proposed rail alignment, referred to as Rail Camp, as well as expansion of the seasonal camp at Steensby Inlet. The two camps are located at the approximate geographical coordinates as follows:

Rail Camp located at Latitude 70°46'34" N and Longitude 78°6'57" W

Steensby Inlet Camp located at Latitude 70°17'38" N and Longitude 78°29'13" W

It was noted during the review of this application that the inclusion of a provision for a camp at Deposit 4 was overlooked in Amendment No.1, issued July 27, 2007 and it is therefore to be added to the scope of this amendment. The Camp at Deposit 4 is currently in the proposed phase and a water source will be identified to the NWB and the Inspector prior to commissioning of the camp.

As well, geotechnical investigations are to continue through this Licence term and the scope is adjusted to include the requirement for drilling on-ice and in addition, the need for drilling within thirty (30) metres of the ordinary high water mark of any water body as set out in Part F, Item 1 and 2.

TERM OF LICENCE

The Licensee has requested the extension of the term of the Licence to cover the seasonal operating period of 2010 with a proposed expiry of December 31, 2010. As there were no comments received with respect to the term of the Licence through the review process, the NWB

has agreed with this request and amended the current Licence term to accommodate the program identified by the Licensee.

WATER USE

The Licensee has requested the addition of a temporary seasonal camp for approximately 40 persons located along the potential future railway alignment, referred to as Rail Camp and an expansion of camp size at Steensby Inlet to approximately 40 persons. Additional water sources have been identified and requested for camp purposes at the Rail Camp and Steensby Inlet, however no increase in the water volume for overall domestic purposes for the project has been requested.

WASTE DISPOSAL

The Licensee has requested the addition of a temporary seasonal camp, Rail Camp, to accommodate approximately 40 persons. The applicant has indicated that sewage will be handled through outhouse collection and incineration. Greywater will be disposed of using a sump established at the camp. Solid wastes from the new seasonal camp will be collected and combustible materials will be incinerated. Non-combustible materials will be transported to the Mary River Camp for disposal.

DRILLING

The Licensee has requested the allowance of drilling within thirty (30) metres of the high water mark of any water body and to remove the restriction to on-ice drilling, Part F, Item 5. This request is to accommodate the continued necessary investigative geotechnical drilling for the engineering design of various components of the project including the railway alignment and ballasts, port facility, mine site infrastructure, open pit overburden, potential wind and hydroelectric sites, borrow pits, quarry sites and others. Comments were received regarding this issue and the NWB has taken into consideration the information provided.

The NWB has included the allowance of drilling within the thirty (30) metre set-back of the high water mark of any water body, and provided provisions for drilling on-ice and the monitoring required for carrying out these activities under Part F and Part I.

ABANDONMENT AND RESTORATION

The amendment Application submitted by the Licensee requested the removal of several conditions under Part H. These items, listed in this amendment are deleted to be consistent with the approved abandonment and restoration plan. It is understood by the NWB that the approved plan is an interim plan, subject to revisions, amendments and further approvals as the project matures.

In addition to these changes, the Licensee is requested to provide an update to the approved Abandonment and Restoration Plan, to reflect the additional components of the amendment as required under Part H, Item 3.

Licence No. 2BB-MRY0710 shall include the following amendments:

Expiry date of Licence to be extended to: December 31, 2010

PART B: GENERAL CONDITIONS

Amend Item 5(i) the monthly and annual quantities in cubic metres of all freshwater obtained from Camp Lake at Monitoring Station MRY-1, Phillips Creek at Monitoring Station MRY-2, km99 Lake at Monitoring Station MRY-3 and the additional freshwater sources identified for Camp use under Part C, Item 1.

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1 The Licensee shall obtain water for domestic purposes from the following locations, or as otherwise approved by the Board:

- i. Mary River Camp; Camp Lake at Monitoring Station MRY-1;
- ii. Milne Inlet Camp; Philips Creek at Monitoring Station MRY-2;
- iii. Km 99 Lake at Monitoring Station MRY-3;
- iv. An alternative water source for Milne Camp at Km 32 Lake;
- v. Deposit 4 Camp; Proposed under the Amendment No.1 application and to be identified prior to use;
- vi. Rail Camp; an adjacent unnamed lake; and
- vii. Steensby Inlet Camp; an unnamed lake near camp or the alternate source for freshwater identified in the Application,

Total water use for domestic purposes from all sources shall not exceed a combined total of sixty (60) cubic metres per day. Water for the purposes of drilling and other associated uses, shall be obtained from sources adjacent to drill targets, or as otherwise approved by the Board and is not to exceed four hundred and fifty five (455) cubic metres per day.

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

Amend Item 9 All discharge from the two Bulk Sample open pits, weathered ore stockpile, lump ore and fine ore stockpiles at Monitoring Stations MRY-8, MRY-9, MRY-10, MRY-11 and MRY-12 shall not exceed the following limits: [table remains]

Amend Item 12 The licensee shall ensure that effluent discharged from monitoring station MRY-4 and MRY-4a, and MRY-5 and MRY-5a, are demonstrated to be non-acutely toxic through testing in accordance with Part I, Item 4.

Amend Item 24 The Licensee shall dispose of all Sewage generated at the Mary River Camp and the Milne Inlet Camp to the Waste Water Treatment Facilities, or as otherwise approved by the Board.

PART F: CONDITIONS APPLYING TO DRILLING OPERATIONS

Amend Item 2 Licensee may, for the purpose of geotechnical investigations as described in the application for Amendment, carry out drilling activities within thirty (30)

metres of the high water mark of any water body, provided that such activities are consistent with the terms of this Licence and a request has been submitted and received by the NWB, ten (10) days in advance of drilling, that includes a thorough description of the proposed activities and the following:

- i. An appropriately scaled site map, complete with approximate GPS coordinates of planned drilling locations and the associated water bodies;
- ii. Locations of waste deposition, that are consistent with Part F, Item 4; and
- iii. Mitigation measures that are planned to be in place, prior to, during drilling and following if required to protect waters.

Amend Item 5 Drilling additives or mud shall not be used in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.

Insert Item 8 For “on-ice” drilling where drill additives are not being used, return water released must be nontoxic, and not result in an increase in total suspended solids in the immediate receiving waters above the Canadian Council of Ministers for the Environment, Guidelines for the Protection of Freshwater Aquatic Life (i.e. 10mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100mg/L).

Insert Item 9 The Licensee shall establish water quality conditions prior to and upon completion of any drilling program through lake ice.

PART H: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION

The Licensee is to provide an up-dated Abandonment and Restoration Plan as required by Part H, Item 3 to take into account the additional scope of this amendment.

Delete Item 8

Amend Item 9 The Licensee shall, unless otherwise identified within the approved Plan under Part H, Item 1, remove all culverts and open the natural drainage channel. In carrying out this activity, measures shall be implemented to minimize erosion and sedimentation.

Delete Items 10, 12 and 14

PART I: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Amend Item 2 The Licensee shall, at a minimum, maintain Monitoring Stations at the following locations:

Monitoring Program Station Number	Description	Status
MRY – 1	Water supply for the Mary River Camp	Active-Volume

	at Camp Lake	
MRY – 2	Summer water supply for the Milne Inlet Camp at Phillips Creek	Active-Volume
MRY – 3	Winter water supply for the Milne Inlet Camp at the Km 99 lake	Active-Volume
MRY – 4	Mary River Camp sewage discharge at the WWTF	Active
MRY – 4a	Mary River Camp sewage discharge from the PWSP	
MRY – 5	Milne Inlet Camp sewage discharge at the WWTF	Active
MRY – 5a	Milne Inlet Camp sewage discharge from the PWSP	
MRY – 6	Water collected within the Bulk Fuel Storage Facility at Mary River prior to release	
MRY – 7	Water collected within the Bulk Fuel Storage Facility at Milne Inlet prior to release	
MRY – 8	Minewater and surface drainage either pumped or released from the Hematite Open Pit	Active
MRY – 9	Minewater and surface drainage either pumped or released from the Magnetite Open Pit	Active
MRY – 10	Surface discharge from the weathered ore stockpile	
MRY – 11	Surface discharge from the lump ore and fine ore stockpiles at the processing area	
MRY – 12	Surface discharge from the lump ore and fine ore stockpiles at Milne Inlet	

- Amend Item 5 The Licensee shall sample at:
- a) Monitoring Program Stations MRY -6 and MRY – 7, monthly during removal of water from the facilities as required by Part D, Item 17; and
 - b) Monitoring Program Stations MRY-8, MRY-9, MRY-10, MRY-11 and MRY-12, monthly during periods of observed flow as required by Part D, Item 9.

- Insert Item 21 The Licensee shall obtain representative samples of the water column below any ice, where required under Part F, Items 8 and 9. Monitoring shall include, at a minimum, the following:

Total Suspended Solids pH
Electrical Conductivity

Total Trace Metals as determined by a standard ICP Scan (to include at a minimum, the following elements: Al, Sb, Ba, Be, Cd, Cr, Co, Cu, Fe, Pb, Li, Mn, Mo, Ni, Se, Sn, Sr, Tl, Ti, U, V, Zn), and
Trace Arsenic and Mercury

All remaining terms and conditions of Licence 2BB-MRY0710 Type 'B', originally issued February 20, 2007 and Amendment No.1 issued on July 16, 2007, still apply.

This Licence Amendment issued and recorded at Gjoa Haven, NU on February 13, 2008.

Approved by,

A handwritten signature in dark ink, appearing to read 'T. Kabloona', written in a cursive style.

Thomas Kabloona
Acting Chief Executive Officer