

Appendix A.2

Baffinland Iron Mines Corporation

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September 14, 2011

Phyllis Beaulieu, Manager of Licencing
Richard Dwyer, Licencing Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0
Email: licensing@nunavutwaterboard.org

Dear Ms. Beaulieu / Mr. Dwyer:

Re: *Mary River Project*
Amendment Application for NWB License 2BB-MRY0710 Type B

The above referenced licence, held by Baffinland Iron Mines Corporation (Baffinland), allows for the use of water and the deposition of wastes required in support of activities at the Mary River project site associated with exploration and geotechnical drilling, and the execution of a bulk sample program. Project location plan is provided as attached Figure 1.1, and the location of project activities and land ownership are provided as Figure 1.2.

Since the latter half of 2008, after the completion of the bulk sample program, the primary activities undertaken at Mary River have been, and continue to be, exploration and geotechnical drilling programs, progressive reclamation programs, support of scientific and engineering studies related to the advancement of the EIS, and ongoing regulatory compliance and monitoring. The existing licence was originally issued February 20, 2007, and amended July 16, 2007 and February 13, 2008, was subsequently renewed on April 5, 2011 and remains valid until April 5, 2014.

Baffinland is requesting an amendment to its existing licence to support a program of Pre-Development Work (PDW). This amendment application must be reviewed in parallel with the accompanying submission to the Nunavut Impact Review Board (NIRB) entitled "Application for Review and Approval of Pre-Development Work". This PDW document provides important contextual background information that should be reviewed in parallel with this amendment application.

Background

The development of the Mary River Project has been on-going since 2006. Due to the isolation and remoteness of the Project site, logistics and execution strategy are a large component of the capital investment required to build the Project and thus greatly influence the economic viability of the Project. Baffinland recognizes that the absence of infrastructure at the Project sites and the limited open water shipping season (August to mid October) for access to Milne Inlet and Steensby Inlet will require a massive effort for site capture and pre-project development work.

Extensive consultations with Inuit communities and regulatory agencies have taken place since 2006. During this consultation period, Baffinland has consistently stated the need to undertake pre-development work activities to ensure efficient execution of the Mary River Project. In 2008, Baffinland indicated that it would formally request exceptions to proceed with the pre-

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development work pursuant to Section 12.10.2(b) of the Nunavut Land Claims Agreement ("NLCA") to allow for the required approvals and licences to be granted.

In November 2009, the NIRB issued a guidance document for the preparation of an environmental impact statement (EIS) for the Mary River Project. In accordance with Nunavut regulatory requirements and the NIRB guidelines, Baffinland submitted the draft environmental impact statement (DEIS) in January 2011, followed by an Addendum to this DEIS in July 2011. The technical review of the DEIS is in progress. NIRB expects to render its decision regarding the preparation of the Final Environment Impact Statement (FEIS) by December 2011. Baffinland plans to submit its FEIS on or before January 31, 2012. The public hearing of the FEIS will likely occur in Q2 2012, followed by a NIRB decision regarding the Project Certificate in Q2 2012. The AANDC Minister's decision regarding the Mary River Project and the issuance of the Project Certificate are expected for Q3 2012. Baffinland also expects to obtain its Type A water license by early Q1 2013.

This regulatory approval timeline for the Mary River Project would enable Baffinland to begin construction in Q1 2013. Beginning construction in Q1 2013 can only be accomplished with early staging of material and equipment at the Project sites during the 2012 open water shipping season. Following discussions and consultations with the NIRB, NWB and the QIA, Baffinland made the decision to proceed with the submission of a formal application for Pre-Development Work (PDW) activities and to formally request exceptions to proceed with the pre-development work pursuant to Section 12.10.2(b) of the Nunavut Land Claims Agreement ("NLCA") to allow for the required approvals and licences to be granted. Baffinland believes that much of the PDW could be permitted with the submission of an updated work plan for 2012 and by amendment to its existing Type B water license (2BB-MRY1114).

Please note that the scope of the planned Mary River Project PDW activities for 2012 and 2013 is intended to be inclusive of activities previously screened by NIRB and subsequently permitted. These NIRB screening decisions were issued for the Exploration and Geotechnical Drilling Program (NIRB File No. 07EN004, March 26, 2007 and NIRB File No. 07CA070, February 22, 2008) and the Bulk Sampling Program (NIRB File No. 07EN012, May 4, 2007). The activities included under these screenings for which there may be activities undertaken during 2012 and 2013 generally include exploration drilling, geotechnical drilling and surveys, regional exploration programs, ongoing environment compliance and scientific/engineering baseline data collection, and continued progressive reclamation of project areas of current and past use. Since these activities have been previously screened and are currently permitted, they are not discussed explicitly within the scope of PDW activities.

Water Use

The proposed amendment does not require an increase to the 385 m³/day volume currently permitted. The total water to be used for combined camp and industrial use for the Milne Inlet and Mary River sites will increase from a total maximum daily rate of 60 m³/day, under the current licence, to a maximum upset limit of 225 m³/day for a period of two months during the PDW period under the proposed amendment change. This increase in camp/industrial use will, however, be offset by a decrease in the volume of water to be used for the purposes of drilling. Therefore, the overall water usage will not increase above the current permitted 385 m³/day. To meet these requirements, Baffinland is requesting flexibility in the allocation of the daily water usage (385 m³/day) between "camp and industrial use" and "drilling water use".



Security

Financial security for the existing project in the form of a letter of credit was provided to INAC in May 2011 in the amount of \$6,738,216. The most recent A&R Plan for the project is provided in the PDW Doc (Appendix B.12)

An addendum to the current A&R Plan is under preparation and will provide an appropriate level of detail concerning the PDW final closure and execution plan. The estimate of projected PDW closure costs will be correlated with the project schedule and current estimate of closure costs for the existing project. An accurate estimate of PDW closure costs will be derived from planned PDW project budgets that are currently under development and are being finalized shortly. After these costs become available, the addendum to the existing A&R plan will be submitted as supplementary information under separate cover. The estimated submission date for this document is estimated to be October 1, 2011.

Attachments

The following documents are either attached to this letter or appended to the related submission document (Application for Review and Approval of Pre-Development Work), in accordance with the application requirements, as follows:

Section 1.0 of the PDW Doc: English and Inuktitut Summary of the Submission.
Attachment A (to this letter): Completed Application for Water Licence Renewal Form.
Attachment B (to this letter): Updated maps and plans for the project.
Appendix B.12 of the PDW Doc: 2011 Abandonment and Reclamation Plan (and security est.)
Attachment C: Updated Financial Assessment.
Attachment D: NPC Land Use Conformity Review, dated February 8, 2008.
Attachment E: NIRB Screening Determinations dated March 26, May 4, and August 22, 2007.
Attachment F: Copy of Cheque for Application Fee.

Please do not hesitate to contact the undersigned at (416) 996-5523 or by e-mail at erik.madsen@baffinland.com should you require additional information or clarification regarding our amendment application and related submissions.

Yours sincerely,

Baffinland Iron Mines Corporation

A handwritten signature in black ink, appearing to read "Erik Madsen".

Erik Madsen

Vice-President Sustainable Development, Health, Safety & Environment

cc: Mr. Bob St. Elois, Director of Lands, QIA
Mr. Ian Rumbolt, INAC

Attachments: A to F, inclusive
Application Fee

ATTACHMENT A

Completed Application for Water Licence Amendment Form



Application for Water Licence Amendment

Document Date: May 2011

Application Submission Date: September 15, 2011
Month/Day/Year

P.O. BOX 119
GJOA HAVEN, NUNAVUT
XOB 1J0
TEL: (867) 360-6338
FAX: (867) 360-6369

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NUNAVUT IMALIRIYIN KATIMAYIT
NUNAVUT WATER BOARD
OFFICE DES EAUX DU NUNAVUT

DOCUMENT MANAGEMENT

Original Document Date: April 2010

DOCUMENT AMENDMENTS

	Description	Date
(1)	Updated for public distribution as separate document from NWB Guide 7	June 2010
(2)	Updated NWB logos and reformatted table to allow rows to break across page	May 2011
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		



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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYIT
OFFICE DES EAUX DU NUNAVUT

APPLICATION FOR WATER LICENCE AMENDMENT

The applicant is referred to the NWB's Guide 7: Licensee Requirements Following the Issuance of a Water Licence for more information about this application form.

EXISTING LICENCE NO: 2BB-MRY1114

1. LICENSEE CONTACT INFORMATION

Is the licensee the same as that referred to on the existing licence?

☒ Yes ☐ No

If No, a licence assignment must be completed and approved by the NWB. **An amendment will only be issued in the name of the current licensee in the absence of assignment of the licence.**

If the licensee is the same, but the name of the licensee has changed, attach a certificate of name change.

Name: *Baffinland Iron Mines Corporation*

Address:

*Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West
Toronto, Ontario
M5H 1T1*

Phone: (416) 814-3980 cell (416) 996-5523

Fax: (416) 996-5523

e-mail: erik.madsen@baffinland.com

2. LICENSEE REPRESENTATIVE CONTACT INFORMATION – If different from Block 1.

Name: Erik Madsen, Vice-President Sustainable Development, Health, Safety & Environment

Address:

Phone: as above

Fax: as above

e-mail: as above

(Attach authorization letter.)

3. NAME OF PROJECT

Has the name of the project changed?

☐ Yes ☒ No

If Yes, indicate the name of the project including the name of the location: _____

4. LOCATION OF UNDERTAKING

Does the proposed amendment change the location of the amended undertaking?

☐ Yes ☒ No

Provide the project extents and camp locations. Identify proposed changes.

Project Extents (approximate – see attached map)

NW:	Latitude: (72° 05' 00" N)	Longitude: (77° 45' 00" W)
NE:	Latitude: (72° 05' 00" N)	Longitude: (81° 00' 00" W)
SE:	Latitude: (69° 49' 00" N)	Longitude: (81° 00' 00" W)
SW:	Latitude: (69° 49' 00" N)	Longitude: (77° 45' 00" W)

Camp Location(s)

Mary River Exploration Camp (existing)	Latitude: (71° 19' 30" N)	Longitude: (79° 22' 40" W)
Milne Inlet Camp (expanded)	(71° 53' 00" N)	(80° 54' 15" W)
Mid-Rail Camp (existing)	(70° 58' 20" N)	(78° 22' 15" W)
Steensby Inlet Camp (existing)	(70° 17' 40" N)	(78° 29' 15" W)
Steensby Barge Camp (new, on barge)	(70° 17' 49" N)	(78° 30' 27" W)

The Steensby floating camp is equipped with desalination facility for its water supply and will be used for Pre-development work and the construction period of the Mary River Project. See Section 5.7 of Application for review and Approval of Pre-Development Work ("PDW doc").

MAP

Does the proposed amendment change the locations of any of the main components of the undertaking?

☒ Yes ☐ No

Attach a topographical map, indicating the main components of the undertaking. Identify proposed changes.

Location maps are attached (Figures 1 and 2).

NTS Map Sheet No.: 37F, 37G, 47H Map Name: _____ Map Scale: 1 : 250,000

Proposed Changes to Project Scope:

1. Expansion of the Milne Inlet camp from 60 person to 150 person camp; expansion of associated sewage treatment plant, camp incinerator, and, water supply (refer to Section 4.0 of the PDW Doc);
2. Construction of a landfarm and contaminated snow dump at Milne Inlet, Mary River, and Steensby Inlet for the storage and treatment of contaminated soils/snow (refer to Sections 4.0, 6.0, and 7.0 of the PDW Doc);

3. *Expansion of the fuel tank farm at Milne Inlet – addition of four 10 ML and one 3 ML steel tanks within a secondary containment area (refer to Section 4.0 of the PDW Doc);*
4. *Construction of multiple laydown areas at Milne Inlet for use during Pre-development works (refer to Section 4.0 of the PDW Doc);*
5. *Installation of temporary maintenance and warehousing facilities (fold-away type structures) at Milne Inlet (refer to Section 4.0 of the PDW Doc);*
6. *Construction of the 1000 person construction camp at Mary River. This new camp will not be utilized during the PDW (refer to Section 4.0 of the PDW Doc);*
7. *Construction of a landfarm and contaminated snow dump at Mary River for the treatment of contaminated soil/snow (refer to Section 4.0 of the PDW Doc);*
8. *Construction of fuel tank farm at Mary River within a secondary containment – three 5 ML and one 3 ML steel tanks (refer to Section 4.0 of the PDW Doc);*
9. *Construction of multiple laydown areas at Mary River (refer to Section 4.0 of the PDW Doc);*
10. *Storage and use of explosives at Mary River (refer to Section 4.0 of the PDW Doc);*
11. *Installation of temporary maintenance and warehousing facilities at Mary River (fold-away type structures) (refer to Section 4.0 of the PDW Doc);*
12. *Construction of multiple laydown areas at Steensby site (refer to Section 5.0 of the PDW Doc);*
13. *Construction of fuel depot at Steensby within secondary containment area with the installation of twenty 1 ML capacity steel tanks (refer to Section 5.0 of the PDW Doc);*
14. *Storage and use of explosives at Steensby (refer to Section 5.0 of the PDW Doc);*
15. *Installation of temporary maintenance and warehousing facilities at Steensby (refer to Section 5.0 of the PDW Doc);*
16. *Installation a temporary/mobile oily water treatment system at Steensby for treatment of wash water from maintenance facilities and oily water from fuel and waste containment areas (refer to Section 5.0 of the PDW Doc);*
17. *Construction of an airstrip at Steensby (refer to Section 5.0 of the PDW Doc);*
18. *Use of a “flotel” for accommodation of workers at Steensby (two 300 person camp on a barge equipped with desalination plant for water supply, power supply, waste incinerator and sewage treatment plant) (refer to section 5.0 of the PDW Doc);*
19. *Construction of a temporary landfarm and contaminated snow dump at Steensby for storage/treatment of contaminated soil/snow (refer to Section 5.0), a permanent facility would be constructed during the construction phase of the project;*
20. *Construction of a temporary solid waste storage area at Steensby (refer to Section 5.0 of the PDW Doc)*
21. *Geotechnical drilling and sediment/benthos sampling from a barge or boat during the open water season. Geotechnical drilling using the sea ice as a platform is allowed under the existing permits.*
22. *To facilitate geotechnical drilling along the rail alignment and for camp infrastructure, a track or soft tire mounted drill would be used to drill land accessible locations. Currently most drilling locations are accessed via helicopter. Once drilling locations are finalized, stream fording locations would be identified, and the necessary permits obtained from DFO.*

5. NATURE OF INTEREST IN THE LAND

Does the proposed amendment change the nature of the interest in the land?

☐ Yes ☒ No

If Yes, indicate changes. _____

Check any of the following that are applicable to the proposed undertaking (at least one box under the 'Surface' header must be checked).

Sub-surface

☐ Mineral Lease from Nunavut Tunngavik Incorporated (NTI)

Date (expected date) of issuance: _____ Date of expiry: _____

X Mineral Lease from Indian and Northern Affairs Canada (INAC)

Leases 2483, 2484, and 2485.

Date (expected date) of issuance: 1992 Date of expiry: 2013

Surface

X Crown Land Use Authorization from Indian and Northern Affairs Canada (INAC)

Land Use Permit #2006C0036

Date (expected date) of issuance:

Date of expiry: July 4, 2012

Land Use Permit # N20070004

Date (expected date) of issuance:

Date of expiry: April 3, 2012

Quarry Permit #2011QP0079

Date (expected date) of issuance:

Date of expiry: June 28, 2012

Application for Land Use Permit for Steensby

Date (expected date) of issuance: January 31, 2012 Date of expiry: January 31, 2037

Application for Quarry Lease for Steensby

Date (expected date) of issuance: January 31, 2012 Date of expiry: January 31, 2037

X Inuit Owned Land (IOL) Authorization from Qikiqtani Inuit Association (QIA)

Commercial Lease # Q10C3001

Date of expiry: December 31, 2012

☐ Commissioner's Land Use Authorization

Date (expected date) of issuance: _____ Date of expiry: _____

X Other :

- *Exploration agreement with NTI for a land package surrounding Mining Leases 2483, 2484 and 2485.*

Date of issuance: 1992 Date of expiry: 2013

Is the name of the entity(s) holding authorizations the same as that considered in the existing water licence?

X Yes ☐ No

If No, a licence assignment must be completed and approved by the NWB.

Name of entity(s) holding authorizations:

6. NUNAVUT PLANNING COMMISSION (NPC) DETERMINATION

Indicate the land use planning area in which the existing project is located.

X North Baffin

☐ South Baffin

☐ Akunnig

☐ Keewatin

☐ Sanikiluaq

☐ West Kitikmeot

Does the proposed amendment change the land use planning area?

☐ Yes ☒ No

If yes, indicate the land use planning area in which the amended undertaking is located.

☐ North Baffin
☐ South Baffin
☐ Akunnig

☐ Keewatin
☐ Sanikiluaq
☐ West Kitikmeot

Was a land use plan conformity determination required from NPC prior to the issuance of the existing water licence?

☒ Yes ☐ No

If Yes, indicate date issued and attach copy. February 8, 2008

Does the proposed amendment change the original NPC conformity determination or the need to obtain one?

☐ Yes ☒ No

If Yes, indicate date issued (or expected) and attach a copy. _____
If No, provide written confirmation from NPC confirming that a land use plan conformity review is not required.

Letter from NPC dated February 8, 2008, is attached.

7. NUNAVUT IMPACT REVIEW BOARD (NIRB) DETERMINATION

Was a screening determination required from NIRB prior to the issuance of the existing water licence?

☒ Yes ☐ No

If Yes, indicate date issued and attach copy.

- March 26, 2007 (NIRB File No: 07EN004)
- May 4, 2007 (NIRB No: 07EN012)
- August 22, 2007 (NIRB File No: 07CA070)

Does the proposed amendment change the original NIRB screening determination or the need to obtain one?

☒ Yes ☐ No

If Yes, indicate date issued (or expected) and attach a copy.

NIRB decision on Pre-Development Work expected on December 20, 2011

If No, provide written confirmation from NIRB confirming that a screening determination is not required.

8. DESCRIPTION OF UNDERTAKING

Does the proposed amendment change the description of the undertaking?

☒ Yes ☐ No

List and attach plans and drawings or project proposal. Identify proposed changes.

- *The Project Proposal is presented in the Application for Review and Approval of Pre-Development Work (PDW) for the Mary River Project. Sections 2, 3 4, 5 and 6, and related documentation (drawings, design basis, and management plans contained in the Appendices) provides a detailed description of the PDW activities.*

9. OPTIONS

Does the proposed amendment change any of the alternative methods and locations that were considered to carry out the project?

☐ Yes ☒ No

Provide a brief explanation of the alternative methods or locations that were considered to carry out the project. Identify proposed changes.

- *There are no alternatives available for the location and proposed activities for Pre-Development Work.*

10. CLASSIFICATION OF PRIMARY UNDERTAKING

Indicate the primary classification of undertaking for the existing licence by checking one of the following boxes:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Industrial | <input type="checkbox"/> Agricultural |
| <input checked="" type="checkbox"/> Mining and Milling (includes exploration/drilling/exploration camps) | |
| <input type="checkbox"/> Conservation | |
| <input type="checkbox"/> Municipal (includes camps/lodges) | <input type="checkbox"/> Recreational |
| <input type="checkbox"/> Power | <input type="checkbox"/> Miscellaneous (describe below): |

Does the proposed amendment change the classification of primary undertaking?

☐ Yes ☒ No

If Yes, indicate the primary undertaking of the amendment: _____

Information in accordance with applicable Supplemental Information Guidelines (SIG) must be updated and submitted with an Application for Amendment. Indicate which SIG(s) are applicable to your application.

- | |
|---|
| <input type="checkbox"/> Hydrostatic Testing |
| <input type="checkbox"/> Tannery |
| <input type="checkbox"/> Tourist / Remote Camp |
| <input checked="" type="checkbox"/> Landfarm & On-Site Storage of Hydrocarbon Contaminated Soil |
| <input type="checkbox"/> Onshore Oil and Gas Exploration Drilling |
| <input type="checkbox"/> Mineral Exploration / Remote Camp |
| <input type="checkbox"/> Advanced Exploration |

- ☐ Mine Development
- ☐ Municipal
- ☐ General Water Works
- ☐ Power

- See report entitled "Hydrocarbon Impacted Soils Storage and Landfarm Facility Operations, Maintenance And Monitoring Plan" (Appendix E of the PDW Doc). Drawings included in Appendix C of the PDW Doc provide layout and proposed locations for the landfarm facilities.

11. WATER USE

Indicate, using the boxes below, the types of water use(s) approved in the existing licence.

- | | |
|--|---|
| <input checked="" type="checkbox"/> To obtain water for camp/ municipal purposes | <input type="checkbox"/> To divert a watercourse |
| <input checked="" type="checkbox"/> To obtain water for industrial purposes | <input type="checkbox"/> To modify the bed or bank of a watercourse |
| <input checked="" type="checkbox"/> To cross a watercourse | <input type="checkbox"/> Flood control |
| <input type="checkbox"/> To alter the flow of, or store water | |
| <input type="checkbox"/> Other: _____ | |

Does the proposed amendment change the type(s) of water use(s)?

☐ Yes ☒ No

If Yes, indicate using the boxes below, the proposed change(s) to the type(s) of water use(s) noting any water use(s) that are to be added, continued, or removed.

- | | |
|---|---|
| <input type="checkbox"/> To obtain water for camp/ municipal purposes | <input type="checkbox"/> To divert a watercourse |
| <input type="checkbox"/> To obtain water for industrial purposes | <input type="checkbox"/> To modify the bed or bank of a watercourse |
| <input type="checkbox"/> To cross a watercourse | <input type="checkbox"/> Flood control |
| <input type="checkbox"/> To alter the flow of, or store water | |
| <input type="checkbox"/> Other: _____ | |

12. QUANTITY OF WATER INVOLVED

Does the proposed amendment change the source of water? ☐ Yes ☒ No

Indicate the water source(s). Identify proposed changes:

The freshwater sources of water for Milne Inlet site, Mary River site and Steensby site remain unchanged:.

- Mary River Camps – Camp lake at Monitoring Station MRY-1;
- Milne Inlet Camp – Phillips Creek at Monitoring Station (MRY-2) and Km 32 Lake at Station MRY-3;
- Mid-Rail Camp – an adjacent unnamed lake;
- Steensby Inlet existing land camp and miscellaneous use – Three-Kilometer Lake
- Steensby Floating Camp – desalination of sea water

Water for the purpose of drilling and other associated uses – from sources adjacent to drill targets or as otherwise approved by the NWB.

(show location(s) on map) Refer to Attachment

Does the proposed amendment change the quality of the water source and/or its available capacity?

☐ Yes ☒ No

Describe the quality of the water source(s) and the available capacity(s). Identify any changes

- *Excellent quality and sufficient quantities – no changes.*

Does the proposed amendment change the overall quantity of water to be used?

☐ Yes ☒ No

Provide the overall estimated quantity to be used. Identify proposed changes.

- *The proposed amendment does not require an increase to the 385 m³/day currently permitted.*

Does the proposed amendment change the quantity of water to be used from each source?

☐ Yes ☒ No

- *The total water to be used for camp and industrial use for the Milne Inlet and Mary River sites will increase from a total maximum daily rate of 60 m³/day under the current licence to a maximum upset limit of 225 m³/day for a period of two months during the PDW period under the proposed amendment change. This increase in camp/industrial use will, however, be offset by a decrease in the volume of water to be used for the purposes of drilling. Therefore, the overall water usage will not increase above the current permitted 385 m³/day.*
- *Baffinland requests flexibility in the allocation of the daily water usage (385 m³/day).*

Provide the estimated quantity(s) of water to be used from each source. Identify proposed changes. :

The estimated daily quantities of water to be used from each source are detailed in Table 22-1 of the PDW Doc and also reproduced below.

Does the proposed amendment change the quantity of water to be used for each purpose?

☒ Yes ☐ No

Provide the estimated quantities to be used for each purpose (camp, drilling, etc.). Identify proposed changes.:

Please refer to the table below (reproduced from Table 22.1 of the PDW Doc):

Expected 2012 Water Demand, m3/day													
		2012									2013		
Location		Q2			Q3			Q4			Q1		
Permitted use													
W.L. 2BB-MRY1114 Type B	385	385	385	385	385	385	385	385	385	385	385	385	385
Allocated Use Under Existing Water License - Exploration/drilling													
Camp use	60	60	60	60	60	60	60	60	60	60	60	60	60
Drilling	325	325	325	325	325	325	325	325	325	325	325	325	325
subtotal	385	385	385	385	385	385	385	385	385	385	385	385	385
PDW Expected Water Use													
Camp use													
Milne	30	30	30	30	30	30	75	75	20	10	10	10	10
Mary River	25	25	60	60	60	60	60	60	60	60	25	25	25
subtotal	55	55	90	90	90	90	135	135	80	70	35	35	35
Industrial Use													
Milne	10	10	10	10	20	20	20	20	20	20	10	10	10
Mary River	10	10	10	10	20	20	20	20	20	20	10	10	10
Steensby						50	50	50	50	50	50	50	50
subtotal	20	20	20	20	40	90	90	90	90	90	70	70	70
Total PDW water	75	75	110	110	130	180	225	225	170	160	105	105	105
Expected Drilling Water Use for 2012		50 150			150	150	150						
Combined Peak Water Demand for 2012, m3													
Peak Daily Water	75	75	160	260	280	330	375	225	170	160	105	105	105
Number of days	31	30	31	30	31	31	30	31	30	31	31	28	30
Monthly Peak	2325	2250	4960	7800	8680	10230	11250	6975	5100	4960	3255	2940	3150
Total water Demand for the PDW period:				73875	m3	Average daily peak for PDW:				187 m3/day			
Note:													
1. Drilling activities begin in April and concludes by September of each year.													
2. Camp water use at Milne and Mary River include water used existing Mid-Rail camp and existing Steensby 40 person camp													

Additional Notes:

1. IOL Commercial Lease Q10C3001, Article 2.07 Limited Water Rights allows for a maximum water use of 195,275 cubic meters (535 cubic meters per day x 365 days per year = 195,275 cubic meters); the terms of water compensation agreement are also specified in this article. The overall water use for the PDW is well within the authorized annual limits specified by the Commercial Lease.
2. The two 300 person Floating Camp at Steensby will use sea water (on-board desalination plant) and will not require freshwater from a land based source. These camps will also be equipped with on-board sewage treatment facilities and waste management facilities.
3. The use of water for drilling is seasonal – from May to September.
4. The peak water demand for camp and industrial purposes is during the months of September and October at peak sealift activities.

Does the proposed amendment change the method(s) of extraction?

☐ Yes ☒ No

Describe the method(s) of extraction. Identify proposed changes.

- *Diesel or electric pumps with screened intake (based on DFO guidelines). No changes to intake designs.*

Does the proposed amendment change the quantity(s) of water returned to source(s)?

☐ Yes ☒ No

Estimated quantity(s) of water returned to source(s). Identify proposed changes. *N/A*

Does the proposed amendment change the quality(s) of water returned to source(s)?

☐ Yes ☒ No

Describe the quality(s) of water(s) returned to source(s). Identify any changes.

- *All wastewater returned to source is treated prior to discharge. Discharge water quality will meet or exceed water current license effluent quality criteria.*

13. WASTE

Check the appropriate box(s) to indicate the types of waste(s) approved in the existing licence.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Sewage | <input checked="" type="checkbox"/> Waste oil |
| <input checked="" type="checkbox"/> Solid Waste | <input checked="" type="checkbox"/> Greywater |
| <input checked="" type="checkbox"/> Hazardous | <input checked="" type="checkbox"/> Sludges (from sewage treatment plant) |
| <input checked="" type="checkbox"/> Bulky Items/Scrap Metal | <input checked="" type="checkbox"/> Contaminated soil and/or water |
| <input type="checkbox"/> Animal Waste | |
| <input checked="" type="checkbox"/> Other (describe) <i>Oily water, crushed drums/spent activated treatment media / used plastic pails, kitchen grease.</i> | |

Does the proposed amendment change the type(s) of waste(s) to be generated or deposited?

☐ Yes ☒ No

If Yes, indicate using the boxes below, the proposed change(s) to the type(s) of waste(s) to be generated and/or deposited noting the addition, removal or continued generation and/or disposal of waste(s).

- | | |
|--|--|
| <input checked="" type="checkbox"/> Sewage | <input checked="" type="checkbox"/> Waste oil |
| <input checked="" type="checkbox"/> Solid Waste | <input checked="" type="checkbox"/> Greywater |
| <input checked="" type="checkbox"/> Hazardous | <input checked="" type="checkbox"/> Sludges |
| <input checked="" type="checkbox"/> Bulky Items/Scrap Metal | <input checked="" type="checkbox"/> Contaminated soil and/or water |
| <input type="checkbox"/> Animal Waste | |
| <input checked="" type="checkbox"/> Other (describe): <u>Oily water, crushed drums/spent activated treatment media / used plastic pails, kitchen grease.</u> | |

14. QUANTITY AND QUALITY OF WASTE INVOLVED

Does the proposed amendment change the quantity(s) of the types of wastes involved?

☒ Yes ☐ No

Does the proposed amendment change the composition(s) of the types of wastes involved?

☐ Yes ☒ No

Does the proposed amendment change the method(s) of treatment for the types of waste involved?

☒ Yes ☐ No

Does the proposed amendment change the method(s) of disposal for the types of waste involved?

☐ Yes ☒ No

If Yes to any of the above, describe the proposed changes:

Baffinland proposes to construct landfarms / contaminated snow dumps at Milne Inlet, Mary River and Steensby Inlet to treat contaminated soil or contaminated snow that may result from accidental spills/leakage of hydrocarbon products.

For each type of waste indicated in Block 14, describe its composition, quantity in cubic meters/day, method of treatment and method of disposal.

Type of Waste	Composition	Quantity Generated	Treatment Method	Disposal Method
Sewage	Domestic sewage – Mary River	<40 m ³ /day at maximum camp occupancy of 120 persons	Rotary Biological Contactor (RBC) ¹	Discharge to PWSPs and/or to approved receivers as detailed in the Wastewater Management Plan
Sewage	Domestic sewage – Milne Camp	<50 m ³ at maximum camp occupancy of 150 persons	Rotary Biological Contactor (RBC) ¹	Discharged to Milne Inlet
Sewage	Domestic – Steensby Floating Camp	<100 m ³ /day at maximum camp occupancy of 300 persons	On-board treatment	Discharged to Steensby Inlet
Greywater	Domestic and drill grey water	< 13 m ³ /day combined domestic grey water from existing Mid-Rail	Domestic grey water – dug sumps; Drill grey water – sumps, silt	Discharged to approved receivers as detailed in the Site Water

		and Steensby Camps, < 375 m ³ /day drill grey water	fences, berms, diversions	Management Plan
Waste Oil, and other fluids	Waste oil, diesel, gasoline, used oil filters from equipment,	Est. 150 T for 2012	Sent off-site – Sealift Backhaul	Sent to permitted waste disposal / recycling facility.
Hazardous waste	Batteries	Estimated 15 T for 2012	Sent off-site – Sealift Backhaul	
Other	Spent activated carbon	Estimated 15 T for 2012		
	Human Waste	10 T for 2012		
	Aerosol containers	Est. 9 T for 2012		
	Empty compressed gas cylinders	Small Quantity.		
	Kitchen grease	Est. 65 T for 2012		
	Crushed drums / plastic pails	Est. 30 T for 2012		
	spoiled CaCl	Est. 5 T for 2012		
Solid waste	Solid non-hazardous waste (bulky items/scrap metal)	1200 m ³ for 2012	Not treated	Mary River landfill site
Oily water	From oily stormwater in fuel berms, landfarms, and hazardous waste berms	Est. 2000 to 3000 m ³ for 2012	Treated by on-site portable oily water treatment system	Mary River, Milne Inlet, Steensby Inlet Camps
Wash water	From truck washing activities	Small quantity	Wash water is treated and recirculated	Steensby Camp

15. OTHER AUTHORIZATIONS

Does the proposed amendment change the need for other authorizations in addition to the sub-surface and surface land use authorizations provided in Block 6?

☐ Yes ☒ No

If Yes, indicate any additional authorizations required, which authorizations are no longer required, and which authorizations continue to be required.

For each provide the following:

Authorization: _____

Administering Agency: _____

Project Activity: _____

Date (expected date) of issuance: _____ Date of expiry: _____

16. PREDICTED ENVIRONMENTAL IMPACTS OF UNDERTAKING AND PROPOSED MITIGATION MEASURES

Does the proposed amendment change the predicted environmental impacts of the undertaking or the mitigation measures?

☐ Yes ☒ No

Describe direct, indirect, and cumulative impacts related to water and waste. Identify any changes.

- *The environmental impact assessment for the Pre-development Work is presented in Section 11 to Section 19 of the PDW Doc.*

17. WATER RIGHTS OF EXISTING AND OTHER WATER USERS

Was compensation paid and/or an agreement(s) for compensation been entered into with any existing or other users of water during consideration of the existing licence?

☒ Yes ☐ No

If Yes, provide the names, addresses and the nature of water use by those persons or properties.

A Commercial Lease Agreement with the QIA has been entered into that deals with water use on Project IOL lands. The agreement allows for a maximum water use of 195,275 cubic meters (535 cubic meters per day x 365 days per year = 195,275 cubic meters). The contact information is as follows:

*Robert J. St. Eloi, Director of Lands and Resources, Qikiqtani Inuit Association
P.O. Box 1340, Iqaluit, Nunavut X0A 0H0
dirlands@qia.ca
1-867-975-8419*

Does the proposed amendment adversely affect any known persons or property including those that hold licences for water use in precedence to the application, domestic users, in-stream users, authorized waste depositors, owners of property, occupiers of property, and/or holders of outfitting concessions, registered trapline holders, and holders of other rights of a similar nature?

☐ Yes ☒ No

If Yes, provide the names, addresses and the nature of water use of those persons or properties.

Advise the Board if compensation has been paid and/or an agreement(s) for compensation has been reached with any existing or other water users with respect to the proposed amendment.

- *A water compensation agreement was negotiated with QIA for the Commercial Lease Q10C3001 (article 2.07).*

18. INUIT WATER RIGHTS

Was compensation paid/ or an agreement(s) for compensation been entered into with any Designated Inuit Organization (DIO) during consideration of the existing licence?

☒ Yes ☐ No

If Yes, which DIO(s): *Qikiqtani Inuit Association (QIA)*

A water compensation agreement was negotiated with QIA for the Commercial Lease Q10C3001 (article 2.07).

Does the proposed amendment substantially affect the quality, quantity or flow of waters flowing through Inuit Owned Land (IOL)?

☐ Yes ☒ No

If Yes, advise the Board if negotiations have commenced or an agreement to pay compensation for any loss or damage has been reached with one or more DIO(s) with respect to the proposed amendment.

- 19. CONSULTATION** - Provide a summary of any consultation meetings including when the meetings were held, where and with whom. Include a list of concerns expressed and measures to address concerns.

Consultation meetings were held with NIRB, NWB, INAC and QIA beginning in July 2011. Several discussions were held with QIA Executive, including a field trip to the Mary River Site on August 31, Sept 1. Consultations are on-going with the communities during September 2011.

Baffinland will assist QIA in their extensive community consultation in September 2011.

Refer to Section 11.1 of the PDW Doc for more details.

20. SECURITY INFORMATION

Does the proposed amendment change the financial security assessment?

☒ Yes ☐ No

Does the proposed amendment change the estimate of the total financial security for final reclamation?

☒ Yes ☐ No

Provide an estimate of the total financial security for final reclamation equal to the total outstanding reclamation liability for land and water combined sufficient to cover the highest liability over the life of the undertaking. Estimates of reclamation costs must be based on the cost of having the necessary reclamation work done by a third party contractor if the operator defaults. The estimate must also include contingency factors appropriate to the particular work to be undertaken. Identify any changes in the financial security assessment resulting from the proposed amendment.

Where applicable, the financial security assessment should be prepared in a manner consistent with the principals respecting mine site reclamation and implementation found in the *Mine Site Reclamation Policy for Nunavut*, Indian and Northern Affairs Canada, 2002.

Financial security for the existing project in the form of a letter of credit was provided to INAC in May 2011 in the amount of \$6,738,216. The most recent A&R Plan for the project is provided in the PDW Doc (Appendix B.12)

An addendum to the current A&R Plan is under preparation and will provide an appropriate level of detail concerning the PDW final closure and execution plan. The estimate of projected PDW closure costs will be correlated with the project schedule and current estimate of closure costs for the existing project. An accurate estimate of PDW closure costs will be derived from planned PDW project budgets

that are currently under development and are being finalized shortly. After these costs become available, the addendum to the existing A&R plan will be submitted as supplementary information under separate cover. The estimated submission date for this document is estimated to be October 1, 2011.

21. FINANCIAL INFORMATION

Is the statement of financial security the same as that considered in the existing water licence?

☐ Yes ☒ No

Provide an updated statement of financial security.

An updated statement of financial security is attached.

If the applicant is a business entity please answer the questions below:

Is the list of the officers of the company the same as those considered in the existing water licence?

☐ Yes ☒ No

Provide a list of the officers of the company.

An updated list of officers of the company is attached.

Is the Certificate of Incorporation or evidence of registration of the company name the same?

☒ Yes ☐ No

Attach a copy of the Certificate of Incorporation or evidence of registration of the company name.

A copy is attached.

22. STUDIES UNDERTAKEN TO DATE

List and attach updated studies, reports, research etc.

1. *Baffinland Iron Mines Corporation, Draft Environmental Impact Statement, January 2011*
2. *Baffinland Iron Mines Corporation, Addendum to Draft Environmental Impact Statement, July 2011*

Provide a compliance assessment and status report including a response to any inspector's reports. The licensee must contact the NWB for licence specific direction in completing the assessment and report.

If in non-compliance, a licence may not be issued until compliance is achieved. If in non-compliance, attach plans/reports for consideration. Application will not be processed if significant issues of non-compliance exist.

- *The Project is in full compliance with the existing water licence. Regulatory inspections were completed during the summer of 2011 by the INAC Land Use Inspector in July and by the Water Resources Inspector in August. Written reports for the inspection are expected. Closeout meetings held at the completion of the inspections indicated that there were no non-compliances observed.*

23. PROPOSED TIME SCHEDULE

Does the proposed amendment change the time schedule considered in the existing licence for any phase of development?

☒ Yes ☐ No

Indicate the start and completion dates for each applicable phase of development (construction, operation, closure, and post closure). Identify proposed changes.

PDW Activities

Proposed Start Date: February 2012 Proposed Completion Date: February 2013
(month/year) (month/year)

On-Going Exploration Activities

Proposed Start Date: January 2011 Proposed Completion Date: January 2014
(month/year) (month/year)

Closure

Proposed Start Date: January 2014 Proposed Completion Date: January 2015
(month/year) (month/year)

Post - Closure

Proposed Start Date: January 2015 Proposed Completion Date: December 2017
(month/year) (month/year)

For each applicable phase of development indicate which season(s) activities occur.

PDW Activities

☐ Winter ☐ Spring ☐ Summer ☐ Fall ☒ All season

Operation

☐ Winter ☐ Spring ☐ Summer ☐ Fall ☒ All season

Closure

☐ Winter ☒ Spring ☒ Summer ☒ Fall ☐ All season

Post - Closure

☐ Winter ☐ Spring ☒ Summer ☐ Fall ☐ All season

24. PROPOSED TERM OF LICENCE

On what date does the existing licence expire? April 5, 2014

Is the Licensee applying for a combined renewal and amendment of the existing licence?

☐ Yes ☒ No

- Baffinland will be applying for a Type A water License to execute the Mary River Project. The submission for Type A will be made in January 2012, in support of the FEIS for the Mary River Project. Baffinland expects to receive the Project Certificate by Q3 2012 and the Type A water license by Q1 2013. The term of renewal for the Type A water license will 25 years.*

If Yes, indicate the proposed term of the renewal (maximum of 25 years): _____

Requested date of renewal issuance: _____ Requested Expiry Date: _____
(month/year) (month/year)

(The requested date of renewal issuance must be at least three (3) months from the date of application for a type B water licence and at least one (1) year from the date of application for a type A water licence, to allow for processing of the water licence application. These timeframes are approximate and do not account for the time to complete any pre-licensing land use planning or development impact requirements, time for the applicant to prepare and submit a water licence application in accordance with any project specific guidelines issued by the NWB, or the time for the applicant to respond to requests for additional information. See the NWB's *Guide 5: Processing Water Licence Applications* for more information)

25. ANNUAL REPORTING

Will the proposed amendment change the content of annual reports or the annual report template?

☐ Yes ☒ No

If Yes, provide details regarding the content of annual reports and a proposed outline or template of the annual report.

- The existing NWB annual report template is comprehensive in scope and will be modified as necessary to address new requirements originating from new terms and conditions of the proposed amendment..*

26. CHECKLIST

The following must be included with the application for Amendment for the water licensing process to begin.

Completed Application for Water Licence Amendment form.

☒ Yes ☐ No If no, date expected _____

Information addressing Supplement Information Guideline (SIG), where applicable (see Block 11)

☒ Yes ☐ No If no, date expected _____

Compliance Assessment / Status Report (see Block 23).

☐ Yes ☒ No If no, date expected N/A see Block 23

Indication of Renewal Requirement (see Block 26)

☐ Yes ☒ No If no, date expected January 2012

English Summary of Amendment Application.

☒ Yes ☐ No If no, date expected _____

Inuktitut and/or Inuinnaqtun Summary of Amendment Application.

☒ Yes ☐ No If no, date expected _____

Application fee of \$30.00 CDN (Payee Receiver General for Canada).

☒ Yes ☐ No If no, date expected _____

☒ Yes

☐ No

If no, date expected _____

Water Use Fee Deposit of \$30.00 CDN (Payee Receiver General for Canada). The actual water use fee will be calculated by the NWB based upon the amount of water authorized for use in accordance with the Regulations at the time of issuance of the licence.

☒ Yes

☐ No

If no, date expected _____

27. SIGNATURE

Erik Madren

Name (Print)

VP. Sustainable Development

Title (Print)

El Madren

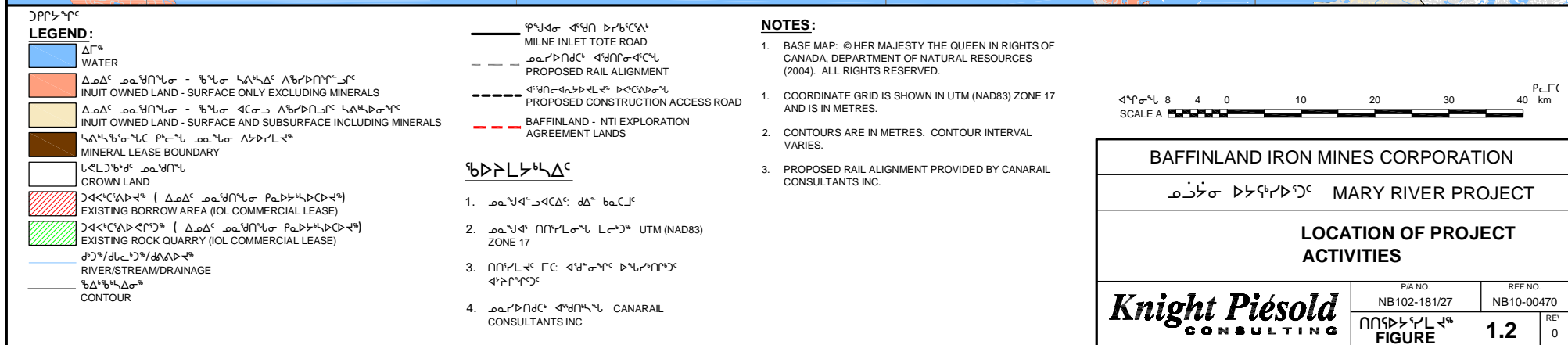
Signature

Sept 14, 2011

Date

ATTACHMENT B

Location Maps for Project



ATTACHMENT C

Updated Financial Assessment

Request ID: 008568840
Demande n° :
Transaction ID: 30599851
Transaction n° :
Category ID: CT
Catégorie :

Province of Ontario
Province de l'Ontario
Ministry of Consumer and Business Services
Ministère des Services aux consommateurs et aux entreprises
Companies and Personal Property Security Branch
Direction des compagnies et des sûretés mobilières

Date Report Produced: 2006/10/25
Document produit le :
Time Report Produced: 08:41:01
Imprimé à :

CERTIFICATE OF STATUS ATTESTATION DU STATUT JURIDIQUE

This is to certify that according to the records of the Companies and Personal Property Security Branch

D'après les dossiers de la Direction des compagnies et des sûretés mobilières, nous attestons que la société

BAFFINLAND IRON MINES CORPORATION

Ontario Corporation Number

Numéro matricule de la société (Ontario)

000658456

is a corporation incorporated, amalgamated or continued under the laws of the Province of Ontario.

est une société constituée, prorogée ou née d'une fusion aux termes des lois de la Province de l'Ontario.

The corporation came into existence on

La société a été fondée le

MARCH 10 MARS, 1986

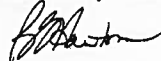
and has not been dissolved.

et n'est pas dissoute.

Dated

Fait le

OCTOBER 25 OCTOBRE, 2006



Director
Directrice

The issuance of this certificate in electronic form is authorized by the Director of Companies and Personal Property Security Branch.
La délivrance du présent certificat sous forme électronique est autorisée par la Directrice de la Direction des compagnies et des sûretés mobilières.

OFFICERS' REGISTER

As at July 22, 2011

Date	Name	Calling	Residential Address	Retired	Remarks
27-Jan-2011 27-Jan-2011	Phil du Toit Phil du Toit	President Chief Executive Officer	4 Adelaide Road Walton-on-Thames, Surrey KT12 1NA United Kingdom	25-May-2011 25-May-2011	
16-Jun-2005 16-Jun-2005	Michael T. Zurowski Michael T. Zurowski	Executive Vice President Chief Operating Officer	34 Suffolk Ave. Aurora, Ontario L4G 7W6		
31-Dec-2008 31-Dec-2008	Gwen Gareau Gwen Gareau	Vice President, Finance Chief Financial Officer	2180 Rebecca Street Oakville, Ontario L6L 2A5	6-May-2011 6-May-2011	Resigned Resigned
1-Mar-2010	Richard Matthews (Dick)	Vice President, Technical Services	287 Royal Oak Road Oakville, Ontario L6J 5S6		
1-Mar-2010	Gregory Missal	Vice President, Corporate Affairs	239 Colchester Drive Oakville, Ontario L6J 5S6		
27-Jan-2011	Ronald Hampton	Vice-President and Project Director	Berkeley Square House, 5th Floor Berkeley Square London W1J 6DA, UK		
25-May-2011	Thomas F. Paddon Thomas F. Paddon	President Chief Executive Officer	628 Fleet Street #3102 Toronto, Ontario M5V 1A8		
9-Jun-2011	Erik Madsen	Vice President, SD, HS&E	21 Grand Magazine #1403 Toronto, Ontario M5H 1B5		
4-Jul-2011	Michael Anderson	Vice President, Operations	3300 Springflower Way Oakville, Ontario L6L 6T9		

BAFFINLAND IRON MINES CORPORATION
A Development Stage Entity

Financial Statements
For the years ended December 31, 2010 and 2009

BAFFINLAND IRON MINES CORPORATION

(Development Stage Entity)

BALANCE SHEETS

	As At December 31 2010	As At December 31 2009
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 22,341,183	\$ 45,479,118
Accounts receivable	1,107,272	301,290
Inventory (Note 6)	2,836,000	2,956,000
Prepaid expenses	789,352	264,977
	<u>27,073,807</u>	<u>49,001,385</u>
Restricted cash (Note 5)	22,599,545	16,500,000
Inventory (Note 6)	1,557,126	6,228,315
Mining interests (Note 7)	172,032,629	163,373,343
Long term investments (Note 8)	12,888,706	11,519,196
Property, plant & equipment (Note 9)	8,658,411	11,509,891
	<u>\$ 244,810,224</u>	<u>\$ 258,132,130</u>
LIABILITIES		
Current		
Accounts payable	\$ 5,165,201	\$ 1,672,307
Asset retirement obligation (Note 10)	1,129,437	1,036,360
	<u>6,294,638</u>	<u>2,708,667</u>
SHAREHOLDERS' EQUITY AND DEFICIT		
Common shares (Note 11)	401,388,521	383,480,852
Warrants (Note 11)	6,178,255	12,093,390
Contributed surplus (Notes 11 and 12)	14,332,546	13,354,094
Deficit	(183,383,736)	(153,504,873)
	<u>238,515,586</u>	<u>255,423,463</u>
	<u>\$ 244,810,224</u>	<u>\$ 258,132,130</u>

Contingencies and commitments (Note 17)

Subsequent events (Note 18)

The accompanying notes are an integral part of the financial statements

BAFFINLAND IRON MINES CORPORATION

(Development Stage Entity)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

	For the years ended December 31,		Cumulative from January 1,
	2010	2009	2003
Interest and other income	\$346,965	\$439,844	\$5,846,377
Expenses			
Exploration	24,442,068	827,377	200,356,069
Amortization and accretion	2,970,945	69,135	4,136,693
Loss on writedown of inventory (Note 6)	926,241	2,227,510	3,153,751
Salaries	3,819,021	2,935,783	13,168,006
Share-based compensation (Note 11 and 12)	1,111,040	2,164,419	13,821,087
Office and general	1,578,309	646,924	6,081,554
Professional fees	3,147,333	692,504	6,831,779
Shareholder relations	215,647	200,510	1,440,420
Travel	291,633	190,292	1,415,056
Unrealized gain on revaluation of long term investments (Note 8)	(1,369,510)	(2,407,724)	(3,777,234)
Impairment of long term investments	-	-	10,310,563
Gain on note exchange and note sale (Note 8)	-	(1,829,991)	(1,829,991)
Gain on extinguishment of convertible debt	-	(191,986)	(191,986)
	<u>37,132,728</u>	<u>5,524,753</u>	<u>254,915,768</u>
Net loss for the year before taxes	(36,785,763)	(5,084,909)	(249,069,391)
Future income tax recovery (Note 14)	<u>6,906,900</u>	<u>4,175,900</u>	<u>69,040,076</u>
Net loss & comprehensive loss for the year	(29,878,863)	(909,009)	(180,029,315)
Deficit, beginning of the year	<u>(153,504,873)</u>	<u>(152,595,864)</u>	
Deficit, end of the year	<u>(\$183,383,736)</u>	<u>(\$153,504,873)</u>	
Net loss per share (Note 16)	<u>(\$0.09)</u>	<u>(\$0.00)</u>	

The accompanying notes are an integral part of the financial statements

BAFFINLAND IRON MINES CORPORATION
(Development Stage Entity)
STATEMENTS OF CASH FLOWS

	For the years ended December 31,		Cumulative from January 1,
	2010	2009	2003
Operating activities			
Loss for the year	(\$29,878,863)	(\$909,009)	(\$180,029,315)
Items not affecting cash:			
Amortization and accretion expense	2,970,945	69,135	4,136,693
Loss on write-down of inventory (Note 6)	926,241	2,227,510	3,153,751
Share-based compensation (Note 12)	1,111,040	2,164,419	13,821,088
Future income tax recovery	(6,906,900)	(4,175,900)	(69,040,076)
Unrealized gain on revaluation of long term investments (Note 8)	(1,369,510)	(2,407,724)	(3,777,234)
Impairment of long term investments	-	-	10,310,563
Gain on note exchange and note sale (Note 8)	-	(1,829,991)	(1,829,991)
Gain on extinguishment of convertible debt	-	(191,986)	(191,986)
Other non cash items	-	-	(275,542)
(Increase) decrease in accounts receivable	(805,982)	1,472,522	(1,647,636)
(Increase) decrease in inventory	120,000	(832,000)	(13,614,760)
(Increase) decrease in prepaid expenses	(524,375)	62,558	(789,352)
Increase (decrease) in accounts payable	1,622,567	(7,885,947)	2,323,191
	<u>(32,734,837)</u>	<u>(12,236,413)</u>	<u>(237,450,606)</u>
Investing activities			
Change in restricted cash	(6,099,545)	(10,296,700)	(22,599,545)
Purchase of property, plant & equipment	(26,388)	(1,892)	(17,217,712)
Capitalized mine development costs included in accounts payable	1,870,328	971,680	(4,664,733)
Capitalized mine development costs	(8,659,286)	(19,038,457)	(158,194,212)
Decrease in non-current inventory	3,744,948	2,956,686	6,701,634
Cash received on note exchange and sale (Note 8)	-	2,510,445	2,510,445
Increase in long term investments	-	-	(20,102,488)
	<u>(9,169,943)</u>	<u>(22,898,238)</u>	<u>(213,566,611)</u>
Financing activities			
Net cash proceeds from draw on convertible debt	-	10,079,700	10,079,700
Repayment of convertible debt	-	(10,324,691)	(10,324,691)
Increase in bank debt	-	-	16,600,000
Repayment of bank debt	-	-	(16,600,000)
Decrease in due to related parties	-	-	(132,421)
Net proceeds on conversion of subscription receipts	-	4,213,547	4,213,547
Net proceeds on issue of common shares and warrants	18,766,845	42,110,328	469,522,265
	<u>18,766,845</u>	<u>46,078,884</u>	<u>473,358,400</u>
Increase (decrease) in cash and cash equivalents	<u>(23,137,935)</u>	<u>10,944,233</u>	<u>22,341,183</u>
Cash position at beginning of the year	<u>45,479,118</u>	<u>34,534,885</u>	<u>-</u>
Cash position at end of the year	<u>\$22,341,183</u>	<u>\$45,479,118</u>	<u>\$22,341,183</u>

The accompanying notes are an integral part of the financial statements

BAFFINLAND IRON MINES CORPORATION
(Development Stage Entity)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. NATURE OF OPERATIONS

Baffinland Iron Mines Corporation (the "Company" or "Baffinland") was formed pursuant to Articles of Incorporation under the *Business Corporation Act* (Ontario) on March 10, 1986. The Company has non-producing iron ore interests located on its Mary River Property on Baffin Island, Nunavut, Canada ("Mary River Property").

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. As the Company is in the development stage, it is subject to the risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, continuing losses, and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

Change of Control

On January 26, 2011, the Company underwent a change of control when ArcelorMittal and Nunavut Iron Ore Acquisition Inc. (together the "Acquirers") acquired 60% of the common shares of Baffinland. The Acquirers subsequently achieved 100% ownership with 70% owned by ArcelorMittal and 30% owned by Iron Ore Holdings, LP, a subsidiary of Nunavut Iron Ore Acquisition Inc. following a court approved Plan of Arrangement pursuant to which the Acquirers acquired all outstanding common shares and warrants of Baffinland not already owned. The Plan of Arrangement was approved by shareholders of Baffinland on March 22, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial presentation

The financial statements of the Company, which are expressed in Canadian dollars, have been prepared in accordance with Canadian GAAP.

b) Cash and cash equivalents

Cash and cash equivalents are highly liquid investments, such as term deposits with Canadian chartered banks or government treasury bills, cashable after 30 days at the date of original issue.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Flow-through common shares

The Company has financed a portion of its exploration activities through the issuance of flow-through common shares. Under the terms of the flow-through common share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

d) Mining interests and exploration expenditures

Exploration expenditures that are incurred to explore Deposit Nos. 2, 3, 4, 5, 6, 7, 8 or 9 are expensed as incurred. Development expenditures incurred (including interest on borrowings, if applicable) to advance Deposit No. 1 have been capitalized since April 2008 when mineral reserves were established on Deposit No. 1 (the "Project").

Upon commencement of commercial production, development costs together with the cost of mining interests will be charged to operations on a units-of-production method based on estimated recoverable reserves. Revenue earned in the pre-development phase is treated as a reduction to mine development costs. If the mining interests are abandoned or if management determines that the value of the mining interests is impaired, the costs will be reduced to fair value through a charge to the income statement.

e) Property, plant & equipment

Property, plant & equipment are carried at cost, less accumulated amortization. Amortization of property, plant & equipment is calculated on the following basis:

Exploration equipment	5 years straight line
Furniture & fixtures	5 years straight line
Leasehold improvements	5 years straight line
Computer equipment	30% declining balance

f) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from these estimates.

Accounts which require management to make material estimates in determining amounts recorded include inventory, mining interests, long term investments, property, plant & equipment, amortization, asset retirement obligations, convertible debt, future income taxes and share-based compensation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Income taxes

The Company accounts for income taxes in accordance with the liability method. Under the liability method, future income tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of substantive enactment. A future income tax asset is recognized only when it is more likely than not that the income tax asset will be realized.

h) Accounting for share-based compensation

Share-based compensation is recognized in equal instalments over the vesting period of the options issued. The fair value of share-based compensation is determined at the grant date using an option pricing model that takes into account the exercise price, the expected life of the options, the share price at time of grant, the expected volatility of the underlying shares, the expected dividend yield and the risk free rate for the expected life of the option.

i) Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and subscription receipts receivable approximate their fair values due to their immediate or short term nature. The fair value of long-term investments is considered in Note 8.

j) Impairment of mining interests

The Company reviews mining interests for impairment when events or circumstances indicate that the assets' carrying amount may not be recoverable. When management determines that impairment exists, the impairment loss will be measured by comparing the assets' carrying amount to its fair value.

k) Asset retirement obligations

The accounting for asset retirement obligations encompasses the accounting for legal obligations associated with the retirement of a long-lived tangible asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is its other than temporary removal from service, including its sale, abandonment, recycling or disposal in some other manner. The Company estimates the cost associated with these activities in its Abandonment and Reclamation plan ("A&R Plan") which is reviewed and updated annually.

The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the cost of the related long-lived asset. The capitalized cost is amortized on a unit of production basis. Changes in the liability for an asset retirement obligation resulting from the passage of time and/or revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized in the period of change. Over time, the liability is increased to reflect an interest element (accretion expense) considered in the initial measurement of fair value. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

It is possible that the Company's estimates of its asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates. These estimates are also based on expected remediation requirements relating to the Mary River Property and will change as the Company proceeds with the development of the Mary River Property. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Financial instruments

All financial instruments have been classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Where quoted market values are not available for held-for trading investments, they are valued using a discounted cash flow technique that uses maximum inputs observed from market conditions to arrive at fair market value. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company made the following classifications:

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Restricted cash	Held for trading
Subscription receipts receivable	Loans and receivables
Long term investments	Held for trading
Accounts payable	Other financial liabilities

During 2009, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's long term investment is considered to be a level 3 under Section 3862. See Note 8.

m) Convertible debt

The Company classifies the proceeds received from convertible debt into their liability and equity components using a fair value approach. The carrying amount of the liability component is accreted over the life of the instrument using the effective interest rate method. On conversion into shares, the carrying amount of the equity component and the carrying amount of the liability component are transferred to share capital. In the event that the instrument is settled in cash, this is treated as the extinguishment of the instrument; a gain or loss on extinguishment of the liability component, if applicable, is recognized in the income statement, the gain or loss on the equity component, if applicable, is recognized in contributed surplus. Transaction costs are netted against the carrying value of the instrument to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Future accounting changes

Section 1582

The new Section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Section 1601 & 1602

The new Sections 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. At this time, the Company does not expect the adoption of these new standards to have an impact on its financial statements.

3. CAPITAL MANAGEMENT

As at December 31, 2010, Baffinland's capital structure consists of its shareholders' equity. During the year ended December 31, 2010, there was no change to the capital structure. The Company is a development stage entity and, therefore, its objective when managing the capital structure is to fund the continuing exploration and development of its wholly owned Mary River Property. The Company maintains its capital structure by raising funds externally as the need arises.

In order to carry out planned exploration and development and to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There are no assurances that such financing will be available on terms acceptable to the Company, or at all.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010 compared to the previous year. The Company is not subject to externally imposed capital requirements.

4. CASH AND CASH EQUIVALENTS

	December 31 2010	December 31 2009
Cash and cash equivalents are comprised of:		
Cash	\$ 11,336,183	\$ 2,279,118
Guaranteed investment certificates	11,005,000	43,200,000
	<u>\$ 22,341,183</u>	<u>\$ 45,479,118</u>

5. RESTRICTED CASH

The Company has provided \$16,500,000 (2009 - \$16,500,000) in cash to support an irrevocable letter of credit which provides financial security for future abandonment and reclamation costs. See Note 18 - Subsequent Events. In addition, the Company has \$6,099,545 (2009 -nil) held in escrow relating to investment advisor fees.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVENTORY

Inventory consists of fuel and supplies that are recorded at the lower of cost and net realizable value, where cost is determined using the average cost method. Inventory is comprised of:

	December 31 2010	December 31 2009
Current		
Fuel	\$ 2,370,000	\$ 1,091,000
Supplies	466,000	1,865,000
	<u>\$ 2,836,000</u>	<u>\$ 2,956,000</u>
Non-current		
Fuel	\$ 1,004,000	\$ 6,082,900
Supplies	553,126	145,415
	<u>\$ 1,557,126</u>	<u>\$ 6,228,315</u>

During 2010, a write down of \$0.9 million was recorded to adjust the fuel to net realizable value (2009 - \$2.2 million).

7. MINING INTERESTS

The Company holds its 100% interest in the Mary River Property through three mining leases, a surface rights commercial land lease, staked claims and an exploration agreement.

Mining interests is comprised of:

	December 31, 2010
Balance at January 1, 2009	\$ 140,531,497
Asset retirement obligation incurred	399,851
Development costs capitalized	22,441,995
Balance at December 31, 2009	<u>163,373,343</u>
Asset retirement obligation incurred	-
Development costs capitalized	8,659,286
Balance at December 31, 2010	<u>\$ 172,032,629</u>

See Note 18 – Subsequent Events with respect to asset retirement obligation asset.

8. LONG TERM INVESTMENTS

The Company owns long term asset backed notes (the “Notes”) that were issued by Master Asset Vehicle II (“MAV 2”) as a result of the restructuring of the Company’s previous investment in third party Asset Backed Commercial Paper (“ABCP”). The Notes have a face value of \$17,742,030 and a fair value of \$12,888,706 as at December 31, 2010 (December 31, 2009 – face value of \$17,750,092 and fair value of \$11,519,196). On January 21, 2009, the Company received the Notes which replaced the ABCP. As part of the exchange, the Company received two payments totalling \$941,301 that represented the Company’s share of cash that accumulated to the assets during the restructuring period. The payments were recorded as a gain on note exchange during the year ended December 31, 2009.

The secondary market for the Notes continues to develop, however, it is not yet an “active market” given the limited bid activity and small number of disclosed transactions since the note exchange occurred. Until an active market develops for the Notes, the fair value will be determined using a discounted cash flow approach based on the use of inputs observed from market conditions. The fair values may change materially in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. LONG TERM INVESTMENTS (cont'd)

During the fourth quarter of 2009, the Company sold its entire holdings of the Class 15 notes for proceeds of \$1,569,144 which resulted in a gain on sale of \$888,690.

The remaining portfolio consists of four types of Notes, which are supported by a pool of leveraged super senior credit default swaps, unlevered collateralized debt obligations as well as traditional assets and cash. The leveraged assets supporting these notes have access a credit facility that can be drawn upon in the event that a margin call is triggered and more unlevered collateral must be posted.

Using publicly available information the Company has been able to determine the key characteristics of each class of the Notes: par value, credit rating, interest rate and projected interest payments, and maturity date. The Company then estimates the return that a prospective investor would require for each class of Notes ("Required Yield"). Lastly, it calculates the net present value of the cash flows for each class of the Notes using the Required Yield as the discount factor.

During the year ended December 31, 2010, the Company has seen continued improvement in general corporate credit market conditions which has had the most impact on the valuation. This decrease in credit risk impacts the intrinsic value of the Notes due to a general lowering of default risk, relative to the previous valuations. There is also a decrease in the likelihood that credit risk limits built into the Notes will be exceeded (specifically, the spread-based margin triggers). Accordingly, the Required Yield on the Notes has been somewhat reduced to reflect easing in the credit markets. Accretion of the Notes to par value at maturity, assuming they do not default, also resulted in an increase to the value at December 31, 2010.

Noteholders are to receive floating interest mostly based on prevailing banker's acceptance rates based on the variable interest income on the pool of assets, however, the payments to noteholders are subordinated to the margin funding facility fee. As a result, interest payments to the Company are not expected to be received on the Notes until there is an increase in the prevailing interest rates. This anticipated near-term lack of income on the Notes has been factored in the valuation. The Company will record interest received on a cash basis until such time that the payment of interest becomes likely.

Based on the foregoing, as at December 31, 2010 the Company has estimated the fair market value of the Notes to be between \$12.2 million and \$13.8 million and as a result for the year ended December 31, 2010, the Company has recorded an unrealized gain on revaluation of the Notes in the amount of \$1,369,510 (2009 - \$2,407,724) to arrive at a carrying value of \$12,888,706 (2009 - \$11,519,196).

Notes	Face Value (\$)	Maturity Date (i)	Effective Coupon ⁽ⁱⁱ⁾	Required Yield ⁽ⁱⁱⁱ⁾	Fair Value December 31, 2010	Fair Value December 31, 2009
MAV2 Notes						
A-1	13,265,684	17/7/2017	2.23%	6.4%	\$10,541,910	\$9,571,012
A-2	3,337,040	17/7/2017	2.23%	10.0%	\$2,175,522	\$1,838,803
B	605,766	17/7/2017	0.00%	22.1%	\$165,939	\$104,046
C	533,540	17/7/2017	0.00%	27.0%	\$5,335	\$5,335
Total	17,742,030				\$12,888,706	\$11,519,196

(i) The actual MAV2 Notes have legal maturity dates of 2056, but for valuation purposes a maturity date of 2017 is reflective of the maturities of the underlying assets.

(ii) Estimated by converting the floating rate interest to a fixed rate by employing an interest rate swap.

(iii) Estimated fixed yield to maturity required by prospective investors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. LONG TERM INVESTMENTS (cont'd)

The movement in the balance in the year ended December 31, 2010 is noted:

Balance at December 31, 2008 / January 21, 2009	\$9,791,925
Unrealized gain on revaluation	2,407,724
Sale of Class 15 Note	(680,453)
Balance at December 31, 2009	\$11,519,196
Unrealized gain on revaluation	1,369,510
Balance at December 31, 2010	<u>\$12,888,706</u>

The fair value of the Notes may increase or decrease materially in subsequent periods.

9. PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment is comprised of:

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Infrastructure and equipment	\$ 13,953,347	\$ 8,031,054	\$ 5,922,293	\$ 13,935,974	\$ 5,252,964	\$ 8,683,010
Furniture & fixtures	98,245	76,312	21,933	98,245	63,302	34,943
Leasehold improvements	139,410	115,788	23,622	139,410	91,940	47,470
Computer equipment	324,271	151,110	173,161	324,271	88,190	236,081
Infrastructure and equipment not in use	2,517,402	-	2,517,402	2,508,387	-	2,508,387
	<u>\$ 17,032,675</u>	<u>\$ 8,374,264</u>	<u>\$ 8,658,411</u>	<u>\$ 17,006,287</u>	<u>\$ 5,496,396</u>	<u>\$ 11,509,891</u>

Infrastructure and equipment not in use is not amortized. For the year ended December 31, 2010 there was no amortization and accretion expense capitalized given that exploration during 2010 was conducted on Deposit Nos. 5, 4, & 3. In the prior year, amortization and accretion expense in the amount of \$2,796,540, related to development activities of Deposit No. 1, was capitalized to mining interests.

10. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation relates to the Mary River Property and is as follows:

	December 31, 2010
Balance at January 1, 2009	\$ 554,552
Asset retirement obligation incurred	399,851
Accretion	81,957
Balance at December 31, 2009	<u>1,036,360</u>
Asset retirement obligation incurred	-
Accretion	93,077
Balance at December 31, 2010	<u>\$ 1,129,437</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. ASSET RETIREMENT OBLIGATION (cont'd)

During the first quarter of 2010, the Company reviewed its Abandonment and Reclamation Plan. As at December 31, 2010, the total undiscounted closure costs, exclusive of salvage values, remain at approximately \$12.0 million (2009 - \$12.0 million). A substantial portion of these obligations is not expected to be paid until 2042 which is the estimated time at which the current iron ore reserves and resources are expected to be depleted. See Note 18 – Subsequent Events.

11. COMMON SHARES AND WARRANTS

Authorized: Unlimited common shares

Issued:

	Number of shares	Amount \$
December 31, 2008	233,129,899	349,643,327
Net future income tax liability recorded on renunciation of flow through expenditures	-	(4,175,900)
Conversion of Subscription Receipts April, 2009	22,176,564	4,213,547
Exercise of share purchase options	255,227	121,538
Interest and fee payments paid in shares for convertible debt	1,476,840	689,657
Share financing - flow through private placement December, 2009	41,860,000	17,497,480
Share financing - public offering December, 2009	43,885,669	15,491,203
December 31, 2009	342,784,199	383,480,852
Net future income tax liability recorded on renunciation of flow through expenditures	-	(6,906,900)
Exercise of share purchase options	283,750	216,462
Share financing expense - offering December 2009	-	(142,789)
Exercise of warrants	26,886,979	24,740,896
December 31, 2010	369,954,928	401,388,521

During 2010 the Company received \$18.8 million on the exercise of 26,886,979 warrants with a \$0.70 exercise price.

On December 10, 2009, the Company closed the 2009 Equity Offerings. The first offering was a public offering under which a total of 23,959,100 common shares and 11,979,550 common share purchase warrants were issued. Each common share unit was sold for a price of \$0.48 and was comprised of one common share and one half common share purchase warrant. Total gross proceeds on the public offering were \$11.5 million.

The second of the 2009 Equity Offerings was a private placement under which a total of 41,860,000 common shares and 20,930,000 common share purchase warrants were issued. Each common share unit was sold for a price of \$0.55 and was comprised of one common share and one half common share purchase warrant. Each common share was issued as a "flow-through share" under the Income Tax Act (Canada). Total gross proceeds from the private placement were \$23.0 million. During the first quarter of 2010, the Company renounced the flow-through expenditures and recorded the associated future tax income liability in respect of the \$23.0 million of proceeds from the sale of flow-through shares in the December 2009 Equity Offerings.

On December 10, 2009 as part of the 2009 Equity Offerings, Resource Capital Funds ("RCF") exercised in full its pre-existing participation rights to participate in the 2009 Equity Offerings, pursuant to which RCF purchased an aggregate of 19,926,569 common shares and 9,963,285 common share purchase warrants. Each common share unit was sold for a price of \$0.48 and was comprised of one common share and one half common share purchase warrant. Total gross proceeds from the exercise of the participation rights were \$9.6 million.

Each common share purchase warrant issued as part of the 2009 Equity Offerings entitles the holder to acquire one common share for a price of \$0.70 until December 9, 2012.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. COMMON SHARES AND WARRANTS (cont'd)

On December 10, 2009, the Company also repaid the Environmental Bonding Facility and issued 669,713 common shares valued at \$327,088 to RCF for the final interest and commitment fee payment for the facility.

On September 30, 2009, the Company issued 807,127 common shares valued at \$362,490 to RCF in satisfaction of the establishment fee, quarterly commitment fee and quarterly interest related to the August 31, 2009 draw of funds of \$10.37 million (US\$9.5 million) under the Environmental Bonding Facility.

There are a total of 21,967,844 warrants outstanding as at December 31, 2010:

	Number of warrants	Amount \$
December 31, 2007		
Warrant issue - 2007	5,981,988	3,023,371
December 31, 2008	5,981,988	3,023,371
Warrant issue - 2009	42,872,835	9,070,019
December 31, 2009	48,854,823	12,093,390
Warrant exercised	(26,886,979)	(5,915,135)
December 31, 2010	21,967,844	6,178,255

During the year ended December 31, 2010, 26,886,979 warrants with an exercise price of \$0.70 were exercised.

The total fair value attributed to the warrants outstanding is \$6,178,255 using the following assumptions under the Black-Scholes model:

Date issued	Exercise Price	Expiry Date	Risk-free Interest rate	Expected Stock Volatility	Number outstanding
January 24, 2007	\$5.50	January 31, 2012	4%	60%	5,454,550
March 26, 2007	\$5.50	January 31, 2012	4%	60%	527,438
December 10, 2009	\$0.70	December 10, 2012	0.5%	85%	15,985,856
Total warrants outstanding					21,967,844

See Note 18 – Subsequent Events with respect to warrants outstanding.

Contributed surplus

Balance, December 31, 2007	\$ 6,913,803
Share-based compensation	4,932,408
Exercise of share purchase options	(10,875)
Balance, December 31, 2008	\$ 11,835,336
Share-based compensation	2,206,961
Net loss on extinguishment of equity portion of convertible debt	(618,790)
Exercise of share purchase options	(69,413)
Balance, December 31, 2009	13,354,094
Share-based compensation	1,111,040
Exercise of share purchase options	(132,588)
Balance, December 31, 2010	\$ 14,332,546

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. SHARE-BASED COMPENSATION

The Company has a share option plan, pursuant to which, the Company may grant up to 10% of its outstanding common shares to directors, officers, employees, or consultants. Options vest over an 18 month period with 25% vesting on the grant and further 25% vesting on each six month anniversary of the grant. The options granted to date have a five year term. Share-based compensation expense and contributed surplus will be recognized over the options vesting period which is 25% on the grant date and the remaining 75% being recognized equally over the remaining vesting period which is 18 months.

A summary of the status of the Company's share option plan is presented in the following table:

	December 31, 2010		December 31, 2009	
	Number	Weighted Average	Number	Weighted Average
Outstanding, beginning	10,229,000	\$ 1.66	7,382,000	\$ 2.59
Granted in the year	3,029,000	0.57	5,697,000	0.32
Exercised in the year	(283,750)	0.31	(332,500)	0.28
Forfeited in the year	(1,323,750)	2.52	(1,167,500)	1.98
Expired in the year	(736,000)	2.03	(1,350,000)	1.14
Outstanding, ending	10,914,500	\$ 1.26	10,229,000	\$ 1.66

During the year ended December 31, 2010, the Company granted 3,029,000 options to purchase common shares, with a five year term at an average exercise price of \$0.57 per common share. For the year ended December 31, 2010 fair value of \$1,054,575 was estimated for the share options using the Black Scholes fair value option-pricing model.

As at December 31, 2010 the number of options available for exercise was 9,348,750 at a weighted average price of \$1.38 and the aggregate value of unvested options granted is \$391,016.

The fair value of options granted was estimated using the Black Scholes fair value option-pricing model and the following assumptions were used:

Date options granted	Expected life	Risk-free interest rate	Expected Stock Volatility
January 7, 2008	5 years	5.0%	75%
March 31, 2008	5 years	5.0%	74%
September 22, 2008	5 years	3.0%	72%
January 6, 2009	4 years	1.6%	85%
March 24, 2009	4 years	1.9%	88%
June 9, 2009	4 years	1.4%	89%
October 27, 2009	4 years	0.5%	85%
December 15, 2009	4 years	0.5%	85%
February 23, 2010	4 years	2.2%	85%
April 30, 2010	4 years	2.7%	80%

No dividend yield is assumed.

Option pricing models require the use of subjective estimates and assumptions including the expected share price volatility. Changes to these estimates and assumptions may materially affect the calculations. Share-based compensation calculations have no effect on the Company's cash position.

Using the fair value method, total share-based compensation for share options issued and outstanding for the year ended December 31, 2010 was \$1,111,040 (2009 - \$2,206,961). No share-based compensation was capitalized to mining interests in 2010 (2009 - \$42,542).

See Note 18 - Subsequent Events with respect to share options outstanding.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's or the Company's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to its long term investment in asset-backed notes (see Note 8) and its accounts receivable. When valuing its financial instruments, the Company is required to take into account the credit quality of both the counterparty and the Company itself as appropriate.

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with Canadian chartered banks with typical maturities of less than 12 months and fully cashable after 30 days and management believes the risk of loss to be remote. Accounts receivable typically consists of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk with respect to accounts receivable is low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of \$22,341,183 (December 31, 2009 - \$45,479,118) to settle current liabilities of \$5,165,201 (December 31, 2009 - \$1,672,307). Current liabilities consist of accounts payable that are predominantly due within 60 days.

Interest rate risk

The Company's current policy is to invest excess cash in highly rated short-term deposit certificates issued by Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to iron ore prices. The price of iron ore recovered significantly from levels reached during the most recent economic downturn which commenced in the third quarter of 2008, while future significant price declines could cause continued exploration and development of the Mary River Property to become uneconomical.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Interest income on cash balances held has been negatively affected by low prevailing interest rates. Cash and cash equivalents include deposits which earn interest at variable interest rates. It is generally expected that interest rates will rise. If interest rates were to rise or fall by 0.50%, net loss would increase or decrease by approximately \$174,000 for the twelve months ended December 31, 2010.
- The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- Price risk is remote since the Company is not a producing entity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. INCOME TAXES

The Company's income tax recovery has been calculated as follows:

	For the years ended	
	December 31 2010	December 31 2009
Net loss before taxes for the year	(\$36,785,763)	(\$5,084,909)
Income tax recovery at Canadian federal and provincial statutory rates	(10,778,229)	(1,638,279)
Change in valuation allowance	3,545,794	(2,895,546)
Permanent differences	325,535	357,925
Recovery of income taxes	<u>(6,906,900)</u>	<u>(4,175,900)</u>

The components of the recovery of income taxes comprise:

Future income tax recovery	<u>(6,906,900)</u>	<u>(4,175,900)</u>
Net income tax recovery	<u>(6,906,900)</u>	<u>(4,175,900)</u>

The Company's future income tax assets and liabilities are comprised of:

	December 31 2010	December 31 2009
Future Income Tax Assets		
Exploration & Development	\$ 4,383,000	\$ 3,917,000
Non-capital losses carried forward	7,103,000	4,113,000
Share issue expense	1,723,000	2,710,000
Long-term asset backed notes	<u>957,000</u>	<u>1,114,000</u>
Future income tax asset	14,166,000	11,854,000
Valuation Allowance	(13,820,000)	(10,765,000)
Net future income tax asset	<u>346,000</u>	<u>1,089,000</u>
Future Income Tax Liabilities		
Flow through share issuance	-	-
Property, plant and equipment	<u>(346,000)</u>	<u>(1,089,000)</u>
Future income tax liability	<u>(346,000)</u>	<u>(1,089,000)</u>
Net future income tax asset / liability recorded	<u>-</u>	<u>-</u>

For the year ended December 31, 2010, the Company has recorded a net income tax recovery of \$6,906,900 (2009 - \$4,175,900) and a valuation allowance in respect of tax losses and other attributes valued at \$13,820,000 (December 31, 2009 - \$10,765,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. INCOME TAXES (cont'd)

As at December 31, 2010, the Company has available non-capital loss carry-forwards for Canadian federal and provincial tax purposes that will expire as follows:

	2010
2010	-
2014	-
2015	603,153
2026	1,327,080
2027	5,131,811
2028	-
2029	7,922,090
2030	12,760,305

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010 McChip Resources Inc., a related party controlled by a director, officer and a shareholder, paid \$48,000 (2009 - \$72,000) to the Company. The payments were in relation to lease and operating costs. Cost recoveries were included in office and general expense and were in the normal course of business and are measured at the cost amount, which is the consideration established and agreed to between the related parties.

16. NET LOSS PER SHARE

Net loss per share is calculated using the weighted average number of common shares outstanding during the year ended December 31, 2010. No effect has been given to the potential exercise of share options and warrants in the calculation of fully diluted loss per share as the effect would be anti-dilutive. The weighted average number of common shares outstanding for the year ended December 31, 2010 was 344,753,723 (2009 - 255,002,955).

17. CONTINGENCIES AND COMMITMENTS

The office lease has been renewed for a five year period ending October 2015 and the Company is committed to annual lease payments of \$146,100 plus operating costs.

The Company holds a surface rights commercial land lease with the Qikiqtani Inuit Association (the "QIA") covering an estimated surface area of approximately 10,567 hectares on Baffin Island, Nunavut ("Land Lease"). The Company renewed the lease, in substantially the same form and terms as the expiring lease, for a term of 26 months from November 1, 2010 to December 31, 2012, with an annual rent payment of approximately \$600,000 and with a one year renewal option. The terms of the Land Lease provide that the Company must post financial security from time to time for future estimated costs of abandonment and reclamation activities on Inuit owned land. The Company has provided financial security to the QIA in the form of an irrevocable letter of credit. In the third quarter of 2009, the letter of credit was increased by \$10.3 million. The \$16.5 million letter of credit is recorded on the balance sheet as restricted cash. See Note 18 - Subsequent Events.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. SUBSEQUENT EVENTS

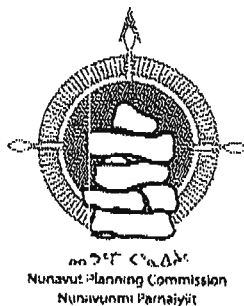
On January 26, 2011, the Company underwent a change of control when ArcelorMittal and Nunavut Iron Ore Acquisition Inc. acquired 60% of the common shares of Baffinland. The Acquirers subsequently achieved 100% ownership with 70% owned by ArcelorMittal and 30% owned by Iron Ore Holdings, LP, a subsidiary of Nunavut Iron Ore Acquisition Inc. following a court approved Plan of Arrangement pursuant to which the Acquirers acquired all outstanding common shares and warrants of Baffinland not already owned. The Plan of Arrangement was approved by shareholders of Baffinland on March 22, 2011.

As part of the Acquisition, the vesting of all share options outstanding was accelerated and they were all exercised as of January 26, 2011 the change of control date.

On February 28, 2011, the Company posted an additional \$9.7 million as cash backed financial security in respect of the Land Lease for total financial security of \$26.2 million. The Company will be reviewing its asset retirement obligation asset and corresponding liability in due course.

ATTACHMENT D

NPC Land Use Conformity Review, Dated February 8, 2008



FAX TRANSMISSION

DATE: Feb 8, 2008TO: NAME: Mr. D. ChukbDEPARTMENT: Baffinland Iron Mines Inc.FAX NUMBER: 416 844 0903Number of pages to follow: 15Original to follow: Yes NoComments: NAB file # 2831134010
INAC file # N200600036FROM: Brian Aglukark, Director, Regional Planning
Annie Ollie, Interpreter/Administrator
Bobby Suluk, Co-ordinator, Regional Planning
Tommy Owljoot, Regional PlannerNunavut Planning Commission
P.O. Box 419
Arviat, Nunavut
XOC OEO
Office: (867) 857-2242
Fax: (867) 857-2243

Please note:

The documents accompanying this transmission may contain confidential information. If you receive this transmission in error, kindly notify us immediately and return the original to the sender as soon as possible.



February 8, 2008

Ms. Leslie Payette
Nunavut Impact Review Board
P.O. Box 1360
Cambridge Bay, NU., X0B 0C0
Fax # 867 983 2574

Mr. Jeffery Howell
Indian and Northern Affairs Canada – NU
P.O. Box 100
Iqaluit, NU., X0A 0H0
Fax # 867 975 4286

Ms. Phyllis Beaulieu
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU.,
Fax # 867 360 6369

Dear Ms. Payette, Mr. Howell and Ms. Beaulieu

**Re: Mary River Project – Baffinland / NWB 2BB-MRY0710 / INAC
N2006C0036**

The NPC has completed its review of the above noted project proposal. It conforms to the North Baffin Regional Land Use Plan (NBRLUP) subject to the attached conformity requirements and conditions below.

For future reference the NBRLUP has specific terms regarding the development of a transportation corridor where a proposal for an amendment to the NBRLUP must be requested. These terms are:

s. 3.5.11 – All parties wishing to develop a transportation and/or a communications corridor shall submit to the NPC a detailed application for amendment. This application must include an assessment of alternative routes, plus the cumulative effects of the preferred route. It shall provide reasonable options for other identifiable transportation and utility facilities.

s.3.5.12 – The NPC, and either NIRB or a panel acting under 12.4.7 of the NLCA, shall publicly review the proposed corridor to determine whether the proposal adequately meets the guidelines set out in Appendices J and K. Once it is

determined that a proposal does meet the guidelines, the NPC may request the Ministers to amend the plan to include the new transportation corridor.

The project proposal submitted includes research on options relating to alternative transportation / communication routes. As a proposal to conduct research, it does not constitute a proposal to develop a transportation and / or communications corridor in the North Baffin Planning Region. This positive conformity determination for research activities does not constitute a positive conformity determination with respect to development of a corridor.

By this letter and additional enclosures, the NPC is forwarding the project proposals with this determination to NIRB for screening.


Should this project proposal advance beyond a proposal to conduct research as noted above or, as a result of the Nunavut Impact Review Board (NIRB) screening, trigger a review under 12.4.7 of the Nunavut Land Claims Agreement the above NBRLUP terms will be implemented as part of the NIRB review.

The applicant has undertaken to comply with the attached requirements. The authorizing agencies to which this letter is addressed are responsible under the *Nunavut Land Claims Agreement* to implement any of the attached requirements by incorporating the requirements directly, or otherwise ensuring that they must be met, in the terms and conditions of any authorizations issued.

My office would be pleased to discuss with these agencies how best to implement these requirements and to review any draft authorizations that the agencies wish to provide for that purpose.

This conformity determination applies only to the above noted applications as submitted. Therefore, the proponent must ensure other applications for a permit under this project proposal not listed above are forwarded to NPC for a conformity determination against the NBRLUP, and please notify the NPC immediately if any material change to the project proposal is made before authorizations are issued.

Thank You,



Brian Aglukark, NPC
Arviat, NU

Encl.

CC Mr. Derek Chubbs, Baffinland Iron Mines Inc.



November 15, 2007

Ms. Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
Canada, X0B 1J0

Re: Type B Water License #2BB-MRY0710
Mary River Project – Exploration, Geotechnical Drilling and Bulk Sampling

Dear Ms. Beaulieu:

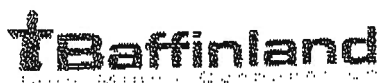
The above license allows for the use of water and the deposit of wastes required in support of activities at the Mary River project site associated with exploration and geotechnical drilling, and the completion of a bulk sample program. Water License 2BB-MRY0710 currently expires on February 28, 2009 and allows for a maximum use of 535 m³/d of water, of which 455 m³/d is allocated for drilling purposes, and 60 m³/d for domestic uses.

Baffinland Iron Mines Corporation (Baffinland) proposes to increase the efficiency and effectiveness of its exploration and geotechnical programs by introducing additional drills to the program, providing camp facilities along the potential future railway alignment and increasing camp capabilities at the potential Steensby Inlet port location. Increasing camp capabilities in closer proximity to field work locations is expected to increase productivity while reducing fuel demand and helicopter use for every metre drilled under these programs. Baffinland proposes to increase the potential number of drills used in support of these programs from the previously identified seven (7) to up to ten (10). Increasing productivity will enable the timely collection of the information required to support the exploration and mine planning processes.

More specifically, Baffinland proposes the following additions to the current scope of activity which are discussed in further detail below:

- Establishment of a new temporary tent camp for approximately 40 people part way along the potential future railway alignment (referred to as the Rail Camp).
- Expansion of the originally identified approximate 8-12 person temporary tent camp at the potential future port site at Steensby Inlet to an approximate 40 person temporary tent or trailer camp in 2008. It is further proposed that materials and supplies required for camp and drilling operations conducted along the potential railway alignment would be provided via an annual sealift to Steensby Inlet.

In proposing these program additions, Baffinland has reviewed its actual water consumption in 2007 and determined that sufficient water is available under the current license for both future drilling purposes and camp operations based on site specific operating experience. As such, Baffinland is not requesting an increase in the total amount of water the company is currently permitted to use.



An extension of the term of the license to December 31st, 2010 is also requested of the Nunavut Water Board (NWB). This term will facilitate three full (3) years of geotechnical data collection considered necessary to further support the mine planning process as well as facilitating continued exploration activities.

In addition to the above, Baffinland is also requesting the NWB consider through this submission the following changes to the existing water license to address the following:

- Removal of Part F, Item 5 prohibiting on-ice drilling. Prior to the amendment of MRY-0708 to permit activities associated with execution of a bulk sample program on-ice geotechnical investigations were an approved activity. Baffinland requests that this restriction be removed from the water license on the basis that the bulk sample program did not contemplate a change to this previously approved activity.
- Removal of Part H, Items 8, 10, 12 and 14 stipulating specific Abandonment and Restoration procedures on the basis that they are not accurately reflective of the "Bulk Sample Abandonment and Restoration Plan", as prepared as part of the Nunavut Impact Review Board (NIRB) Environmental Screening and subsequently submitted to the NWB for approval. Baffinland requests that the license stipulate adherence to an approved Abandonment and Restoration Plan.

The following documents are appended to this letter, in accordance with the application requirements, as follows:

- Attachment 1 - Water Licence Application Form
- Attachment 2 - Exploration/Remote Camp Supplementary Questionnaire
- Attachment 3 - Non-Technical Project Summary (Inuktitut and English)

Baffinland notes, that in addition to this submission to the NWB, Baffinland is seeking parallel changes, as necessary to its INAC Class 'A' Land Use Permit N2006C0036 and the land use approvals secured through the Qikiqtani Inuit Association (QIA).

Application Fees

Annual water license fees calculated as follows:

Application Fee	\$30.00
Water Use Fee	\$30.00
Total Application Fee	\$60.00

Baffinland understands that it has a credit in place with the NWB due to previous overpayment of fees and will be allocated to account for the above.

Closure

We trust the enclosed information is sufficient for the NWB to consider the requested changes to Baffinland's water license in support of the continued Bulk Sample Program and Exploration and Geotechnical Investigation Programs. Upon approval, existing monitoring and management plans required under terms of the existing water license will be updated and resubmitted to the NWB as necessary to reflect these proposed changes.



Please do not hesitate to contact the undersigned at 416-814-3171 or Derek.chubb@baffinland.com.

Best Regards,

Baffinland Iron Mines Corporation

A handwritten signature in black ink, appearing to be "Derek Chubb", written over a light blue horizontal line.

Derek Chubb

VP, Sustainable Development

Attachments:

- Figure 1 - Regional Plan (1 page)
- Figure 2 - Rail Camp and Steensby Area (1 page)
- Figure 3 - Rail Camp - Proposed Camp Layout (1 page)
- Figure 4 - Steensby Inlet Area - Proposed Camp Layout (1 page)
- Figure 5 - Direction and Distance to Communities (1 page)
- Attachment 1 - Water Licence Application Form - Completed (4 pages)
- Attachment 2 - Exploration/Remote Camp Supplementary Questionnaire (11 pages)
- Attachment 3 - Non-Technical Project Summary (Inuktitut and English) (4 pages)

Cc: Cheryl Wray, Baffinland Iron Mines Corporation



November 15, 2007

Mr. Spencer Dewar
Manager, Land Administration
Indian and Northern Affairs Canada
P.O. Box 100, Building 918
Iqaluit, Nunavut
Canada, X0A 0H0

Re: Class A Land Use Permit #N2006C0036
Mary River Project

Dear Mr. Dewar:

The above permit allows for activities on Crown lands associated with exploration and geotechnical investigation programs, as well as a bulk sample program at the Mary River Project site. Land Use Permit N2006C0036 currently expires on April 3, 2009. To facilitate three full (3) years of geotechnical data collection considered necessary to further support the mine planning process as well as facilitating continued exploration activities, Baffinland Iron Mines Corporation (Baffinland) requests extension of the term to December 31, 2010.

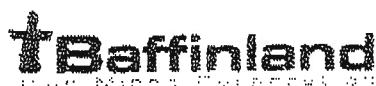
Baffinland proposes to increase the efficiency and effectiveness of its exploration and geotechnical programs by introducing additional drills to the program, and increasing camp capabilities along the potential future railway alignment and at the potential Steensby Inlet port location.

More specifically, Baffinland proposes the following additions to the current scope of permitted activity on Crown lands:

- Establishment of a new temporary tent camp for approximately 40 people part way along the potential future railway alignment (referred to as the Rail Camp).
- Expansion of the originally identified approximate 8-12 person temporary tent camp at the potential future port site at Steensby Inlet to an approximate 40 person temporary tent or trailer camp in 2008. It is further proposed that materials and supplies required for camp and drilling operations conducted along the potential railway alignment would be provided via an annual sealift to Steensby Inlet.

Please refer to the figures attached to this letter along with the completed Application for Land Use Permit form for additional information.

Increasing camp capabilities in closer proximity to field work locations is expected to increase productivity while reducing fuel demand and helicopter use for every metre drilled under these programs. Baffinland proposes to increase the potential number of drills used in support of these programs from the previously identified seven (7) to up to ten (10). Increasing productivity will enable the timely collection of the



information required to support the investigations and mine planning processes.

Detailed geotechnical investigations (i.e. drilling and test pitting) will continue generally along the potential rail alignment between Mary River and Steensby, and for the mine site infrastructure, open pit overburden, potential wind and hydro-electric power sites, potential borrow pits, quarry sites and railway ballast, and port facilities at Steensby. Both land-based and on-ice drilling will be conducted. On-ice drilling will be limited to the Steensby Inlet and various other locations which will be drilled under frozen conditions. Locations of bridge abutments along the rail alignment will require on-ice drilling. Final drillhole locations have not yet been confirmed. Anticipated completion of a definitive feasibility study in 2007 requires continued geotechnical study to aid in mine planning process. Work to date has indicated the need for additional drillholes beyond original estimates.

The number of holes drilled in any one season will be dependent on realized program efficiency, with the ultimate number of holes required for mine planning purposes determined based on field results.

Baffinland notes that in addition to this submission to INAC, Baffinland is seeking parallel changes, as necessary to its Nunavut Water Board (NWB) Type B Water License 2BB-MRY0710 and the land use approvals secured through the Qikiqtani Inuit Association (QIA).

Land Use Fees

For the purposes of calculating land use fees for the updated scope of activities proposed on Crown Land under this land use permit, we have used the land use conversion of 10 drillholes and/or test pits per hectare as follows:

Transportation Route Drilling – estimated at 400 drillholes
 Transportation Route Test Pitting – estimated at 100 test pits
 Steensby Inlet Port Site Drilling – estimated at 40 drillholes
 Hydro site drilling – estimated at 20 drillholes
 Hydro site test pitting – estimated at 15 test pits
 Wind power site drilling – estimated at 20 drillholes
 Wind power site test pitting – estimated at 15 test pits
 Steensby Inlet Camp site – estimated at 5.1 ha
 Rail Camp site – estimated at 3.4 ha

The above noted estimates are exclusive of work conducted within the mineral leases held by Baffinland.

The total estimated amount of Crown land to be used for this work is approximately 70 ha. The total land use fees are calculated as follows:

Application Fee:	\$150.00
The first 2 ha:	\$50.00
<u>Land Use Fees for remaining area (\$50 per hectare)</u>	<u>\$3,400.00</u>
Total Application Fee	\$3,600.00



Closure

We trust the enclosed information is sufficient for INAC to consider the requested changes to Baffinland's land use permit, as required, and in support of the evolving Mary River Project.

Please do not hesitate to contact the undersigned at 416-814-3171 or Derek.chubb@baffinland.com.

Best Regards,

Baffinland Iron Mines Corporation

A handwritten signature in black ink, appearing to be 'Derek Chubb'.

Derek Chubb

VP, Sustainable Development

Attachments:

- Figure 1 - Regional Plan (1 page)
- Figure 2 - Rail Camp and Steensby Area (1 page)
- Figure 3 - Rail Camp - Proposed Camp Layout (1 page)
- Figure 4 - Steensby Inlet Area - Proposed Camp Layout (1 page)
- Attachment 1 - Application for Land Use Permit - Completed (5 pages)
- Attachment 2 - Cheque for Application Fee (Mailed Copy Only)

Cc: Cheryl Wray, Baffinland Iron Mines Corporation



February 5, 2008

Mr. Derek Chubb
VP, Sustainable Development
Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West
Toronto, ON, M5H 1T1

Fax # 416 844 0903

Dear Mr. Derek Chubb

Re: Mary River Project - Baffinland / NWB 2BB-MRY0710 / INAC N2006C0036

The above-noted proposal has been forwarded to the Nunavut Planning Commission (NPC) for determination of its conformity with the North Baffin Regional Land Use Plan (NBRUP) under the Nunavut Land Claims Agreement and Nunavut Land Claims Agreement Act, S.C. 1993, c. 29. NPC is currently reviewing the proposal and in order to complete its review NPC requires that you undertake to comply with certain terms of the NBLUP.

All project proposals within the region in question are required to comply with the terms of the NBLUP. I am attaching the conformity requirements relevant to your project and with which it must comply. Also attached, is a copy of the Code of Good Conduct and the Caribou Protection Measures. These document forms part of the Plan.

Reply to each statement in the List of Relevant Conformity Requirements by circling either YES or NO, complete the signature block and fax the form back to us at the following number: (867) 857-2243.

If you would like more information, please contact NPC at the following number: (867) 857-2242.

Yours truly,

Brian Aglukark
Director, Regional Planning

Attachment

Application: NWB ZBB-MRY0710 / INAC N2006C0036

NUNAVUT PLANNING COMMISSION
APPLICATION TO DETERMINE CONFORMITY
WITH THE NORTH BAFFIN REGIONAL LAND USE PLAN

NUNAVUT PLANNING COMMISSION
BOX 419, Arviat, Nunavut
X0C-0E0

All applicants for a project proposal shall comply with the requirements listed below. The relevant sections of the plan are noted in each requirement.

GENERAL

2. **Environmental Protection:** s3.13.8: The applicant undertakes to prevent any new occurrences of pollution, garbage and contamination at the site of the development.

Yes

No

3. **Removal of Fuel Drums:** s3.13.8: The applicant undertakes to remove all drums safely from the site and dispose of the drums in a safe manner.

Yes

No

4. **New Site Restoration and Clean Up:** s3.13.1 and Appendix H, s1: The applicant undertakes to clean up the site and restore the site to its natural condition to the greatest extent possible.

Yes

No

5. **Old Site Restoration and Clean Up:** s3.13.2: The applicant undertakes to clean up the site and restore the site to its original condition to the greatest extent possible, including any work required due to the applicant's action prior to this application.

Yes

No

6. **Low-Level Air Flights:** Appendix H, s3: Will the applicant avoid all low-level flights?

Yes

No

- i. If not, explain why such flights are or may be absolutely necessary.

- ii. If such flights are or may be absolutely necessary, will they avoid disturbance to people and wildlife?

Yes

No

- iii. If not, explain why it is not possible to avoid such disturbance.

7. Caribou Protection Measures. Appendix 1: Will the applicant comply with the Caribou Protection Measures outlined in Appendix 1?

Yes

No

HERITAGE RESOURCES

10. Reporting of Archaeological Sites: s3.11.3 and Appendix H, s2 and s8: Will the applicant immediately report the discovery of all suspected archaeological sites to the Department of Culture, Language, Elders and Youth (GN)?

☒ Yes

No

MINING

11. Mining Development: s3.6.5: Is the proposal for mining development?

☒ Yes

No

If yes, include with the application a mine closure and restoration plan and the proof of complete financial guarantees for the abandonment and restoration of the site.

12. Negative Effects: s3.6.6: Has the applicant planned to minimize the negative effects of its activity on the environment?

☒ Yes

No

Include with the application the mitigative measures developed.

13. Hunting Restrictions: s3.6.9: The applicant is informed of any special hunting restrictions that may apply to the area and will strictly enforce them at its mine sites and along transportation routes.

☒ Yes

No

14. Carving Stone Deposits: Appendix H, s9. Will the applicant report any discoveries of carving stone deposits to the Qikiqtaaluk Inuit Association?

☒ Yes

No

15. Negative Effects: s3.7.7: Has the applicant planned to minimize the negative effects of its activity on the environment?

☒ Yes

No

Include with the application the mitigative measures developed.

MARINE AND TERRESTRIAL TRANSPORTATION

21. Corridor: Appendix C.3.5.12: Does the proposal consider the development of a transportation and/or communications corridor?

Yes

No

If yes, include with the application an assessment of alternate routes, the cumulative effects of the preferred route and options for other identifiable transportation and utility facilities.

Proposal is to continue to undertake research into a potential future rail line associated with full-scale mining development.

22. Code of Good Conduct for Land Users: Appendix H: The applicant undertakes to adhere to the code of Good Conduct at all times.

Yes

No

I, _____ (name of applicant), certify that the information I have given in this application is true and correct and hereby make the above undertakings which form part of my application for a project proposal within the meaning of the Nunavut Land Claims Agreement.

Date: Feb. 4, 2007 Signature of Applicant: _____

**North Baffin Regional Land Use Plan
Appendix H
Code of Good Conduct for Land Users**

1. The landscape of each camp and other land use sites will be restored to its original condition to the greatest degree possible. Water quality will be preserved and no substances that will impair water quality will be dumped in water bodies. When possible and feasible, old sites will be restored to the natural state.
2. All land users shall assist communities and government(s) in identifying and protecting archaeological sites and carving-stone sites, as required by law.
3. Generally, low-level flights by aircraft at less than 300 metres should not occur where they will disturb wildlife or people. If such flights are necessary, they should only take place after consultation with the appropriate communities. All land users are responsible for reporting to the land managers any illegal or questionable low-level flight.
4. All activities on the land will be conducted in such a fashion that the renewable resources of the area in question are conserved.
5. Whenever practicable, and consistent with sound procurement management, land users will follow the practice of local purchase of supplies and services.
6. Land users will establish working relationships with local communities and respect the traditional users of the land.
7. During the caribou calving, post-calving and migrating seasons, land use activities should be restricted to avoid disturbing caribou, in general, and activities will be governed more specifically by caribou protection measures such as those contained in Appendix I.
8. Artifacts must be left where they are found. All land users are responsible for reporting the location of, or any removal or disturbance of artifacts, to CLEY.
9. The mining industry is encouraged to assist in identifying local carving-stone deposits and report any discoveries to the QIA. Industry is also encouraged to identify and report old waste sites that need to be cleaned up.
10. All land users shall obey the laws of general application applying to land use.

**North Baffin Regional Land Use Plan
Appendix I
DIAND Caribou Protection Measures**

1. (a) The Permittee shall not, without approval, conduct any activity between May 15 and July 15 within the Caribou Protection Areas depicted on the map certified by the Engineer as the "Caribou Protection Map" and annexed to this Land Use Permit.
(b) A Permittee may, upon approval by the Land Use Inspector, operate within the said Caribou Protection Areas beyond the May 15 deadline set out in 1 (a), provided that, when monitoring information indicates that caribou cows are approaching the area of operation, the Permittee will implement 1 (c).
(c) On cessation of activities pursuant to 1 (a) or 1 (b), the Permittee will remove from the zone all personnel who are not required for the maintenance and protection of the camp facilities and equipment, unless otherwise directed by the Land Use Inspector.
(d) The Permittee may commence or resume activities prior to July 15 within those parts of the Caribou Protection Areas released by the Land Use Inspector for the reason that caribou cows are not expected to use those parts for calving or post-calving (note 1).
2. (a) In the event that caribou cows calve outside of the Caribou Protection Areas, the Permittee shall suspend operations within the area(s) occupied by cows and/or calves between May 15 and July 15.
(b) In the event that caribou cows and calves are present, the permittee shall suspend:
 - (i) blasting;
 - (ii) overflights by aircraft at any altitude of less than 300 meters above ground level; and
 - (iii) the use of snowmobiles and ATVs (all-terrain vehicles) outside the immediate vicinity of the camp.
3. (a) During migration of caribou, the Permittee shall not locate any operation so as to block or cause substantial diversion to migration.
(b) The Permittee shall cease activities that may interfere with migration, such as airborne geophysics surveys or movement of equipment, until the migrating caribou have passed.
4. (a) The Permittee shall not, between May 15 and September 1, construct any camp, cache any fuel, or conduct any blasting within 10 kilometres of any "Designated Crossing" as outlined on the map certified by the Engineer as the "Caribou Protection Map" and annexed to this Land Use Permit.
(b) The Permittee shall not, between May 15 and September 1, conduct any diamond drilling operation within 5 kilometres of any "Designated Crossing" as outlined on the map certified by the Engineer as the "Caribou Protection Map" and annexed to this Land Use Permit.

ATTACHMENT E

NIRB Screening Determinations Dated March 28, May 4, and August 22, 2007



**SCREENING DECISION REPORT
NIRB FILE NO.: 07EN004**

NIRB No.: 07EN004
INAC No.: N2006C0036
QIA No.: Q05L2C14
DFO No.: NU-07-0002
NWB No.: NWB2MRY0406

March 26, 2007

Honourable Jim Prentice, PC., MP.
Minister of Indian Affairs and Northern Development
Gatineau, Quebec

Via email: PrenticeJ@parl.gc.ca

and

Thomas Alikatuktuk
President, Qikiqtani Inuit Association
Iqaluit, NU
Via email: pres@qia.ca

Re: Screening Decision for Baffinland's Mary River Geotechnical Drilling Project Proposal

Dear Honourable Jim Prentice and President Alikatuktuk:

The primary objectives of the Nunavut Land Claims Agreement are set out in section 12.2.5 of the Land Claims Agreement. This section reads:

In carrying out its functions, the primary objectives of NIRB shall be at all times to protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, and to protect the ecosystemic integrity of the Nunavut Settlement Area. NIRB shall take into account the well-being of the residents of Canada outside the Nunavut Settlement Area.

Section 12.4.4 of the Nunavut Land Claim Agreement states:

Upon receipt of a project proposal, NIRB shall screen the proposal and indicate to the Minister in writing that:

- a) the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5;

- b) the proposal requires review under Part 5 or 6; NIRB shall identify particular issues or concerns which should be considered in such a review;
- c) the proposal is insufficiently developed to permit proper screening, and should be returned to the proponent for clarification; or
- d) the potential adverse impacts of the proposal are so unacceptable that it should be modified or abandoned.

NIRB Assessment and Decision

After a thorough assessment of all material provided to the Board (please see Appendix C), the decision of the Board as per section 12.4.4 of the NLCA is:

12.4.4 (a): the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5

NIRB Recommendations and Recommended Conditions

The Nunavut Impact Review Board is recommending the following:

1. Indian and Northern Affairs Canada (INAC) impose similar mitigation measures and/or conditions pursuant to the Federal Land Use Permit to those which were imposed upon Baffinland Iron Mines Corporation (the Proponent) on June 29, 2004, in regard to:
 - a. Location and Area
 - b. Time
 - c. Equipment
 - d. Methods and Techniques
 - e. Type, Location, Capacity and Operation of Facilities
 - f. Control or Prevention of Flooding, Erosion and Subsidence of Land
 - g. Use, Storage, Handling and Disposal of Chemical or Toxic Material
 - h. Wildlife and Fisheries Habitat
 - i. Objects and Places of Recreational, Scenic and Ecological Value
 - j. Petroleum Fuel Storage
 - k. Matters Not Consistent with the Regulations
2. The Qikiqtani Inuit Association (QIA) impose mitigation measures and/or conditions pursuant to the Inuit Owned Lands License upon the Proponent in regard to:
 - a. General Standards
 - b. Fuel and Chemical Storage
 - c. Drilling
 - d. Campsites
 - e. Fisheries
 - f. Ground Disturbance
 - g. Other General
 - h. Any other conditions recommended by the appropriate Community Lands and Resource Committee (CLARC)
3. The QIA require the Proponent to follow the QIA Code of Conduct for Land Users.

In addition, the Board is recommending the following or similar project-specific terms and conditions be imposed upon the Proponent through all relevant legislation pursuant to 12.4.4(a) of the NLCA:

1. Baffinland Iron Mines Corporation (the Proponent) shall maintain a copy of this Screening Decision at the site of operation at all times.
2. The Proponent shall forward copies to NIRB of all permits obtained and required for this project prior to the commencement of the project.
3. The Proponent shall operate in accordance with commitments stated in Appendix A and all documentation provided to NIRB, INAC, the QIA and the Nunavut NWB. Where information in the documentation conflicts with Appendix A, Appendix A shall prevail.
4. The Proponent shall submit an annual report with copies provided to the NIRB, INAC, the QIA, and EC by January 31 each year that the project is in operation commencing January 31, 2008. The report must contain, but not be limited to, the following information:
 - a. A summary of activities undertaken for the year, including the amount of drilling;
 - b. A work plan for the following year;
 - c. The results of environmental studies undertaken and plans for future studies;
 - d. Wildlife encounters and actions/mitigation taken;
 - e. A summary of local hires and initiatives;
 - f. A summary of community consultations undertaken and the results;
 - g. A summary of site-visits by inspectors with results and follow-up actions ;
 - h. The number of take-offs & landings from an airstrip with approved flight path with date and location;
 - i. The number of helicopter touch-downs on the land with date and location (provide unless confidential);
 - j. Site photos;
 - k. Progressive reclamation work undertaken; and
 - l. A summary of how the Proponent has complied with NIRB conditions contained within this Screening Decision, and the conditions associated with all authorizations for the project proposal.
5. Immediately upon clarification regarding the commitment of the Proponent to participate in a Government of Nunavut Department of Environment (GN-DOE) caribou collaring initiative with the GN-DOE, the Proponent shall submit to NIRB relevant documentation providing evidence of the commitments of the Proponent and the GN-DOE in this regard.
6. On or before May 31, 2007, the Proponent shall submit to NIRB, the NWB, the QIA and the Department of Fisheries and Oceans Canada (DFO) a report describing all possible locations where water-taking may result in a water body being drawn down. This report must include:
 - a. Effects analysis of water draw-down in these locations;
 - b. Proposed mitigation/abatement measures for potential adverse effects; and
 - c. Monitoring and follow-up strategies regarding water draw down effects.
7. On or before May 31, 2007, the Proponent shall submit to NIRB, Environment Canada (EC), the QIA and the NWB a comprehensive Water Quality Monitoring and Management Program. This Water Quality Monitoring and Management Program may include the elements of the *Site Water Management Plan* (dated February 20, 2007 – to be submitted to the NWB ninety (90) days

following the issuance of the water license) and any monitoring requirements included in the NWB water license and must also include:

- a. Details of the weekly monitoring program, such as monitoring locations, frequency of sampling, and parameters monitored;
 - b. Guidelines used in the monitoring program, such as Canadian Council of Ministers for the Environment guidelines for the protection of freshwater aquatic life (CCME-FWAL), and any site-specific criteria established by the NWB;
 - c. Operational procedures intended to mitigate the potential adverse effects to water quality, including those from drill wastes;
 - d. Anticipated adaptive management strategies to deal with adverse impacts identified from the 2007 and 2008 monitoring program, including:
 - i. Description of alternative methods of containment for waste deposition which may be considered by the Proponent;
 - ii. Criteria the Proponent will use when considering the requirement for adaptive management.
 - e. The requirement to report any exceedences of CCME-FWAL to Environment Canada, the Nunavut Water Board, and the Department of Fisheries and Oceans Canada
8. The Proponent shall ensure that the Wastewater Treatment Plan Design and Operations/Maintenance (O/M) Report to be submitted to the NWB for approval, must address design criteria such as:
- a. Identification of control parameters (COD/BOD₅, TSS, heavy metals);
 - b. Corresponding discharge limits;
 - c. Emergency/O&M failure measures;
 - d. Identification of the water bodies where effluent will be discharged; and
 - e. Potential impacts to aquatic life from effluent discharge.
9. The Proponent shall consult Transport Canada's Canadian Aviation Regulations to ensure compliance where appropriate.
10. Prior to any ground disturbance activities, the Proponent shall submit an Archaeological Assessment Report to NIRB and the Government of Nunavut Department of Culture, Language, Elders and Youth (GN-CLEY). Any subsequent direction provided by the GN-CLEY the Archaeological Plan must be forwarded to NIRB.
11. The Proponent shall adhere to conditions stated in attached Appendix B *Archaeological and Palaeontological Resources – Terms and Conditions for Land Use Permit Holders*.
12. On or before May 31, 2007, the Proponent shall submit a report describing all ongoing baseline research activities to NIRB, GN-DOE and the QIA, which must include:
- a. Summary of the activities in the 2007 Environmental Baseline Program; and
 - b. Protocols to be followed by researchers to reduce unnecessary impacts to the environment from research activities.
13. On or before May 31, 2007, the Proponent shall submit a Wildlife Mitigation and Monitoring Plan to NIRB, the GN-DOE, and the QIA, which must include:
- a. All relevant baseline terrestrial data collected by the Proponent from previous baseline research activities;
 - b. Predicted impacts to wildlife from project activities (wildlife assessment report);

- c. Proposed site-specific measures to reduce anticipated adverse impacts to wildlife, including adaptive management measures and all relevant Proponent commitments in Appendix A;
- d. Proposed measures for wildlife monitoring; and
- e. Incorporation, where possible, of data collected by the Pisikik Inuit Qaujimajatuqangit Working Group into the wildlife assessment report, measures to reduce adverse impacts to wildlife and proposed measures for wildlife monitoring.

Any subsequent direction provided by the Government of Nunavut regarding the Wildlife Mitigation and Monitoring Plan must be forwarded to NIRB.

- 14. The Proponent shall submit its updated Spill Contingency Plan and Abandonment and Restoration Plan to NIRB, INAC, QIA and the NWB immediately.
- 15. The Proponent shall ensure that the disposal of combustible camp wastes comply with the *Canadian Wide Standards for Dioxins and Furans*, and the *Canadian Wide Standards for Mercury*. Efforts made to achieve compliance shall be reported to the NIRB as part of the annual report.
- 16. The Proponent shall not conduct any activity associated with the land use operation if critical periods of wildlife cycles are observed (e.g. caribou migration, calving, fish spawning, raptor nesting, polar bear movement).

Validity of Land Claims Agreement

Section 2.12.2

Where there is any inconsistency or conflict between any federal, territorial and local government laws, and the Agreement, the Agreement shall prevail to the extent of the inconsistency or conflict.

Dated ____ March 26, 2007 ____ at Cambridge Bay, NU.



Lucassie Arragutainaq, A/Chairperson

Appendix A – Proponent Commitments

1. Submission of an Archaeological Assessment Report to Government of Nunavut Department of Culture, Language, Elders and Youth
2. Continue collecting and compiling wildlife baseline data, and identify critical habitat and avoid impacts based on current knowledge
3. Support a Government of Nunavut initiated caribou collaring program and a peregrine falcon research project, in addition to Baffinland's baseline studies
4. Conduct a wildlife assessment report for submission to DOE for mid-April 2007
5. Comply with caribou protection measures
6. Contact local HTO and Wildlife Officer in the event of a defense polar bear kill.
7. Initiate discussions with the Mittimatalik Hunters and Trappers Organization and Igloolik Hunters and Trappers Association regarding compensation for any future defense kills of polar bear
8. Undertake the following with respect to air traffic:
 - a. Minimize the number of flights
 - b. Implement a 610 m flight altitude minimum and 1,000 m flight altitude minimum near concentrations of birds with exceptions where required;
 - c. Avoid caribou calving grounds between May 15 and July 15. After July 15, post-calving areas known to have aggregations of caribou will be avoided
 - d. Avoid a large concentration of wildlife, (i.e., Migratory Bird Sanctuaries, breeding colonies and caribou calving grounds), and take alternate routes
 - e. Plan routes that are likely to have least occurrences of wildlife
 - f. Use small aircraft rather than large aircraft whenever possible
 - g. Hovering or circling may greatly increase disturbances and must be avoided
 - h. Use fixed-wing aircraft rather than helicopters whenever possible
 - i. Inform pilots of the wildlife sensitive areas
 - j. Pilots to report caribou movements and locations during calving and post-calving periods, so that these areas can be avoided
9. Seek NWB approval prior to drilling within 30m of a water body
10. Management plan of drill wastes to be submitted to the NWB for approval
11. Return drill cuttings at surface to the drill hole, at all land-based drilling locations
12. Drilling through sea ice at potential port locations will be undertaken using drums, or equivalent, to collect and re-circulate all drill water and no drill water will be released from the casing into the water
13. Drill additives will not be used during on-ice drilling, and final disposal of drill water will be within a snow berm on land more than 30m from a water body
14. Improve drilling practices through use of in-ground sumps and/or alternative methods of containment will be identified and employed
15. Installation of a new incinerator to replace current incinerator at Mary River site and completion of stack test in early season to determine compliance with the *Canada-wide Standards for Dioxins and Furans*
16. Discussions with Government of Nunavut Department of Environment regarding waste oil disposal options
17. Compliance with Nunavut requirements as outlined in the *Environmental Guideline for the General Management of Hazardous Waste*
18. Filing of updated Spill Contingency Plan with the Nunavut Water Board
19. Filing of updated Abandonment and Restoration Plan with the Nunavut Water Board
20. Review of bird survey methodologies and study findings with Canadian Wildlife Service
21. Develop and expand site orientation program

22. Establishment of an on-going bird monitoring program consistent with precautions outlined by Government of Nunavut Department of Environment
23. On-going monitoring of polar bears with appropriate plans implemented as needed
24. Continuation of weekly water quality monitoring program
25. Seek approval from NWB regarding sewage treatment plant and enlargement of sumps, if required



BACKGROUND

Archaeology

As stated in Article 33 of the Nunavut Land Claims Agreement:

The archaeological record of the Inuit of Nunavut is a record of Inuit use and occupancy of lands and resources through time. The evidence associated with their use and occupancy represents a cultural, historical and ethnographic heritage of Inuit society and, as such, Government recognizes that Inuit have a special relationship with such evidence, which shall be expressed in terms of special rights and responsibilities. [33.2.1]

The archaeological record of Nunavut is of spiritual, cultural, religious and educational importance to Inuit. Accordingly, the identification, protection and conservation of archaeological sites and specimens and the interpretation of the archaeological record is of primary importance to Inuit and their involvement is both desirable and necessary. [33.2.2]

In recognition of the cultural, spiritual and religious importance of certain areas in Nunavut to Inuit, Inuit have special rights and interests in these areas as defined by Article 33 of the Nunavut Land Claims Agreement. [33.2.5]

Palaeontology

Under the Nunavut Act¹, the federal government can make regulations for the protection, care and preservation of palaeontological sites and specimens in Nunavut. Under the *Nunavut Archaeological and Palaeontological Sites Regulations*², it is illegal to alter or disturb any palaeontological site in Nunavut unless permission is first granted through the permitting process.

Definitions

As defined in the *Nunavut Archaeological and Palaeontological Sites Regulations*, the following definitions apply:

“archaeological site” means a place where an archaeological artifact is found.

¹

s. 51(1)

²

P.C. 2001-1111 14 June, 2001

“archaeological artifact” means any tangible evidence of human activity that is more than 50 years old and in respect of which an unbroken chain of possession or regular pattern of usage cannot be demonstrated, and includes a Denesuline archaeological specimen referred to in section 40.4.9 of the Nunavut Land Claims Agreement.

“palaeontological site” means a site where a fossil is found.

“fossil” includes:

- (a) natural casts
- (b) preserved tracks, coprolites and plant remains; and
- (c) the preserved shells and exoskeletons of invertebrates and the eggs, teeth and bones of vertebrates.

Terms and Conditions

- 1) The permittee shall not operate any vehicle over a known or suspected archaeological or palaeontological site.
- 2) The permittee shall not remove, disturb, or displace any archaeological artifact or site, or any fossil or palaeontological site.
- 3) The permittee shall immediately contact the Department of Culture, Language, Elders and Youth (867) 934-2046 or (867) 975-5500 or 1 (866) 934-2035 should an archaeological site or specimen, or a palaeontological site or fossil be encountered or disturbed by any land use activity.
- 4) The permittee shall immediately cease any activity that disturbs an archaeological or palaeontological site encountered during the course of a land use operation, until permitted to proceed with the authorization of the Department of Culture, Language, Elders and Youth, Government of Nunavut.
- 5) The permittee shall follow the direction of the Department of Culture, Language, Elders and Youth and DIAND in restoring disturbed archaeological or palaeontological sites to an acceptable condition.

- 6) The permittee shall provide all information requested by the Department of Culture, Language, Elders and Youth concerning all archaeological sites or artifacts and all palaeontological sites and fossils encountered in the course of any land use activity.
- 7) The permittee shall make best efforts to ensure that all persons working under authority of the permit are aware of these conditions concerning archaeological sites and artifacts, and palaeontological sites and fossils.
- 8) The permittee shall avoid the known archaeological and/or palaeontological sites listed in Attachment 1.
- 9) The permittee shall have an archaeologist or palaeontologist perform the following functions, as required by the Department of Culture, Language, Elders and Youth:
 - a) survey
 - b) inventory and documentation of the archaeological or palaeontological resources of the land use area
 - c) assessment of potential for damage to archaeological or palaeontological sites
 - d) mitigation
 - e) marking boundaries of archaeological or palaeontological sites
 - f) site restoration

The Department of Culture, Language, Elders and Youth shall authorize by way of a Nunavut Archaeologist Permit or a Nunavut Palaeontologist Permit, all procedures subsumed under the above operations.

Appendix C – File History

On January 24, 2007, the Nunavut Impact Review Board (NIRB or Board) received Baffinland Iron Mine Corporation's (Baffinland) Mary River Geotechnical Drilling Program (Drilling Program) project proposal from Indian and Northern Affairs Canada (INAC) and the Qikiqtani Inuit Association (QIA). This project proposal received a positive conformity determination from the Nunavut Planning Commission on January 22, 2007.

The project proposal includes a renewal and amendment of activities previously permitted by INAC, the QIA, and the NWB, which are:

- Continued mineral exploration at Deposits #1, 2, 3 and 3A (renewal of activities permitted previously)
- Initiation of mineral exploration on Deposit No. 4
- Continued operation of the existing 80-person tent camp and expansion to 100-persons
- Temporary installation of three (3) 8-12 person fly camps at Milne Inlet, Steensby Inlet and Deposit No. 4 to support drilling activities
- Land-based geotechnical investigations of mine-related infrastructure at Mary River, potential transportation routes, potential hydro and wind power sites, port-related facilities at Milne Inlet and Steensby Inlet (no construction activities)
- On-ice geotechnical drilling investigations of port-related facilities at Milne Inlet and Steensby Inlet
- Winter road use
- Airstrip use
- Fuel transportation and storage chemical transportation and storage
- Mobilization of three additional rock coring drills (for an on-site total of 7 rigs)
- Water use and deposition of waste

In addition, on January 25, 2007 NIRB received Baffinland's Bulk Sampling Program project proposal, and Baffinland requested NIRB conduct *separate* Part 4 screenings on the Drilling Program and this Bulk Sampling Program.

On January 29, 2007 NIRB notified Baffinland that it was commencing the Part 4 Screening process for the drilling program and allowed for Parties to comment on the following:

- Whether or not the Drilling Program and the Bulk Sampling Program were separate and discrete project proposals;
- Whether the project proposal is likely to arouse significant public concern; and if so, why;
- Whether the project proposal is likely to cause significant adverse eco-systemic and socio-economic effects; and if so, why;
- Whether the project is of a type where the potential adverse effects are highly predictable and mitigable with known technology, (please provide any recommended mitigation measures); and
- Any matter of importance to the Party related to the project proposal.

This application was distributed to the communities of Igloolik, Arctic Bay, and Pond Inlet and to interested Federal and Territorial Agencies.

On February 6, 2007 NIRB received comments from Indian and Northern Affairs Canada (INAC) and Environment Canada (EC) regarding whether or not the Drilling Program and the Bulk Sampling Program were separate and discrete project proposals. Both INAC and EC stated they agreed with NIRB's

determination that the project proposals could undergo separate Part 4 Screenings. However, EC requested clarification regarding the relationship of a proposed wind tower to the Bulk Sampling Program, and clarification regarding the permitting process of the wind tower.

On February 8, 2007 NIRB requested Baffinland respond to two questions posed regarding the request for clarification from EC, and on February 8, 2007 Baffinland provided a response to NIRB. Subsequently, Parties were directed to provide comments to NIRB by February 20, 2007.

On or before February 20, 2007 NIRB received comments on the project proposal from the following interested Parties:

- Department of Culture, Language, Elders and Youth
- The Government of Nunavut Department of Environment
- Environment Canada
- Transport Canada

Concerns regarding the project proposal were expressed by all interested Parties and NIRB directed Baffinland to respond to the concerns by February 27, 2007.

The main concerns included:

- potential cumulative effects with other projects in the area and ongoing land use activities (cumulative impacts from both projects should be assessed)
- potential for archeological site disturbance in the Mary River area
- potential impacts on caribou and other wildlife,
- lack of wildlife data (including baseline data sets), and effective impact and mitigation measures
- omissions in project proposal, such as wildlife observations map, aircraft activities, impact of noise
- potential human-wolf, wolverine and fox encounters resulting in injury or death to either animal or human(s)
- potential ecological impacts of shipping and geotechnical activities to polar bears
- potential human-polar bear encounters
- lack of information in the Spill Contingency Plan, such as training for employees, treatment of spilled material
- omissions in the Abandonment and Restoration Plan, such as clean-up and treatment at bone yard
- potential excessive run-off and erosion at drill sites
- potential runoff of calcium chloride into water bodies
- potential interference to navigation

On February 28, 2007 Baffinland responded to the concerns and comments by Parties (Response to Comments).

On March 5, 2007 NIRB provided interested Parties with an opportunity to review the Response to Comments before proceeding with the next steps of the Part 4 Screening process. Comments were due from Parties by March 9, 2007.

On March 9, 2007 NIRB received additional comments from the Government of Nunavut Department of Environment and Transport Canada. Environment Canada requested an extension to March 14, 2007 and provided comments on that date.

From these Parties, there still remained the following environmental concerns:

- Water quality impact prediction, mitigation for water quality and water quality monitoring strategies
- Site specific measures to reduce impact to wildlife
- Clarification regarding Baffinland support of GN-DOE caribou collaring initiative
- Clarification regarding aeronautical evaluation of test wind tower



SCREENING DECISION REPORT NIRB FILE NO.: 07CA070

August 22, 2007

Honourable Chuck Strahl
Minister of Indian & Northern Affairs Canada
Gatineau, QC

E-Mail: Strahl.C@parl.gc.ca

Re: Screening Decision for Baffinland Iron Mines Corporation's "Amendment to Geotechnical and Exploration Program "Project Proposal"

Dear Honorable Minister:

The primary objectives of the Nunavut Land Claims Agreement are set out in section 12.2.5 of the Land Claims Agreement. This section reads:

In carrying out its functions, the primary objectives of the Nunavut Impact Review Board (NIRB or Board) shall be at all times to protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, and to protect the ecosystemic integrity of the Nunavut Settlement Area. NIRB shall take into account the well-being of the residents of Canada outside the Nunavut Settlement Area.

Section 12.4.4 of the Nunavut Land Claim Agreement (NLCA) states:

Upon receipt of a project proposal, NIRB shall screen the proposal and indicate to the Minister in writing that:

- a) the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5;
- b) the proposal requires review under Part 5 or 6; NIRB shall identify particular issues or concerns which should be considered in such a review;
- c) the proposal is insufficiently developed to permit proper screening, and should be returned to the proponent for clarification; or
- d) the potential adverse impacts of the proposal are so unacceptable that it should be modified or abandoned.

NIRB Assessment and Decision

After a thorough assessment of all material provided to the Board (please see Procedural History and Project Activities in **Appendix A**), in accordance with the principles identified within Section 12.4.2 of the NLCA, the decision of the Board as per Section 12.4.4 of the NLCA is:

12.4.4 (a): the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5.

Recommended Terms and Conditions, pursuant to Section 12.4.4(a) of the NLCA

The Board is recommending the following or similar project-specific terms and conditions be imposed upon the Proponent through all relevant legislation:

1. Baffinland Iron Mines Corporation (the Proponent) shall forward copies of all amended permits obtained and new authorizations required for this amendment to the Nunavut Impact Review Board (NIRB or Board) prior to the commencement of the project.
2. The Proponent shall conduct project activities in accordance with all commitments stated in all documents provided to the NIRB, Indian and Northern Affairs Canada (INAC), Nunavut Water Board (NWB) and other government agencies in this application and in the application for its Geotechnical and Exploration Program.
3. The Proponent is required to consult and submit a formal application as indicated by Transport Canada (TC) for Navigable Waters Protection Program (NWPP) with detailed drawings / plans and activities for applicable authorization.
4. The Proponent is required that a revised Spill Contingency Plan be submitted to NIRB, Environment Canada (EC), INAC, Government of Nunavut – Department of Environment (GN-DOE) and NWB along with 2007 Annual Report. It should include:
 - Detailed site maps of various fuel caches in association with nearby facilities.
 - The issues raised by interviewers during the Water License Amendment application with NWB.
 - The wildlife protection measures regarding potential spills in marine areas during shipping, in particular implementing specific mitigation measures to keep birds out of any contaminated area and list what measures would be taken if birds do come in contact with the spill.
5. The Proponent is required to submit a revised Wildlife Management and Monitoring Plan (WMMP) to NIRB, GN-DOE and INAC along with 2007 Annual Report for its Geotechnical and Exploration Program. The following perspectives should be addressed and included in the revised WMMP:
 - The mitigation and management measures specified in the revised WMMP should be detailed and site-specific including the proposed new activities and project components.
 - Revised WMMP should reflect monitoring results in 2007 field operation and any additional impact analysis based on 2007 operation season.
 - The proponent should demonstrate how the Caribou Protection Measures were applied in 2007. It is not clear in the current WMMP, how control and impact sites were chosen and where they are located with respect to each other.
 - An explanation for choosing control and impact sites is required, and clear maps of the control and impact areas should be included in the WMMP.

6. The Proponent shall verify its migratory bird survey techniques to ensure that the methodologies used are appropriate and comparable to surveys done elsewhere in the region by contacting and consulting the Canadian Wildlife Service (CWS) of Environment Canada: Myra Robertson (Environmental Assessment Coordinator, Canadian Wildlife Service, Environment Canada, Suite 301, 5204-50th Avenue, Yellowknife, NT X1A 1E2, Ph: (867) 669.4763 or myra.robertson@ec.gc.ca).
7. The Proponent is required to conduct stack testing to ensure compliance with the CWSs and report to NIRB, GN-DOE and INAC for its new incinerator employed.
8. The Proponent shall include in its Annual Report for Geotechnical and Exploration Program all the proposing project activities and components described in this application. In addition to the requirements directed by NIRB in its Screening Decision Report dated March 26, 2007 for 07EN004, an accumulative effects assessment should be included in the Annual Report with respect to the additive and cumulative effects by the two subprojects and the proposed expansions of the one subproject (i.e., the geotechnical and exploration project) comprising the larger Mary River project.
9. The Proponent shall respond to the comments and concerns raised by the CLARC members directly as part of community consultation program and submit to NIRB, Qikiqtani Inuit Association and other parties associated with this project any results of such consultation.

OTHER NIRB CONCERNS AND RECOMMENDATIONS

Indian and Northern Affairs Canada (INAC)

- INAC impose strict mitigation measures, conditions and monitoring requirements, pursuant to the Federal Land Use Permit, which require Baffinland to respect the ecosystem in the project area. These mitigation measures, conditions and monitoring requirements should be in regard to:
 - Wildlife and habitats protection.
 - Routings, timing and locations of airborne geophysics.
 - Use, Storage, Handling and Disposal of Chemical or Toxic Material.
 - Petroleum Fuel Storage.
 - Matters Not Consistent with the Regulations.
- INAC should also consider the importance of conducting regular Land Use Inspections, pursuant to the authority of the Federal Land Use Permit, while the project is in operation. The Land Use Inspections should be focused on ensuring the Proponent is in compliance with the conditions imposed through the Federal Land Use Permit.

The Government of Nunavut Department of Environment (GN-DOE)

- The GN-DOE should assist the Proponent with the WMMP revisions necessary regarding the Proponent's WMMP, including:
 - Conduction of caribou collaring program and the peregrine falcon research project initiated by GN.
 - Developing and clarifying criteria, which apply when the cessation of all activities is required due to the presence of the caribou in project areas.
 - Recommend mitigation measures.
 - Survey and recording protocols are conducted pertain to the submitted Wildlife Mitigation Plan.

Regulatory Requirements

The Proponent will be advised, should the project proceed, that the following legislation may apply to the project:

1. Section 36(3) of the *Fisheries Act* (<http://laws.justice.gc.ca/en/showtdm/cs/F-14///en>) which states that no person shall deposit or permit the deposit of a deleterious substance in any type in water frequented by fish or in any place under any conditions where the deleterious substance may enter such a water body.
2. The *Migratory Birds Convention Act* and *Migratory Birds Regulations* which state that no person disturb or destroy the nests or eggs of migratory birds, and that no person shall deposit or permit to be deposited oil, oil wastes or any other substance harmful to migratory birds in any waters or any area frequented by migratory birds (<http://laws.justice.gc.ca/en/showtdm/cs/M-7.01>)
3. *The Species at Risk Act* (<http://laws.justice.gc.ca/en/showtdm/cs/S-15.3>). Attached in **Appendix B** is a list of Species at Risk in Nunavut. The Proponent should consult the Species at Risk Public Registry (<http://www.sararegistry.gc.ca/>) to identify any Species at Risk within the project location. Further, the Proponent shall develop monitoring plans for each relevant Species at Risk in accordance with any applicable status reports, recovery strategies, action plans, and management plans posted on the Species at Risk Public Registry and in consultation with the Government Organization with Primary Management Responsibility. Monitoring plans should record the locations and frequency of observing species of special concern and note any actions taken to avoid contact or cause disturbance to the species, its residence, or its critical habitat.
4. The *Nunavut Act* (<http://laws.justice.gc.ca/en/showtdm/cs/N-28.6>) which requires that no person alter or disturb any archaeological or palaeontological sites in Nunavut unless permission is first granted through the permitting process. If any archaeological or palaeontological sites are found they should remain undisturbed and their location should be reported to the Government of Nunavut Department of Culture, Language, Elders and Youth. The Proponent must comply with the proposed terms and conditions listed in the attached **Appendix C**.
5. The *Transportation of Dangerous Goods Regulations*, *Transportation of Dangerous Goods Act* (<http://www.tc.gc.ca/tdg/menu.htm>), and the *Environmental Protection Act* (<http://laws.justice.gc.ca/en/C-15.31/text.html>) which presents the requirements for the handling, storing, managing and transportation of dangerous goods, including hazardous wastes, fuel and contaminated material. The Proponent must ensure that proper shipping documents accompany all movements of dangerous goods. The Proponent must register with GN-DOE by contacting Robert Eno at 867-975-7748 or reno@gov.nu.ca.

Validity of Land Claims Agreement

Section 2.12.2

Where there is any inconsistency or conflict between any federal, territorial and local government laws, and the Agreement, the Agreement shall prevail to the extent of the inconsistency or conflict.

Dated February 22, 2008 at Sanikiluaq, NU.



Lucassie Arragutainaq, A/Chair

APPENDIX A

Procedural History and Project Activities

Procedural History

On December 6, 2007 the Nunavut Impact Review Board (NIRB or Board) was forwarded an application by Indian and Northern Affairs Canada (INAC) from Baffinland Iron Mines Corporation (Baffinland) to amend its INAC Land Use Permit N2006C0036 to include additional activities (listed below). The original Geotechnical and Exploration project proposal (NIRB No.: 07EN004) associated with this Land Use Permit was screened by NIRB in accordance with Article 12, Part 4 of the Nunavut Land Claims Agreement and given a 12.4.4(a) decision on March 26, 2007.

After review of the information provided by Baffinland related to the proposed amendment, the NIRB determined that these project activities were **not** included in the Geotechnical and Exploration project proposal (NIRB No.: 07EN004).

As per section 12.4.3(a) of the Nunavut Land Claims Agreement:

Any application for a component or activity of a project proposal that has been permitted to proceed in accordance with these provisions shall be exempt from the requirement for screening by NIRB unless:

(a) such component or activity was not part of the original project proposal...

By the statement outlined above, the NIRB determined it was necessary to proceed to screen the amendment activities. Therefore, The NIRB assigned this project proposal a new file number **07CA070** and commenced a Part 4 screening.

On December 11, 2007 the NIRB distributed the amendment application to interested Federal and Territorial Agencies, as well as municipalities most affected by this project for comments by December 21, 2007.

On December 19, 2007 the NIRB received a request from Qikiqtani Inuit Association (QIA) to extend its commenting period to allow its Community Land and Resource Committee (CLARC) members to comment by January 31, 2008. Accordingly the NIRB requested an extension with the INAC Minister and notified the related parties to accommodate commenting period. On January 14, 2008 another request letter from QIA was received by the NIRB requesting a further extension for its commenting deadline from January 31 to February 13, 2008.

On or before February 13, 2008 the NIRB received comments from the following interested Parties:

- Environment Canada (EC);
- Transport Canada (TC);
- The Government of Nunavut, Department of Environment (GN-DOE);
- QIA (including the CLARC members from Hamlet of Arctic Bay; Clyde River and Igloolik.)

Project Activities

The proposed project activities include:

- Extension of the existing Land Use Permit to December 31, 2010

- Establishment of a new temporary tent camp (Rail Camp) for approximately 40 people part way along a potential future railway alignment
- Expansion of the originally identified 8-12 person temporary tent camp at a future potential port site at Steensby Inlet to an approximately 40 person temporary tent or trailer camp in 2008
- Addition of annual sealift to Steensby Inlet for materials and supplies required for camp and drilling operations
- Increase in the number of drills for above-related program work from seven (7) to up to ten (10)
- Alterations to numbers of drill holes and test pits for above-related program

APPENDIX B

Species at Risk in Nunavut

This list includes species listed on one of the Schedules of SARA (*Species at Risk Act*) and under consideration for listing on Schedule 1 of SARA. These species have been designated as at risk by COSEWIC (Committee on the Status of Endangered Wildlife in Canada). This list may not include all species identified as at risk by the Territorial Government.

- Schedule 1 is the official legal list of Species at Risk for SARA. SARA applies to all species on Schedule 1. The term “listed” species refers to species on Schedule 1.
- Schedule 2 and 3 of SARA identify species that were designated at risk by the COSEWIC prior to October 1999 and must be reassessed using revised criteria before they can be considered for addition to Schedule 1.
- Some species identified at risk by COSEWIC are “pending” addition to Schedule 1 of SARA. These species are under consideration for addition to Schedule 1, subject to further consultation or assessment.

Schedules of SARA are amended on a regular basis so it is important to periodically check the SARA registry (www.sararegistry.gc.ca) to get the current status of a species.

Updated: January 3, 2007

Species at Risk	COSEWIC Designation	Schedule of SARA	Government Organization with Lead Management Responsibility ¹
Eskimo Curlew	Endangered	Schedule 1	EC
Ivory Gull	Endangered ²	Schedule 1	EC
Peregrine Falcon (subspecies anatum)	Threatened	Schedule 1	Government of Nunavut
Ross's Gull	Threatened	Schedule 1	EC
Harlequin Duck (Eastern population)	Special Concern	Schedule 1	EC
Felt-leaf Willow	Special Concern	Schedule 1	Government of Nunavut
Peregrine Falcon (subspecies tundrius)	Special Concern	Schedule 3	Government of Nunavut
Short-eared Owl	Special Concern	Schedule 3	Government of Nunavut
Fourhorn Sculpin	Special Concern	Schedule 3	DFO
Peary Caribou	Endangered ³	Pending	Government of Nunavut
Beluga Whale (Eastern Hudson Bay population)	Endangered	Pending	DFO
Beluga Whale (Cumberland Sound population)	Threatened	Pending	DFO

Beluga Whale (Western Hudson Bay population)	Special Concern	Pending	DFO
Beluga Whale (Eastern High Arctic – Baffin Bay population)	Special Concern	Pending	DFO
Bowhead Whale (Hudson Bay-Foxe Basin population)	Threatened ⁴	Pending	DFO
Bowhead Whale (Davis Strait-Baffin Bay population)	Threatened ⁴	Pending	DFO
Porsild's Bryum	Threatened	Pending	Government of Nunavut
Atlantic Walrus	Special Concern	Pending	DFO
Narwhal	Special Concern	Pending	DFO
Rusty Blackbird	Special Concern	Pending	Government of Nunavut
Barren-ground Caribou (Dolphin and Union population)	Special Concern ³	Pending	Government of Nunavut
Grizzly Bear	Special Concern	Pending	Government of Nunavut
Polar Bear	Special Concern	Pending	Government of Nunavut
Wolverine (Western Population)	Special Concern	Pending	Government of Nunavut

¹ Environment Canada has a national role to play in the conservation and recovery of Species at Risk in Canada, as well as responsibility for management of birds described in the Migratory Birds Convention Act (MBCA). Day-to-day management of terrestrial species not covered in the MBCA is the responsibility of the Territorial Government. Populations that exist in National Parks are also managed under the authority of the Parks Canada Agency. EC = Environment Canada, DFO = Department of Fisheries and Oceans

² Designated as Endangered by COSEWIC in April 2006 and it is expected that the category of concern in SARA will also be changed from Special Concern to Endangered.

³ Peary Caribou was split into three separate populations in 1991: Banks Island (Endangered), High Arctic (Endangered) and Low Arctic (Threatened) populations. The Low Arctic population also included the Barren-ground Caribou - Dolphin and Union population. In May 2004 all three population designations were de-activated, and the Peary Caribou, Rangifer tarandus pearyi, was assessed separately from the Barren-ground Caribou (Dolphin and Union population), Rangifer tarandus groenlandicus. The subspecies pearyi is composed of a portion of the former "Low Arctic population" and all of the former "High Arctic" and "Banks Island" populations, and it was designated Endangered in May 2004. Although SARA lists Peary Caribou on Schedule 2 as three separate populations, the most current designation is the COSEWIC designation of the subspecies pearyi as Endangered.

⁴ The "Eastern and Western Arctic populations" of Bowhead Whale were given a single designation of Endangered in April 1980 by COSEWIC. These were split into two populations to allow separate designations in April 1986. The Eastern population was not re-evaluated in April 1986, but retained the Endangered status of the original "Eastern and Western Arctic populations". The Eastern Arctic population was further split into two populations (Hudson Bay-Foxe Basin population and Davis Strait-Baffin Bay population) in May 2005, and both these populations were designated as Threatened. Both these populations are under consideration for addition to Schedule 1. Although SARA lists the Eastern Arctic population as Endangered (Schedule 2), the most current designation is the COSEWIC designations of the Hudson Bay-Foxe Basin and Davis Strait-Baffin Bay populations as Threatened.

APPENDIX C

Government of Nunavut – Department of Culture, Language, Elders and Youth Standard Terms and Conditions



BACKGROUND

Archaeology

As stated in Article 33 of the Nunavut Land Claims Agreement:

The archaeological record of the Inuit of Nunavut is a record of Inuit use and occupancy of lands and resources through time. The evidence associated with their use and occupancy represents a cultural, historical and ethnographic heritage of Inuit society and, as such, Government recognizes that Inuit have a special relationship with such evidence, which shall be expressed in terms of special rights and responsibilities. [33.2.1]

The archaeological record of Nunavut is of spiritual, cultural, religious and educational importance to Inuit. Accordingly, the identification, protection and conservation of archaeological sites and specimens and the interpretation of the archaeological record is of primary importance to Inuit and their involvement is both desirable and necessary. [33.2.2]

In recognition of the cultural, spiritual and religious importance of certain areas in Nunavut to Inuit, Inuit have special rights and interests in these areas as defined by Article 33 of the Nunavut Land Claims Agreement. [33.2.5]

Palaeontology

Under the Nunavut Act¹, the federal government can make regulations for the protection, care and preservation of palaeontological sites and specimens in Nunavut. Under the *Nunavut Archaeological and Palaeontological Sites Regulations*², it is illegal to alter or disturb any palaeontological site in Nunavut unless permission is first granted through the permitting process.

Definitions

As defined in the *Nunavut Archaeological and Palaeontological Sites Regulations*, the following definitions apply:

“archaeological artifact” means any tangible evidence of human activity that is more than 50 years old and in respect of which an unbroken chain of possession or regular pattern of usage cannot be demonstrated, and includes a Denesuline archaeological specimen referred to in section 40.4.9 of the Nunavut Land Claims Agreement.

“palaeontological site” means a site where a fossil is found.

“fossil” includes:

- (a) natural casts
- (b) preserved tracks, coprolites and plant remains; and
- (c) the preserved shells and exoskeletons of invertebrates and the eggs, teeth and bones of vertebrates.

Terms and Conditions

- 1) The permittee shall not operate any vehicle over a known or suspected archaeological or palaeontological site.
- 2) The permittee shall not remove, disturb, or displace any archaeological artifact or site, or any fossil or palaeontological site.
- 3) The permittee shall immediately contact the Department of Culture, Language, Elders and Youth (867) 934-2046 or (867) 975-5500 or 1 (866) 934-2035 should an archaeological site or specimen, or a palaeontological site or fossil be encountered or disturbed by any land use activity.
- 4) The permittee shall immediately cease any activity that disturbs an archaeological or palaeontological site encountered during the course of a land use operation, until permitted to proceed with the authorization of the Department of Culture, Language, Elders and Youth, Government of Nunavut.
- 5) The permittee shall follow the direction of the Department of Culture, Language, Elders and Youth and DIAND in restoring disturbed archaeological or palaeontological sites to an acceptable condition.
- 6) The permittee shall provide all information requested by the Department of Culture, Language, Elders and Youth concerning all archaeological sites or artifacts and all palaeontological sites and fossils encountered in the course of any land use activity.
- 7) The permittee shall make best efforts to ensure that all persons working under authority of the permit are aware of these conditions concerning archaeological sites and artifacts, and palaeontological sites and fossils.
- 8) The permittee shall avoid the known archaeological and/or palaeontological sites listed in Attachment 1.

9) The permittee shall have an archaeologist or palaeontologist perform the following functions, as required by the Department of Culture, Language, Elders and Youth:

- a) survey
- b) inventory and documentation of the archaeological or palaeontological resources of the land use area
- c) assessment of potential for damage to archaeological or palaeontological sites
- d) mitigation
- e) marking boundaries of archaeological or palaeontological sites
- f) site restoration

The Department of Culture, Language, Elders and Youth shall authorize by way of a Nunavut Archaeologist Permit or a Nunavut Palaeontologist Permit, all procedures subsumed under the above operations.



SCREENING DECISION REPORT NIRB FILE NO.: 07EN012

NIRB No.: 07EN012
INAC No.: N2007F0004
QIA No.: LUA-2007-001

May 4, 2007

The Hon. Jim Prentice
Minister of Indian & Northern Affairs Canada
Ottawa, ON
Via email: Prentice.J@parl.gc.ca

and

President Thomas Alikatuktuk
Qikiqtani Inuit Association
Iqaluit, NU
Via email: pres@qia.ca

Re: Screening Decision for Baffinland Iron Mine Corporation's Mary River Bulk Sample Project Proposal

Dear Honorable Sirs:

The primary objectives of the Nunavut Land Claims Agreement (NLCA) are set out in section 12.2.5 of the Land Claims Agreement. This section reads:

In carrying out its functions, the primary objectives of NIRB shall be at all times to protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, and to protect the ecosystemic integrity of the Nunavut Settlement Area. NIRB shall take into account the well-being of the residents of Canada outside the Nunavut Settlement Area.

Section 12.4.4 of the Nunavut Land Claim Agreement states:

Upon receipt of a project proposal, NIRB shall screen the proposal and indicate to the Minister in writing that:

- a) the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5;
- b) the proposal requires review under Part 5 or 6; NIRB shall identify particular issues or concerns which should be considered in such a review;
- c) the proposal is insufficiently developed to permit proper screening, and should be returned to the proponent for clarification; or

- d) the potential adverse impacts of the proposal are so unacceptable that it should be modified or abandoned.

NIRB Assessment and Decision

After a thorough assessment of all material provided to the Board (please see Appendix B) in accordance with the principles identified within section 12.4.2 of the NLCA, the decision of the Board as per section 12.4.4 of the NLCA is:

12.4.4 (a): the proposal may be processed without a review under Part 5 or 6; NIRB may recommend specific terms and conditions to be attached to any approval, reflecting the primary objectives set out in Section 12.2.5

Recommended Terms and Conditions, pursuant to 12.4.4(a) of the NLCA

The Board is recommending the following or similar project-specific terms and conditions be imposed upon the Proponent through all relevant legislation:

1. Baffinland Iron Mines Corporation (the Proponent) shall otherwise operate in accordance with all commitments stated in all documentation provided to NIRB, namely:
 - a. Correspondence dated April 20, 2007 from Derek Chubb to Carolanne Inglis-McQuay, including the table addressing Parties' concerns
 - b. Memorandum dated April 20, 2007 entitled *Establishing Significance of Residual Impacts of the Bulk Sampling Program*
 - c. Memorandum dated April 17, 2007 entitled *Calculation of Estimated Ammonia Runoff from Bulk Sample Pits*
 - d. Correspondence dated March 16, 2007 from Knight Piesold to Rod Cooper regarding Preliminary Results of Phase 1 Geochemical Characterization Program
 - e. Correspondence dated January 8, 2007 from Rod Cooper to Carolanne Inglis-McQuay
 - f. Indian and Northern Affairs Application for Land Use Permit
 - g. Indian and Northern Affairs Application for Quarrying Permit
 - h. Qikiqtani Inuit Association Application for Access to Inuit Owned Land
 - i. Baffinland Iron Mines Corporation Mary River Project, Bulk Sampling Program – Environmental Screening Document Volume I Report and Volume II Appendices (Knight Piesold Report NB102-00181/6-1, Rev. 0, dated November 20, 2007)
2. The Proponent shall maintain a copy of this Screening Decision at the site of operation at all times.
3. The Proponent shall forward copies to NIRB of all authorizations obtained and required for this project prior to the commencement of the project.
4. The Proponent shall operate the project in accordance with all applicable Federal and Territorial Acts, Regulations and Guidelines.
5. The Proponent shall submit an annual report with copies provided to the NIRB, INAC, the QIA, Environment Canada and Government of Nunavut by January 31 each year that the project is in operation commencing January 31, 2008. The report must contain, but not be limited to, the following information:

- a. A summary of activities undertaken for the year, including any progressive reclamation work undertaken, and a work plan for the following year –site photos should be provided where relevant;
 - b. A summary of how the Proponent has complied with NIRB conditions contained within this Screening Decision.
 - c. A summary of the results from the Monitoring Program and the Construction Environmental Management Plan, including:
 - i. An analysis of the impact of the project upon the bio-physical and socio-economic environments, including the cumulative impacts from other activities within the project area;
 - ii. An analysis of the effectiveness of mitigation measures;
 - iii. The identification of any unanticipated environmental impacts (if any) and any follow-up required (if relevant);
 - iv. Compliance status with applicable regulations and all authorizations associated with the project activities, including any exceedences of CCME-FWAL criteria (as reported to Environment Canada, the Nunavut Water Board, and the Department of Fisheries and Oceans Canada)
 - v. Any necessary adaptive mitigation strategies employed
 - vi. Any modifications made to the Monitoring Program;
 - vii. Results of community member involvement in the Monitoring Program; and
 - viii. Description of the progress made on the development of component-specific thresholds used to determine the necessity for adaptive mitigation and management strategies.
 - d. A summary of community consultations undertaken and the results; and
 - e. A summary of site-visits by inspectors with results and follow-up actions.
6. Monitoring Program
- a. Prior to commencement of the Bulk Sample project proposal activities, the Proponent shall develop a comprehensive monitoring program for the project. The monitoring program must be developed for all stages of the project activities, including construction, operation, closure, and post-closure. The monitoring program should be developed in accordance with the objectives outlined in Section 8 of the Proponent's Environmental Screening Document, namely:
 - i. Detection of unanticipated environmental impacts (if any)
 - ii. Assessment of the effectiveness of proposed mitigation and the need to modify the measures or implement contingency plans
 - iii. Compliance with applicable regulations and requirements of environmental permits
 - iv. Ongoing collection of baseline environmental data
 - b. The monitoring program must monitor the components outlined in Section 8 of the Environmental Screening Document, but also must be updated to include monitoring for those components included in the significance assessment provided by the Proponent (on April 20, 2007), namely:
 - i. Air quality
 - ii. Noise
 - iii. Unique or fragile landscapes
 - iv. Water quality including sewage effluent, ARD and ammonia run-off
 - v. Caribou
 - vi. Carnivores
 - vii. Marine wildlife

- c. The Proponent shall make efforts to monitor potential impacts from the project proposal on Inuit Harvesting activities, particularly along the Milne Inlet Tote Road.
 - d. The monitoring program may utilize the same monitoring activities as the Construction Environmental Management Plan, but must be a stand-alone program.
 - e. The monitoring program must incorporate data collected by the Pisikik Inuit Qaujimajatuqangit Working Group, particularly in the determination of monitoring methodology and the identification of suitable indicators.
 - f. Baffinland must make all reasonable efforts to involve the community members from the Hamlet of Pond Inlet and Qikiqtani Inuit Association representatives in the development and implementation of the monitoring program.
 - g. The marine wildlife monitoring component of the monitoring program should be developed in conjunction with Department of Fisheries and Oceans and must consider the use of local community members as marine wildlife monitors.
 - h. The monitoring program must identify component-specific thresholds that will be used to determine the necessity for adaptive mitigation and management strategies.
7. The Proponent must ensure that shipping contractors do not incinerate any wastes or deposit any sewage or bilge water in Milne Inlet.
 8. The Proponent must ensure that shipping contractors travel at a speed less than 25km/hr, or otherwise directed by the Department of Fisheries and Oceans and/or Transport Canada.
 9. The Proponent shall submit an updated Emergency and Spill Response Plan immediately to NIRB and the Nunavut Water Board. Furthermore, the Proponent **must** ensure that there is sufficient spill response equipment at Milne Inlet to adequately respond to a fuel spill of, at a minimum, 9,520L.
 10. The Proponent shall ensure that all hazardous material is managed, removed from site and disposed in accordance with the *Environmental Protection Act (EPA)*, the Nunavut Territorial Regulations and Guidelines, and the Nunavut Hazardous Waste Disposal Manual.
 11. If a formal Approval is required under the *Navigable Waters Protection Act (NWPA)* regarding works along the Milne Inlet Tote Road potentially interfering with navigation, the Proponent shall make all reasonable efforts to communicate this information to the community of Pond Inlet.
 12. The Proponent must provide the community of Pond Inlet, Parks Canada and Nunavut Tourism with advance notice regarding the timing of the project shipping activities for 2007 and 2008.
 13. In accordance with GN procedures where stated and sections 5.6.52 and 5.6.55 of the Nunavut Land Claims Agreement, the Proponent shall contact the nearest Government of Nunavut Wildlife Office in the event of a defense kill of a Polar Bear.
 14. Aircraft take-offs and landings are prohibited if caribou monitoring indicates presence within of caribou within 1km of the airstrips and/or helipads.
 15. The Proponent shall adhere to conditions stated in attached Appendix A *Archaeological and Palaeontological Resources – Terms and Conditions for Land Use Permit Holders*.
 16. In advance of any ground disturbance, the Proponent must conduct archaeological surveys in any areas which have not been previously surveyed by a qualified archaeologist (i.e. borrow-source areas, Milne Inlet). Following the surveys, the Proponent must submit an Archaeological

Assessment Report to NIRB and the Government of Nunavut Department of Culture, Language, Elders and Youth (GN-CLEY). Any subsequent direction provided by the GN-CLEY the Archaeological Plan must be forwarded to NIRB. The Proponent shall continue its efforts to involve Inuit in the planning of field work, conducting field work and the interpretation of findings.

17. If snow sampling activities indicate adverse environmental impacts resulting from dust deposition from project activities, the Proponent must employ dust suppression methods approved by the Government of Nunavut – Department of Environment.

Other Concerns and Recommendations

In addition to the project-specific terms and conditions, the Board is recommending the following:

1. Indian and Northern Affairs Canada (INAC) impose mitigation measures and/or conditions upon Baffinland (the Proponent) pursuant to the Federal Land Use Permit (N2007F0004) and the Quarry Permit, in regard to:
 - a. Location and Area
 - b. Time
 - c. Equipment
 - d. Methods and Techniques
 - e. Type, Location, Capacity and Operation of Facilities
 - f. Control or Prevention of Flooding, Erosion and Subsidence of Land
 - g. Use, Storage, Handling and Disposal of Chemical or Toxic Material
 - h. Wildlife and Fisheries Habitat
 - i. Objects and Places of Recreational, Scenic and Ecological Value
 - j. Petroleum Fuel Storage
 - k. Matters Not Consistent with the Regulations
2. INAC consider the importance of conducting regular Land Use Inspections, pursuant to the authority of the Federal Land Use Permit and the Quarry Permit, while the project is in operation. The Land Use Inspections should be focused on ensuring the Proponent is in compliance with the conditions imposed through the Federal Land Use Permit.
3. The Qikiqtani Inuit Association (QIA) impose mitigation measures and/or conditions upon the Proponent pursuant to the Inuit Owned Lands License (LUA-2007-001) and the Quarry Concession in regard to:
 - a. General Standards
 - b. Fuel and Chemical Storage
 - c. Drilling
 - d. Campsites
 - e. Fisheries
 - f. Ground Disturbance
 - g. Other General
 - h. Any other conditions recommended by the appropriate Community Lands and Resource Committee (CLARC)
4. The QIA require the Proponent to follow the QIA Code of Conduct for Land Users.
5. The QIA consider the importance of conducting regular Land Use Inspections of the project.

6. The Government of Nunavut – Department of Environment (GN-DOE) liaise with the Proponent and the Hamlet of Pond Inlet to assess the potential for increased caribou harvests. The assessment should consider the likelihood that increased caribou harvests could occur. The assessment should include the potential impact of any increased harvests on resident caribou herds (if identified), any agreed-upon mitigation measures (if required) and any follow-up monitoring which may be required.
7. All geochemical analysis results pertaining to the waste rock and ore body samples must be reviewed by the Nunavut Water Board prior to the issuance of a water license. The review should consider the imposition of appropriate conditions, mitigation measures and/or contingency plans to reduce the potential for adverse effects to water quality from Acid Rock Drainage (ARD) and/or Metal Leaching (ML). This review must also include the results from the additional 25 waste rock and ore samples sent for analysis on or around March 16, 2007, with results expected on or around April 27, 2007 (samples taken by Baffinland's primary consultant, Knight Piésold).
8. The Nunavut Water Board should identify appropriate sampling frequency for the water quality monitoring program, in order to determine if potential adverse effects are occurring as a result of the project.
9. Prior to the commencement of project activities, an Employment, Education and Training Plan should be developed by the Proponent for this project in conjunction with the Government of Nunavut and the Qikiqtani Inuit Association.

Validity of Land Claims Agreement

Section 2.12.2

Where there is any inconsistency or conflict between any Federal, Territorial and local government laws, and the Agreement, the Agreement shall prevail to the extent of the inconsistency or conflict.

Dated _____ May 4, 2007 _____ at Cambridge Bay, NU.



Albert Ehloak, Vice Chairperson

**Appendix A –
Government of Nunavut – Department of Culture, Language, Elders and Youth
Terms and Conditions**



BACKGROUND

Archaeology

As stated in Article 33 of the Nunavut Land Claims Agreement:

The archaeological record of the Inuit of Nunavut is a record of Inuit use and occupancy of lands and resources through time. The evidence associated with their use and occupancy represents a cultural, historical and ethnographic heritage of Inuit society and, as such, Government recognizes that Inuit have a special relationship with such evidence, which shall be expressed in terms of special rights and responsibilities. [33.2.1]

The archaeological record of Nunavut is of spiritual, cultural, religious and educational importance to Inuit. Accordingly, the identification, protection and conservation of archaeological sites and specimens and the interpretation of the archaeological record is of primary importance to Inuit and their involvement is both desirable and necessary. [33.2.2]

In recognition of the cultural, spiritual and religious importance of certain areas in Nunavut to Inuit, Inuit have special rights and interests in these areas as defined by Article 33 of the Nunavut Land Claims Agreement. [33.2.5]

Palaeontology

Under the Nunavut Act¹, the federal government can make regulations for the protection, care and preservation of palaeontological sites and specimens in Nunavut. Under the *Nunavut Archaeological and Palaeontological Sites Regulations*², it is illegal to alter or disturb any palaeontological site in Nunavut unless permission is first granted through the permitting process.

Definitions

As defined in the *Nunavut Archaeological and Palaeontological Sites Regulations*, the following definitions apply:

“archaeological site” means a place where an archaeological artifact is found.

“archaeological artifact” means any tangible evidence of human activity that is more than 50 years old and in respect of which an unbroken chain of possession or regular pattern of usage cannot be demonstrated, and includes a Denesuline archaeological specimen referred to in section 40.4.9 of the Nunavut Land Claims Agreement.

“palaeontological site” means a site where a fossil is found.

“fossil” includes:

- (a) natural casts
- (b) preserved tracks, coprolites and plant remains; and
- (c) the preserved shells and exoskeletons of invertebrates and the eggs, teeth and bones of vertebrates.

Terms and Conditions

1. The permittee shall not operate any vehicle over a known or suspected archaeological or palaeontological site.
2. The permittee shall not remove, disturb, or displace any archaeological artifact or site, or any fossil or palaeontological site.
3. The permittee shall immediately contact the Department of Culture, Language, Elders and Youth (867) 934-2046 or (867) 975-5500 or 1 (866) 934-2035 should an archaeological site or specimen, or a palaeontological site or fossil be encountered or disturbed by any land use activity.
4. The permittee shall immediately cease any activity that disturbs an archaeological or palaeontological site encountered during the course of a land use operation, until permitted to proceed with the authorization of the Department of Culture, Language, Elders and Youth, Government of Nunavut.
5. The permittee shall follow the direction of the Department of Culture, Language, Elders and Youth and DIAND in restoring disturbed archaeological or palaeontological sites to an acceptable condition.
6. The permittee shall provide all information requested by the Department of Culture, Language, Elders and Youth concerning all archaeological sites or artifacts and all palaeontological sites and fossils encountered in the course of any land use activity.
7. The permittee shall make best efforts to ensure that all persons working under authority of the permit are aware of these conditions concerning archaeological sites and artifacts, and palaeontological sites and fossils.
8. The permittee shall avoid the known archaeological and/or palaeontological sites listed in Attachment 1.
9. The permittee shall have an archaeologist or palaeontologist perform the following functions, as required by the Department of Culture, Language, Elders and Youth:
 - a. survey
 - b. inventory and documentation of the archaeological or palaeontological resources of the land use area
 - c. assessment of potential for damage to archaeological or palaeontological sites
 - d. mitigation
 - e. marking boundaries of archaeological or palaeontological sites
 - f. site restoration

The Department of Culture, Language, Elders and Youth shall authorize by way of a Nunavut Archaeologist Permit or a Nunavut Palaeontologist Permit, all procedures subsumed under the above operations.

Appendix B

FILE HISTORY

On January 25, 2007, the Nunavut Impact Review Board (NIRB or Board) received Baffinland Iron Mine Corporation's (Baffinland) Mary River Bulk Sample Program project proposal (Bulk Sample Project) from Indian and Northern Affairs Canada (INAC) and the Qikiqtani Inuit Association (QIA). This project proposal received a positive conformity determination from the Nunavut Planning Commission on January 22, 2007.

At the same time, NIRB received Baffinland's Geotechnical Drilling program project proposal from INAC and QIA. Baffinland requested NIRB conduct *separate* Part 4 screenings on the Drilling Program and this Bulk Sampling Program.

On January 29, 2007 NIRB commenced the Notice of Part 4 Screening for the Geotechnical Program, and offered the opportunity to Parties to provide comments regarding whether or not the Geotechnical Program and the Bulk Sampling Program were separate and discrete.

On February 6, 2007 NIRB received comments from Indian and Northern Affairs Canada (INAC) and Environment Canada (EC) regarding whether or not the Drilling Program and the Bulk Sample Program were separate and discrete project proposals. Both INAC and EC stated they agreed with NIRB's determination that the project proposals could undergo separate Part 4 Screenings.

On February 21, 2007 NIRB commenced the Part 4 Screening for the Bulk Sample Program project proposal.

The application was distributed to the Hamlet of Pond Inlet, the Hamlet of Arctic Bay and the Hamlet of Igloolik and to interested Federal and Territorial Agencies.

On March 6, 2007 the QIA requested an extension to the comment deadline, in order to consult with the Community Lands and Resources Committee in Pond Inlet about the project. NIRB subsequently granted all Parties an extension until March 30, 2007.

On or before March 30, 2007 NIRB received comments and concerns about the project proposal from the following Parties:

1. Qikiqtani Inuit Association
2. Hamlet of Pond Inlet
3. Government of Nunavut Department of Executive and Intergovernmental Affairs
4. Indian and Northern Affairs Canada
5. Environment Canada
6. Health Canada
7. Parks Canada
8. Transport Canada
9. Natural Resources Canada
10. Fisheries and Oceans Canada

The following is a *summary* of the concerns raised by Parties:

- Water quality
- Human health
- Monitoring programs

- Fish, marine mammals, caribou, other wildlife, migratory birds, seabirds, waterfowl and Species at Risk – and their habitat
- Hazardous waste storage
- Incinerator use
- Cumulative effects and cumulative effects assessment
- Archaeology
- Milne Inlet Tote Road
- Sewage management
- Socioeconomic impacts
- Traditional land use and activities, Inuit harvesting activities and country foods
- Noise levels
- Air quality
- Eskers and other unique landscapes
- Shipping activities
- Abandonment and restoration
- Education and training
- Spill contingency planning
- Greenhouse gas emissions
- Public health and safety
- Further baseline data collection
- Interference to navigation
- Community involvement and consultation
- Local development in the area
- Tourism in the area

On April 3, 2007 NIRB requested Baffinland address all comments and concerns by April 20, 2007. On April 20, 2007 NIRB received the following additional information from the Proponent:

1. Correspondence dated April 20, 2007 from Derek Chubb to Carolanne Inglis-McQuay, including a table addressing Parties' concerns.
2. Memorandum dated April 20, 2007 entitled *Establishing Significance of Residual Impacts of the Bulk Sampling Program*
3. Memorandum dated April 17, 2007 entitled *Calculation of Estimated Ammonia Runoff from Bulk Sample Pits*
4. Correspondence dated March 16, 2007 from Knight Piesold to Rod Cooper regarding Preliminary Results of Phase 1 Geochemical Characterization Program

PROJECT ACTIVITIES

The Bulk Sample project activities include the following:

- Delivery of contractor mining and crushing equipment, camp materials and fuel in 2 ship voyages to Milne Inlet
- Upgrade of existing Milne Inlet tote road for all-weather use including:
 - Quarrying and placement of fill on road bed
 - Replacement and installation of culverts at watercourses
- Construction of 100-person all-weather tent camp at Mary River, adjacent to existing seasonal exploration camp
- Establishment of a temporary 30-person trailer camp at Milne Inlet
- Establishment of a temporary 12-person trailer camp part-way along the Milne Inlet tote road (Midway camp)

- Establishment of temporary fuel storage facilities at Mary River consisting of one 1.4ML diesel fuel tank farm, one 550,000L Jet-A tank farm, and one 1.25ML diesel tank farm
- Establishment of temporary fuel storage facilities at Milne Inlet for 8ML of diesel fuel and 90,000L of Jet-A fuel
- Establishment of temporary fuel storage facilities Midway Camp for 20-30 200L drums of diesel fuel
- Construction of a test rail embankment
- Drilling, blasting and storing of 169,300 dry tonnes (t) of weathered surface rock on top of Deposit No. 1 over one or two months
- Abandonment of a 169,300 t weathered iron ore stockpile
- Drilling, blasting and storing 250,000 t of iron ore bulk sample from Deposit No. 1 over three-to-five months
- Hauling of the 250,000 t iron ore bulk sample from Mary River to Milne Inlet
- Temporary stockpiling of the 250,000 t iron ore bulk sample at Milne Inlet
- Loading of the 250,000 t iron ore bulk sample on 3 ships for a total of five voyages

REGULATORY REQUIREMENTS

The following acts, regulations and guidelines apply to the project proposal:

1. Territorial Lands Act
2. Territorial Lands Regulations
3. Territorial Land Use Regulations
4. Canada Mining Regulations
5. Nunavut Waters and Nunavut Surface Rights Tribunal Act
6. Northwest Territories Waters Act
7. Northwest Territories Waters Regulations
8. Environmental Protection Act
9. Spill Contingency Planning and Reporting Regulations
10. Public Health Act
11. Camp Sanitation Regulations
12. Water Supply Regulations
13. Mine Health & Safety Act
14. Mine Health & Safety Regulations
15. Nunavut Safety Act
16. Fisheries Act
17. Explosives Use Act
18. Explosives Regulations

The Proponent will require the following Authorizations:

1. Inuit Land Use License III (Qikiqtani Inuit Association)
2. Quarry Concession (Qikiqtani Inuit Association)
3. Type B Water License (Nunavut Water Board)
4. Class A Land Use Permit (INAC)
5. Quarry Permit (INAC)
6. Fisheries Authorizations (DFO)
7. Exemption/approvals under the Navigable Waters Protection Act (Transport Canada)

ATTACHMENT F

Application Payments to the Receiver General

BAFFINLAND IRON MINES CORPORATION

4509

Vendor ID	Name		Payment Number	Cheque Date	Document Number	
REC001	Receiver General For Canada		PP-0000000015288	9/12/11	004509	
Invoice Number		Date	Amount	Amount Paid	Discount	Net Amount Paid
2011WATERLICAPPL		9/12/11	\$ 30.00	\$ 30.00	\$ 0.00	\$ 30.00

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Iron Mines Corporation

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CHEQUE NO.

4509

DATE 09 12 2011
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PAY

Thirty Dollars And 00 Cents

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ORDER
OF

Receiver General For Canada

BAFFINLAND IRON MINES CORPORATION

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