

December 14, 2011

Mr. Ryan Barry
Executive Director
Nunavut Impact Review Board
P.O. Box 1360
Cambridge Bay, NU
X0B 0C0

via Email to: info@nirb.ca

Re: Withdrawal of Application for **Exemption under 12.10.2 of the Nunavut Land Claim Agreement** (Application for Review and Approval of Pre-Development Work) and Anticipated Next Steps in the Mary River Project Development

Dear Mr. Barry,

Baffinland Iron Mines Ltd. (Baffinland) informs the NIRB that it withdraws its Application for Review and Approval for Pre-Development Work for the Mary River Project, submitted to the NIRB on September 15th, 2011.

However, Baffinland remains committed to the Mary River Project and is planning ahead for the work that could be executed during the May to October 2012 period.

1.0 Rationale for this Decision

On September 15th, 2011, Baffinland submitted an Application for Review and Approval of Pre-Development Work (PDW) for the Mary River Project (September 15th PDW Application). The intent of this application was to obtain approval from the NIRB and the NWB for early site capture and undertake construction of essential infrastructure that would enable Baffinland to proceed with construction activities immediately following the delivery of the Project Certificate expected in Q3 2012. The undertaking of the PDW would require an exemption under article 12.10.2(b) of the Nunavut Land Claim Agreement.

Baffinland's September 15th PDW application was submitted for comments and review by communities, the QIA, responsible federal agencies (AANDC, Environment Canada, DFO, Transport Canada, Parks Canada), and the Government of Nunavut. Feedback from these stakeholders was received on November 4th, 2011, and at subsequent Pre-Hearing Conferences held in Igloolik (November 6th and 7th) and Pond Inlet (November 9th and 10th).

The general consensus amongst stakeholders was that Baffinland's proposed PDW as submitted in its September 15th PDW Application was too ambitious, and that due to community and regulatory concerns, the scope of PDW should be scaled back.

In view of stakeholders' comments, on November 24th, 2011, Baffinland indicated to the NIRB that it would scale back the PDW program and submit an addendum to its September 15th PDW Application by December 15, 2011. The decision to scale back the PDW led to a complete review and reassessment of the scope of the proposed PDW. Baffinland also assessed the impacts of not undertaking this complete scope of the September 15th PDW Application would have on the overall Project Execution schedule. In light of this review, community and regulatory concerns, Baffinland has decided to withdraw its Application for Review and Approval of Pre-Development Work (PDW) for the Mary River Project, as submitted on September 15th, 2011.

Baffinland's scope of activities for the 2012 work plan will be considerably scaled back. The proposed 2012 work plan will focus on the installation of facilities already permitted, and, the construction of a limited number of additional facilities required to support ongoing exploration and geotechnical investigation activities for the advancement of the Mary River Project. Within this 2012 work plan, staging of a limited amount of equipment and material is proposed for the Steensby site. This will provide Baffinland with the flexibility to proceed with limited pioneer development work at Steensby should the Minister of AANDC render a favourable decision on the Project Certificate in Q3 2012. Execution of this 2012 work plan requires authorization and permits from the QIA, the NWB and, AANDC as outlined in section 1.2.

2.0 Work Plan for 2012

Most of the activities planned for 2012 have already been screened and approved by the NIRB in 2011. However, some of the additional activities/facilities proposed by Baffinland for its 2012 work plan requires a screening decision from the NIRB. The 2012 work plan at each of the Project sites is presented in:

- Section 2.1 for Milne Inlet,
- Section 2.2 for the Mine Site, and,
- Section 2.3 for Steensby Site.

For each site, the activities or facilities requiring new authorisation or permits are clearly identified.

2.1 Milne Inlet – Work Plan for 2012

Activities Already Permitted

The following activities have already been screened by the NIRB and are permitted under a modification to the existing 2BB-MRY-1114 Type B water license:

- Operation of the existing Milne Inlet camp with its associated water supply, sewage treatment plant, incinerator, and solid waste management;
- Operation of the oily water treatment pilot facility;
- Use of the 5 ML diesel fuel tank that will replace the fuel bladder farm;
- Installation of a 1.5 ML steel Jet A fuel tank; and,
- Exploitation of the borrow pit at Milne Inlet.

Activities Requiring Authorization or New Permits

The proposed additional scope of work for 2012 deals with the decommissioning of the bladder fuel farm. The activities required are as follows:

- Construction and operation of a landfarm;
- Decommissioning of the fuel bladders and containment.

2.2 Mine Site – Work Plan for 2012

Activities Already Permitted

The following activities have already been screened by the NIRB and are permitted under a modification to the existing 2BB-MRY-1114 Type B water license:

- Operation of the existing Mary River camp with its associated water supply (from Camp Lake), sewage treatment plant, incinerator, and solid waste disposal;
- Installation and use of the treated effluent discharge line to Sheardown Lake;
- Operation of the fuel bladder farm;
- Ongoing geotechnical investigation program to advance the Mary River Project;
- Ongoing exploration activities to define the iron reserves; and,
- Ongoing exploitation of the already permitted Mary River quarry.

Activities Requiring Authorization or New Permits

The proposed additional scope of work for 2012 deals with the following activities:

- Construction and use of a new 5 ML diesel fuel tank (steel for erection was staged at the Mine site in 2011); the intent of this tank is to replace the use of the fuel bladder farm, similarly as was successfully done at Milne inlet in 2011. However, there is a possibility that this activity may be moved to 2013;
- Installation and use of a new 1.5 ML Jet A fuel tanks within the same secondary containment as the 5 ML tank;

- Advance the waste rock characterisation program as was discussed at the Technical Meetings in Iqaluit. It is expected that the 2012 characterisation program will consist of 3200 m of drilling.

2.3 Steensby Site – Work Plan for 2012

Activities Already Permitted

The following activities have already been screened by the NIRB and are permitted under a modification to the existing 2BB-MRY-1114 Type B water license:

- Operation of the existing 40 person camp with its associated water supply (from 3 km Lake), incinerator, and solid waste management;
- Ongoing land based and marine based geotechnical investigation program to advance the Mary River Project; and,
- Use of 2500 barrel fuel storage adjacent to the existing camp.

Activities Requiring Authorization or New Permits

The proposed additional scope of work for 2012 deals with the following activities:

- Installation and use of the 46 person hardwall camp that was staged at the Steensby site in 2009;
- Construction and operation of a new potable water treatment facility to service the existing and new camp;
- Construction and operation of a new sewage treatment facility to service both the existing camp and the new 46 person camp;
- Installation of a treated effluent outfall to Steensby Inlet;
- Installation of a pre-fabricated “wash trailer” facility to service the existing 40 person camp (self-contained showers, wash basins and toilets); the grey water and sewage from this facility will be trucked to the new sewage treatment facility installed for the 46 person camp;
- Installation and use of 7 x 100, 000L Iso containers at Steensby for diesel and Jet A fuel storage on shore;
- Expansion of the sea based geotechnical investigation program (at proposed dock locations, island causeway, and, in areas where dredging may be required);
- Staging of construction equipment and material that will provide Baffinland with the flexibility to begin construction of pioneer development work at Steensby, once the Project Certificate is granted (expected for Q3 2012). This material and equipment would consist of:
 - 4 crusher trains;
 - Mobile equipment (loaders, excavators, trucks – (see list in Annexe 1);
 - One mobile explosive mixing unit;
 - Four high explosives magazines and one detonator magazine;
 - Up to 3,000 tonnes of ammonium nitrate stored in 1 tonne tote bags placed within seacan containers.

- Use of a 10 ML fuel barge or vessel, that will anchor and overwinter in Steensby Inlet, to provide the necessary diesel fuel to carry out the 2012 work plan, and, potentially, some pioneer development work once the Project Certificate is granted.

Note that all personnel required to execute the 2012 work plan at Steensby will be flown in from the Mary River site. Hence, there is a need to increase the Jet A fuel storage available at the Steensby site.

2.4 Schedule

The work plan for all sites could commence as early as May 2012 and will be completed by October 2012.

3.0 Permit Required for 2012 Work Plan

Most of the 2012 work plan is already permitted:

- The current Commercial Lease for IOL (Q10C3001) covers Milne, Mary River, and most of the Milne Inlet Tote Road. Under the Permitted Activities it authorizes "pre-construction staging activities" approved by the NIRB and subject to submitting an amended Work Plan for approval by the QIA as landlord. The Commercial Lease also addresses quarries under the Quarry Concession Agreement, water rights and associated compensation for limited water use, required Security deposit, and provisions for socio-economic benefits to the Inuit.
- Baffinland currently holds land permits for Crown Land along a 10 km length of the Tote Road (LUP #N2007F004), and for the existing Steensby and Midrail Camps (N2006C0030).
- Baffinland currently holds a quarry permit on Crown Land adjacent to the Tote Road (2011QP0079).
- Baffinland holds quarry concession agreements under the Commercial Lease for a quarry/borrow pit at Milne Inlet, a quarry/borrow pit at the Mary River Mine Site, and along the Tote Road.

As indicated in Table 1-1, much of the work planned for 2012 has been approved under a modification to Baffinland's existing Type B water license (2BB-MRY-1114). However, some of the facilities or activities listed will require a new Type B Water License as these activities are not covered under the existing license. Baffinland proposes to execute the construction of these new facilities concurrently with the activities already permitted under the existing Type B Water License (2BB-MRY-1114).

Table 2.3-1: Activities for the 2012 Work Plan

	Activities	Activities permitted under Existing Water License 2BB-MRY1114 TYPE "B"	Activities requiring New Type B Water License
Milne Inlet	Construction and use of 1.5 ML Jet fuel tank and 5 ML diesel fuel tank (already constructed)	Yes	
	Operation of Milne Inlet person camp and associated sewage treatment facilities and incinerator	Yes	
	Water supply from Philip Creek or 32 km Lake	Yes	
	Construction and use of landfarm (required for decommissioning of fuel bladders)		Yes
Mine Site	Operation of Mary River Camp and associated sewage treatment facilities and incinerator	Yes	
	Construction and use of discharge line to Sheardown Lake for treated effluent	Yes	
	Operation of landfill site	Yes	
	Construction and use of new 5 ML diesel fuel tank and 1.5 ML Jet fuel tank, possibility this may be delayed until 2013.		Yes
Steensby	Operation of existing 40 person camp	Yes	
	Storage of 2500 barrels of fuel	Yes	
	Construction and use of new 46 person camp with associated water supply from 3 km lake and sewage treatment plant		Yes
	Installation and use of a "wash trailer" at existing camp		Yes
	Installation and use of 7 x 100,000L Iso containers for onshore fuel storage		Yes
	Temporary solid waste storage	Yes	

In addition to the new Type B Water License, Baffinland has identified the need to obtain the permits or authorizations identified in Table 1-2 for its 2012 work plan.

Table 2.3-2: Permits Required for 2012 Work Plan

Project Site	Responsible Agency	Permit
Milne Inlet	QIA	Submit 2012 Work Plan (Q10C3001 S. 4.)
	NWB	New Type B water license
	Transport Canada	OPEP for Milne Port
Mine Site	QIA	Submit 2012 Work Plan (Q10C3001 S. 4.)
	NRCan	Storage and Use of Explosives
	NWB	New Type B water license
Steensby Site	AANDC	Crown Land Lease for Steensby Site
	Transport Canada	OPEP for Steensby Port
	NRCan	Storage of Explosives
	NWB	New Type B water license

4.0 Next Steps

On December 15th, 2011, Baffinland will be submitting applications for licenses and permits to each of the authorizing agencies identified in Section 3.0 above. Note that the submissions to NRCan (use and storage of explosives) and Transport Canada (OPEPs) will be delayed until 2012, once QIA, NWB and AANDC have granted the required authorisation and permits.

Baffinland expects that the authorizing agencies will defer to the NIRB for a determination pursuant to article 12.10.2(b) of the NCLA. However much of the scope of the works is in support of ongoing exploration or development related to previous screenings. If approval is recommended by the NIRB for the proposed activities under s. 12.10.2(b), authorizing agencies would proceed to consider the respective licences and permits at their discretion and in accordance with their own processes and timelines.

With these submissions, Baffinland expects that the timelines outlined in the NIRB's letter dated November 29th, 2011, will be respected.

In closing, Baffinland appreciates efforts from the NIRB and other agencies regarding the review of the PDW application. Review comments have influenced the Company in coming to this decision. Although the work plan for the 2012 season will be scaled back, Baffinland reiterates the need to maintain the overall project review timelines for the Project Certificate.

Yours truly,

A handwritten signature in black ink, appearing to read 'Erik Madsen', written in a cursive style.

Erik Madsen

Vice-President Sustainable Development, Health, Safety & Environment

Cc: Dionne Filiatrault, Executive Director, Nunavut Water Board
Navarana Beveridge, Executive Director, Qikiqtani Inuit Association
Doug Soloway, Transport Canada
Jeff G. Mercer, Manager, Land Administration, Nunavut Regional Office, AANDC

ANNEXE 1

Detailed Construction Equipment List

MARY RIVER PROJECT - PRE-DEVELOPMENT WORK EQUIPMENT FLEET				
Quantity	Type	Purpose	Department	Location
Mobile Equipment Steensby				
9	Excavator	Earth Works	Construction	Steensby
5	Loader	Earth Works	Construction	Steensby
17	Haul Trucks	Earth Works	Construction	Steensby
8	Bull dozer	Earth Works	Construction	Steensby
9	Rock Drills	Earth Works	Construction	Steensby
2	Rock Crusher	Earth Works	Construction	Steensby
2	Vac Truck(Water Sewer)	Support Equipment	Construction	Steensby
	Mechanics Service			
2	Trucks	Support Equipment	Construction	Steensby
2	Skid Steer Loaders	Support Equipment	Construction	Steensby
16	Light Towers 8KW	Support Equipment	Construction	Steensby
20	Diesel Heaters	Support Equipment	Construction	Steensby
4	12 KW Gen Sets	Support Equipment	Construction	Steensby