



November 11, 2015

Mr. Scott Burgess, P Geo.  
Manager, Mary River Project  
Nunavut Regional Office  
Aboriginal Affairs and Northern Development Canada (AANDC)  
Building 918, P.O. BOX 100  
Iqaluit, NU, X0A 0H0

Dear Mr. Burgess,

**Re: 2AM-MRY1325: Baffinland's Comments on AANDC's November 5 Intervention in the upcoming ASR process for the Mary River Project**

Thank you for providing Aboriginal Affairs and Northern Development Canada's (AANDC) first intervention to the Nunavut Water Board, dated November 5, 2015, in relation to the upcoming Annual Security Review (ASR) Process regarding the Mary River Project (the Project).

During our review of your November 5 intervention we noticed that the scope of the reclamation cost estimate conducted on behalf of AANDC was based on the Project as envisioned at the end of 2015 and doesn't incorporate changes presented in Baffinland's 2016 work plan. The purpose of this letter is to highlight material changes between Baffinland's 2016 ASR Submissions<sup>1</sup> and those presented during the 2015 ASR<sup>2</sup>, upon which AANDC's 2015 estimate was partially based and are reflected in several of your 2015 allocations. Baffinland points out that we are currently over-bonded relative to the 2015 Work Plan and its Addendum (regardless of the rights holder to the quantum of the security determined to be required for the Project). This was originally stated in Baffinland's closing remarks on May 7, 2015 during the Nunavut Water Board (NWB) hearing in Pond Inlet to amend Type "A" Water Licence No. 2AM-MRY1325 and further reiterated in a follow-up submission to the NWB, dated May 25, 2015.

We hope that bringing these points forward, early in the process, will facilitate progress related to future ASR discussions. The material changes between Baffinland's 2015 and 2016 ASR Submissions relate to the following allocations:

- Reductions in the scope of work as proposed in 2015<sup>2</sup> vs. what was actually completed;
- Recently refined inventory lists for mechanical and mobile equipment; and
- Refined estimates for Care and Maintenance and Closure and Post-Closure Monitoring.

Further details are provided below.

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<sup>1</sup> See 2016 Marginal Closure and Reclamation Financial Security Estimate, H349001-1000-07-126-0002, October 30, 2015

<sup>2</sup> See 2015 Marginal Closure and Reclamation Financial Security Estimate Addendum, H349000-1000-07-126-0020, December 12, 2014

### **2015 Scope of Work Reductions**

There was a significant reduction in the planned 2015 Scope of Work as outlined in the 2015 Work Plan Addendum. Completed work was restricted to minor capital work activities which consisted of:

- Tote Road Improvements,
- 'Laydown' pad development,
- Small scale containment berm construction for short term hazardous waste storage,
- Construction of single story, small scale field erected geology 'core buildings' and a electrical shop, and
- Limited mobilization of additional storage day tanks for water.

Based on the above, it is Baffinland's position that the Project is over-bonded as current bonding assumes the 2015 Work Plan and Addendum was fully completed. Please refer to Baffinland's 2016 ASR Submissions for more detailed information.

### **Mechanical and Mobile Equipment**

The position Baffinland presented during the 2015 ASR quantified Mechanical and Mobile Equipment on site based primarily on the Hatch Mechanical Equipment and Motor List (H349000-1000-50-144-0001, Rev.0). As the Project has progressed into Operations, the Mechanical Equipment and Motor List has been superseded by an enterprise-wide mobile and mechanical equipment inventory system provided by SAP Software & Solutions. As this SAP list now represents the most current and accurate inventory of mobile and mechanical equipment on-site, this list now represents the basis of approach for estimating quantities of mobile and mechanical equipment inventory and has been adopted for Baffinland's 2016 ASR Submission. Baffinland recommends that AANDC review these revised quantities to ensure the AANDC estimate accurately reflects the quantity of mechanical and mobile equipment currently located on site.

### **Care and Maintenance and Closure and Post-Closure Monitoring**

The position presented by Baffinland in during the 2015 ASR allocated a total of \$1,091,000 for closure and post closure monitoring, follow-up inspections and reporting. However, these topics were recognized by Baffinland as having a high level of uncertainty. In an effort to address this uncertainty, Baffinland's 2016 ASR Submission looked to further define and estimate closure costs related to short-term care and maintenance, closure and post closure monitoring and reporting. Based on this additional definition, Baffinland includes \$3,766,000 in the 2016 ASR Submission for the purpose of accounting for short-term care and maintenance, closure and post closure monitoring and reporting costs in place of the previous allowance of \$1,091,000.

Baffinland understands the basis of estimate for the current AANDC approach was restricted due to timelines and information availability and is subject to change upon consideration of 2016 ASR submissions from other stakeholders. In an effort to ensure these matters are promptly and adequately considered for the purpose of the upcoming ASR Process, Baffinland has, herein, summarized the material changes as reflected in our recent 2016 ASR Submission. We appreciate AANDC's attention to these changes, since the allocations identified above may impact the AANDC security cost estimates provided in your November 5 submission to the Nunavut Water Board. We look forward to further correspondence and discussions as outlined in the upcoming timelines for the ASR process.

Respectfully,

A handwritten signature in black ink, appearing to read 'Erik Madsen', with a stylized, cursive script.

Erik Madsen

Vice-President Sustainable Development, Health, Safety and Environment

cc: Stephen Williamson Bathory (QIA)  
Karen Costello (AANDC)  
Erik Allain (AANDC)  
Tracey McCaie (AANDC)  
Phyllis Beaulieu (NWB)  
Sean Joseph (NWB)  
David Hohnstein (NWB)