

File No: 2AM-MRY1325/PART C

October 11, 2013

To: Mary River Distribution List

Subject: Licence No. 2AM-MRY1325, Mary River Project: Process Guidance to the

Parties Regarding the Annual Security Review under Part C and Schedule C

of the Type "A" Water Licence,

### Dear Parties:

Further to the teleconference held on September 30, 2013, please find in the following text and the attached Annual Security Review (ASR) Calendar of Events, the Nunavut Water Board's (NWB or Board) guidance in respect to the process and timing of the ASR to be conducted under Part C and Schedule C of the Type "A" Water Licence No. 2AM-MRY1325 (the Type "A" Licence) that authorizes the use of water and deposit of waste in relation to the construction, operation, closure and reclamation of Baffinland Iron Mines Corporation Mary River (BIMC) Project. The ASR contemplates and involves the submission of the 2014-2015 Work Plan that includes information on the reclamation estimates for review by the Board, Aboriginal Affairs and Northern Development Canada (AANDC), and the Qikiqtani Inuit Association (QIA).

### **ASR Calendar**

The ASR Calendar includes several key revised dates that take into account the submissions that the parties provided to the Board prior to and shortly after the September 30, 2013 teleconference, respecting the annual March 1 deadline for filing the security under the Type "A" Licence. However, depending on the nature and extent of the written comment and recommendation received with respect to BIMC's 2014-2015 Work Plan, all parties are advised that the NWB may revisit and adjust the timelines set out in the ASR Calendar of Events, should the NWB consider it to be necessary.

### **ASR Process**

The Board has decided to use a two-phase approach with the ASR for the Mary River Project. The initial stage of the ASR process is designed to assist the Board in assessing and establishing the overall global security amount required for the project. The Board therefore requests that

parties provide feedback in their ASR response to Baffinland Iron Mines Corporation's (BIMC) forthcoming 2014 Work Plan, considering the following key question:

Is the existing global security amount as assessed by the Board during the Type "A" Licence Hearing adequate to reflect the updated scope of activities and undertakings proposed to be undertaken by BIMC in the annual work plan?

The second stage of the ASR process is designed to enable the Board to capture the required evidence, in order to consider the extent of the global security amount for the undertaking that has been provided by BIMC and secured by the Qikiqtani Inuit Association (QIA) under the land lease, which is not required to be held under the Type "A" Water Licence. In addition, a confirmation from BIMC and the QIA as to the amount of security actually held under the land lease, at that time, which could be used by the QIA to reclaim the undertaking.

### **Approach to the ASR Process**

In developing the approach to the ASR Process, the Board has also relied on the submissions of the parties to supplement the steps in the ASR process originally set out in Schedule C of the Type "A" Licence, to the following extent:

- the Qikiqtani Inuit Association and Aboriginal Affairs and Northern Development Canada have requested and have been allocated more time to review the submission of BIMC with respect to the 2014-2015 Work Plan and any update to reclamation security required to ensure the full reclamation;
- as discussed in the teleconference and addressed in the submissions of AANDC, the Board accepts that it may be beneficial to separate the assessment of the global security amount required to ensure reclamation for the overall project in any given year, from the Board's specific consideration of the extent to which a portion of the global security amount may be secured by the QIA under the land lease, in order to fix the annual security amount that must be furnished by BIMC to AANDC under the Type "A" Water Licence.

The Board anticipates, that as part of the submissions from intervening parties, sufficient information will be provided to the Board, which will address but not limited to the following:

- key assumptions, inputs and variables in the models used to generate and review the reclamation estimates, clear direction regarding the specific points of divergence, as well as explaining the basis for the difference;
- Breakdown of land and water related liabilities;
- Estimated annual mine restoration liability anticipated;
- Type and amount/security to be held during the respective project stage; and

- Incremental security amount for the 2014-15 Work Plan period.
- To the extent that the parties differ in their views of the appropriate amount of security necessary to ensure the abandonment of the undertaking, restoration of the site(s) and implementation of ongoing measures that remain to be taken after the abandonment of the undertaking.

The Board thanks all parties for their submissions and active contributions at the current stage in this new process, and looks forward to commencing the process following the submission of BIMC's 2014-2015 Work Plan for the Mary River Project on November 1, 2013.

Parties should note that the timelines and process steps provided in the attached calendar are dependent on the information requirements and approach outlined in the calendar. However, the Board recognizes that there might be an additional requirement to schedule a status-update teleconference in early December 2013 with intervening parties. Further, the Board recognizes that opportunities for further discussion and guidance may be required in the months ahead and is amenable to engaging as necessary to continue with the implementation of this novel ASR process going forward.

In the interim, if you have any questions or comments regarding this matter, please contact me.

Sincerely,

Damien Côté
Executive Director
Nunavut Water Board

cc: NWB Public Registry

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al Teleconference with Parties Teleconference to Discuss ASR Process

NWB Issues ASR Process Guidance

BIMC Files 2014-15 Workplan & Updated Security

(Optional) NWB Progress Update Call with Parties

AANDC & QIA File Submissions ASR Teleconference Meeting

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December 13

Board Notifies Parties of Total Quantum for 2014-2015

BIMC & QIA Confirmation of Reduction from Total Quantum for Land Lease Security

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NWB Notifies Parties of Security Req'd Under Water Licence

BIMC files Security with AANDC