



well as considerations relating to reducing from the global security amount the equivalent financial security that may be held by the Qikiqtani Inuit Association under the land use permit to arrive at the total security amount that must be held under the Water Licence for the upcoming year.

As indicated in the NWB's October 11, 2013 correspondence to the parties involved in the ASR process, the Licensee and land owners, Aboriginal Affairs and Northern Development Canada and the Qikiqtani Inuit Association were invited to provide the Board with updated estimates regarding the highest reclamation liability based on the scope of BIMC's activities and undertakings for the upcoming 2014-2015 season. In addition, during the ASR process the Board received submissions from the parties on two key points:

- Is the global security amount fixed by the Board under the Type "A" Water Licence adequate to reflect the activities and undertakings proposed to be undertaken by the Licensee in the annual work plan for 2014-2015?
- Has the Licensee been required to post equivalent security under the land lease with the Qikiqtani Inuit Association such that the Board should consider reducing the amount of security required to be posted under the Water Licence for the highest reclamation liability in 2014-2015 in order to avoid overbonding?

Table 1 that follows provides a summary of the key documentation provided under the ASR process and the key activities undertaken by the Board and the parties to complete the ASR process for 2014-2015.

Table 1: List of Key Documentation and Activities in Support of Annual Security Review

Date	Description of Documentation/Activity
September 27, 2013	The NWB received correspondence from Lawson Lundell LLP on behalf of Baffinland Iron Mines Corporation requesting that the NWB exempt from posting on the public registry and any subsequent requests for disclosure under the <i>Access to Information Act</i> confidential information pertaining to the terms of the commercial lease associated with Licence 2AM-MRY1325 and 2BB-MRY1114.
October 2, 2013	The NWB acknowledged receipt of Lawson Lundell LLP disclosure exemption request and distributed the request and the NWB's granting of the request to the Qikiqtani distribution list.
October 11, 2013	The NWB distributed to interested parties or stakeholders process guidance correspondence which included important dates and steps in the Annual Security Review process and inviting specific comment from the parties involved.
October 31, 2013	The NWB received a copy of Baffinland's Iron Mine Corporation's 2014 Workplan and 2014 Marginal Reclamation and Closure Security Estimate.

Date	Description of Documentation/Activity
November 6, 2013	The NWB acknowledged receipt and distributed the Work Plan and 2014 Marginal Reclamation and Closure Security Estimate to interested persons for review.
December 6, 2013	BIMC provided information related to Additional Comments and Areas Requiring Clarification in response to AANDC's inquiries. Responses to Early Comments/Questions on the Annual Security Review Documents were provided by AANDC.
December 13, 2013	BIMC provided a Response to AANDC Questions Regarding 2014 Workplan and Security Estimate.
December 18, 2013	AANDC provided its Submission related to the Annual Security Review. Qikiqtani Inuit Association (QIA) provided its submission related to the Annual Security Review.
December 4, 2013	The NWB held a teleconference with stakeholders to obtain feedback on the status of their review.
January 2, 2014	The Government of Nunavut (GN) provided its submission for the Annual Security Review.
January 8, 2014	The NWB held the ASR Teleconference with stakeholders.
January 15, 2014	BIMC and QIA provided a joint submission to the NWB.
January 15, 2014	QIA provided an update to its December 31, 2013 Security Estimate Submission.

The Board has placed all non-confidential information associated with the ASR process on its public registry. For further details consult the NWB's FTP site under 2AM-MRY1325/TECH/2 SECURITY (C) (user name: "public", password: "registry") at the following link:

[ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20\(C\)/](ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20(C)/)

The Scope of the 2014-2015 Annual Security Review

In addition to, but separate from, the financial security held under the Type "A" Water Licence, the Licensee has also posted financial security for various activities and undertakings conducted under the Type "B" Water Licence 2BB-MRY1114. By way of a Board-initiated amendment to the Type "B" Water Licence 2BB-MRY1114 Amendment No. 1 issued December 4, 2013, the Board reconciled the scope of activities to be conducted exclusively under the Type "B" Water Licence and the amount of security held under the Type "B" Water Licence. In addition, the Licensee has recently submitted an application to amend this Type "B" Water Licence. As part of BIMC's proposed amendment to the Type "B" Water Licence, the Board may consider

whether the amount of security currently held under the Type “B” may need to be revisited in future. However, as this amendment application has yet to be considered by the Board, no further amendment to the security held under the Type “B” Licence was considered during the 2014-2015 ASR.

In addition, the Board notes that the Licensee is engaged in the environmental assessment and conformity assessment processes of NIRB and NPC as they consider an application to allow for the transportation of iron ore by truck from the Mine site to Milne Inlet under an Early Revenue Phase (ERP) scenario that would bring the mine into reduced production in advance of the railway and Steensby Port being constructed and operational, and with the ERP continuing throughout the life of the larger mine development. This application is currently the subject of NPC and NIRB hearings, and no decisions have been issued by the NIRB and/or the NPC at this stage as to whether the ERP scenario can proceed to the licensing stage. Therefore, potential changes to the overall security amount that may be required if the activities and undertakings in the ERP are approved have not been considered during this ASR process for 2014-2015.

The Global Security Amount

After considering the evidence provided to the Board in 2013 during the NWB’s Public Hearing associated with the initial Water Licence Application, the Board fixed the global security amount required to reclaim the undertaking (land and water) authorized for 2013 under the Type “A” Water Licence at \$36,000,000 in total.²

During the ASR process, BIMC initially submitted³ that an additional amount of \$3,315,450 would be required to be added to the 2013 global security amount of \$36,000,000 assuming that all activities proposed in the 2014-2015 workplan and approved under the existing Type “A” Water Licence were undertaken. Following further discussion with Aboriginal Affairs and Northern Development Canada and the Qikiqtani Inuit Association, BIMC revised the estimated additional amount that should be added to reflect the 2014-2015 work plan to \$3,959,000 for a total global security amount of \$39,959,000 being required to secure the highest amount of reclamation liability for the activities and undertakings authorized under the Type “A” Water Licence for 2014-2015.⁴

As noted in their submissions, Aboriginal Affairs and Northern Development Canada stated that:

AANDC is satisfied that \$39,959,000 is a reasonable estimate of the total costs associated with the reclamation of the currently approved components of the Mary River Project. This is an increase from the \$36,000,000 that the NWB used

² See Nunavut Water Board, Reasons for Decision for 2AM-MRY1325, June 12, 2013 at p. 60 and Type “A” Water Licence 2AM-MRY1325, Part C, Item 1a.

³ Baffinland Iron Mines Corporation, Mary River Project Work Plan, October 31, 2013, at pp. 8-9 Table 4-2, Column G and Appendix C, p. C-2.

⁴ As reiterated in the Baffinland Iron Mines Corporation and the Qikiqtani Inuit Association joint submission, filed with the NWB on January 15, 2014.

as a total reclamation cost estimate at the time of issuing the Type “A” Mining Licence.⁵

In joint submissions filed by BIMC and the Qikiqtani Inuit Association it was indicated that there may be adjustments to the global security amount in subsequent years, but that for the 2014-2015 year, there was agreement that the additional amount of \$3,959,000 (\$3,793,000 plus \$166,000) should be added to the global security amount:

Baffinland and the QIA have reached agreement, subject to the further process for discussions between the parties referred to below, that for Baffinland to post the amount of \$39,793,000 would satisfy the requirements for the posting of security by January 31, 2014 under the provisions of the Commercial Lease pending resolution of the discussions referred to below.

The current total security posted under the Type A Water Licence is \$36,000,000 of which \$26,200,000 is posted with the QIA. To meet the total security referred to above would require Baffinland to post an additional \$3,793,000 (plus the \$166,000 to cover Crown land).⁶

On this basis, the Board has determined that the overall global security amount for 2014-2015 should be increased from the current \$36,000,000 to **\$39,959,000**. In fixing this global security amount for the purposes of the ASR, the Board does recognize the acknowledgement by BIMC and the Qikiqtani Inuit Association, as well as the supplemental submission of the QIA also filed with the Board on January 15, 2014, that there are differences between the QIA and BIMC’s estimates of reclamation security under the Commercial Lease that remain, and the Board’s assessment of the global security amount for the current ASR is not intended to affect those ongoing discussions. It is the expectation of the Board that, as indicated by the QIA and BIMC, that continued discussions regarding the calculation of security under the Commercial Lease may result in further submissions, changes and refinement to the respective positions of the QIA and BIMC when the NWB and the parties embark on the ASR process for the 2015-2016 season.

The Amount of Security Required by the NWB to be Posted Under Water Licence #2AM-MRY1325 for the 2014-2015 Season

Of the global security amount of \$36,000,000 required to be posted at the time the Type “A” Water Licence was issued, \$26,200,000 was posted with the Qikiqtani Inuit Association under land-based instruments, with the remaining \$9,800,000 to be held by AANDC under water licences. As required under the terms and conditions of Licence 2AM-MRY1325 and the direction of the Board following the issuance of the reconciliation of security under Type “B” Water Licence 2BB-MRY1114 Amendment No. 1 in December, 2013 BIMC was required to ensure that the amount of \$9,800,000 was posted under the Type “A” Water Licence.

⁵ Technical Review Memorandum of Aboriginal Affairs and Northern Development Canada, Re: Water Licence #2AM-MRY1325, Mary River Project: Annual Security Review under Part C and Schedule C of the Type “A” Water Licence, December 18, 2013 at p. 5.

⁶ Baffinland Iron Mines Corporation and the Qikiqtani Inuit Association joint submission, filed with the NWB on January 15, 2014 at p. 1.

As noted in the submissions of the parties during the ASR, the reclamation liability for activities and undertakings occurring on federal Crown land under the 2014 work plan is very minimal. Consequently, of the global security amount of \$39,959,000, the Crown would be satisfied with security in the amount of \$166,000 being held under the Type “A” Water Licence, provided that BIMC posts total security of \$39,793,000 with the Qikiqtani Inuit Association for reclamation liability on Inuit Own Lands. This echoes the joint submission of BIMC and the Qikiqtani Inuit Association which states:

Baffinland and the QIA agree that the total amount of \$39,793,000 should be posted with the QIA for reclamation of Inuit Owned Lands. As discussed at the January 8, 2014 conference call, the Crown would be satisfied with security of \$166,000 to cover reclamation on Crown land.

Based on this agreement, Baffinland and the QIA request that the Board determine, under Part C of the Water Licence, that the total amount of project security determined by the Board for 2014 be reduced by an amount to be posted with the QIA totaling \$39,793,000 (an increase of \$13,593,000 from the \$26,200,000 currently posted with the QIA) and that the amount to be posted with the Crown be reduced accordingly. Baffinland will make the necessary changes to the existing Letters of Credit with each of the QIA and AANDC.⁷

Reflecting these submissions, and the new global security amount, the Board recognizes that of the total global security amount of **\$39,959,000** only \$166,000 is required to be held by the Minister of Aboriginal Affairs and Northern Development Canada under Part C, Item 1 of Type “A” Water Licence #2AM-MRY1325, with the remaining \$39,793,000 being secured under the Land Lease with the Qikiqtani Inuit Association.

This concludes the Board’s ASR determination under Part C and Schedule C of Licence No. 2AM-MRY1325 for the 2014-2015 season, as specified under the Licence, Schedule C, Item 4, the Licensee has 30 days from the date of this determination being released to furnish the financial security as set out in this determination.

⁷ Baffinland Iron Mines Corporation and the Qikiqtani Inuit Association joint submission, filed with the NWB on January 15, 2014 at p. 1.

If you have any questions or require further direction with respect to this matter, please contact the Board's Executive Director, Damien Côté, toll free at 1-855-521-3745 or (867) 360-6338 or via Email: damien.cote@nwb-oen.ca.

Regards,

Original signed by:

Thomas Kabloona
Chairperson
Nunavut Water Board

cc. Public Registry
 Stephen Williamson Bathory (QIA)
 Mike Osland (QIA)
 Murray Ball (AANDC)
 Karen Costello (AANDC)
 Ken Landa (AANDC)
 Oliver Curran (BIMC)
 Brad Armstrong (BIMC)s