

File No: 2AM-MRY1325

October 7, 2014

To: Mary River Distribution List

Subject: Notice to the Parties NWB Request For Comment on the Timing and Process for the

Annual Security Review for 2015-2016 under Part C and Schedule C of Type "A"

Water Licence 2AM-MRY1325 Mary River Project

Dear Parties:

In reviewing the recent correspondence received by the Nunavut Water Board (NWB or Board) from Baffinland Iron Mines Corporation (Baffinland) dated October 3, 2014 on the subject of the "Next Update for the Interim Closure and Reclamation Plan", the Board notes that Baffinland has indicated that the next update of the Interim Closure and Reclamation Plan will be submitted at the same time as Baffinland submits the Annual Report to the Board (March 31, 2015). However, the Board notes that this suggested timing does not reflect the timing for the submission of the updated Interim Closure and Reclamation Plan as required under Part C and Schedule C of the Mary River Type "A" Water Licence 2AM-MRY1325 (the Licence) in the Annual Security Review (ASR).

More particularly, as set out in Schedule C: Conditions Applying to Security, Item 2 of the Licence [emphasis added]:

- 2. Unless otherwise directed by the Board, on the first Thursday of November, the Licensee, the Minister and/or the Qikiqtani Inuit Association shall file with the Board any information they intend to rely upon for the ASR, including but not limited to:
 - a. an updated Preliminary, Interim or Final Mine Closure and Reclamation Plan;
 - b. the total financial security amount calculated for the highest level of reclamation liability for land and water combined for the upcoming year as calculated in accordance with Item 6 of this Schedule;
 - c. the total of any equivalent financial security being held by the Minister and/or the Qikiqtani Inuit Association outside the Licence;
 - d. information that supports the increase, maintenance or reduction of the total financial security under the Licence; and



e. any other information necessary to support the request of the parties for the Board to issue further directions under Part C with respect to the amount of security to be furnished and maintained under the Licence.

Consequently, unless the Board directs otherwise, Schedule C requires Baffinland to file an updated Interim Closure and Reclamation Plan with the Board on or before Thursday, November 6, 2014. In addition, Schedule C of the Licence would require the Qikiqtani Inuit Association (QIA) to file the information set out in Item 2(c) and would also require Baffinland, Aboriginal Affairs and Northern Development Canada (AANDC) and the QIA to file any additional information that they consider to be necessary under Items 2(d) and (e), all by November 6, 2014 as well.

The Board notes that last year, for the inaugural ASR, after receiving comments from the Licensee, AANDC and the QIA, the Board modified the process and timing from that set out in Schedule C to better reflect the timing and availability of information for the parties to support the ASR, but that these changes were only applicable to last year.

Consequently, by way of this letter, the Board is inviting Baffinland, AANDC and the QIA to provide further comments **on or before October 17, 2014** regarding the timing and process for the exchange of documents and conduct of the ASR meeting (as currently prescribed under Item 1 of the Licence to take place via teleconference on December 4, 2014) leading to the completion of the ASR for 2015-2016. Please note that in considering revisions to the timing of the ASR, the Board draws your attention to the deadline established by Schedule C Item 5 of the Licence, which states:

5. In any event, if the Licensee fails to file the total financial security amount required for the upcoming year as determined by the Board under the Licence on or before March 1, the Licensee is not authorized to proceed with any planned activities that could increase the total financial security amount required to be held under the Licence until they have filed the total financial security amount required to be held under Part C for the upcoming year.

In the Board's view, maintaining the March 1 deadline for placement of security (and therefore completion of the ASR process and any required adjustments) is important to maintaining the integrity of the ASR system, as it ensures that Baffinland has put into place adequate total financial security for the activities in the upcoming year prior to undertaking activities that could increase the security amount that should be held under the Licence. Consequently, the Board asks the parties to consider this deadline in their suggestions regarding revisions to the ASR process and timing.

Recognizing that the timelines for the ASR process established under Schedule C are fast approaching, a short time after the Board has received the comments of the parties, the Board



will issue further written direction regarding the ASR process and timelines applicable to the 2015-2016 ASR.

In the interim, if you have any questions or concerns with respect to this matter, please contact me directly.

Sincerely,

Damien Côté Executive Director Nunavut Water Board

cc: NWB Public Registry