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	Speaking Points	
File:	File: 2AM-MRY1325	
То:	Nunavut Water Board	
Attention:	Mr. David Honhstein, Director of Technical Services	
Subject:	2015 Annual Security Review Teleconference	
Author:	QIA	
Page Total:	4	
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#### **PREAMBLE**

The Qikiqtani Inuit Association (QIA) is presenting a summary of the speaking points used to guide QIA's presentation during the 2015 ASR Teleconference held December 18<sup>th</sup>, 2014.

#### INTRODUCTION

QIA submitted documents on December 5<sup>th</sup> in line with the comment period established by the NWB. QIA submission contained a cover letter and two attachments.

QIA directs readers to page 2 of QIA's December 5<sup>th</sup> cover letter for a summary of each of the security estimates undertaken by QIA since the filing of the 2014 Work Plan. The current financial security estimate relative to the 2015 Work Plan results in a global figure of roughly 45 million dollars for Inuit Owned Lands.

In addition to a cover letter QIA also filed a detailed security review and a copy of the current letter of credit (for a value of roughly \$40 million dollars).

Additionally on December 16<sup>th</sup> QIA filed its 2014 Comprehensive Security Assessment which provides the background required to understand the basis of QIA calculations for both the 2014 and the 2015 estimates.

QIA's 2014 and 2015 Comprehensive Estimates are the product of regular meetings with Baffinland, including site visits. Furthermore QIA estimates are based upon constructing a global figure from "first principles", applied research and relevant information form the proponent. QIA's security estimate is not an armchair exercise.

The QIA completed an evaluation of the financial liability occurring on Inuit Owned Lands for the Mary River Project. The estimate is for all reclamation activities, and does not distinguish between land and water related components. The QIA's security estimate does not consider work completed on Crown land. QIA's presentation of documents to the NWB is based upon review of the 2015 Work Plan, submitted on October 31st, 2014.



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The QIA's reclamation security estimate will be used to:

- Determine the reclamation security deposit to be held under the Commercial Lease, and
- Assist the NWB to determine security to be held by the Crown through this Annual Security Review process.

The QIA's security estimate for the Mary River Project is presented within two documents.

- The QIA 2014 Comprehensive Security Estimate presents the security estimate for the activities completed to date and inclusive of 2014 Work Plan activities.
- The QIA 2015 Comprehensive Security Estimate presents the security estimate for activities associated with the 2015 Work Plan, but not the 2015 Work Plan addendum.

The QIA's security assessment of the 2015 Work Plan Addendum, filed December 12<sup>th</sup>, is currently being assessed and will be communicated to the NWB upon completion. With reference to BIMC slide #4, QIA has currently completed the 2014 baseline estimate and the 2015 security estimate, but not the 2015 security estimate associated with the 2015 Work Plan Addendum. QIA is eager to learn how the NWB plans to administer the 2015 Work Plan Addendum.

The QIA's security estimate does not address the Type B Exploration Licence - 2BE-MRY1421. The security estimate therefore considers the activities associated with the:

- Type A 2AM-MRY1325;
- Type B 8BC- MRY1416; and,
- Type A amendment application that addresses the Early Revenue Phase activities.

The QIA understands that if approved by the NWB, the amended Type A licence would include the activities associated with original Type A licence, the Type B licence and the amended application.

#### **METHODOLOGY**

QIA's methodology to estimate the reclamation security estimate is detailed within the reports submitted to the NWB.

- The QIA security estimate was developed in accordance with QIA's Abandonment and Reclamation Policy and applied the principles outlined within Nunavut Tungavik Inc. and AANDC's reclamation policies.
- The estimate utilized BIMC's work plans, security estimates, abandonment and reclamation plan, and numerous other site information as sources of information.
- Direct and indirect costs were calculated. Direct costs represent the costs to reclaim each mine component. Indirect costs represent items such as mobilization and

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demobilization, monitoring, engineering fees, construction and project management fees and contingency.

 Where site-specific information was not available or accepted, the estimate of material, labour and equipment costing utilized an industry recognized construction costing database, called RS means.

### **RESULTS**

Since the 2013 Annual Security Review, BIMC and QIA have engaged on various topics with the purpose of examining areas of divergence and to revise the baseline security estimate for the Mary River Project. The QIA's 2013 Annual Security Review filings had about \$49 million security estimate. Upon completion of the revised baseline exercise, the security was estimated at about \$42 million. QIA currently holds about \$39 million in financial security under the Commercial Lease.

The collaborative approach between QIA and BIMC to discuss financial security in 2014 has resulting in a narrowing of the gaps between each parties security estimate; however, there remains some assumptions in BIMC's estimate that QIA does not accept and which contravene the current A&R Policy. These include the assumption that independent third party contractors retained by QIA will have unfettered access to on-site equipment and assumptions related to fuel. QIA considers it unreasonable to assume that QIA's independent contractors would have immediate and unfettered access to on-site equipment and fuel in the event of project insolvency or other serious financial difficulty. QIA has conducted research into these topics and believes QIA's position is both reasonable and practicable. To date QIA has not been presented with a reasonable alternative from BIMC on these topics. QIA remains open to discussions with BIMC on suggestions for an alternative agreement on these matters.

QIA notes that there are various other items within the security estimate where QIA and BIMC did not reach mutual agreement. These are further discussed in the security estimate reports and include:

- Closure and post-closure monitoring
- Charter rate for northern communities
- Calculated quantity of disturbed areas for grade and re-contouring
- Unit costs for liner removal
- Unit costs for removal of bulk fuel storage tanks
- Quantity of third party mobile/mechanical equipment
- Quantity of sea containers existing on-site at any given time
- Quantity of hazardous materials existing on-site at any given time

QIA and BIMC aim to continue to work together to resolve these differences. The difference in financial liability associated with these differences is on the order of \$6 million.



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トーΡー △% Sanikiluaq The QIA would like to note that the sustained efforts and contributions made by the QIA and BIMC staff and consultants has enabled the two parties to reach an agreement on the majority of the security estimate. Where agreement was not been reach, a process to further refine the estimates has been agreed to. As noted in BIMC slide #7, this collaborative accomplishment was achieved through the commitment to complete monthly meetings from February to October in 2014, in addition to a multi-day site visit. Most of these meetings were one to two day long face to face discussions where specific topics were discussed and each party's perspective on closure activity and costs were presented.

The QIA's assumptions and approach to calculating the 2015 Work Plan financial security is consistent with that for the 2014 revised baseline analysis. QIA has determined the financial security estimated for the 2015 Work Plan is about \$3.2 million.

### **RECOMMENDATIONS**

The reclamation security held by the QIA under the Commercial Lease for Inuit Owned Lands is recommended to be adjusted by an increase of \$5,247,000 to an aggregate reclamation security of \$45,040,000.

The recommended reclamation security is to be further adjusted based on an assessment of the 2015 Work Plan addendum recently submitted by BIMC.

The QIA notes that the 2015 Work Plan amendment was submitted on December 12, 2014 and is currently completing a security estimate for the amendment activities. The QIA and BIMC are meeting the week of January 12, 2015. During this meeting, QIA will discuss the amendment security estimate with BIMC and aim to finalize its estimate for submittal to the NWB during the week of January 19, 2015.