



Water Resources Division
Nunavut Regional Office
Iqaluit, NU X0A 0H0

Your file - Votre référence
2AM-MRY1325

November 5, 2015

Our file - Notre référence
IQALUIT#1000218

Stephanie Autut
Executive Director
Nunavut Water Board
Gjoa Haven, NU X0E 1J0

**Re: Aboriginal Affairs and Northern Development Canada's estimate of
reclamation costs for the Mary River Project and initial position for the
2015-2016 Annual Security Review Process for Water Licence #2AM-
MRY1325**

Dear Ms. Autut,

Thank-you for the notice received on October 23, 2015 regarding the above mentioned process.

In preparation for this year's Annual Security Review (ASR) process, Aboriginal Affairs and Northern Development Canada (AANDC or the Department) has obtained a reclamation cost estimate for the Mary River Project using the RECLAIM model v.7. This estimate was prepared by SNC-Lavalin Inc. (SNC), and is for the project as it is at the end of 2015. It does not incorporate changes presented in the 2016 work plan, which will be forthcoming as per the timeline. Input for the estimate was obtained from a site visit in September 2015, as well as previous reclamation estimates prepared by Baffinland Iron Mines Corporation (Baffinland) and Hatch, and some of the unit rates and quantities were validated during the exercise.

AANDC recognizes there are significant unresolved issues concerning how much security should be held by the Crown, under Water Licence 2AM-MRY1325. However, that is not the focus of this phase of the process, which is concerned with the total security estimate, and not the apportionment of said security.

AANDC Reclamation Cost Estimate

The Board, on October 23, 2015 has asked us to provide feedback on the following question:

Is the existing total security amount as set by the Board in accordance with the 2015 Work Plan adequate to reflect the updated scope of activities and undertakings that may be proposed by BIMC in its forthcoming 2016 Work Plan, expected to be filed with the Board by November 5, 2015?

The reclamation cost estimate calculated by our consultant for the project as it is at the end of 2015 is \$ 49,461,548 (CAD, rounded to the nearest dollar). The following table compares costs calculated by Qikiqtani Inuit Association (QIA) and Baffinland based on the 2015 work plan addendum:

Estimate	Total reclamation cost
AANDC/SNC	\$49,461,548
QIA	\$49,831,000
Baffinland	\$45,370,000
Current Global security amount in 2015-2016 ASR	\$ 47,683,500

SNC's estimate, based on the information provided, and backed up by a site visit indicates that the global security amount as set in last year's ASR process is too low for the current undertakings.

QIA's estimate is close to the estimate AANDC is using, while the estimate provided by Baffinland is approximately \$4 million less. A detailed discussion of the differences is provided in the attached consultant's report, particularly in section 3.2.1. Some of the differences between the Baffinland and SNC estimates are:

- Interim care & maintenance: SNC includes the cost for 18 months of interim care and maintenance not present in the Baffinland estimate.
- Monitoring costs: SNC calculates these costs for both the closure and post-closure periods whereas Baffinland only includes them for the post-closure period.
- Contingency: SNC uses a 15% contingency whereas Baffinland uses 12.5%.

The above applies to the project as at December 31, 2015. It does not incorporate a review of the next workplan.

During the next stage of the process, we will address the 2016 work plan to see if the activities will necessitate a change in the global cost estimate. As per the Board's direction, this will be addressed in our next submission, on December 4, 2015.

Timing

AANDC would request that, if possible, the timing of the next steps in the ASR process be modified to allow for our full participation in the teleconference. We have discussed the possibility of moving the December deadlines ahead by one day to Thursdays instead of Fridays with both Baffinland and QIA and this schedule appears agreeable to them as well.

Date	Event
Thursday December 3, 2015	▪ Interested parties to file written submissions with the NWB in accordance with relevant section(s) of Schedule C, Item 2 in Amended Licence No. 2AM-MRY1325 ▪ Licensee to file any updated information pertaining to additional security amounts posted with Inuit and/or federal authorities that have issued authorizations to the project including the QIA and AANDC
Thursday December 10, 2015	Licensee to file response to intervenor's submissions
Thursday December 17, 2015	NWB to hold the ASR Meeting by Teleconference

Please do not hesitate to contact Sarah Forté at 867-975-3876 or sarah.forte@aandc-aadnc.gc.ca for any additional information.



Regards,

Karen D. Costello, P. Geol
Director, Resource Management

c.c.: Scott Burgess, Mary River Project Manager, AANDC Nunavut
Andrew Keim, Acting Manager of Water Resources, AANDC Nunavut
Erik Allain, Manager of Field Operations, AANDC Nunavut
Eric Madsen, Vice-President of Sustainable Development, Health, Safety and Environment, Baffinland
Stephen Williamson Bathory, Director of Department of Major Projects, QIA