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December 18, 2015

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Stephanie Autut
Executive Director
Nunavut Water Board
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Gjoa Haven, Nunavut
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**RE: BAFFINLAND IRON MINES CORPORATION, MARY RIVER PROJECT
(LICENCE NO. 2AM-MRY1325), 2016 ANNUAL SECURITY REVIEW TELECONFERENCE –
QIKIQTANI INUIT ASSOCIATION SPEAKING NOTES**

The Qikiqtani Inuit Association (QIA) provides this letter to the Nunavut Water Board (NWB) as evidence for the 2016 Annual Security Review (ASR). This letter summarizes the speaking notes used by the QIA during the 2016 ASR Teleconference held on December 17th, 2015.¹

INTRODUCTION

On December 3rd, 2015,² the QIA submitted a security estimate for Baffinland Iron Mines Corporation's (BIMC) Mary River Project (Project),³ providing a cover letter and detailed technical submission, in line with the timeline established by the Nunavut Water Board (NWB).⁴

Pursuant to Section 9.2 of the Commercial Production Lease No. Q13C301 (CPL),⁵ as well as, Part C and Schedule C of the Type 'A' Water Licence No. 2AM-MRY1325 (Amendment No. 1), the QIA has completed a review of the 2016 Work Plan⁶ and provided an updated reclamation security estimate. The QIA has determined that \$54,649,000 is the aggregate amount of adjusted

¹ 2016 ASR Teleconference between the NWB, the QIA, ARKTIS, BIMC, Hatch, INAC, and SNC-Lavalin.

² QIA December 3, 2015, letter to BIMC and the NWB titled, "Baffinland Iron Mines Corporation – Mary River Project: (1) Landlord's 2016 Reclamation Security Requirement – QIA Commercial Lease (Q13C301) of IOL and; (2) NWB 2016 Annual Security Review – Water Licence #2 AM-MRY1325 (as amended)."

³ ARKTIS (2015) QIA 2016 Comprehensive Security Estimate. December 2, 2015.

⁴ NWB November 9, 2015, upload titled, "151109 2AM-MRY1325 ASR Process Guidance and Timing Updated Version-OSJE."

⁵ QIA and BIMC (2013) Commercial Lease No.: Q13C301. September 6, 2013.

⁶ BIMC (2015) Mary River Project, 2016 Work Plan. October 30, 2015.



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reclamation security to be posted by BIMC, representing a \$7,131,500 increase from the letter of credit for \$47,517,500 currently held by the QIA.⁷

The QIA's security estimate does not address items under the Type 'B' Exploration Licence No.: 2BE-MRY1421, nor does it address items located on Crown Land (e.g., Shiploader, KM 61 Mobile Maintenance Depot).

Since the filing of submissions on December 3rd, 2015 the proponent has submitted a series of additional pieces of information to parties, including responses to clarification requests posed by both the QIA and Indigenous and Northern Affairs Canada (INAC). While the QIA has reviewed these submissions in general terms, the QIA's calculation of security figures relative to these filings have not been completed prior to the 2016 ASR Teleconference. Instead the QIA has elected to update its calculation of security figures following the 2016 ASR Teleconference such that the most up-to-date and relevant information can be considered and appropriately applied. Consistent with past ASR processes, the QIA commits to providing any/all updated security calculations to the NWB in a manner that clearly demonstrates amendments in a timeframe that respects the NWB's decision making process.

METHODOLOGY

The full details of the methodology used by the QIA to develop the reclamation security estimate can be found in the detailed technical report submitted to the NWB. However, the QIA would like to highlight the following:

- The QIA security estimate was developed in accordance with the QIA's Abandonment and Reclamation (A&R) Policy⁸ and applied the principles outlined in INAC's reclamation policy.⁹
- The estimate primarily utilized BIMC's 2016 Work Plan,⁶ BIMC's 2016 Security Estimate,¹⁰ and information collected during the QIA's 2015 Audit.¹¹

⁷ QIA's November 5, 2015, letter to the NWB titled, "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."

⁸ QIA (n.d.) Abandonment and Reclamation Policy for Inuit Owned Lands. V. 2.0.

⁹ INAC (2002) Mine Site Reclamation Policy for Nunavut.

¹⁰ Hatch (2015) 2016 Marginal Closure and Reclamation Financial Security Estimate (H349000-1000-07-126-0002)

¹¹ ARKTIS (2015) Baffinland Iron Mines Corporation, Mary River Project, 2015 Audit Report. October 13, 2015.



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- The QIA maintained the same unit costs used during previous security estimates; a full description of unit costs can be found in the QIA's 2014 Comprehensive Security Estimate.¹²
- The QIA, INAC and BIMC held an in-person meeting on November 20th to discuss next steps and to review certain aspects of INAC's November 2nd, 2015 filing with the NWB.
- The QIA and BIMC held a teleconference on November 30th, 2015,¹³ in an attempt to narrow the gaps between the two parties' security estimates.
- The QIA's assumptions and approaches used to calculate the 2016 security estimate **Error! Bookmark not defined.** are consistent with those used for the development of the 2014,¹² 2015,¹⁴ and revised 2015¹⁵ security estimates.
- The QIA has actively reviewed security for the Mary River Project, through environmental audits and work plan reviews since 2008. The 2016 ASR process is an extension of this work.

The collaborative approach between the QIA and BIMC to discuss financial security in 2014 and 2015 has resulted in a narrowing of the gaps between the two parties' security estimates. However, there are a few items within the security estimate where the QIA and BIMC have not reached mutual agreement. These items, listed below, are further discussed in the QIA's report, with section references provided where applicable to QIA's technical submission on December 3rd, 2015:**Error! Bookmark not defined.**

1. Inflation (Section 4.5).
2. Grade and recontour of abandoned Tote Road alignments; The QIA will give further consideration to the survey data provided by BIMC,¹⁶ however notes that BIMC has not included a line item for proposed 2016 upgrades to the Tote Road (Section 3.2).
3. Grade and recontour of large road cuts along the Tote Road to reduce post-closure health and safety concerns (Section 3.2).

¹⁶ BIMC's December 13, 2015, IGLU upload to the QIA titled, "Tote Road Orphaned Roads 20151201 (2)."





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