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December 9, 2016

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Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut X0B 1J0

RE: BAFFINLAND IRON MINES CORPORATION, MARY RIVER PROJECT (LICENCE NO. 2AM-MRY1325), 2017 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 2017 ASR Teleconference held on December 9, 2016.¹

INTRODUCTION

Pursuant to Section 9.2 of the Commercial Production Lease No. Q13C301 (CPL),² 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 Baffinland Iron Mines Corporation's (BIMC) 2017 Work Plan³ and security estimate; and commissioned ARKTIS Solutions Inc. to complete an analysis of the reclamation security estimate for activities occurring on Inuit Owned Lands.

On December 2, 2016, the QIA submitted its security estimate jointly to BIMC and NWB.⁴ Based on further correspondence with BIMC occurring after the December 2 filing deadline, QIA updated its security estimate and submitted an addendum on December 5, 2016.⁵

¹ 2017 ASR Teleconference between the NWB, the QIA, and BIMC to be held December 9, 2016.

² QIA and BIMC (2013) Commercial Lease No.: Q13C301. September 6, 2013.

³ BIMC (2016) Mary River Project, 2017 Work Plan. November 4, 2016.

⁴ NWB November 9, 2015, upload titled, "161101 2AM-MRY1325 -Revised ASR Process Schedule OEDE.pdf".

⁵ ARKTIS (2016) QIA 2017 Comprehensive Security Estimate Addendum. December 5, 2016.



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Based upon these outstanding items, QIA reexamination of security within the 2017 calendar year will occur prior to the anticipated 2018 NWB ASR process. This is a result of work proposed by BIMC in 2017 for which QIA does not currently have sufficient information available to evaluate the associated relationship to reclamation security. 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 respecting the NWB's decision making process.

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- Inflation (Section 4.6 of QIA's technical submission on December 2, 2016¹⁵) is one of the largest unresolved issues.
- A significant portion of the remaining difference in financial security is carried forward from previous years.
- Disturbed areas to be regraded and recontoured along the Tote Road corridor, being an important contributor to that difference, will hopefully be partially resolved in 2017 upon examination of the recently acquired 2016 satellite imagery of the Tote Road.

BIMC's classification of light, medium, and heavy mobile has been discussed and agreement of classifications reached.¹¹ The mechanical equipment SAP List has yet to be fully verified against the classifications used previously by the QIA, however this is an activity that will be completed for future security estimates.

The QIA had previously adopted BIMC's reclamation cost for Short Term Care & Maintenance, Closure Monitoring & Reporting as a placeholder for the time being. The QIA will review the reclamation cost associated with this item after QIA approval of the Interim Closure and Reclamation Plan (ICRP).¹⁶ Under the CPL, BIMC requires the QIA's approval of the ICRP; to date BIMC has only received a conditional approval for this plan.

Similar to previous years' security estimates, there still remains a difference of opinion on the demobilization of 3rd Party equipment onsite at the time of closure. However, agreement on the makeup of a typical third party fleet has narrowed the difference in financial security.¹¹

The QIA reviewed INAC's 2017 security estimate,¹⁷ submitted to the NWB on December 2, 2016. The QIA requests clarification from INAC on the following items:

1. Has INAC considered the QIA's A&R Policy in development of their security estimate and QIA's unit costs?
2. INAC provided limited details regarding the security associated with the shiploader, stating this security is held under a land lease. How is waste derived from the reclamation managed – is it assumed to be disposed of on IOL or Crown Land? If

¹⁵ ARKTIS (2016) QIA 2017 Comprehensive Security Estimate. December 2, 2016.

¹⁶ QIA's October 23, 2015, letter to BIMC titled, "Baffinland Iron Mines Corporation's Interim Mine Closure and Reclamation Plan – Conditional Approval."

¹⁷ SNC-Lavalin Inc. (2015) Licence No. 2AM-MRY1325, Mary River Project: Annual Security Review under Part C and Schedule C of the Type 'A' Water Licence – FINAL. December 2, 2015.



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Crown Land, how has INAC accounted for the haul distance to a proposed landfill and access across IOL?

RECOMMENDATIONS

The reclamation security held by the QIA under the CPL is recommended to be increased by \$7,239,500, from the amount currently held of \$48,845,500, to an aggregate reclamation security of \$56,085,000.

The QIA looks forward to reviewing its determination with BIMC, following the December 9, 2016 ASR Teleconference. QIA acknowledges, as per the revised schedule for the ASR process that parties are to file revisions or addendums to written submissions based upon ASR Meetings with the NWB by December 16, 2016 and a determination of the required amount of reclamation security to be held pursuant to the CPL is expected for the upcoming year by January 16, 2017.

Please do not hesitate to contact the undersigned should you require any further information.

Sincerely,

Stephen Williamson Bathory
Director, Department of Major Projects

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