



ᓄᓇᓂᓪ ᐃᓕᓕᓂᓪ ᑲᓂᓕᓂᓪ
NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

Date: January 20, 2017

File No: 2AM-MRY1325
By Email and Regular Mail

Honourable Carolyn Bennett, PC, MP
Minister of Indigenous and Northern Affairs Canada
21st Floor, 10 Wellington, North Tower
Gatineau, QB K1A 0H4
Email: carolyn.bennett@parl.gc.ca;
minister@aadnc-aandc.gc.ca

PJ Akeeagok, President
Qikiqtani Inuit Association
P.O. Box 1340
Iqaluit, NU X0A 0H0
Email: pakeeagok@qia.ca

Todd Burlingame
VP, Sustainable Development
Baffinland Iron Mines Corporation
2275 Upper Middle Road East, Suite 300
Oakville, ON L6H 0C3
Email: todd.burlingame@baffinland.com

Re: Type “A” Water Licence No. 2AM-MRY1325, Baffinland Iron Mines Corporation Licence, Mary River Project: Direction from Nunavut Water Board Under the 2017 Annual Security Review Process Established Under Part C and Schedule C of the Water Licence

As set out in the Nunavut Water Board’s (NWB or Board) Decision¹ recommending the issuance of Type “A” Water Licence No. 2AM-MRY1325 (the Water Licence) in 2013 and Amended Licence in 2015, and as required under Part C and Schedule C of the Water Licence, the amount of financial security the Board requires Baffinland Iron Mines Corporation (the Licensee or BIMC) to post under the Water Licence is subject to periodic review, and adjustment, if required

¹ Nunavut Water Board, Reasons for Decision for 2AM-MRY1325, June 12, 2013 at pp. 54-63.

by the Board, under the process described in the Water Licence as the Annual Security Review (ASR). The amount of security required to be posted following the ASR is based on both an estimate of the highest reclamation liability for land and water in the upcoming year (the global security amount), as well as any reductions from the global security amount, up to and including the previous year, to reflect the financial security that may be provided by BIMC to the Qikiqtani Inuit Association (QIA) under the reclamation requirements of the QIA commercial lease and to INAC for reclamation under the Water Licence. This information and the parties' comment submissions, provided during the course of the ASR, are considered by the Board in order to determine the total security amount that must be held under the Water Licence for the upcoming year.

As indicated in the NWB's guidance letter issued to the parties on October 5, 2016 with respect to the 2017 ASR Process required to set the security amount that must be posted under the Water Licence to cover liabilities up to and including the first quarter of 2017 to the first quarter of 2018 (the 2017 ASR), the Board specifically requested comment on the following:

Is the existing global security amount as set by the Board during the 2016 ASR process adequate to reflect the updated scope of activities and undertakings proposed to be undertaken by BIMC in its 2017 Work Plan (to be filed with the Board by November 1, 2016 as required under Schedule J, Item 1 in the Licence)?

After the NWB's October 5, 2016 correspondence commenced the 2017 ASR process and the NWB's additional guidance, a number of submissions in support of the 2017 ASR Process from the Proponent, the QIA and INAC were received and distributed. **Appendix A**, attached to this correspondence, provides a summary of the procedural history in addition to the key documentation provided and activities undertaken by the NWB associated with the 2017 ASR Process.

The Board has placed all non-confidential information associated with the 2017 ASR Process on its public registry. For further details, consult the NWB's File Transfer Protocol (FTP) site using the following link:

[ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20\(C\)/2016/](ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20(C)/2016/)

The NWB's Jurisdiction to Furnish Security Under the Water Licence

The Board's jurisdiction to require a licensee to furnish security is established under s. 76 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* as follows:

76. (1) The Board may require an applicant, a licensee or a prospective assignee to furnish and maintain security with the Minister in the form, of the nature, subject to such terms and conditions and in an amount prescribed by, or determined in accordance with, the regulations or that is satisfactory to the Minister.

In addition, the *Nunavut Waters Regulations* (the Regulations) further specify the limits on the Board's jurisdiction and state the following:

10. (1) For the purposes of subsection 76(1) of the Act, the Board may fix the amount of security required to be furnished by an applicant for a licence, a licensee or a prospective assignee in an amount not exceeding the aggregate of
(a) the costs of the abandonment of the undertaking;
(b) the costs of the restoration of the site of the undertaking;
(c) the costs of any ongoing measures that may remain to be taken after the abandonment of the undertaking; and
(d) the compensation that a person, including the designated Inuit organization, who is adversely affected by the use of waters or deposit of waste may be entitled to under section 13 of the Act.

With respect to this Water Licence in particular, the Board recognized at the outset that because a significant part of the Mary River Project was located on Inuit Owned Land (IOL), it was reasonable to expect that the QIA would wish to hold a substantial portion of the security for reclamation and restoration of the undertaking on IOL. This also meant that if the security amount required under the Water Licence was the full global security amount that would be required for full reclamation of the undertaking, with no consideration of the security that has been secured by the QIA for reclamation under the commercial lease between BIMC and the QIA, there could be significant over-bonding. This situation would result in the Board exercising its jurisdiction to fix an amount of security in excess of what is permissible under s. 10(1) of the Regulations.

Reflecting these concerns about over-bonding, and as set out in the Board's previous decisions, the Board developed an approach to security that would allow the Board to factor security held under land-based instruments into the Board's fixing of security under the water licences for the Project:

... the Board's focus in assessing security is that the Applicant must have posted sufficient security, through all means, when taken together, to ensure that the overall reclamation of the site (land and water) has been adequately addressed. Consequently, the Board's starting point to assess security remains considering the security requirements holistically and then deducting from the aggregate land and water reclamation totals any security held under other instruments, with the remainder being secured under the water licence.²

On this basis, the Board incorporated into Part C and Schedule C of the Water Licence a mechanism by which the Board can receive evidence from BIMC and the QIA regarding the financial security requirements under the commercial lease to be considered in the Board's fixing of the amount of security that should be held under the Water Licence. In addition to recognizing that the Board must consider reclamation security held by landowners into the total financial security for the undertaking, the Board was also be aware that the total costs of security required to ensure reclamation of the undertaking may vary greatly over the life cycle of the Mary River Project. Consequently, the Board

² Nunavut Water Board, Reasons for Decision for 2AM-JER1119, December 21, 2012 at p. 47.

included in Part C and Schedule C of the Water Licence a mechanism for conducting periodic review of the security fixed under the Water Licence to reflect the objective, as stated in the *Mine Site Reclamation Policy for Nunavut* (INAC, 2002) that:

*The total financial security for final reclamation required at any time during the life of the mine should be equal to the total outstanding reclamation liability for land and water combined (calculated at the beginning of the work year, to be sufficient to cover the highest liability over that time period)*³

The 2017 Annual Security Review (ASR) Process

To date, the NWB has conducted security reviews under the Water Licence annually commencing in 2013. Although the timing and detailed process steps have varied slightly from year to year, key elements remain the same. The 2017 ASR Process commenced with the NWB providing correspondence in October 2016 to all the parties providing a process outline and proposed timelines. BIMC then provided a Work Plan in November 2016 detailing the works and activities planned for the twelve-month period commencing in March 2017 to March 2018 (the 2017 Work Plan), coupled with an updated reclamation estimate that reflected any changes to the global financial security amount required to reclaim the undertaking if all on-going and new activities as identified in the 2017 Work Plan were to proceed.

The NWB then received comments on both the 2017 Work Plan and the updated reclamation estimate from the two land owners, Indigenous and Northern Affairs (INAC) in respect of security held for Crown Lands and in respect of the Water Licence and the Qikiqtani Inuit Association (QIA) in respect of the reclamation security held by the QIA under the commercial lease. The NWB hosted an ASR teleconference on December 9, 2016 with the parties to present their submissions to the Board and discuss any outstanding technical or process issues. Following the ASR teleconference, parties filed additional submissions. When all submissions have been received on January 6, 2017, the security issue was remitted to the 3-Member Panel duly appointed by the Board to make decisions in respect of Water Licence 2AM-MRY1325 (P4 or the Panel). On January 17, 2017, the Panel met to consider the submissions received during the 2017 ASR Process and as required by Part C and Schedule C of the Licence, and by Motions #2016-12-P4-03 and #2016-12-P4-04, provided the direction contained in this letter regarding the global security amount for the reclamation of the undertaking and also specified the amount of security that must be held under the Water Licence.

During recent ASR Processes and also in the 2017 ASR Process, INAC expressed the view that a change to the security to be held under the Water Licence is an amendment to a Type “A” Water Licence that would trigger various notice and comment requirements. The Board notes that the Water Licence, Part C, Item 1(a) and (b), clearly set out that changes to the amount of security that are the outcome of the ASR Process conducted under the Water Licence are to be dealt with as part of the on-going administration of the Licence and do not require an amendment to the Licence. On this basis, and has been the case with past adjustments to the security held under the Water Licence associated with previous ASR processes, the NWB does not consider an adjustment

³ *Mine Site Reclamation Policy for Nunavut*, 2002, Minister of Indian Affairs and Northern Development, (Ottawa: Minister of Public Works and Government Services Canada, 2002) available on-line: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ/STAGING/texte-text/recpolnuna_1100100036043_eng.pdf.

to the security required to be posted under the Water Licence resulting from the 2017 ASR Process to require an amendment to the Water Licence.

Summary of Submissions Received During the ASR Process Relating to The Global Security Amount and Security Held under Licence 2AM-MRY1325

Consistent with previous Annual Security Reviews, the NWB has received several submissions from the parties in support of the 2017 ASR process. The following sections provide an overview of some of the key submissions provided by the various parties during the 2017 ASR Process.

BAFFINLAND IRON MINES CORPORATION MAJOR SUBMISSIONS

Baffinland Iron Mines Corporation (BIMC or the Licensee) provided the following key submissions in support of the 2017 ASR Process:

- 2017 Work Plan
- 2017 Work Plan Addendum
- 2017 ASR Presentation
- BIMC Response to QIA's December 12, 2016 Correspondence

2017 Work Plan

As required under provisions of Part J in Licence No. 2AM-MRY1325 (the Water Licence), BIMC filed, on November 4, 2016, the 2017 Work Plan (2017 Work Plan) for the Mary River Project. The 2017 Work Plan, which is one of the key elements required for the Board's periodic review of security as mandated by Part C and Schedule C of the Water Licence, addresses the following components:

- Provide details regarding mining and associated work and activities that occurred or had been proposed but were not undertaken over the previous year in addition to information on works and activities proposed for the upcoming year.
- Assess the previous and upcoming years' activities, with the aim of identify any changes in environmental liabilities or risk associated with the Project that would affect the amount of reclamation security required for the Project to allow a third party contractor to perform reclamation under a worst case scenario, and identify any associated changes to the amount of reclamation security held under all instruments.
- Examine changes that the proposed works and activities have on other Project variables such as management plans, existing infrastructure, progressive reclamation and more.

Details contained in BIMC's 2017 Work Plan indicated that ongoing development of the mine will continue over the 2017 – 2018 period. Similar to the previous years' work plans, the 2017 Work Plan included details regarding new and ongoing works and activities as well as works and activities that had been proposed under the 2016 Work Plan but were not carried out as planned, will not be carried out at all in the future, or that were deferred in 2016 and carried over into the 2017 Work Plan.

The following summarizes the main activities, works, or undertakings expected to be carried out under the 2017 Work Plan:

- Continued development and operation of the mine, ore crushing and land transportation, stockpiling and marine shipment of ore;
- Continued development and construction of infrastructure required at Milne Port and the Mary River Mine Site and along the Tote Road for the Mary River Project;
- Mobilization of an additional 49-person camp at Milne Port and continued operation of the Mine Site and Milne Port Camps to support on-going operations and construction activities which will include the use of water and deposit of waste as authorized under existing licences;
- On-going operation of already permitted quarry and borrow sources; there are also additional planned quarries or borrow areas along the Tote Road that have been identified and will be used during 2017;
- Mobilization of supplies at Milne Port including vessels carrying fuel, equipment and supplies for use at the Mine Site and Milne Port during open water (approximately between mid-July and mid-October 2017). Materials, fuel and supplies required for operation and construction activities will be transported to the Mine Site year round via the Tote Road;
- Geotechnical drilling may be required to support engineering, design and construction activities of the Project;
- On-going environmental effects studies and baseline data collection will continue to support the construction and operation of the Project as well as for future engineering requirements;
- Continued environmental monitoring in accordance with the approved Project Certificate, licenses, authorizations, management plans and environmental effects monitoring plans;
- On-going exploration activities including mapping, prospecting, sampling and geophysics; and
- Potential drilling and/or trenching program; however, these items had not yet been finalized at the time the 2017 Work Plan was submitted.

Based on the scope of work proposed in the 2017 Work Plan and considering the works and activities not undertaken under the 2016 Work Plan as well as works and activities carried over from the 2016 to the 2017 Work Plan, BIMC proposed that the overall reclamation security for the Project be reduced from the **\$50,055,500** fixed by the Board as the global security amount under the 2016 Work Plan to **\$48,145,000** as the global security amount proposed by BIMC under the 2017 Work Plan.

BIMC indicated that the following main factors provided the rationale for changes to the global financial security estimate required to reclaim the undertaking:

- Adjustments to or removal of direct cost items to account for changes in Project planning and execution based on cost reconciliation;
- Removal of grade and re-contour costs allocated for areas that were identified in the 2016 Work Plan but that were not disturbed in 2016;
- Changes to the closure scenario assumption considered for the Project;
- New activities planned for the 2017 period;

- Refinements of the direct cost assumptions related to buildings and foundations, mechanical and mobile equipment, cabling, consumables, site works; and
- Refinement of indirect cost assumptions and cost pertaining to on-site fuel demobilization and reclamation-fuel mobilization, contract administration, engineering fees, and contingency and more.

2017 Marginal Closure and Reclamation Security Estimate – Revision (Addendum)

On November 24, 2016, BIMC submitted an addendum to its marginal closure and reclamation estimate included in its 2017 Work Plan. BIMC indicated that the Addendum was intended to address feedback received from interested parties as well as to update information to better reflect the 2017 Work Plan.

The Addendum identified modifications to the 2017 Work Plan associated with mobile and mechanical equipment capture that were re-categorized to address the comments of Interveners. In addition, clarifications were provided in respect of the additional 49 – person camp, and a truck wash building to be constructed in 2017. Based on those modifications, BIMC proposed an increase to the overall reclamation security for the Project for the 2017 – 2018 period, from **\$48,145,000**, as originally proposed under the 2017 Work Plan, to **\$49,271,000** under the 2017 Work Plan Addendum.

2017 Annual Security Review (ASR) Summary Presentation

On December 8, 2016, in advance of the ASR Teleconference, BIMC provided, a copy of its 2017 Annual Security Review (ASR) Summary Presentation, dated December 9, 2016.

The presentation included details regarding proposed work planned for the 2017 – 2018 period under the Water Licence and commercial lease and updates to the direct and indirect costs associated with these proposed works and activities, as well as changes or updates to the original BIMC cost estimates provided in the 2017 Work Plan as detailed in the 2017 Work Plan Addendum. The presentation also outlined BIMC’s key assumptions in developing the proposed reclamation estimate for the Project, direct and indirect cost reconciliation associated with the 2016 Work Plan, and issues raised by parties and the Board during the 2017 ASR Process. At the conclusion of the presentation, BIMC reiterated that its proposed reclamation security for the Project for the 2017 – 2018 period was estimated at **\$49,271,000**, a decrease of approximately **\$785,000** from the global security amount fixed by the Board after the 2016 ASR Process.

BIMC’s Response to QIA’s December 12, 2016 Correspondence

Following the ASR Teleconference, BIMC provided its response to correspondence from the QIA dated December 12, 2016 regarding *Financial Security Assessment, Inflation and Joint Submission*. BIMC indicated that while it disagreed with the QIA’s position that inflation should be applied to the updated estimate associated with the 2017 Work Plan and provided additional information to substantiate its position, BIMC remained committed to developing a joint submission with the QIA to be provided to the Board in January 2017.

QIA MAJOR SUBMISSIONS

Similar to BIMC, the QIA provided several submissions in support of the 2017 ASR Process. The following sections summarize the QIA’s key submissions, which include:

- QIA's 2017 Comprehensive Security Estimate
- QIA's 2017 Comprehensive Security Estimate Update
- 2017 ASR Teleconference Speaking Notes
- December 12, 2016 Correspondence

2017 Comprehensive Security Estimate Submission

On December 2, 2016 the QIA submitted a cover letter and accompanying 2017 Comprehensive Security Estimate for the Mary River Project to be considered by the Board in the 2017 ASR Process. Based on the QIA's detailed review and as outlined in the QIA's submission, the QIA determined that the global security amount that should be held under the commercial lease for the 2017 period was **\$56,317,000**.

The QIA indicated that its estimate was based on the QIA's *Abandonment and Reclamation Policy* for use with reclamation activities on Inuit Owned Land, previous project-specific reclamation estimates prepared by the QIA, and findings linked to the QIA's June and August 2016 Environmental Inspections and September 2016 Audit.

The QIA highlighted in its submission that there was a high degree of uncertainty in the 2017 Work Plan pertaining to the Tote Road. On this basis, the QIA indicated that they expected that once the plans for the Tote Road improvements, expected to be carried out in 2017, are finalized and presented, the QIA would anticipate that a further update to the financial security estimate may be required.

A comparison of the QIA and BIMC estimates suggests that some of the main factors contributing to the differences in the estimates were as follows:

- Higher marginal direct cost generally, as determined by the QIA, for:
 - Grading and re-contouring; and
 - Unidentified high priority disturbed areas along the Tote Road;
 - Mobile equipment owned by BIMC;
- Indirect cost differences;
- Higher marginal indirect associated with mobilization and demobilization of third Party; and
- Inclusion of cost adjustments to reflect inflation (1.0254).

December 5, 2016 Submission

On December 5, 2016, the QIA provided an update to its comprehensive Security Estimate of December 2, 2016. The QIA's December 5, 2016 updated estimate included changes of approximately \$144,000 in direct costs and \$83,000 in indirect cost to reconcile line items associated with a truck wash building that was not constructed in 2014. The reconciliation resulted in a reduction to the QIA's previous financial security estimate, reducing the total from **\$56,317,000** to **\$56,085,000**.

2017 ASR Teleconference Speaking Notes

Following the teleconference held in support of the 2017 ASR Process on December 9, 2016, the QIA submitted a copy of the QIA's speaking notes for the Board's consideration. The speaking notes restated that it was the QIA's position that the reclamation estimate as revised on December

5, 2016 of **\$56,085,000**, reflected the total reclamation amount associated with the Project on Inuit Owned Lands as proposed in the 2017 Work Plan and 2017 Work Plan Addendum. In addition, the speaking notes included information about the methodology used by the QIA to obtain its estimate as well as issues remaining outstanding. Further, the notes indicated that the QIA did not consider it necessary to take into account the reclamation security posted by BIMC for the Type “B” Water Licence. In addition, the QIA’s notes reiterated that the QIA plans to re-examine the financial security upon BIMC’s submission of details regarding the Tote Road Earthworks Execution Plan.

The QIA also highlighted that it had received additional information and clarification from BIMC regarding certain aspects of the 2017 Work Plan that could have a bearing on the QIA’s initial estimate, and that further discussions with BIMC on several topics in the 2017 Work Plan were planned for January that may also result in changes to the QIA’s initial estimate. The QIA stated that similar to previous years, differences remain between the QIA’s and BIMC’s estimates regarding the demobilization of third-party equipment from the site at the time of closure.

December 12, 2016 Submission

On December 12, 2016, the NWB received from the QIA, a copy of correspondence sent to BIMC regarding *Financial Security Assessment, Inflation, and Joint Submission* to the NWB. In its correspondence, the QIA indicated that while it may not be reasonable to have a discussion of alternatives in respect of including a factor for inflation at this stage in the 2017 ASR Process, the QIA indicated a willingness to engage with BIMC on this subject following the posting of security for the 2017-2018 period. In addition, the QIA mentioned in its submission that the NWB would be provided with additional correspondence on a subsequent date regarding whether or not a BIMC–QIA joint submission will be provided.

INAC MAJOR SUBMISSIONS

As one of the main stakeholder in the process, INAC provided the following key submissions, which are summarized in the following sections:

- Comprehensive Review
- December 16, 2016 Submission

December 2, 2016 Submission

INAC indicated in its comprehensive Security Review for the Project, which was received on December 2, 2016, that it considered several documents, including BIMC’s 2017 Work Plan and associated documents to update INAC’s global security amount for the Project. INAC estimated the security for reclamation on Crown Lands would be **\$1,298,555** and for Inuit-owned Land would be **\$48,633,568**. INAC mentioned in its submission that although the INAC updated reclamation security estimate for Crown Lands was higher than the amount of security currently held under the Water Licence (\$1,210,000), as it was INAC’s view that any change to this amount should trigger an amendment to the Water Licence, INAC was content for the security amount to be held for Crown Land to remain unchanged at **\$1,210,000**.

As with INAC’s submissions in previous ASR Processes, INAC also continued to raise concerns that the full amount of reclamation security necessary to ensure reclamation of water on both Crown Lands and Inuit Owned Lands was not held under the Water Licence. INAC’s concerns relate to the potential for differences in the way security is held and administered under the Water

Licence and under the commercial lease could result in INAC being required to assume responsibility for reclamation of the Project's impacts on water without access to the security held under the commercial lease by the QIA.

The differences between INAC's global financial security estimate and BIMC's global financial security estimate were mostly attributed to: a bonding factor (2%) included in INAC's estimate; and direct and indirect cost assignment in the method used to calculate the reclamation security. INAC used the most recent RECLAIM 7 model while BIMC used a method called the Estimate Breakdown Structure (EBS).

December 16, 2016 Submission

Following the ASR Teleconference held on December 9, 2016, on December 16, 2016, INAC submitted final recommendations regarding the 2017 ASR Process and updated reclamation cost estimate.

INAC's December 16, 2016 submission included comments on works or activities included in BIMC's 2017 Work Plan. In addition, INAC commented further on the issue of the total amount of reclamation security for water on both Crown Land and Inuit Owned Lands not being held by the Minister under the Water Licence, noting that this has been the case since the Licence was issued. Further, INAC changed the position stated in INAC's December 2, 2016 submission by stating that the security that BIMC should be required to post under the Water Licence for the 2017-2018 period should be increased to **\$1,298,555** rather than remain at the **\$1,210,000** currently held by the Minister under the Water Licence.

BIMC – QIA JOINT SUBMISSION

On January 6, 2017, BIMC provided a joint submission developed by the QIA and BIMC in support of the 2017 ASR Process for the Mary River Project. The joint submission was the result of discussions that occurred between BIMC and the QIA following the December 9, 2016 ASR Teleconference.

The joint submission indicated that, subject to further discussion between the parties, the overall reclamation security proposed by both parties for the 2017-2018 period under the commercial lease is **\$51,384,000**. The joint submission did not address the security that should be held under the Water Licence.

SUMMARY OF RECLAMATION ESTIMATES PROVIDED BY ALL PARTIES

Table 1 that follows summarizes the proposed reclamation estimates provided by the various parties initially and finally during the 2017 ASR Process, for the 2017 – 2018 period, as detailed in the previous sections of this letter.

Table 1: Security Proposed in Various Parties Submission for the 2017 – 2018 Period

Party -Submission	Water Licence (\$)	Commercial Lease (\$)	Total(\$)
QIA – Initial	N/A	56,317,000	56,317,000
QIA – Final	N/A	56,085,000	56,085,000
BIMC – Initial	1,210,000	46,935,000	48,145,000
BIMC – Final	1,199,000	48,072,000	49,271,000
INAC – Initial	1,210,000	48,633,568	49,843,568
INAC – Final	1,298,555	48,633,568	49,932,123
BIMC – QIA (Jointly)	N/A	51,384,000	51,384,000

The Updated Global Security Amount for 2017-2018

The Board recognizes that there are still some differences of opinion with respect to assumptions underlying the development of the global security amount for reclamation of the undertaking. Issues such as the addition of a rider for inflation, the use of unit prices based on models versus actual contract prices, etc. However, after reviewing all submissions received, the 2017 Work Plan and the estimates as proposed and revised as part of the 2017 ASR Process, the Board is confident that the global security amount should be increased to **\$52,682,555**. This amount reflects security in the amount of **\$51,384,000** being held by the QIA under the commercial lease (as proposed jointly by BIMC and the QIA in the January 6, 2017 submission) and an increase of **\$88,555** to the security held under the Water Licence to **\$1,298,555**. The increase to the security under the Water Licence was stated by INAC to be required to reflect an increase in the liability associated with the Project components on Crown Land. In the Board's view the increased global security amount of **\$52,682,555**, is equal to the highest reclamation liability for land and water combined for the upcoming period of March 2017 to March 2018 and will be sufficient to cover previous activities and activities proposed for this period under the 2017 Work Plan and the 2017 Work Plan Addendum.

The Amount of Security Required by the NWB to be posted under Licence #2AM-MRY1325 for the 2017-2018 Period

As outlined in the preceding section, the Board has determined that there should be an increase in reclamation security held by the Minister under Part C, Item 1 from the amount currently held of **\$1,210,000 to \$1,298,555**. It is the Board's view that this increase is required to reflect the increased Project liability on Crown Lands. It should also be noted that BIMC did not address INAC's submissions on the slight increase requested for the upcoming year. The Board finds that the increase requested is reasonable in the circumstances, and should be granted to ensure that the reclamation security for the undertaking under all instruments is sufficient. As outlined in the

Water Licence, the security posted under the Water Licence must be held in the form required under the *Nunavut Waters Regulations* and acceptable to the Minister of INAC.

Summary of Total Security for the Project Pursuant to Part C & Schedule C of Licence 2AM-MRY1325 for 2013 -2018

The following graphs and figures shows the global security amount as determined by the Board for the Project for specific years over the period of the 2nd 2013 to the 1st quarter of 2018, inclusively.

Table 2: Global Security Associated with the Mary River Project, 2013 – 2018

Year	2 rd Qtr. 2013 - 1 st Qtr. 2017	1 st Qtr. 2014 – 1 st Qtr. 2015	1 st Qtr. 2015 – 1 st Qtr. 2016	1 st Qtr. 2016 – 1 st Qtr. 2017	1 st Qtr. 2017 – 1 st Qtr. 2018
	With Licence Issuance	(Based on 1 st ASR	Based on 2 nd ASR	(Based on 3 rd ASR	Based on 4 th ASR
Total (\$)	36 Million	39.959 Million	47.6835 Million	50.0555 Million	52.682555 Million

Figure 1: Graph Showing Reclamation Security Required to Be Posted Annually for the Mary River Project, 2013 – 2018

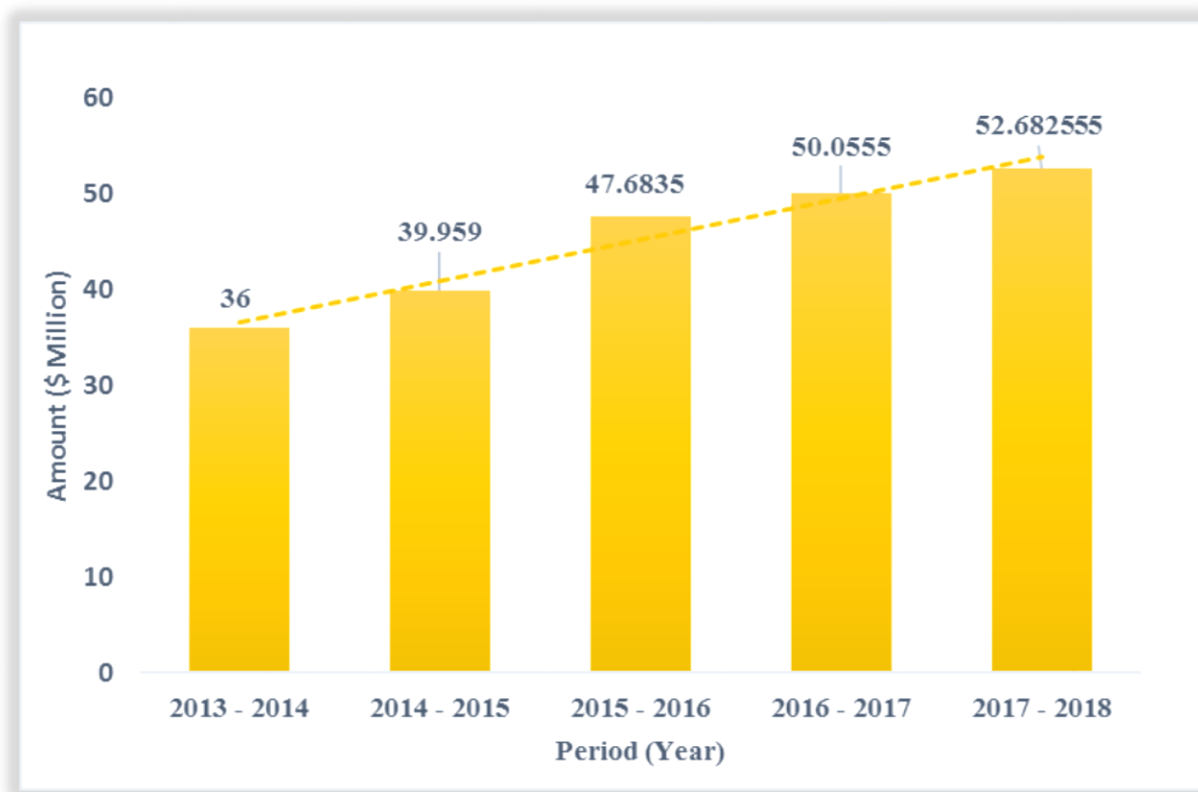
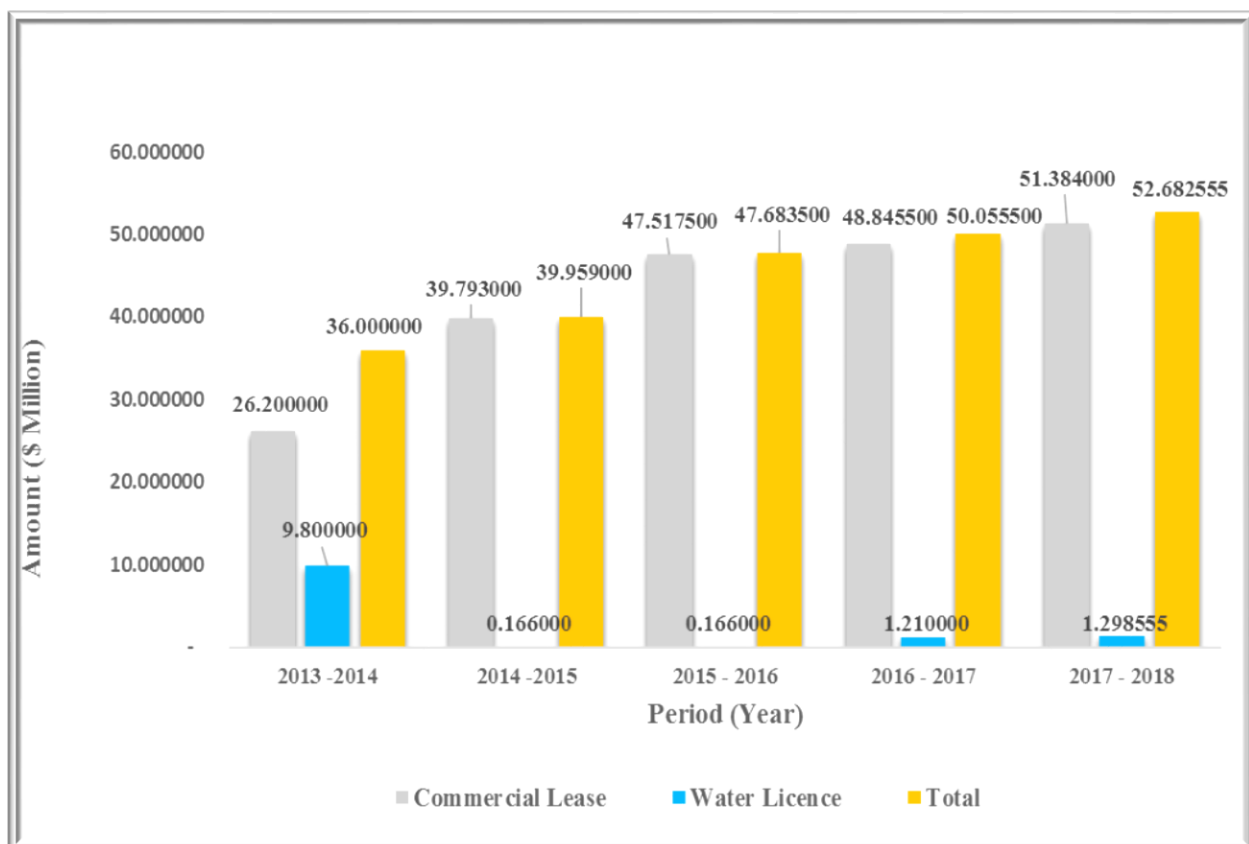


Table 3: Summary of the Apportionment of the Global Security Amount Held Under the Commercial Lease and the Water Licence for the Period 2013 – 2018

Instrument	2013 - 2014	2014 - 2015	2015 - 2016	2016 -2017	2017 - 2018
Commercial Lease	\$26,200,000	\$39,793,000	\$47,517,500	\$48,845,500	51,384,000
Water Licence	\$9,800,000	\$166,000	\$166,000	\$1,210,000	1,298,555
Total	\$36,000,000	\$39,959,000	\$47,683,500	\$50,055,500	52,682,555

Figure 2: Relative Proportion of Security Held under the Commercial Lease and Water Licence for the Period 2013 - 2018



Closure of the 2017 ASR Process

This concludes the Board's ASR determination with respect to the global security amount and the updated security required to be held under Part C, Item 1 and Schedule C of Licence No. 2AM-MRY1325 for the 2017-2018 season, as specified under the Licence, Schedule C, Item 4. During

the 2017 ASR Process, the Licensee agreed to furnish the financial security as set out in this determination within thirty (30) days from the date of receipt of this decision. The Board expects that confirmation of the additional security that has been filed with the QIA will be provided to the Board when that process is completed. All parties are advised that if confirmation of security being in force is not received by March 1, 2017 the Board may take further steps and issue further written direction under the ASR Process to ensure that adequate security is in place prior to the commencement of work under the 2017 Work Plan.

If you have any questions or require further direction with respect to this matter, please contact the Board's Executive Director, Stephanie Autut at (867) 360-6338, ext: 22 or via e-mail: stephanie.autut@nwb-oen.ca or Director of Technical Services, David Hohnstein at his direct line (780) 443-4406 or via e-mail: david.hohnstein@nwb-oen.ca.

Regards,

Thomas Kabloona
Chairperson
Nunavut Water Board

cc. Public Registry
Stephen Williamson Bathory (QIA)
Karen Costello (INAC)
Mary River Distribution List

TABLE 1:
List of Key Documentation and Activities in Support of the 2017 ASR

Date	Activity
October 5, 2016	NWB issued guidance regarding the process and schedule for the 2016 – 2017 ASR and invited comments from the parties
October 31, 2016	NWB received and distributed BIMC's correspondence indicating that there would be a delay in submission of the 2017 Work Plan (revised submission date November 4, 2016)
November 1, 2016	NWB issued correspondence that included a revised process schedule for the 2017 ASR Process to reflect the delay in BIMC's filing of the 2017 Work Plan and requested revisions from INAC and the QIA
November 3, 2016	NWB received and distributed a submission from INAC that included: <ul style="list-style-type: none"> • A cover letter, dated November 3, 2016, outlining the amount of reclamation security currently held by the Minister under the Water Licence and INAC's planned involvement in the upcoming ASR Process; and • A copy of INAC's Annual Geotechnical Site Inspection Report for the Mary River Project (2016), produced by SNC Lavalin Inc.
November 3, 2016	NWB received and distributed a submission from the QIA that included the following documents: <ul style="list-style-type: none"> • A cover letter regarding QIA's intended participation in the 2017 ASR Process; and • A copy of a standby letter of credit, in the amount of \$48.5455 million, issued June 17, 2016, by the Bank of Nova Scotia
November 4, 2016	NWB received and distributed BIMC's 2017 Work Plan
November 24, 2016	NWB received and distributed BIMC's submission regarding the 2017 Marginal Closure and Reclamation Security Estimate Revisions that reflected BIMC's response to interested parties' feedback
December 2, 2016	NWB received and distributed the QIA's submission reviewing the reclamation security proposed for the 2017 period that included: <ul style="list-style-type: none"> • A cover letter that addressed a number of topics including the reclamation security requirements under both the BIMC-QIA commercial lease and the Water Licence; and • A copy of QIA's Comprehensive Security Estimate, conducted by Arktis Solutions Inc., and dated November 30, 2016
December 2, 2016	NWB received and distributed INAC's submission reviewing the reclamation security proposed to be posted by BIMC for the 2017 period that included: <ul style="list-style-type: none"> • A cover letter regarding INAC's submission and other topics; and

Date	Activity
	<ul style="list-style-type: none"> • A copy of INAC's review conducted by SNC Lavalin Inc., and dated December 1, 2016
December 5, 2016	NWB received correspondence from the QIA regarding the Draft Agenda for the December 9, 2016 ASR Teleconference and confirmation of the QIA's intention to participate in the teleconference
December 5, 2016	NWB received and distributed QIA's comprehensive security estimate addendum, dated December 5, 2016
December 6, 2017	NWB received and distributed BIMC's response to the QIA and INAC's December 2, 2016 submissions
December 6, 2017	NWB received correspondence from INAC regarding the Draft Agenda for the December 9, 2016 ASR teleconference and confirmation of INAC's intention to participate
December 7, 2016	NWB Distributed the finalized Agenda and details regarding confirmed participants, BIMC, QIA, and INAC, for the ASR Teleconference scheduled for December 9, 2016
December 8, 2016	NWB received and distributed a copy of BIMC's ASR presentation
December 9, 2016	NWB hosted the 2016 – 2017 ASR Teleconference, representatives from BIMC, INAC and the QIA participated
December 9, 2016	NWB received the QIA's Speaking notes related to the ASR teleconference
December 12, 2016	NWB received and distributed ECCC Fisheries Act direction and INAC Letter of Non-Compliance dated September 2016
December 12, 2016	NWB received and distributed a submission from the QIA regarding the QIA's financial security assessment, inflation, and a joint submission to the NWB
December 12, 2016	NWB received and distributed the following Documents: <ul style="list-style-type: none"> • BIMC Construction Summary Report Addendum: Milne Port Stockpile Settling Ponds dated September 27, 2016; and • Mine Haul Road Drainage improvement Project, Phase 1 Construction As-Built Report dated August 29, 2016
December 14, 2016	NWB received and distributed correspondence from BIMC providing a response to the QIA's December 12, 2016 correspondence
December 16 2016	NWB received and distributed correspondence from INAC regarding INAC's final recommendations for the 2017 ASR Process
December 19, 2016	NWB received an email notification from BIMC indicating that the QIA and BIMC were continuing to work together with a view to providing a joint submission to the NWB for consideration during the ASR Process and identifying that BIMC would follow up with the Board by December 23 to indicate whether a joint submission would be provided by QIA and BIMC during the ASR Process
December 23, 2016	NWB received correspondence from BIMC confirming that BIMC and the QIA would be providing a joint submission by January 2, 2017
January 2, 2017	NWB received correspondence from BIMC indicating that the joint submission with the QIA would be delayed due to BIMC's internal approval process

Date	Activity
January 2, 2017	NWB distributed post-teleconference follow-up correspondence from BIMC, dated December 23, 2016 (received after the NWB office closed on December 23, 2016).
January 6, 2017	NWB received a joint submission from BIMC and the QIA