



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

Your file - Votre référence
2AM-MRY1325

November 2, 2017

Our file - Notre référence
CIDM#1183837

Stephanie Autut
Executive Director
Nunavut Water Board
Gjoa Haven, NU X0B 1J0

sent via email: stephanie.autut@nwb-oen.ca, licensing@nwb-oen.ca

Re: 2018 Annual Security Review of Baffinland Iron Mines Corporation's 2AM-MRY1325 Type A Water Licence

Dear Ms. Autut,

Baffinland Iron Mines Corporation's (Baffinland) Type A Water Licence 2AM-MRY1325 amendment #1 includes provisions for an Annual Security Review (ASR). Schedule C of the licence specifies how the ASR is to be conducted and the first intervention is filing of information to be relied on for the process, due on the first Thursday in November. This letter is Indigenous and Northern Affairs Canada's (INAC) contribution.

Information to be provided is:

a. an updated Preliminary, Interim or Final Mine Closure and Reclamation Plan;
To be provided by proponent.

b. the total financial security amount calculated for the highest level of reclamation liability for land and water combined for the upcoming year as calculated in accordance with Item 6 of this Schedule;

As the workplan for the upcoming year is not yet public, INAC cannot at present provide the calculated highest level of reclamation security for the upcoming year. We intend to provide the calculation before the ASR teleconference.

c. the total of any equivalent financial security being held by the Minister and/or the Qikiqtani Inuit Association outside the Licence;

INAC holds no equivalent financial security outside the Licence. Under the Water Licence, as specified in the January 20, 2017 ASR decision, INAC holds \$1,298,555. We also hold \$4,975,000 under a Crown land lease for the ore dock.

d. information that supports the increase, maintenance or reduction of the total financial security under the Licence; and

This item is also dependant on the workplan which is not yet public. In its evaluation INAC will be considering:

- Applying inflation to the 2014 item costs used to create the initial reclamation cost estimate; and
- The unexpected generation of acid mine drainage from the waste rock pile (Spill reports #17-289, #17-312, #17-361) will increase the reclamation cost since it introduces uncertainty which was not present in the previous estimates.

e. any other information necessary to support the request of the parties for the Board to issue further directions under Part C with respect to the amount of security to be furnished and maintained under the Licence.

INAC is submitting the Geotechnical Site Inspection Report completed by its contractor, Arcadis Canada Inc., with this letter. This report was produced following a visit that was also used to review infrastructure and general conditions on site to inform the upcoming cost reclamation update.

INAC's participation in the ASR process requires that Baffinland submit a detailed workplan that accurately reflects modifications over the previous year and reasonable detail of the plans for the coming year. In the absence of a detailed workplan for review of all parties involved, it is difficult to uphold the terms of the Water License and ensure that adequate security is held for the Baffinland project.

INAC requests that the NWB commence correspondence discussing and confirming the ASR schedule, including the date of the teleconference and the date for parties' next interventions. In order to meet the terms of the Water Licence the ASR teleconference would need to occur on December 7, 2017.

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

Regards,

Sarah Forté
Water Management Specialist

c.c.: Adam Grzegorzcyk, Approvals Manager, Baffinland
Stephen Williamson Bathory, Director of Department of Major Projects, QIA