



30 November 2017

Mr. Sean Joseph  
Senior Technical Advisor  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU  
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**Re: 2018/19 Annual Security Review Process Clarification**

Baffinland Iron Mines Corporation (Baffinland) provides the following letter in response to the teleconference held on 29 November 2017 between the Nunavut Water Board (NWB), Indigenous and Northern Affairs Canada (INAC), the Qikiqtani Inuit Association (QIA) and Baffinland. The teleconference was required to gain clarity between parties on the proposed path forward on the 2018/19 Annual Security Review (ASR) process, given that there are activities proposed in the 2018 Work Plan (dated 4 November 2017) that are assumed to be not currently within the scope of the existing Type A Water Licence No. 2AM-MRY1325, Amendment No. 1 (the Water Licence) and/or the Project Certificate No. 005.

It should be noted that while Baffinland acknowledges the uncertainty created by including works that are not currently permitted or approved in our 2018 Work Plan, we do not agree with the position taken by QIA<sup>1,2</sup> and INAC<sup>3</sup> that these works should not be considered within the current ASR process. There is no requirement within either the Commercial Lease (Q13C301) or the Water Licence that specifies planned work outlined in the annual Work Plan must be permitted and approved prior to the estimation and holding of securities, only that the security is comprehensive in nature to address all proposed activities in the annual Work Plan. This is demonstrated in the Water Licence Schedule C, Item 6(c) which states:

*(c) the total financial security amount must be calculated at the beginning of the work year and must be sufficient to meet the **highest reclamation liability in the upcoming year.***  
[Emphasis Added]

Baffinland would like to reiterate our position as stated via email correspondence dated 29 November 2017 (Attachment 2) that the preferred option would be to consider securities for all activities outlined in the 2018/19 Work Plan, however posting of the value determined in the 2018/19 ASR process would not occur until approvals are gained for those activities considered outside the scope of the current permits.

Regardless, Baffinland is committed to reaching a mutually agreeable solution with the QIA, INAC and NWB on the path forward for the 2018/19 ASR process. If it is the opinion of QIA and INAC that activities in the 2018 Work Plan should be excluded from the 2018/19 ASR process, we request that the NWB acknowledge that this approach is to be applied only in consideration of the 2018/19 ASR process and has no bearing on future annual security reviews.

The attached Table 1 outlines the activities that Baffinland is considering as "Category 1" activities from the 2018 Work Plan, such that no further permits or approvals are required to execute this work. It should be

<sup>1</sup> QIA (2017) 171109-QIA-CPL-NonComplianceLetter-ENG-FINAL-signed. 11 November 2017

<sup>2</sup> QIA (2017) 171127-QIA-ASRNWBReponseLetter-ENG-SIGNED 27 November 2017

<sup>3</sup> INAC (2017) 2AM-MRY1325 INAC second proposed timeline for 2018 ASR. 27 November 2017

noted that mobilization of equipment has been included as a Category 1 activity, as reclamation security related to the mobilization of equipment is independent of the direct costs associated with the individual activities proposed in the 2018 Work Plan. Baffinland requests that QIA and INAC review the attached Table 1 list of activities and provide comment, and that the NWB provide direction based on this feedback to determine the activities to be considered under the 2018/19 ASR process.

As a result of the teleconference held 29 November 2017, Baffinland understands that the only mechanism agreeable to the QIA and INAC to review the security costs associated with those activities deemed “Category 2” and “Category 3” for which a Water Licence modification or amendment is likely required, is the implementation of a mid-cycle review initiated by Baffinland under Part C (3) of the Water Licence. While every effort will be made to streamline the modification request submissions and subsequently a single mid-cycle ASR review, Baffinland retains the right to request subsequent ASR reviews under Part C (3) of the Water Licence for consideration and review by the NWB.

Upon review of the activities in the 2018 Work Plan, Baffinland has major concerns related to items that will require a water licence modification, but are under significant time constraints with respect to freshet 2018 and that will potentially have adverse environmental impact if not addressed. These items are further detailed in Table 2, and include:

- Mitigation and corrective actions related to the Waste Rock Sedimentation Pond (MS-08)
- Expansion of the Crusher Pad Sedimentation Pond

We look forward to receiving feedback from all parties and a decision from the NWB on activities to be included in the 2018/19 ASR process.

Regards,



Christopher Murray  
Environmental & Regulatory Compliance Manager

cc. Todd Burlingame, Megan Lord-Hoyle, Baffinland  
Stephen Williamson Bathory, QIA  
Sarah Forté, INAC  
Jamie Van Gulck, ARKTIS

Attachments:

Attachment 1: Supporting Tables

Attachment 2: Relevant Correspondence

## Attachment 1: Supporting Tables

**Table 1: Category 1 Items from the 2018 Work Plan – No Additional Permitting or Approvals Required**

Work Plan Item	Description	Agreed to in Principal by QIA <sup>1</sup>
-	Reconciliation of 2017 Activities	Yes
-	Mobilization of equipment and supplies as outlined in the security estimate	-
Port Site Laydown Areas	Development of seven (7) laydowns in the Port area totaling 282,000 m <sup>2</sup> to improve the efficiency of material storage and management. The laydowns will be constructed by filling directly over undisturbed ground including filling in low lying areas that collect water. The lay down will be constructed utilizing blasted rock with granular topping to a total maximum thickness of 1 m, free draining to appropriate ditches and water courses.	Yes
Relocate Buildings within the Port Site	Relocate existing facilities located in the general area of the fuel tank farm to improve the traffic management of the overall port area.	Yes
Increase Stockpile Laydown Area	Realignment of existing shipload conveyor to improve stockpile laydown area management, including realignment of the stockpile laydown area resulting in additional 26,000 m <sup>2</sup> disturbed land.	Yes
Infrastructure Upgrades	Installation of garages, site offices and equipment storage containers on laydown R3 (laydown identified in 2017 work plan).	Yes
Mine Site Laydown	Development of an 11,400 m <sup>2</sup> laydown area adjacent to the 800-person camp. The laydown will be constructed utilizing blasted rock with granular topping to a total minimum thickness of 1 m, free draining to appropriate ditches and water courses.	Yes
Mine Infrastructure Upgrades (Shops/Offices)	Construction of mine truckshop including two truck bays: a dual purpose wash and lube bay, and a general repair and maintenance bay. Includes concrete floor, overhead crane, and external tool crib, parts storage and HVAC modules. Reinforced concrete building foundation, floor slab and sump(s). Office, garage and workshop installation on existing laydown pad.	Yes
Mine Infrastructure Upgrades (Shops/Offices)	Construction of mine truckshop including two truck bays: a dual purpose wash and lube bay, and a general repair and maintenance bay. Includes concrete floor, overhead crane, and external tool crib, parts storage and HVAC modules. Reinforced concrete building foundation, floor slab and sump(s). Office, garage and workshop installation on existing laydown pad.	Yes

Work Plan Item	Description	Agreed to in Principal by QIA <sup>1</sup>
Tote Road Upgrades (Laydowns)	Development of three laydown areas (R1, R2 and R3) for construction material laydown, equipment maintenance and welding workshops, site offices and containerized spares. The additional laydown space will optimize storage of materials and supplies and reduce traffic. The laydowns will be constructed by filling directly over undisturbed ground including filling in low lying areas that collect water. The lay down will be constructed utilizing blasted rock with granular topping to a total minimum thickness of 1 m, free draining to appropriate ditches and water courses.	-
IT Infrastructure Upgrades	Replacement and upgrade of IT infrastructure, including communication towers to allow for better IT system performance.	Yes

Notes:

1. Per letter from QIA *RE: 2018 Annual Security Review* dated 27 November 2017, addressed to NWB.

**Table 2: Category 2 Items from the 2018 Work Plan Requested to be Included in the 2018/19 ASR Process**

Work Plan Item	Summary of Issue	Request for Inclusion in ASR
Waste Rock Sedimentation Pond (MS-08)	The work proposed for the Waste Rock Sedimentation Pond (MS-08) which encompasses the corrective actions and mitigation required to address current deficiencies would require a modification to the Water Licence. Understanding that this matter is currently under investigation by INAC, Environment and Climate Change Canada (ECCC) and QIA, Baffinland has significant concerns about the ability to implement mitigation and corrective actions in a timely manner if not considered in this ASR process. However, mitigation and corrective actions have not been finalized at this time and are still being prepared by consultants retained by Baffinland to provide expert opinion. Some of these mitigation measures will need to be implemented prior to the 2018 freshet to avoid further environmental impact, and can not be delayed by a subsequent mid-cycle ASR process.	Baffinland requests that a 'lot' security value agreed upon with QIA be applied for the 2018/19 year, which will be reconciled in the 2019/20 ASR process following required updates to the Interim Closure and Reclamation Plan (ICRP) to address the actions implemented at the Waste Rock Sedimentation Pond.
Crusher Pad Sedimentation Pond Expansion	The existing Crusher Pad was expanded in 2017, and was captured under the 2017 Marginal Security Estimate as presented by Baffinland. The associated Sedimentation Pond requires upgrading its capacity to address the additional pad catchment area, and is considered carry over work from the 2017 Work Plan. However, a Water Licence Modification is required to implement these changes, and while a preliminary submission was prepared by Baffinland we were unable to respond in full to comments provided by INAC and elected to suspend the modification request to allow sufficient time for review and if necessary update the Civil Design Criteria for the revisions to the pond. Updates to this pond are required in advance of the 2018 freshet to avoid potential environmental impact, and can not be delayed by a subsequent mid-cycle ASR process.	Baffinland requests that a 'lot' security value agreed upon with QIA be applied for the 2018/19 year, which will be reconciled in the 2019/20 ASR process.

## Attachment 2: Relevant Correspondence

## Christopher Murray

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**From:** Christopher Murray  
**Sent:** November 29, 2017 11:35 AM  
**To:** 'sean.joseph@nwb-oen.ca'  
**Cc:** Stephen Williamson Bathory; 'Jason Ash'; jamie vangulck  
**Subject:** Mary River Project 2018 Annual Securities Review Process Clarification

Hello Sean,

In follow up to our telephone conversation on 28 November 2017, Baffinland is providing this email in an effort to clarify our preferred approach for the Annual Security Review (ASR) process, given the uncertainty associated with activities proposed in the 2018 Work Plan that are not currently permitted.

Baffinland's preferred strategy for managing the ASR process for activities contained in the 2018 Work Plan is as follows:

- Complete the ASR process for all activities considered in the 2018 Work Plan, with an agreed upon understanding between all parties of activities that are currently permitted and those that are not.
- At the conclusion of the ASR process, securities will be posted for those activities that are defined as approved (not requiring additional permitting to complete).
- For all other activities where permits are pending, the securities amounts will be specified for each activity and posting of securities will occur as approvals are gained, and prior to any work commencing.
  - **Note:** It is assumed that the scope of these activities will not deviate from that considered in the security review process to the scope for which approvals are gained. Should the scope of the activities deviate significantly at the permitting stage, a subsequent mid-cycle ASR process will be required to determine if the securities are sufficient for the activities. Baffinland accepts any delays associated with a mid-cycle review, within reason.

Baffinland recognizes the concerns of the QIA and INAC regarding the uncertainty associated with posting of securities for activities that are not currently permitted. Baffinland also recognizes the concerns of the NWB in complicating the ASR process with subsequent mid-cycle reviews. We believe that the above process will allow for a comprehensive security estimate and eliminate the need for any subsequent mid-cycle ASR processes, while allowing Baffinland to continue to pursue the necessary approvals to execute the 2018 Work Plan scope and commence work in 2018 once securities have been posted. This approach also mitigates the potential for Baffinland to be significantly overbonded with respect to activities that may not be approved in 2018. Activities which gain approval in 2018 and have securities posted following the ASR process will be fully documented in the following year ASR estimate prepared by Baffinland. Baffinland acknowledges that individual activities outlined in the 2018 Work Plan may not commence until the relevant permits and approvals are in place and securities posted for these individual activities.

Should you have any questions or concerns regarding the above outlined approach, please feel free to contact me to discuss.

Regards,



**Christopher Murray | Environmental & Regulatory Compliance Manager**

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