



2020 Annual Security Review

Summary Presentation

10 January 2020

Agenda

- Introduction
- 2020 Work Plan & Proposed Revisions
- 2020 Security Review
- Questions

An aerial photograph of a high-altitude mountain valley. A river flows through the center of the valley, surrounded by terraced slopes of various shades of brown and grey. The river has a light blue-green hue, possibly due to glacial meltwater. The sky is overcast with grey clouds. The overall scene is rugged and desolate.

Introduction

2020-01-07

Introduction

- Annual update to the reclamation security required under the Type 'A' Water Licence 2AM-MRY1325, and Commercial Lease Q13C301
- Reclamation security intended to be inclusive of all closure and reclamation costs estimated for a 3rd Party Contractor to complete the work
- Estimate built up from direct cost unit rates, and indirect costs required to support reclamation work to ensure objectives are met
- Baffinland utilizes the Estimate Breakdown Structure (EBS) developed by Hatch in 2014 in the *Complete Project Financial Security Estimate*, and Unit Rate updates completed in 2018.



2020 Work Plan

2020-01-07

2020 Work Plan Overview

- 2020 Work Plan scope focuses on improvements, infrastructure and equipment required to execute the currently approved phase of the Mary River Project
- In addition the 2020 Work Plan considered works that were planned to proceed based on the anticipated timing of the amendment of the Project Certificate for the Phase 2 proposal.
- No works were included that relied on the issuance of the amendment of the Type A Water Licence, as the reclamation securities review for these activities is considered in the amendment process.

2020 Work Plan Revisions

- As a result of the adjournment of the Phase 2 public hearing in November, and the associated review timeline uncertainty and subsequent impact to Baffinland's financial position, the 2020 Work Plan scope was revised.
- Revision to the scope of work focused on key areas;
 - Reduction in earthworks (quarries and laydowns)
 - Reduction in contractor mobilization
 - Removal of works associated with the amended Project Certificate for the Phase 2 proposal.

Carry Over from Prior Years

- A number of activities proposed in 2019 and prior, but not yet fully executed or initiated are included in the 2020 Work Plan. This list includes, but is not limited to;
 - Development of quarries and laydowns along the Tote Road
 - Mine site upgrades including the ROM stockpile area, haul road cross cut and widening, additional laydowns, offices and shops, crusher pad expansion, hazardous waste berms and a new landfarm facility
 - Milne Port upgrades including laydowns, hazardous waste berms, relocation of the effluent discharge and marine manifold, sedimentation pond 2a, PWSP and contaminated snow dump pond construction.

2020 Work Plan (as revised)

- Tote Road
 - Continued work to repair/replace culverts along the Tote Road, including those with identified fish passage issues.
 - Addition of washroom facilities/refuge stations at KM26 and KM80 IT Tower.

2020 Work Plan (as revised)

- Milne Port
 - Installation of one (1) new incineration unit
 - Thaw and wash bay for mobile vehicle maintenance
 - Warehouse/parts staging area upgrades, 540 m² seacan tent structure
 - Expanded explosives storage and heated emulsion truck parking (27,000 m²)

2020 Work Plan (as revised)

- Mine Site
 - Installation of new fuel line, est. 250m of pipe
 - Installation of one (1) new incineration unit
 - Construction of a new pond at the Waste Rock Facility (WRF) (est. 50,000 m²)
 - Expansion of geotube containment area at the WRF (3,000 m²)
 - Installation of hard line for water transfer from Deposit 1 to the WRF pond (3,500 m)
 - Construction of new sedimentation pond on Mine Haul Road (10,000 m³)

2020 Work Plan (as revised)

- Mine Site (cont'd)
 - Construction of concrete apron outside mine truck shop (1,020 m²)
 - Expansion of the mine site workshop area (18,000 m²)
 - Expansion of the explosives magazines storage areas (8,400 m²) and heated emulsion truck parking (1,600 m²)
 - Construction of waste containment cells exterior to shops (456 m²)
 - New maintenance facilities at KM110 laydown, and new offices/trailers in the camp and crushing areas.
 - Expansion of the warehouse area laydown (3,200 m²) and installation of permanent lighting (600 m cable)

An aerial photograph of a vast, flat landscape, likely a tundra or wetland. A winding river flows through the center, surrounded by numerous small, irregular ponds and wet patches. The terrain is a mix of brown, green, and blue hues, suggesting different vegetation and water levels. In the background, there are low, rolling hills under a sky with scattered white clouds.

2020 Security Review

Current Holding of Reclamation Security

- In respect of the current Type A Water Licence 2AM-MRY1325, the value of reclamation security currently held is as follows;
 - QIA - \$104,687,658
 - Crown – \$1,448,801

	Authorization	Liability	Total Value of Reclamation Security Currently Posted (\$)
1	Type A 2AM-MRY1325	IOL ²	104,687,658
2		Crown	1,448,801
3		Water	-
4		Land	-
5	<i>Subtotal Type A</i>		106,136,459
6	Type B Exploration 2BE-MRY1421	IOL ²	-
7		Crown	1,250,000
8		Water	-
9		Land	-
10	<i>Subtotal Type B Exploration</i>		1,250,000
11	DFO Security Associated with Ore Dock	IOL ²	-
12		Crown	563,000
13		Water	563,000
14		Land	-
15	DFO Security Associated with Freight Dock	IOL ²	-
16		Crown	4,250,000
17		Water	4,250,000
18		Land	-
19	<i>Subtotal DFO</i>		4,813,000
20	AANDC Land Lease 47H/16-1-2	IOL ²	-
21		Crown	4,975,000
22		Water	-
23		Land	4,975,000
24	<i>Subtotal AANDC Land Lease</i>		4,975,000
25	GRAND TOTAL		117,174,459

Responses to Intervenor Submissions - CIRNAC

- Key difference in the Baffinland and SNC derived estimates is associated with the use of unit rate updates completed in 2018 and validated during the 2019 ASR.
 - Baffinland maintains that the unit rate updates completed in 2018 remain validated, and will continue to utilize these until subsequent unit rate updates are required.
- Baffinland provided clarifications on the typographical errors and discrepancies in the quantities of equipment between the *2020 Marginal Closure and Reclamation Financial Security Estimate* and the values presented in the EBS model.

Responses to Intervenor Submissions - QIA

- No specific questions or requests for clarification in QIA submission
- Key differences between the Baffinland and QIA estimates are the result of;
 - Arktis did not utilize provided information from sealift manifests to inform reconciliation of the 2019 estimate (both equipment not mobilized, and equipment backhauled from Site)
 - Findings of the 2019 Environmental Audit by QIA, which are contested by Baffinland
 - The 'High Uncertainty Items' and application of indirect costs
- Baffinland will continue to engage with QIA through the arbitration process to seek resolution of identified discrepancies and alignment of the respective estimates.

Security Estimate

- 2020 Work Plan estimate is presented below, as well as corrected values based on intervenor submissions
- 2020 Work Plan Revision 1 presented in draft based on reduced scope, final value to be published following any feedback received during the ASR teleconference

	2020 Work Plan Rev. 0			2020 Work Plan Rev. 0, Corrected			2020 Work Plan Rev. 1 (DRAFT)		
	IOL	Crown	Subtotal	IOL	Crown	Subtotal	IOL	Crown	Subtotal
Direct Cost	\$ 8,615,000	\$ 867,000	\$ 9,482,000	\$ 8,420,000	\$ 867,000	\$ 9,287,000	\$ 1,698,000	-	\$ 1,698,000
Indirect Cost	\$ 9,440,000	\$ 610,000	\$ 10,050,000	\$ 9,324,000	\$ 610,000	\$ 9,935,000	\$ 1,052,000	-	\$ 1,052,000
Subtotal Marginal Estimate	\$ 18,055,000	\$ 1,477,000	\$ 19,532,000	\$ 17,744,000	\$ 1,477,000	\$ 19,221,000	\$ 2,750,000	-	\$ 2,750,000
Subtotal Global Estimate	\$ 114,493,000	\$ 3,279,000	\$ 117,772,000	\$ 114,182,000	\$ 3,280,000	\$ 117,461,000	\$ 99,188,000	\$ 1,802,000	\$ 100,990,000
Total Security Held	\$ 104,687,658	\$ 1,448,801	\$ 106,136,459	\$ 104,687,658	\$ 1,448,801	\$ 106,136,459	\$ 104,687,658	\$ 1,448,801	\$ 106,136,459
Marginal Adjustment	\$ 9,805,342	\$ 1,830,199	\$ 11,635,541	\$ 9,494,342	\$ 1,831,199	\$ 11,324,541	\$ (5,499,658)	\$ 353,199	\$ 5,146,459

A photograph of a river flowing through a canyon. The canyon walls are composed of layered, sedimentary rock, showing distinct horizontal strata. The river is calm, reflecting the sky and the surrounding rock formations. The foreground is filled with rocks and pebbles. The sky is a clear, pale blue.

Questions