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January 9, 2020

Assol Kubeisinova
Technical Advisor
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut X0B 1J0

RE: Licence No. 2AM-MRY1325 Type "A"; Mary River Project, Baffinland Iron Mines Corporation, 2020 Annual Security Review Associated with 2020 Work Plan, Qikiqtani Inuit Association Speaking Notes

The Qikiqtani Inuit Association (QIA) provides this letter to the Nunavut Water Board (NWB) to support the upcoming 2020 Annual Security Review (ASR) teleconference on January 10, 2020. This letter summarizes the speaking notes to be used by the QIA during the teleconference.

Introduction

Pursuant to Section 9.2 of the Commercial Lease No. Q13C301 (Lease),¹ 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 (Baffinland) 2020 Work Plan and the associated financial security estimate² and hired ARKTIS Solutions Inc. (ARKTIS) to complete a reclamation security update report³. This report was submitted to the NWB on December 13, 2020 and specifically addresses activities occurring on Inuit Owned Land.

The total security estimate for 2020 from the ARKTIS report is \$160,271,600 for all activities excluding those related to Phase 2 and \$163,410,500 for all activities inclusive to Phase 2. The increases specific to the 2020 Work Plan are \$32,139,800 and \$35,278,700, respectively. These numbers are subject to change based on further discussions with Baffinland and the outcome of the upcoming teleconference. For reference, QIA holds \$104,687,158 in security for the Mary River Project.

Regarding this increase, the following items are important to note:

- The ARKTIS report does not address items under the Type 'B' Exploration Licence No.: 2BE-MRY1421, nor does it address items located on Crown Land.
- The 2020 total security estimate between the two parties significantly differs. If Phase 2 activities are considered, QIA's total security estimate is \$48,917,500 above

¹ QIA and BIMC (2013). Commercial Lease No.: Q13C301. September 6, 2013.

² Baffinland (2019). 2020 Marginal Closure and Reclamation Financial Security Estimate. November 1, 2019.

³ ARKTIS (2019). 2020 Mary River Reclamation Security Update Report. Version 1. December 13, 2019.



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Baffinland's, specific to IOL. A significant portion of this disparity may be addressed by the outcome of the 2019 arbitration process (discussed below).

- Baffinland has indicated to all parties that an amendment to the 2020 Work Plan may be delivered proceeding the teleconference.

The full details of the methodology used by the QIA to develop the reclamation security estimate is provided in the detailed technical report³ submitted to the NWB on December 13, 2018. However, the QIA would like to highlight the following:

- The QIA security estimate was developed in accordance with the QIA's Abandonment and Reclamation (A&R) Policy⁴ and applied the principles outlined in Crown-Indigenous Relations and Northern Affairs Canada's (CIRNAC) reclamation policy.⁵
- The estimate primarily utilized Baffinland's 2020 Work Plan, Baffinland's 2020 Marginal Closure and Reclamation Security Estimate, and information collected during the QIA's 2019 Audit⁶.
- The QIA's assumptions and approaches used to calculate the 2020 security estimate are consistent with those used for the development of the 2014 through 2018^{7, 8, 9, 10, 11, 12, 13} security estimates.
- Since 2008 the QIA has actively reviewed security for the Mary River Project through environmental audits and work plan reviews. The 2020 ASR process is an extension of this work.

QIA identifies the four following items as outstanding for the 2020 ASR process. Additional items may be identified at a later date following the outcome of the teleconference, ongoing communications with Baffinland, and the potential submission of an amended 2020 Work Plan.

⁴ QIA (n.d.) Abandonment and Reclamation Policy for Inuit Owned Lands. V. 2.0.

⁵ INAC (2002) Mine Site Reclamation Policy for Nunavut.

⁶ ARKTIS (2019). 2019 Environmental Audit Report. September 17, 2019.

⁷ ARKTIS (2014) QIA 2015 Comprehensive Security Estimate. December 5, 2014.

⁸ ARKTIS (2015) QIA Revised 2015 Comprehensive Security Estimate. January 13, 2015.

⁹ ARKTIS (2015) QIA 2016 Comprehensive Security Estimate. December 2, 2016.

¹⁰ ARKTIS (2016). QIA 2017 Comprehensive Security Estimate. December 2, 2016.

¹¹ ARKTS (2017). Baffinland Iron Mines Corporation, Mary River Project, QIA 2017 Addendum Reclamation Security Update Draft. July 19, 2017.

¹² ARKTIS (2018). 2018 Mary River Reclamation Security Report. February 2, 2018.

¹³ ARKTIS (2019). 2019 Mary River Reclamation Security Report – Version 2. January 17, 2019.



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1. 2019 Arbitration Process

In 2019, Baffinland and QIA agreed, in good faith, to enter into arbitration under the Lease to resolve the disparity in reclamation security for the Mary River Project. At present, this process remains ongoing; however, it is the intention of both parties to reach a resolution in a timely manner. This process will characterize the appropriate approach to quantifying reclamation security for the high uncertainty items identified in the Terms of Reference.

QIA will not be responding to any items being discussed in the Arbitration process during the teleconference.

2. Reclamation of the Airstrip & Tote Road

As the Landowner, QIA through the Lease has the right to approve Baffinland's Interim Closure and Reclamation Plan and set security for liability and disturbances on IOL.

As noted throughout Rev. 5 of Baffinland's Interim Closure and Reclamation Plan, the assumption is that the airstrip may be reclaimed. As such, QIA believes the conservative approach of holding security for the airstrip is reasonable. Regarding, the 2019 Environmental Audit and the Tote Road Area reclamation, it was QIA's understanding that PhotoSat would be used by both parties to determine the areas of disturbance, some historical, adjacent to the Tote Road. This calculated area was adjacent to the Tote Road but did represent the Tote Road itself; therefore, QIA requested in the 2019 Audit that Baffinland adjust its 2020 Security Estimate accordingly to account for this newly calculated area. ARKTIS added this area to the 2020 security estimate while Baffinland did not.

QIA is open to discussing both of these items with Baffinland after this teleconference.

3. CIRNAC Statements

QIA would respectfully request that CIRNAC or its consultants provide additional context to the following statements made in their submission (paraphrased):

- Closure costs should be based on other reclamation concepts (as a cover) until the Baffinland mine can validate that they can manage ARD and metals leaching with their waste rock management plan.
- Validate geology and geochemistry of waste rocks and rock pile closure design (based on permafrost), considering the updated thermal model.
- Cost for studies and instrumentation not in place yet or needed at the end of mine operations at the Baffinland site should be added to the security



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4. Amendment to the 2020 Work Plan

Baffinland has indicated to all parties that an amendment to the 2020 Work Plan may be delivered proceeding the teleconference. The draft material provided by Baffinland¹⁴ indicates a significant reduction in proposed activities in comparison to the 2020 Work Plan submitted on November 1, 2020. QIA will continue to work with Baffinland, NWB and CIRNAC in understanding the implications of the proposed amendment to the ASR process.

Regarding timing, QIA would like to bring attention to the requirements for regulatory submissions under the IIBA, specifically subsection 15.10.

Recommendations

Based upon the current 2020 Work Plan (inclusive of Phase 2 activities), the reclamation security held by QIA under the Lease is recommended to be increased by \$48,917,500 from the current security held of \$104,687,158 to a total of \$163,410,500. These are preliminary recommendations and subject to change based on further discussions with Baffinland and the outcomes of this teleconference.

QIA looks forward to participating in the upcoming ASR teleconference call and to ongoing discussions with Baffinland, NWB and CIRNAC. Please do not hesitate to contact the undersigned should you require any further information.

Sincerely,

Chris Spencer
Regulatory Manager

¹⁴ Baffinland (2019). Responses to Intervenor Submissions and Updated 2020 Work Plan Scope of Work, 2020 Work Plan Annual Security Review, Mary River Project, Type A Water Licence No. 2AM-MRY1325. December 30, 2019.