



November 19, 2020

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Nunavut Water Board
P.O. Box 119
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**Re: Annual Security Review Process and Timelines
2021 Work Plan Annual Security Review
Mary River Project, Type A Water Licence No. 2AM-MRY1325**

Baffinland Iron Mines Corporation (Baffinland) provides the following letter to the Nunavut Water Board (NWB) in response to the process guidance issued by the NWB regarding the 2021 Work Plan and associated Annual Security Review (ASR).

Timeline for the Annual Security Review

Regarding the timeline and event milestones presented in Table 1 of the NWB guidance, Baffinland does not have any significant objections to the timeline as proposed. It is acknowledged that the timeline has been adjusted relative to prior years as a result of the delayed submission of the 2021 Work Plan. This adjustment may be considered overly conservative, but is in line with the revised schedule from the 2020 ASR process. Barring any unforeseen delays associated with the current COVID-19 pandemic response, Baffinland encourages the NWB to maintain the schedule as proposed, to the extent possible.

Direction on Phase 2 Amendment

The NWB provided the following guidance regarding the current amendment application for the Phase 2 Proposal:

*"The 2021 ASR differs from its past iterations due to the ongoing review of Baffinland's application for Licence amendment associated with the Phase 2 Expansion Project. Therefore, the **parties are requested to consider the difference between the activities under current Licence and its requested amendment during the 2021 ASR process.**"*

Baffinland request that the NWB clarify the provided direction to ensure shared understanding among all participants in the 2021 ASR. It is Baffinland's intention and understanding that the 2021 ASR process is limited in scope to the project activities approved under the current Type A Water Licence 2AM-MRY1325 Amendment No. 1, or where a modification request to the Type A Water Licence may be required to execute the scope of work. Baffinland requests clarification from the NWB that the 2021 ASR process will not consider the security estimate for the Phase 2 Proposal, submitted in May 2019 with the updated amendment application.

For transparency and completeness in the 2021 Work Plan, Baffinland has included activities that may be executed in 2021 pending ministerial approval of the amendment application and issuance of an amended Water Licence. These activities, outlined in Table 3.2 of the 2021 Work Plan, are not included in the 2021 Marginal Closure and Reclamation Financial Security Estimate under consideration in the 2021 ASR process. Where applicable, the activities in Table 3.2 will be assessed through the review and approval of the security estimate submitted in May 2019 as part of the Phase 2 Proposal amendment application.

Direction on 2019 Work Plan Arbitration

As noted in the 2021 Work Plan and associated Marginal Closure and Reclamation Financial Security Estimate, Baffinland and the QIA successfully completed the arbitration exercised under the Commercial Lease Q13C301 in respect of the 2019 Work Plan. Baffinland is seeking guidance from the NWB regarding the inclusion of the outcomes of the arbitration into the determination of security to be held for the Mary River Project under Type A Water Licence 2AM-MRY1325. It is Baffinland's expectation that the Board's determination on the value of security to be held relative to the 2021 Work Plan will respect the outcomes of the arbitration and include an update on the value to be held relative to the 2019 Work Plan.

Baffinland looks forward to the successful execution of the 2021 ASR process, and welcomes intervenors to contact Baffinland should there be any need for clarification on the scope of the 2021 Work Plan and associated reclamation security outside of the prescribed submission deadlines.

Regards,

A handwritten signature in black ink, appearing to read 'Chris Murray', written over a horizontal line.

Christopher Murray
Environmental & Regulatory Compliance Manager

cc. Richard Dwyer, Karén Kharatyan, Stephanie Autut (NWB)
Chris Spencer, Jared Ottenhof (QIA)
Bridget Campbell, Godwin Okonkwo, Spencer Dewar (CIRNAC)
Megan Lord-Hoyle, Lou Kamermans, Amanda McKenzie (Baffinland)