

File No: 2AM-MRY1325

November 20, 2020

To: Mary River Distribution List

Subject: Licence No: 2AM-MRY1325 Type "A"; Mary River Project, Baffinland Iron

Mines Corporation;

Follow-up Process Guidance on the Annual Security Review Associated with

the 2021 Work Plan

Dear Parties:

On November 12, 2020, the Nunavut Water Board (NWB or the Board) distributed a correspondence providing guidance for the Annual Security Review associated with the 2021 Work Plan (the ASR), as required under Licence No: 2AM-MRY1325 (the Licence), issued to Baffinland Iron Mines Corporation (Baffinland or the Licensee) for the Mary River Project (the Project). The Board requested that the Licensee, Crown-Indigenous Relations and Northern Affairs (CIRNA), and the Qikiqtani Inuit Association (QIA) provide comments with respect to the ASR process and proposed timelines.

On November 16, 2020, the QIA advised¹ the NWB that it "... will be closed from December 18, 2020 to January 11, 2020 [sic] and will be unable to participate in events scheduled during this time". On November 19, 2020, CIRNA informed² that "proposed timelines in January, 2021 is scheduled to occur during holiday office closures. CIRNAC supports a one week postponement of these dates, at the discretion of the Nunavut Water Board, and provided that Baffinland Iron Mines Corporation, the Qikiqtani Inuit Association, and other relevant parties are in agreement with the extension". On November 19, 2020, the Licensee submitted a letter³ requesting that it did "... not have any significant objections to the timeline as proposed... 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".

Copies of all documents received can be accessed through the NWB's Public Registry and FTP site using the following link:

¹ Chris Spencer (QIA) to Wilfrid Bagley (NWB), Re: 2AM-MRY1325 2021 Annual Security Review - Process Guidance, dated November 16, 2020.

² Bridget Campbell (CIRNA) to Wilfrid Bagley and Assol Kubeisinova (NWB), Re: 2AM-MRY1325 2021 Annual Security Review - Process Guidance, dated November 19, 2020.

³ Christopher Murray (Baffinland) to Assol Kubeisinova (NWB), Re: Annual Security Review Process and Timelines 2021 Work Plan Annual Security Review Mary River Project, Type A Water Licence No. 2AM-MRY1325, dated November 19, 2020.

 $\frac{ftp://ftp.nwb-oen.ca/registry/2\%20MINING\%20MILLING/2A/2AM\%20-\%20Mining/2AM-MRY1325\%20BIMC/3\%20TECH/2\%20SECURITY\%20(C)/2021/$

Given the scheduling limitations outlined by the Project area landowners, the QIA and CIRNA, the Board adjusted the timeline for the 2021 ASR. Table 1 with updated timeline is attached to this correspondence.

In addition, the Board would like to offer its response to the points raised by Baffinland in its November 19, 2020 submission.

The Licensee notes in its letter:

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.

While the NWB agrees with Baffinland's request that only approved activities (or requiring Licence modifications) are to be considered in the 2021 ASR process the Board would like to clarify that the reason of referring in its November 12, 2020 guidance to the Phase 2 activities that are currently undergoing Project assessment by the Nunavut Impact Review Board was the inclusion by the Licensee of Phase 2 security evaluations in its 2021 Work Plan package, and the note in the 2021 Marginal Closure and Reclamation Financial Security Estimate dated November 6, 2020 that

... the 2021 Work Plan considers works that are planned based on the anticipated approval of the Phase 2 proposal at a point in 2021. While the 2021 Work Plan considers the scope of the Phase 2 proposal activities planned for 2020 following the issuance of the amended Project Certificate, activities that require the amendment to the Type 'A' Water Licence have not been considered. This approach ensures that adequate securities are considered for each stage of the approval process and reduces the administrative burden of subsequent Work Plan amendments and review following the issuance of the amended Project Certificate.

In addition, in its November 19, 2020 submission, the Licensee informed that "Baffinland and the QIA successfully completed the arbitration exercised under the Commercial Lease Q13C301 in respect of the 2019 Work Plan". Therefore, the Licensee expressed its "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". The NWB understands that the Licensee provided an update on the outcome of the arbitration in the *Marginal Closure and Reclamation Financial Security Estimate* dated November 6, 2020. In line with the standard ASR process, the Board advises that it will consider the submission, as well as the Parties' feedback and recommendations based on their review of 2021 Work Plan submission.

Type "A" Water Licence 2AM-MRY1325 2021 ASR Updated Timeline

Should you have any questions regarding the above, please direct them to the NWB Licensing Department by email to licensing@nwb-oen.ca, or to Assol Kubeisinova, Technical Advisor, by email at assol.kubeisinova@nwb-oen.ca or by phone at (867) 360-6338 Ext. 31.

Sincerely,

NUNAVUT WATER BOARD

Stephanie Autut Executive Director

Attachment: Table 1

Table 1: Licence No: 2AM-MRY1325; Updated Timeline for the Annual Security Review Associated with the 2021 Work Plan

Event	Date
The Licensee filed a copy of its 2021 Work Plan as required under Schedule J of the Licence.	November 6, 2020
The Licensee, Crown-Indigenous Relations and Northern Affairs (CIRNA), and the Qikiqtani Inuit Association (QIA) provided comments with respect to the ASR process and timelines proposed in this Table.	November 19, 2020
CIRNA, the QIA and any other interested parties file written submissions regarding the Licensee's 2021 Work Plan and any updates to the reclamation security estimates for the Project.	December 10, 2020
The Licensee files any updated information regarding additional security amounts posted with the QIA and territorial or federal authorities that have issued authorizations to the Project, including CIRNA.	December 21, 2020
Licensee files its response(s) to interveners' submissions regarding reclamation security associated with the 2021 Work Plan.	
Parties file any presentation materials on which the parties intend to rely during the NWB's teleconference regarding the ASR associated with the 2021 Work Plan.	January 18, 2021
The NWB holds a teleconference regarding the ASR associated with the 2021 Work Plan.	January 21, 2021
Parties file updates and/or addenda to the intervenor submissions (filed by December 10, 2020) and Licensee submissions (filed by December 21, 2020) based on the discussion and commitments at the teleconference.	January 28, 2021
NWB to issue an ASR decision that advises the Licensee and interested parties of the total financial security required to be posted prior to commencement of the 2021 Work Plan under Part C, Item 1 of the Licence.	February 25, 2021
Licensee to file any additional reclamation security amount required as determined by the NWB and set out in the ASR decision in accordance with Part C, Item 1 of Licence No: 2AM-MRY1325.	March 29, 2021