



January 13, 2021

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

**Re: Responses to Intervener Submissions
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 intervener submissions received from Crown Indigenous Relations and Northern Affairs Canada (CIRNAC)¹ and the Qikiqtani Inuit Association (QIA)², in regards to the 2021 Annual Security Review (ASR) for the Mary River Project (the Project) Type 'A' Water Licence No. 2AM-MRY1325 (as amended). Where applicable, Baffinland has provided responses to intervener questions to clarify or revise the position presented by Baffinland in the 2021 Marginal Closure and Reclamation Financial Security Estimate³ (2021 Security Estimate). Where possible Baffinland has attempted to clarify discrepancies between the estimates prepared by interveners and the 2021 Security Estimate. Additionally, Baffinland has provided confirmation to the NWB on the total value of reclamation security currently posted for the Mary River Project.

Confirmation of Reclamation Security Values Currently Held

The total value of reclamation security currently held for the Mary River Project is provided in the table in Attachment 1. Baffinland notes an omission in the 2021 Security Estimate Table 5-4 as identified by CIRNAC regarding the current value of security held by Fisheries and Oceans Canada (DFO) under current Fisheries Act Authorizations, however this does not have a material impact on the securities held under the Type 'A' Water Licence 2AM-MRY1325, and is provided herein for completeness. There were no addendums to the Work Plan issued in 2020.

In 2019, Baffinland and QIA entered into an arbitration process regarding the value of reclamation security associated with the 2019 Work Plan. As the arbitration process concluded in fall 2020, the value of reclamation security held by QIA in respect of the Commercial Lease Q13C301 was revised accordingly. Following Baffinland's submission of the *Global Reclamation Security Update, Post Arbitration – 2019 Work Plan Reconciliation* provided as Appendix A of the 2021 Estimate, Baffinland received correspondence from QIA (provided as Attachment 2) confirming the value of \$113,371,000 as the correct amount of security for Inuit Owned Lands (IOL) in respect of the 2019 Work Plan. As a result, Baffinland

¹ CIRNAC (2021). Re: Crown-Indigenous Relations and Northern Affairs Canada's Reclamation Cost Estimate for the Annual Security Review for Baffinland Iron Mines Corporation's Updated 2021 Work Plan for the Mary River Project, Water Licence 2AM-MRY1325 Amendment No. 1. 4 January 2021

² QIA (2020) Annual Security Determination for Baffinland's Mary River Project – Licence No. 2AM-MRY1325. 29 December 2020

³ Baffinland (2020) 2021 Marginal Closure and Reclamation Financial Security Estimate. 6 November 2020

posted an additional \$8,863,342 (less interest earned on QIA's cash holdings) in the form of a letter of credit in early December 2020. The table in Attachment 1 reflects this increase.

Crown Indigenous Relations and Northern Affairs Canada Estimate

Baffinland provides the following clarifications and corrections in this letter, along with responses to recommendations from the SNC-Lavalin (SNCL) report in Attachment 3.

Interim Closure and Reclamation Plan

Baffinland recognizes the concern raised by CIRNAC regarding updates to the Interim Closure and Reclamation Plan (ICRP). It is noted that the ICRP is an iterative document intended to be updated throughout the life of mine and adapt to observed conditions in on-going monitoring, reclamation research, improved and novel mitigation measures, and feedback from Inuit and intervenors. Baffinland agrees that contingency may be reduced in the future as the estimate is further refined and uncertainties addressed.

Baffinland notes the concerns raised by CIRNAC regarding the Waste Rock Facility (WRF) and integration of the Phase 1 Waste Rock Management Plan (Phase 1 WRMP). However, it is Baffinland's position that the updates to the Phase 1 WRMP, including the adjustment of the waste placement strategy, were designed to ensure the closure objective of freezing waste rock in permafrost could be achieved. Monitoring presented in the Phase 1 WRMP demonstrate that the WRF is frozen at depth below a seasonal active layer, and that cover material at closure (50 m of non-PAG material) will mitigate any further seasonal freeze-thaw, thereby ensuring the closure objective is met. The deposition strategy outlined in the Phase 1 WRMP is designed to ensure lift placement facilitates the required freezeback of material, which will be validated through on-going monitoring. Results of on-going monitoring of the thermal condition of the WRF, as well as water quality monitoring, will be presented in the 2020 Annual Report for Operations. At this time, results demonstrate the selected closure strategy is adequate to meet the objectives of the ICRP, however this may require revision at a future date should the results of WRF monitoring indicate the Phase 1 WRMP mitigation measures are not sufficient to meet the closure objectives. As a result, no update to the ICRP is required at this time relative to the WRF.

Regarding uncertainty relative to the Open Pit, Baffinland notes that active mining at Deposit 1 remains a hilltop outcrop, and no Open Pit has formed. Open Pit development was predicted to occur in year 10-12 of mining at full production (21.5 Mtpa), and is still several years away from development. Reclamation research will reduce uncertainty around the open pit water filling and final water quality, but will require operational monitoring in addition to advance studies to refine the closure predictions. As a result, there are no updates to the reclamation estimate required at this time relative to the development and closure of an Open Pit.

Unit Rates

It is noted that CIRNAC has utilized unit rates for their estimate that differ from those presented by Baffinland. It should be noted that the result of the 2019 Work Plan Arbitration, conducted under the *Arbitration Act* (Nunavut) and binding under the terms of the Commercial Lease Q13C301 with the QIA,

found in favour of the Baffinland methodology to use site-specific contractor cost data in supporting the development of unit rates. The Final Award accepted Baffinland's unit rates, and accordingly they have been utilized in the reconciliation of the 2019 and 2020 estimates, as well as the development of the 2021 Work Plan, with inflation applied to account for changes in market conditions since the last unit rate update.

CIRNAC has utilized unit rates compiled by SNCL in 2019. Baffinland notes the following inaccuracies and issues with the unit rate analysis completed by SNCL:

- SNCL's assessment of unit rates presented in Section 4.1 of the *Final 2020 Annual Security Review* (12 December 2019) incorrectly states that unit hours for closure activities were estimated at approximately 30% of installation hours. While this is true for unique items, as detailed in the *2014 Complete Project Financial Security Assessment* (Section 6.0), unit rates were built up on a first principles approach wherever possible. Unit rates were built up in a workshop format with professional estimators and discipline leads familiar with the scope of work to be performed in closure, in order to gain consensus on the quantities of person-hours and equipment time to complete each activity. Durations and crew sizes are detailed for each unit rate, and were developed with consideration for issues that result in a loss of productivity and therefore no productivity factor was used, developed or applied unless explicitly noted.
- Unit rates listed as presented by Baffinland in the 2019 Work Plan and associated estimate are not accurate. SNCL has utilized the rates provided in Rev. 0 of the Marginal Closure and Reclamation Financial Security Estimate (Nov. 1, 2018), and not the revised rates presented in Rev. 1 (20 December 2018). There is no difference between the Baffinland unit rates presented in Rev. 1 and on which the estimate for the 2019 Work Plan and subsequent arbitration was based, and the unit rates presented for the 2020 Estimate or 2021 Estimate. Any perceived adjustment between years as applied by SNCL is therefore inaccurate. This error results in an overestimation of the 'variance' cost for the 2018 unit rates (column AB) in the tab '*BIMC Rates '14, '18 & '20*' in the 2020 Reconciled Global RECLAIM MODEL prepared by SNCL. This in turn results in an inflation of the SLI 2020 Unit Rate in column AG. An updated copy of this tab is provided in electronic format with this submission for comparison. In the Global estimate for 2020, this correction results in a decrease of direct costs of approximately \$1.3M. Use of the inaccurate unit rates in the 2021 marginal estimate also result in changes to the total, however here it is an increase of approximately \$10k – it is unclear why a reduction in the unit rates results in an increase to the direct cost, and Baffinland requests clarification on this issue.
- SNCL's assessment of unit rates presented in Section 4.1 of the *Final 2020 Annual Security Review* (12 December 2019) does not provide sufficient justification for the use of a \$90 per hour labour rate, or calculations to demonstrate how this rate was derived. SNCL states that rates were assessed "against market conditions", but does not provide any references or contractor costs for comparison. It is unclear if SNCL has assessed against market conditions or rates for contractors based in Nunavut or elsewhere in North America, and the industry(s) that these rates were derived from. Baffinland has provided all contractor rates and assumptions used in the derivation of labour and equipment blended rates.

- The RECLAIM Model (v.7) on which the SNCL estimate is based, includes labour rates that are based on northern reclamation projects. In reviewing the RECLAIM Model rates, the average of the range of labour rates provided is \$72, less than the unit rate calculated from actual site specific data provided by Baffinland. It is unclear if the rates in the RECLAIM model were relied upon in SNCL's assessment of unit rates, or if alternative data sources were used to calculate a labour rate of \$90/hour.
- SNCL's assessment of unit rates presented in Section 4.1 of the *Final 2020 Annual Security Review* (12 December 2019) notes that supervisors and project managers are included in Baffinland's calculation of the blended labour rate, and that direct costs "on-tool" labour should make up the entirety of this weighting. Baffinland agrees that supervision and Project Management are separately accounted for as an indirect cost in the estimate. The result of the inclusion of supervision and project management in the calculation of the blended labour rate is an increase in the overall labour rate, as these roles are typically more expensive on a per-hour basis. As a result, Baffinland's blended unit rate for labour is inherently conservative by including these roles in the weighted calculation.

Engineering Costs

Given that the complexity of the reclamation activities has not meaningfully increased with the scope of work proposed in the 2021 Work Plan, only the scale of the activities, Baffinland does not believe an increase to the percentage applied for engineering fees is warranted. As outlined in the 2014 Complete Project Financial Security Assessment, limited additional site characterization will be required to develop any engineering specifications and drawings required for contracting, due to the relatively straightforward nature of the reclamation program and the level of information already available. The reclamation program will be predominantly an earthworks exercise with a simple demolition contract, and therefore a relatively simple engineering scope. Further, engineering fees percentages as provided by various engineering associations cite that fees are reduced as the cost (scale) of the project increases. Baffinland has not sought a reduction in engineering fees despite an increase in the scale of the project, and therefore the current estimate is conservative. Further discussion on engineering fees is presented in Baffinland's response to QIA comments.

RECLAIM Estimate Review

Baffinland completed a review of the documentation provided by CIRNAC, including the SNCL 2020-2021 *Annual Security Review*, as well as excel versions of the RECLAIM model prepared by SNCL in the development of their estimate. It is noted that the bulk of the discrepancy between the CIRNAC and Baffinland estimates is based on Direct Costs in the 2020 Global estimate, while marginal costs for 2021 are closer to the Baffinland costs as estimated. Review comments on the estimates are as follows;

Direct Costs

- In the excel version of the 2020 Reconciled Global RECLAIM MODEL, under the 'Open Pit' tab, quarries PQ2A, PQ4A, PQ6A and PQ12A are incorrectly attributed to water cost when they should be land cost. Additionally, PQ6A as proposed is on Crown Land (however the Quarry is not active,

nor has approval for the Quarry been granted through the issuance of a quarry permit from CIRNAC.).

- It is unclear how the Disturbed Areas analysis has been incorporated into the 2020 Global and 2021 Marginal estimates prepared by SCNL. The values presented in the 2021 Marginal RECLAIM MODEL are inconsistent with the values presented by Baffinland in the Disturbed Areas Analysis, and the values for grade and re-contour, and grade and re-contour with a liner, as shown in the 2020 Global RECLAIM MODEL. Baffinland requests clarification from CIRNAC on how the Disturbed Areas Analysis was integrated, and feedback on the utility of this exercise in future years as this is the first year Baffinland has completed the analysis.
- While the unit rate discrepancy is discussed above, the difference in the labour rate applied accounts for only a small percentage of the overall variance between the SNCL calculated direct costs and the Baffinland calculated direct costs. In applying the labour rate of \$75 to the 2020 Global RECLAIM MODEL, this results in a reduction in direct costs of approximately \$4.6M, or roughly 10% of the direct cost estimate. It is unclear where the remainder of the discrepancy lies in the estimate, as quantities used by CIRNAC should be identical to those used by Baffinland in the EBS model.

Indirect costs

- While Baffinland applies a similar methodology for calculating indirect costs attributed to land ownership (proportion of the direct costs multiplied by the individual indirect costs), indirect costs for mobilization and demobilization as presented by land ownership are not accurate. While mobilization and demobilization costs will be incurred by both the Crown and QIA in an unplanned closure scenario, the Phase 2 'Modules' are wholly located on IOL and security posted with QIA exclusively for their demobilization from Site. In calculating the mobilization and demobilization cost for crown liability, the total on which the crown percent is applied includes the Phase 2 'Modules' cost, thereby inflating the Crown liability and underestimating the IOL liability. The Phase 2 'Modules' should be removed from this calculation for Crown Liability, resulting in an approximately \$500k reduction to the overall Crown liability. Additionally, demobilization of 3rd party equipment should entirely be attributed to IOL liability, as there is no 3rd Party Equipment located on Crown land. Removal of these item from the calculation of mobilization and demobilization costs will result in further reduction of the Crown Liability.

Qikiqtani Inuit Association Estimate

The submission provided by the QIA did not contain any specific requests for additional information or recommendations based on the estimate prepared by Arktis Piusitippaa Inc.⁴ (Arktis). Where discrepancies between the estimates exist, or new positions taken by Arktis, Baffinland has attempted to reconcile these and/or provide a response. In addition, the Arktis report contains eighteen (18) recommendations, which Baffinland has addressed separately in Attachment 4.

Disturbed Areas / Grade & Re-Contour

Baffinland maintains the position, as outlined in the ICRP, that the Tote Road and aerodrome will remain in place at final closure, with the exception of the removal of any culverts and bridges (however the latter may stay in place following community consultation). The Tote Road is a public roadway under the *Nunavut Agreement*, and therefore efforts to reclaim the roadway and eliminate the right of way for Inuit travel would be not be permissible. Baffinland agrees that ancillary infrastructure and historic borrows and quarries require reclamation, and have accordingly allocated these in the Disturbed Areas Analysis. Regarding the reclamation of the aerodrome, the airstrip will be in use throughout active closure for the movement of supplies and personnel to support closure activities, and will be required in post closure to allow for safe transport of supplies and personnel to execute post-closure monitoring programs. Regrading to restore the natural drainage and promote revegetation will actively hinder closure activities and eliminate a possible transportation route for Nunavummiut following final closure of the mine site.

In their 2021 Mary River Security Report, Arktis states that they were unable to complete a review as the imagery was not provided. However, the imagery was provided as Appendix B of the 2021 Security Estimate, and digital copies of the imagery and GIS shapefiles were shared immediately upon request by QIA, who were in possession of the digital imagery for 1 month prior to the QIA's submission deadline which should have allowed for sufficient time to review. Baffinland has clearly demonstrated where actual ground disturbance has occurred, and where proposed project activities are yet to take place to reconcile the total value of security associated with the grade and re-contour closure activity. In not utilizing or analyzing the available documentation provided with the 2021 Security Estimate, the QIA has failed to provide a reasonable estimate for the value of reclamation security.

Baffinland is committed to working with QIA towards the development of a mutually agreeable methodology for the assessment of disturbed areas.

Equipment Inventory

Baffinland does not agree with the QIA position that reasonable evidence does not exist to support a reduction in reclamation security associated with mobile and mechanical equipment. Baffinland acknowledges that while work has been completed to improve the use of SAP in tracking of equipment, further work is required to provide QIA with the certainty they require and to reconcile lists of equipment with the Baffinland and Arktis models. Despite this, Baffinland has provided lists of equipment mobilized

⁴ Arktis (2021) 2021 Mary River Reclamation Security Report, Version 2. Arktis Piusitippaa Inc., 7 January 2021

and demobilized in 2020 from the sealift manifests, for which no uncertainty exists as these are fully audited and validated.

Arktis states that they cannot reduce security for items that were not mobilized to Site due to the outstanding issues around inventory of Site equipment. While Baffinland recognizes these issues and has solicited feedback from QIA on an acceptable verification process, this issue is wholly unrelated to the matter of planned equipment that was not mobilized to Site. Due to the nature and timing of the ASR process and the annual sealift, Baffinland provides an estimate of the equipment that may be required to arrive on the next sealift. Baffinland reconciles this value annually as part of the ASR, and has provided the sealift manifests to verify what equipment has/has not arrived at Site. This line of evidence was not utilized by Arktis in their assessment.

Furthermore, Arktis' approach to reconciling equipment has been inconsistent between years. For instance, in the 2020 Mary River Security Update Report, Arktis claimed that they have not reduced security for equipment that did not arrive at Site, however a review of the excel spreadsheet summary reveals that the equipment removed from the estimate by Baffinland were also removed by Arktis (see lines 408-409, 417-427, 430, 431, 436-441, 459-463 of the Arktis excel file).

As clear verifiable evidence has been provided in the form of sealift manifests, Baffinland finds the QIA's position on the reduction of equipment to mobilized to site to be inconsistent with the QIA's Abandonment and Reclamation Policy. On this basis, QIA should reduce the value of security associated with these items.

Water Treatment

The QIA estimate identified the need to increase the allocation for water treatment based on the volumes of water discharged from the MS-08 (Waste Rock Facility) discharge point. Based on discharges since 2014 as detailed in Table 1, the average volume of water discharged from MS-08 is 47,759 m³. Accordingly, Baffinland will increase the Closure and Post Closure Monitoring Cost to account for three (3) years of treatment, for a total cost of approximately \$137,000, or an increase of \$69,000.

Table 1 – Discharge Volumes for the Waste Rock Facility

Year	Total Discharged (m³)
2020	63919
2019	117000
2018	73600
2017	13500
2016	4320
2015	2217
2014	-
Average	45,759

Baffinland acknowledges that there are other areas of the mine that require water treatment on an as-needed basis, including the Milne Port Tank Farm (MP-03), the Milne Port Landfarm (MP-04), the Milne Port Contaminated Snow Containment (MP-04a) and the Mine Site Hazardous Waste Berm 7 (MS-HWB-07). While many or all of these sources will be eliminated in closure, the total average discharge from all of these facilities combined will be added to the Closure and Post Closure Monitoring estimate as a conservative measure. The average volume discharged from these facilities combined is 600 m³, as outlined in Table 2. Baffinland has not added discharges from the Mine Site Sewage Treatment Facilities (MS-01, MS-01B, and MS-MRY-4b) or Milne Port Sewage Treatment Facilities (MP-01, MP-01a and MP-01b) as these are directly related to operation of the mine site and port site camp facilities. These volumes are not only unrealistic due to the reduced camp size in closure, but operation of the camp facilities in closure is accounted for separately in the estimate. The resulting increase to the estimate for three (3) years of closure is \$1,800.

Table 2 – Discharge Volumes for Additional Water Treatment

Year	MP-03	MP-04	MP-04a	MS-HWB-07
	Total Discharged (m ³)			
2020	1766.5	17	13	-
2019	1551	-	186	-
2018	1808	755	-	668
2017	1066	580.7	187.2	386.6
2016	-	662.1	-	650
2015	69.6	70	-	204
2014	154	-	-	617.1
Average	600			

Ammonium Nitrate

Baffinland does not agree with the proposed increase in security for ammonium nitrate (AN) by QIA. The calculation of security for AN relies on the conversion of the mass quantity (kg) as documented and tracked on Site, to a volume quantity (m³) on which the unit rate is based (\$358/m³). This relies on the density of AN to convert between mass and volume. Baffinland has provided documentation from the explosives contractor Dyno Nobel demonstrating a density of AN of 0.8 g/cm³, and is the density that Baffinland uses in the calculation of securities for AN.

Arktis has developed an esoteric density for AN based on the quantity of AN that can be loaded into a sea container, with the intent to include the dead space within the sea container and accounting for the shipping of this material. This approach is flawed as the unit rate for demobilization of AN already accounts for demobilization costs, and is driven primarily by the disposal cost and not the transportation costs. The more reasonable way to account for any losses in packing efficiency during backhaul would be to separate the demobilization cost from the disposal cost and account for them separate. However, this would be an overly onerous exercise at this stage in closure planning, and any perceived discrepancy in the costs would be accounted for in the allocation for mobilization and demobilization of equipment and materials.

Based on the density of material provide by Dyno Nobel of 0.8 g/cm^3 , the current allocation for explosives in the estimate is sufficiently conservative to account for AN to be mobilized to Site in 2021 and no increase to the reclamation estimate is required at this time.

Deposit 1

Baffinland maintains that active mining at Deposit 1 remains a hilltop outcrop, and that development of a pit is not projected until year 10-12 of mining at full production rate (21.5 Mtpa). This is despite any wording, naming convention, or discussions with Site staff who may refer to the active mining area as “the pit”, or “Deposit 1 Pit”. The fact remains that active mining is above the grade level at which the formal Pit will develop. Any incidental water collection through local sumps is captured and diverted to the Waste Rock Facility pond. Due to the bench sequencing within the active mining area, a sump or low point may develop following a blast.

Arktis has suggested that the long term stability of the active mining area is uncertain. Stability of the active mining area is imperative to ensure the safe operation of equipment and personnel within the Deposit 1 area, and Baffinland advances mining within the deposit in standard bench dimensions to ensure the stability of material. The Deposit 1 mining area is included in the bi-annual Geotechnical Inspections which identified the deposit as being “globally in stable condition”. Reason stands that active blasting and clearing of material is far more detrimental to the stability of the deposit benches than long term erosional and weathering forces, and if the current deposit is in stable condition despite these activities it can be inferred that this will translate to long term stability. Accordingly, Baffinland does not agree with the rationale provided and does not believe additional security is warranted for Deposit 1.

Building Height

ARKTIS incorrectly states that building reclamation is based on an assumed building height of 3 metres. There is no assumed building height as the basis for the unit rate in either the *Hatch 2014 Complete Project Financial Security Estimate*, or the *Arktis 2014 Comprehensive Security Estimate*. Furthermore, since 2014, ARKTIS has utilized standard unit rates for building teardown, when building heights greater than 3m were known. As was the approach by both Baffinland and QIA to date, the demolition of buildings is based on the footprint, consistent with conventional demolition estimation. The assumption that buildings double the height will require double the effort for demolition demonstrates a lack of understanding of productivity factors.

For the purposes of developing an estimate for building reclamation, the current unit rate based on the footprint of the building is sufficient for the range of building heights that may be encountered at the Project.

Engineering Fees

QIA has proposed an increase to engineering fees due to the increase in the scale of the project. However, in all references provided by Arktis (ACECO, OSPE, ACEC-SK, CEBC), Engineering Fees are presented as inverse to the scale of the project; that is, fees are shown to be reduced as the scale of the project increases. Baffinland additionally considered publically available guidance from other engineering

associations in Canada, and found the same rule of inverse fees relative to project scale applied. In some instances, for projects with costs greater than those considered (generally up to \$10-20M), suggested fees are not provided and are subject to negotiation with a prospective client.

The CEBC (2009) document on which Arktis relied in 2014 to conclude a value of 3.9% on projects up to \$20M. As the current direct costs on which the fees would be calculated, as presented by Baffinland (\$38M) and Arktis (\$43M) are roughly double the value at which the 3.9% is considered appropriate by the CEBC, the percent fee of 3.9% is inherently conservative as the scope of the project has increased but the complexity has not. Baffinland has elected not to seek a reduction in the engineering fees in 2020, but may evaluate this further in future years. Therefore, an increase to the percentage of engineering fees applied to the estimate is without merit at this time.

Contingency

Baffinland does not agree with the manner in which QIA has applied contingency. The intent of the arbitration over the 2019 Work Plan was for the arbitrator to make a determination on the appropriate methodology between those presented in Baffinland's 2019 Estimate and QIA's 2019 Estimate as prepared by Arktis. QIA has correctly identified that the arbitration found in favour of QIA's methodology, and that a 20% contingency should be applied. However, QIA's current position differs from that put forward in the 2019 Estimate and on which the arbitration was to decide. In the *2019 Mary River Reclamation Security Report – Version 2*, Arktis applies 20% contingency to "marginal and historical total Direct Costs, contaminated soil treatment costs, care and maintenance and closure monitoring/reporting costs". Accordingly, Baffinland has applied this methodology to the 2019 Work Plan estimate, as well as the 2020 reconciliation and the 2021 marginal estimate. This is consistent with discussions with QIA throughout October 2020 in working with QIA to understand the implications of the Final Award on the overall estimate, including guidance from QIA legal counsel on how contingency should be applied.

Further, QIA has determined the value of security for the 2019 Work Plan to be equal to \$113,371,000 (Attachment 2). This value was based on Baffinland's *Global Reclamation Security Update, Post Arbitration – 2019 Work Plan Reconciliation*, which calculated security based on 20% of direct costs, contaminated soil and closure and post closure monitoring, consistent with the QIA's estimate and direction. This is contrary to the position presented under the 2019 Reconciliation – Final Award Update (Section 3) of the 2021 Arktis report. As QIA has already made a determination on the value of security for the 2019 Work Plan, this change in position is contrary to the intent of the arbitration to gain resolution on long outstanding methodological differences. Baffinland requests that QIA adhere to the agreed upon understanding of the Final Award and direct Arktis to revise the value of security accordingly.

Please advise if any further information requests are received or if there is any clarification needed on the responses Baffinland has provided herein. Baffinland looks forward to the ASR teleconference on January 21st and welcomes any further questions on the above topics and the remainder of the 2021 Security Estimate.

Regards,

A handwritten signature in black ink, appearing to read 'Chris Murray', written over the printed name.

Christopher Murray
Environmental & Regulatory Compliance Manager

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

Attachments:

Attachment 1: Updated Global Reclamation Held for the Mary River Project
Attachment 2: QIA Agreement on 2019 Work Plan Estimate
Attachment 3: Responses to CIRNAC Recommendations
Attachment 4: Responses to QIA Recommendations

Attachment 1

Updated Global Reclamation Held for the Mary River Project

Reclamation Security Currently Held for the Mary River Project

	Authorization	Liability	Total Posted as of January 2021
			(\$)
1	Type A 2AM-MRY1325	IOL ²	113,371,000
2		Crown	1,591,000
3		Water	-
4		Land	-
5	<i>Subtotal Type A</i>		<i>114,962,000</i>
6	Type B Exploration 2BE-MRY1421 3	IOL	-
7		Crown	1,250,000
8		Water	-
9		Land	-
10	<i>Subtotal Type B Exploration</i>		<i>1,250,000</i>
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>		<i>4,813,000</i>
20	AANDC Land Lease 47H/16-1-2 ⁴	IOL ²	-
21		Crown	4,975,000
22		Water	-
23		Land	4,975,000
24	<i>Subtotal AANDC Land Lease</i>		<i>4,975,000</i>
25	GRAND TOTAL		126,000,000

Attachment 2

QIA Agreement on 2019 Work Plan Estimate



ᖃᖃᖃᖃᖃᖃᖃ
ᖃᖃᖃᖃᖃᖃᖃᖃ
Serving the
communities of

ᖃᖃᖃᖃᖃᖃᖃ
Arctic Bay

ᖃᖃᖃᖃᖃᖃᖃᖃ
Clyde River

ᖃᖃᖃᖃᖃᖃᖃᖃ
Grise Fiord

ᖃᖃᖃᖃᖃᖃ
Igloolik

ᖃᖃᖃᖃᖃᖃ
Iqaluit

ᖃᖃᖃᖃᖃᖃ
Kimmirut

ᖃᖃᖃᖃᖃᖃ
Kinngait

ᖃᖃᖃᖃᖃᖃᖃ
Pangnirtung

ᖃᖃᖃᖃᖃᖃᖃ
Pond Inlet

ᖃᖃᖃᖃᖃᖃᖃᖃ
Qikiqtarjuaq

ᖃᖃᖃᖃᖃᖃᖃᖃ
Resolute Bay

ᖃᖃᖃᖃᖃᖃᖃ
Sanikiluaq

ᖃᖃᖃᖃᖃᖃ
Sanirajak

Christopher Murray
Environmental Regulatory and Compliance Manager
Baffinland Iron Mines Corporation
2275 Upper Middle Road East, Suite 300
Oakville, ON L6H 0C3

November 9, 2020

Agreement on 2019 Environmental Security Reconciliation Amount & Payment Notice

Christopher,

The Qikiqtani Inuit Association (QIA) acknowledges receipt of Baffinland Iron Mines Corporation's (BIMC) updated 2019 Security Estimate¹. Following the implementation of the Final Award² for the 2019 reclamation security arbitration, QIA agrees with BIMC that \$113,371,000 is the correct amount of security for 2019. QIA's acceptance of this revised amount is without prejudice to the methodology used for the determination of reclamation of security in future years, inclusive of 2020 and 2021.

QIA currently holds \$104,687,658 of reclamation security for the Mary River Project. The revised total for 2019 will require a reconciliation from BIMC to QIA of \$8,683,342 on or before December 9, 2020 as per Section 9.2(e) of the Commercial Lease³.

"The Tenant shall adjust the amount of the Reclamation Security so that it equals the estimate of reasonable anticipated closure and reclamation costs for the Property at the end of the Year. The adjustment shall be made and the additional security shall be posted by January 31 unless before that date the Tenant disputes the amount and refers the matter to arbitration under Section 9.13, in which case the adjustment shall be made and **the additional security shall be posted within 30 days after either the amount is agreed by the Landlord and the Tenant** or the amount is determined by arbitration." [Emphasis added]

Sincerely,

Chris Spencer
Manager, Regulatory Affairs

¹ Baffinland (2020). Global Reclamation Security Update Post Arbitration – 2019 Work Plan Reconciliation. November 6, 2020.

² Smith (2020). Final Award in the Matter of the Reclamation Security Arbitration. August 10, 2020.

³ QIA and Baffinland (2013). Commercial Lease No.: Q13C301. September 6, 2013.

Attachment 3

Responses to CIRNAC Recommendations

Table 1 - Baffinland Responses to CIRNAC Recommendations/Requests

Issue/Discrepancy	Description	Recommendations/Requests to BIMC	Baffinland Response
Table 5.4 of the Baffinland 2021 Marginal Closure and Reclamation Financial Security Estimate shows an error in addition of totals in Column “C”.	The grand total summary for the 2021 estimate in column "C" does not account for all the sub- totals. It appears that the subtotal \$4.250,000 for DFO Security associated with freight dock is not added. However, the other columns “D”, “E and “F” include all the figures and the Total Global estimate in column “F” is correct. Grand Total of Column “C” shall be revised.	Correct the grand total summaries column “C” of Table 5.4 of the Baffinland 2021 Marginal Closure and Reclamation Financial Security Estimate and Table 9.2 of the 2021 Work Plan (same table).	Noted. This will be revised in subsequent revisions of the document, the grand total in column C is \$126,420,000.
Table 5.3 of the Baffinland 2021 Marginal Closure and Reclamation Financial Security Estimate shows the following inconsistencies with the items and costs detailed in Sections 4.3.1 and 4.3.2 of that document.	Details of difference is discussed above in this Section 5.	Revise and clarify the costs of items included in Table 5.3 and Sections 4.3.1 and 4.3.2 of the 2021 Marginal Closure and Reclamation Financial Security Estimate.	Table 5.3 details the costs associated with the 2021 Work Plan, as well as the 2020 Reconciliation, as noted in the Table title. The Direct Cost sub-total is therefore the sum of items presented in Section 4.3.1 (2021 Direct Costs) and Section 3.2 (2020 Work Plan Reconciliation). For clarity on the individual items raised in SNC's report Section 5; - The total direct cost is 2021-R (\$-256,961) + 2021 (\$1,285,257) = \$1,028,296 - The total for Mob & Demob of Equipment and Materials shown in Table 5.3 is accurate. The value presented in Section 4.3.2.4 is a typographical error and should read \$103,000. - The total for 3rd party equipment is the sum of 2021-R (\$-308,000) + 2021 (\$77,000) = \$231,000. The value as presented in Table 5.3 is \$230,000 and is a result of a rounding (values were added, then rounded), and is accurate. - The values presented in Table 5.3 are accurate. The values as presented in Section 4.3.4 require updating to match Table 5.3, and will be revised in future revisions of this document. - The values presented in Table 5.3 are accurate. The values as presented in Section 4.3.4 require updating to match Table 5.3, and will be revised in future revisions of this document. - The values presented in Table 5.3 are accurate. The values as presented in Section 4.3.4 require updating to match Table 5.3, and will be revised in future revisions of this document.

Table 1 - Baffinland Responses to CIRNAC Recommendations/Requests

Issue/Discrepancy	Description	Recommendations/Requests to BIMC	Baffinland Response
Items of Indirect Costs outlined in the 2021 Marginal Closure and Reclamation Financial Security Estimate (Table 5.2) not found on the EBS.	A summary of indirect costs is outlined in the 2021 Marginal Closure and Reclamation Financial Security Estimate (Table 5.2 - Summary of 2020 Work Plan Marginal Increase - Adjustment for Arbitration Outcomes). The following items were noted in the report but were not able to be located in the EBS model: - Fuel - \$30,000 - Mobilization of Workers Required for Reclamation - \$28,000 - Workers Accommodation & Camp Operation - \$76,000 - Demobilization of 3rd Party Equipment – \$62,000 - Engineering Fess – \$58,000 - Supervision, Project Management & Contract Administration - \$24,000 - Contingency - \$124,000.	Please revise / confirm / adjust the items not found in the EBS.	The items as listed in Table 5.2 are confirmed to be listed in the EBS. The following lists the items from Table 5.2 with the corresponding row in the excel file for added clarification. Note that SNC did not transcribe the values from Table 5.2 into their request for clarification accurately, the totals have been corrected below (in red). - Fuel - \$30,000 ; Row 1411 - Mobilization of Workers Required for Reclamation - \$28,000 ; Row 1414 - Workers Accommodation & Camp Operation - \$76,000 ; 1442 - Demobilization of 3rd Party Equipment – \$1,377,000 ; Rows 1438, 1439, 1440 - Mobilization & Demobilization of Equipment & Materials - \$62,000 ; Row 1417 - Engineering Fess – \$24,000 ; Row 1400 - Supervision, Project Management & Contract Administration - \$58,000 ; Row 1404 - Contingency - \$124,000 ; Row 1452
It is not clear the criteria used by Baffinland to split IOL and Crown land.	The disturbed area is split according to work within the Milne Port, Tote Road and Mine Site as noted by BIMC; however, several areas were only split between IOL and crown land. It is not clear the criteria used by Baffinland to split IOL and Crown land.	Please provide the criteria used to split IOL and Crown land.	Direct costs are allocated based on the location of the work (on IOL or Crown land). Indirect costs are attributed by the percent of the total costs for IOL and Crown land. For instance, in the 2021 year, the total direct cost is approx. \$1.028M, divided between IOL (\$0.859M, 84%), and Crown land (\$0.169M, 16%). Indirect costs were split between IOL and Crown based on this proportion of the total direct costs, except where costs are wholly incurred by one or the other party (i.e. Phase 2 modules are 100% attributed to IOL as the modules reside on IOL).
BIMC included 20% Contingency	BIMC considers 20% Contingency. It would be preferable to include 15% contingency and the uncertainties associated with the Waste Rock Pile and the Open Pit be calculated as a direct cost.	It is recommended that the Waste Rock Pile and Open Pit closure costs be calculated directly by BIMC and be included in the next updated ICRP.	Baffinland agrees that opportunities for reduction in contingency may be possible in future iterations of the reclamation estimate. Due to the outcome of the 2019 Work Plan arbitration, Baffinland has carried 20% contingency in order to align with the final award. Baffinland notes that the estimate currently accounts for the uncertainty at the waste rock facility through the addition of water treatment in closure. Additionally, while uncertainty may exist regarding predictions associated with the open pit, and open pit does not exist at the Mary River Project as mining at Deposit 1 remains a hilltop outcrop.

Table 1 - Baffinland Responses to CIRNAC Recommendations/Requests

Issue/Discrepancy	Description	Recommendations/Requests to BIMC	Baffinland Response
ICRP Rev.5, has not been updated.	Closure cost should be based on other reclamation concepts (as a cover) until the Baffinland mine could validate that they could manage ARD and metals leaching with their waste rock management plan and considering the updated thermal model.	The ICRP should be updated according to the updated Waste Rock Management Plan approved by NWB.	Baffinland agrees that future updates to the ICRP should respect any updates to the Waste Rock Management Plan. The current waste rock management plan maintains a final closure strategy of freezing waste rock in permafrost to mitigate the generation of ARD, and has revised the waste placement strategy accordingly with the objective of freezing material in place to mitigate ARD. Baffinland has integrated adaptive management into the Waste Rock Management Plan to further demonstrate a commitment to ensuring the final closure objectives are met.
BIMC estimate considers 3 years for Closure and 15 years for Post-Closure monitoring.	According to CIRNAC guidance for duration of interim care & maintenance and post-closure monitoring in the mine site closure & reclamation plan cost estimate. CIRNAC recommended to include 5 years for Closure and 25 years for Post-Closure monitoring.	Interim care and maintenance should be increased to 5 years, and post-closure cost to 25 years	Future iterations of the ICRP will evaluate the need for increased Closure and Post Closure Monitoring. Baffinland maintains that the duration of closure activities (3 years) is adequate given the total person-hours required to execute the closure and assumed crew sizes, and that the post closure monitoring phase is sufficient given that there are no significant adverse residual effects identified in the FEIS for VECs or VSECs associated with the Project.
Prevention of Fugitive dust.	Fugitive dust settling must be prevented as a minimum for site reclamation and a cover layer should be validated as well and included in closure cost.	Update this item in the ICRP and include in the cost estimate.	Dust impacts were considered in the FEIS for the life of mine, including closure, and no significant adverse residual effects were identified for dust. It is noted that the primary sources of dust (ore crushing, ore stockpiling, and ore transport) will no longer be in operation at closure, and therefore negligible contribution to air quality. Air quality monitoring is included as a Post Closure Monitoring activity in the ICRP and is included in the reclamation security estimate. Baffinland will gain better understanding of revegetation success relative to cover material through future reclamation research studies.
Long term criteria for permafrost conditions.	Review long term design criteria of BIMC according to state of the art and other mine sites in permafrost conditions, and/or regarding ARD characterization.	Update these items in the ICRP and include in the cost estimate.	The ICRP is an iterative document that will evolve throughout the life of mine, based on reclamation research studies, results of on-going monitoring, development of new/novel mitigation measures and feedback from Inuit and intervenors. No additional adjustments to reclamation security are required at this time based on the currently understanding of the project effects and desired reclamation objectives.
Studies and instrumentation.	Cost for studies and instrumentation not in place yet or needed at the end of mine operations at Baffinland site should be added to the security estimate.	Include cost for studies and instrumentation at the end of mine operations.	Costs for monitoring, including any required instrumentation, are included in the Closure & Post Closure Monitoring costs. Details of the monitoring programs included in this allocation are outlined in Section 9 of the ICRP (Rev. 5, Oct 2018). Geotechnical engineering monitoring is outlined in Section 9.4 of the ICRP, which includes stability, erosion and permafrost analyses and monitoring.

Table 1 - Baffinland Responses to CIRNAC Recommendations/Requests

Issue/Discrepancy	Description	Recommendations/Requests to BIMC	Baffinland Response
Engineering Fees	Engineering Fees does not describe which costs have been considered to calculate the fees.	BIMC to re-visit which costs have been considered or included in Engineering Fees	Given that the complexity of the reclamation activities has not meaningfully increased with the scope of work proposed in the 2021 Work Plan, only the scale of the activities, Baffinland does not believe an increase to the percentage applied for engineering fees is warranted. As outlined in the <i>2014 Complete Project Financial Security Assessment</i> , limited additional site characterization will be required to develop any engineering specifications and drawings required for contracting, due to the relatively straightforward nature of the reclamation program and the level of information already available. The reclamation program will be predominantly an earthworks exercise with a simple demolition contract, and therefore a relatively simple engineering scope. Further, engineering fees percentages as provided by various provincial engineering associations cite that fees are reduced as the cost (scale) of the project increases. Baffinland has not sought a reduction in engineering fees despite an increase in the scale of the project, and therefore the current estimate is conservative.
Arbitration Outcome unit rates.	There remains a difference between the EBS unit rates and those developed by SNC-Lavalin. Key unit rates appear to be driving the security estimate.	Assumptions and basis for the key Arbitration Outcome unit rates should be obtained for review and verification.	Unit rates are discussed further in the covering letter for this response.

Attachment 4

Responses to QIA Recommendations

Table 2 - Baffinland Responses to QIA Recommendations

No.	Arktis Recommendation	Baffinland Response
1	ARKTIS recommends the inclusion of the reclamation activity of unloading items at a destination. Examples would include unloading equipment at a landfill, or unload fuel being transported from Mary River to Milne Port. Currently, unloading may represent more than \$1,000,000 in security.	Disposal costs at the final landfill are included in the 'Fill Application' estimate, as outlined in Section 7.1 of the 2014 Complete Project Financial Security Assessment (Hatch, 2014).
2	ARKTIS recommends the inclusion of verifiable Site-based unit rates and productivities. There are numerous unit costs that are based on Site-based unit rates but on estimated productivity. Given Baffinland operations for the past six years, numerous productivities, such as liner removal and equipment disposal, may be available.	Baffinland has utilized site specific unit rates as directed in the Final Award for the 2019 Work Plan arbitration. Productivities estimated in the 2014 Complete Project Financial Security Estimate, and on which the current unit rates are based, were prepared by Hatch professional estimators and specialists in disciplines familiar with the scope of work. These were developed in a workshop format, using experience gained at site during the execution of the Bulk Sample project phase and productivity factors associated with site conditions and available resources. QIA is encouraged, where necessary, to validate the productivities prepared by Baffinland using a similar level of rigor and expertise, over and above the resources currently available.
3	ARKTIS recommends the fuel rate for equipment is verified given fuel rates in the 2019 Caterpillar Performance Handbook for current mobile equipment fuel consumption rates.	Use of the 10% estimate for fuel consumption rates was based on Hatch's experience from similar projects. It's noted that Arktis's assessment of fuel consumption rates fails to take into account the use of equipment specific fuel consumption estimates for grade and re-contour and fill application as outlined in the 2014 Complete Project Financial Security Estimate. QIA is encouraged, where necessary, to validate fuel consumption rates prepared by Baffinland using a similar level of rigor and expertise, using contractors and/or consultants with experience in the execution of construction and/or remediation projects.
4	ARKTIS recommends Site-specific fuel costs are used, should they be available. Particularly, to justify not using Government of Nunavut fuel costs which are greater than Baffinland's 2014 fuel costs	Baffinland compared 2014 fuel costs to current actual costs when completing the unit rate update in 2018. In reviewing fuel rates, it was determined that they were reduced relative to 2014, however no fuel cost update was pursued at that time. Baffinland notes that the retail price quoted by Arktis from the GN for 2020 is also reduced relative to 2014 retail rates. It is further noted that the GN fuel price includes the cost to consumer for mobilization of fuel, whereas Baffinland carries a cost for mobilization of fuel required for reclamation as well as camp operation as a separate line item in the estimate.
5	ARKTIS recommends Baffinland propose a final disposal location, such as a landfill, where decommissioned materials at Site will be disposed. This impacts the haul distance used in numerous unit costs. ARKTIS notes this has been a topic of uncertainty since the ARKTIS 2014 Report.	The location of the final landfill cannot be determined at the early stages of mine development, and will require consultation with QIA, as well as feedback from local communities, on the final potential location, which may include a new landfill, quarries or the Deposit 1 pit. In all cases, locations will be prioritized to minimize haul distances. In the interim, the estimated haul included in the estimate is sufficient at this early stage of closure planning.
6	ARKTIS recommends the Parties agree to a tiered closure scenario of an increasingly large pit in Deposit 1. This would lead to the development of a unit cost to reclaim the pit. It is pertinent to include a unit cost that factors in the closure criteria for a pit that needs to be stable, including holding water.	Further discussion with QIA is required to understand the objective of a tiered unit cost for closure of Deposit 1. Current mining is located on a hilltop outcrop, advanced in standard benches to ensure stability of the working area. Baffinland currently has a unit rate for Pit Stabilization of \$5.49/m3, which will be utilized following the development of a pit at Deposit 1.
7	ARKTIS recommends verifying the reclamation activities, including productivities, to remove bridges.	Baffinland verifies that the unit rate for reclamation of bridges is appropriate based on the 2014 Complete Project Financial Security Estimate. QIA is encouraged, where necessary, to validate bridge removal costs prepared by Baffinland using a similar level of rigor and expertise, using contractors and/or consultants with experience in the execution of construction and/or remediation projects.
8	ARKTIS recommends QIA include the building height adjustment factor during the next Audit.	ARKTIS incorrectly states that building reclamation is based on an assumed building height of 3 metres. There is no assumed building height as the basis for the unit rate in either the Hatch 2014 Complete Project Financial Security Estimate, or the Arktis 2014 Comprehensive Security Estimate. Furthermore, since 2014, ARKTIS has utilized standard unit rates for building teardown, when building heights greater than 3m were known. The assumption that buildings double the height will require double the effort for demolition demonstrates a lack of understanding of productivity factors. For the purposes of developing an estimate for building reclamation, the current unit rate based on the footprint of the building is sufficient for the range of building heights that may be encountered at the Project.

Table 2 - Baffinland Responses to QIA Recommendations

No.	Arktis Recommendation	Baffinland Response
9	ARKTIS recommends the reclamation activity of hauling fuel from fuel storage tanks be considered, as significant fuel is contained at the Mine Site that is assumed to need to be hauled to Milne Port for demobilization.	Costs for demobilization of fuel from the Mary River Project are accounted for in the estimate, irrespective of location on the project Site.
10	ARKTIS recommends the crew and productivity to reclaim the ship loader is verified	Baffinland notes that the shiploader is located on Crown Land, and QIA does not hold security for this item. As Arktis states they do not evaluate the liability associated with Crown land (Section 2.0), it is unclear why this is a matter of concern.
11	11. ARKTIS recommends rates last updated in 2014 are updated to 2020, Site-specific values. These include: a. Contaminated soil treatment. b. Reclamation fuel. c. Waste and Materials. d. Ammonium nitrate. e. Explosives. f. Crew accommodations. g. Consumables.	Unit rates not updated in 2018 were considered to still be valid based on review of available data. Baffinland is open to discussions on the frequency and methodology for unit rate updates for future years.
12	ARKTIS recommends the 10% of Direct Cost methodology used to estimate the cost for mobilization and demobilization of equipment required for reclamation is compared to alternative methods to ensure it is still applicable	The use of the 10% multiplier to estimate the costs of mobilization and demobilization of equipment and materials in closure is sufficient given the early stage of closure planning relative to the mine life. While ARKTIS suggests that revising this amount is due to the increase of the scale of the project, it's noted that the allocation for mobilization and demobilization has also increased with the scale of the project as the direct cost estimate increases. Refinement of this value with sealift quotations and detailed takeoffs is appropriate during the development of the final closure plan.
13	ARKTIS recommends confirming what constitutes the 3,160,642 m2 addition of grade and recontour area in Baffinland's Estimate and amend reclamation security accordingly	Per Section 3.2.1 of the 2021 Marginal Closure and Reclamation Financial Security Estimate, "Baffinland included infrastructure that was previously planned for construction but has yet to be completed, such that the estimate of disturbed area is representative of the highest potential liability for the work proposed in the previous and current Work Plan. Therefore, the Proposed Disturbed Areas are representative of work yet to be completed from the 2014 Work Plan through to the current 2021 Work Plan." This includes all areas of the Mine Site, Port Site and Tote Road that were identified in prior work plans but have yet to be constructed (i.e. full extents of quarries not yet developed, laydowns proposed but not yet constructed, etc.). Verification will require the reviewer to examine the relevant Work Plan documentation since 2014 and associated figures. Baffinland can assist in this exercise should the reviewer not have sufficient familiarity with the available documentation.
14	ARKTIS recommends the Parties determine a path forward for the reconciliation of disturbed areas, including the area that requires grading and recontouring, using same-year satellite imagery as Baffinland and that considers Baffinland's proposed disturbed area.	Baffinland agrees that a mutually agreed upon methodology would be beneficial for future estimates.
15	ARKTIS recommends the Parties develop a methodology that can verify the equipment, the reclamation cost for that piece of equipment, the location of that equipment, and when it had arrived at Site to inform and verify reclamation security in a given year	Baffinland agrees that a methodology for verifying site inventories is required. Baffinland requests that QIA provide guidance on the proposed verification procedure that would provide sufficient confidence in the site inventories, so that Baffinland can work towards this objective and/or retain external support to facilitate any required efforts.
16	ARKTIS recommends Site costs for treatment of water are considered and used to update the rate for water treatment.	Baffinland agrees that an increase to water treatment costs is required. The adjustment is detailed in the covering letter for these responses.
17	ARKTIS recommends confirming reclamation security for explosives is to be maintained	Baffinland maintains a combined cost for explosives (i.e. pre-packed explosives) and ammonium nitrate, at 2.27/kg and 358/m3 respectively. These appear as a single line item in the EBS.
18	ARKTIS recommends confirming that inflation is to be applied to the global estimate to unit rates not developed in the current year of reclamation security estimation.	Baffinland does not agree with the methodology utilized by ARKTIS in their application of inflation. The methodology used by ARKTIS assumes that if a unit rate has not been revised, it is not reflective of costs at the time that the unit rate update was completed. In addition, the application of inflation to individual unit rates introduces unnecessary complexity and potential for error, in comparison to applying inflation to the total marginal increase as whole. As the application of inflation is the result of the 2019 Work Plan Arbitration, and had not been considered by Baffinland previously, further discussion with QIA is required to establish the methodology for the application of inflation, and the frequency of unit rate updates.