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

January 18, 2021

RE: Licence No. 2AM-MRY1325 Type "A"; Mary River Project, Baffinland Iron Mines Corporation, 2021 Annual Security Review - Qikiqtani Inuit Association Speaking Notes

Assol,

The Qikiqtani Inuit Association (QIA) provides this letter to the Nunavut Water Board (NWB) to support the upcoming 2021 Annual Security Review (ASR) teleconference on January 21, 2021. This letter summarizes the speaking notes to be used 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) 2021 Work Plan² and hired ARKTIS Solutions Inc. (ARKTIS) to complete a reclamation security report³. This report was submitted to the NWB on December 29, 2020 and specifically addresses activities occurring on Inuit Owned Land.

QIA currently holds \$113,371,000 in reclamation security for the Mary River Project. This includes an \$8,683,342 increase following agreement between QIA and Baffinland on the financial implications of the Final Award for the 2019 reclamation security arbitration. QIA does not yet hold security for activities included in the 2020 or 2021 Work Plan.

QIA's security determination for 2021 is \$143,539,000. This value represents a \$30,168,000 increase relative to QIA's current holdings. Please note that this value does not address activities related to the Type 'B' Exploration Licence No.: 2BE-MRY1421 nor does it address activities on Crown Land.

Methodology

The full details of the methodology used to develop the 2021 security determination is provided in ARKTIS' 2021 reclamation security report submitted to the NWB on December 29, 2020. In brief, the ARKTIS 2021 reclamation security report incorporates:

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

² Baffinland (2020). 2021 Work Plan. November 6, 2020.

³ ARKTIS (2020). 2021 Mary River Reclamation Security Report. Version 1. December 29, 2020.



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- The QIA's Abandonment and Reclamation (A&R) Policy⁴ as well as the principles outlined in Crown-Indigenous Relations and Northern Affairs Canada's (CIRNAC) reclamation policy⁵;
- Baffinland's 2021 Work Plan, Baffinland's 2021 Marginal Closure and Reclamation Security Estimate, and information collected during the QIA's 2020 Audit⁶;
- Assumptions and approaches used for the development of the 2014-2020 security reports^{7, 8, 9, 10, 11, 12, 13, 14};
- Components of the 2019 Arbitration Final Award.

Outstanding Items

QIA identifies the 5 following items as outstanding for the 2021 ASR process. Additional items may be identified following the outcome of the teleconference and ongoing communications with Baffinland.

1. The Mary River Airstrip

As landowner, QIA has determined that the airstrip and associated infrastructure are project infrastructure that must be reclaimed.

2. PhotoSat and Tote Road Disturbed Areas Reclamation

QIA maintains its position that disturbed areas adjacent to the Tote Road must be remediated and will require security for the full scope of this activity.

On an annual basis, QIA has begun assessing disturbed areas along the Tote Road during the annual Environmental Audit using the most recent PhotoSat data provided by Baffinland. The 2020 Environmental Audit was conducted in September 2020 and included an analysis of the 2019 PhotoSat data as Baffinland had not yet provided the 2020 PhotoSat data to QIA. Baffinland provided QIA with the 2020 PhotoSat data on December 2, 2020. QIA maintains that the usage of the 2019 PhotoSat analysis for the 2021 security report is

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 (2020). 2020 Environmental Audit Report - Version 2. October 27, 2020.

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 ARKTIS (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.

¹⁴ ARKTIS (2020). 2020 Mary River Reclamation Security Report – Version 2. February 4, 2020.



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reasonable given that Baffinland was unable to share the required information prior to or during QIA's 2020 Environmental Audit.

At Baffinland's request, QIA is willing to consider scheduling an additional Environmental Audit in Q1 of 2021 prior to the regularly scheduled Environmental Audit in Q3 2021. This additional Environmental Audit would focus on assessing changes to disturbed areas between the 2019 and 2020 PhotoSat data. Following analysis, a reconciliation of Reclamation Security may be necessary as per Section 9.3 of the Lease.

This additional Environmental Audit will be conducted at Baffinland's expense in accordance with Schedule E of the Lease.

3. Equipment inventory

QIA maintains that Baffinland does not have a suitable method of managing and accounting for its equipment inventory and has repeatedly requested improvements. QIA will continue to utilize proposed equipment lists included in annual Work Plans to establish what equipment will require reclamation until a reliable inventory tracking system is established.

4. Consideration of Building Height

QIA will now be considering building height in its determination of reclamation security to account for considerable variability between the height of recently constructed/proposed buildings at site.

5. Contingency

QIA is reviewing Baffinland's position on 2021 contingency and will provide an update during the upcoming teleconference.

Next Steps

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
Manager, Regulatory Affairs