

## **2AM-MRY Mary River 2021 Annual Security Review Speaking Notes**

### **January 21, 2021**

I would like to thank the Nunavut Water Board for organizing this teleconference and giving us the opportunity to present Crown-Indigenous Relations and Northern Affairs Canada's (herein referred to as CIRNAC) position on the reclamation costs associated with Baffinland's Mary River Project covered under licence 2AM-MRY1325 amendment #1.

My name is Bridget Campbell, Water Resources Coordinator. Joining me today is Godwin Okonkwo, Manager Water Resources, Wajid Daouda, Public Services and Procurement Canada, and Adriana Lafleur, Consultant support from SNC-Lavalin.

CIRNAC retained SNC-Lavalin to develop a marginal reclamation cost increase for 2021 which includes:

- work described in the 2021 workplan;
- works carried forward from 2020;
- reconciliation for activities not carried out as planned; and
- a surficial assessment of unit rates proposed by Baffinland from the Arbitration Process. A thorough review of the rates and the development of new rates were not undertaken.

CIRNAC's marginal cost estimate is **1.62 M\$** and was added to our previous adjusted 2020 global estimate of **128.4 M\$**. It results in a total reclamation cost estimate for 2021 of about **130.0 M\$**. This estimate is approximately **10.7 M\$** higher than the aggregate of the global 2020 and marginal 2021 estimate provided by Baffinland. There are 2 notable reasons for this:

- 1) The 2019 Marginal estimates are approximately 4 million \$ apart, mostly due to Baffinland using the unit rates that came from the BIMC-QIA Arbitration Process and CIRNAC using the 2019 SNC-Lavalin developed unit rates.
- 2) Small differences can be attributed to SNC-Lavalin using the RECLAIM model and Baffinland using the EstimateBreakdownStructure, or EBS model. EBS calculates contingency on mobilization, worker accommodations, post-closure monitoring and maintenance, which is not the case for RECLAIM.

Resolution of Recommendations:

CIRNAC made twelve recommendations to Baffinland in the submission of our first estimate. The following ten recommendations have been resolved by the responses provided by Baffinland on January 13, 2021:

1. 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). [Baffinland Agreed to revise column "C" in table 5.4 of the 2021 Marginal Closure and](#)

Reclamation Financial Security Estimate and Table 9.2 of the 2021 Work Plan (same table). The Total Global does not change. This is resolved.

2. 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. CIRNAC accepts the explanation provided by BIMC. Values in Table 5.3 are OK. Baffinland will correct the values. Section 4.3.4 of the 2021 Work Plan, are to be updated with values from Table 5.3. This is resolved.
3. Revise / confirm / adjust the items not found in the EBS. The totals have been corrected. This is resolved.
4. Provide the criteria used to split IOL and Crown land. The clarification was provided by Baffinland. This is resolved.
5. Waste Rock Pile and Open Pit closure costs be calculated directly by BIMC and be included in the next updated ICRP. Baffinland agreed to continue monitoring at the waste rock facility and Deposit 1 (when it will become a pit). This is resolved.
6. Update the ICRP according to the updated Waste Rock Management Plan approved by the NWB. Baffinland has agreed to update the ICRP and commits to adaptive management of the Waste Rock Management Facility. This is resolved.
7. Increase interim care and maintenance to 5 years, and post-closure cost to 25 years. For the purposes of evaluating security for the coming year, CIRNAC will use the interim care and maintenance and post closure monitoring times approved by the NWB in the current ICRP. For future iterations, CIRNAC recommends that these timelines be increased, given the uncertainty at the waste rock pile, until such a time that physical and chemical stability can be confirmed. At that time, CIRNAC would consider it reasonable to adjust the timelines. This is resolved for the purpose of the current activity and will be revisited during the Phase 2 review, and/or the 2022 ASR.
8. Update this item in the ICRP and include Prevention of Fugitive dust in the cost estimate. CIRNAC agrees that dust generation & impact may be insignificant during closure as crushing, ore transportation stockpiling activities will not be performed. CIRNAC considers this resolved with condition to include a cover layer for reclamation in the next iteration of the ICRP.
9. Update Long term criteria for permafrost conditions in the ICRP and include in the cost estimate. Baffinland agreed to update the ICRP. CIRNAC considers this resolved with the condition to include thermal monitoring for permafrost in the next iteration of the ICRP.
10. Include cost for studies and instrumentation at the end of mine operations. The currently approved ICRP is dated 2018, and should be updated with additional equipment needed for geotechnical / thermal engineering monitoring. CIRNAC considers this resolved with condition to include additional equipment needed for monitoring in the next iteration of the ICRP.

At this time CIRNAC wishes to address 2 unresolved items:

1. Baffinland to re-visit which costs have been considered or included in Engineering Fees.

Although the engineering scope may be simple during closure, a description of costs has not been provided by Baffinland.

**Recommendation:**

CIRNAC recommends that the components of the engineering costs be clearly outlined by Baffinland.

2. Assumptions and rationale for the key Arbitration Outcome unit rates should be obtained for review and verification.

SNC-Lavalin used the 2019 SNC-Lavalin developed unit rates. These are the same rates that CIRNAC and SNC-Lavalin used last year in our estimates.

CIRNAC did not use the arbitration rates because CIRNAC did not understand how they were developed, as CIRNAC was not involved in the arbitration process. CIRNAC can consider using the arbitration unit rates used by Baffinland in the estimate, if Baffinland can provide the logic behind the rates so that CIRNAC can understand and verify the rationale used by Baffinland to compose each rate. Until such a time, CIRNAC intends to use unit rates for which the technical logic is understood.

The logic used by SNC-Lavalin to develop these rates last year is the same logic that was provided in 2014 to develop the 2014 unit rates. A document was provided to the NWB by CIRNAC on January 18, 2021, outlining the rationale used for the SNC-Lavalin unit rates.

**Recommendation:**

CIRNAC recommends that Baffinland provide the rationale and logic used to develop the 2020 arbitration unit rates for CIRNAC review.

In conclusion, Baffinland proposed posting **119.3 M\$** as reclamation security for this project for 2021, in their submission from November 6, 2020. CIRNAC is of the opinion that this would not adequately cover the cost of reclaiming the Mary River project, should Baffinland be unable to do so. Based on the information provided during this process thus far, CIRNAC recommends the total project reclamation security for 2020 be set to **[130,002,508 \$]**.

[\[one hundred thirty million, two thousand, five hundred and eight dollars\]](#)

The reclamation estimate CIRNAC provided divides the total cost between land and water, and also between Inuit Owned Lands and Crown Lands. At present, the security for the project is held by both the Qikqiktani Inuit Association and the Crown according to land ownership of where the infrastructure is located. CIRNAC originally recommended splitting the total so that \$126,682,163 goes to the Qikqiktani Inuit Association and \$3,310,611 goes to the Minister.

In Baffinland's response to CIRNAC, dated January 13, 2021, Baffinland pointed out that CIRNAC had split the 25 M\$ for Phase 2 activities as an indirect cost resulting in about 2.5% of the cost being held by the Minister, when all the activities fall under Inuit Owned Lands. CIRNAC submitted a revised Reconciled 2020 Global estimate to the NWB on January 18, 2021, which instead calculates this cost as a direct cost and assigns the entire sum to the Qikqiktani Inuit Association. This does not change the overall amounts.

In keeping with this method, CIRNAC recommends the total reclamation security be split as follows:

127,309,212 \$ to the Qikqiktani Inuit Association

[One hundred twenty seven million, three and nine thousand, two hundred and twelve dollars]

2,683,563 \$ for the Minister

[Two million, six hundred and eighty three thousand, five hundred and sixty three dollars]

This concludes CIRNAC's comments. Thank you.