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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

Date: February 26, 2021

File No: 2AM-MRY1325

By Email

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Re: Licence No: 2AM-MRY1325, Part C and Schedule C, Baffinland Iron Mines Corporation Type "A" Water Licence, Mary River Iron Mine Project: Direction from the Nunavut Water Board for the Annual Security Review Associated with the 2021 Work Plan

As set out in the Nunavut Water Board (NWB or Board) Decision¹ recommending the issuance of Type "A" Water Licence No: 2AM-MRY1325 (the Water Licence) in 2013, and as required under Part C and Schedule C of the Water Licence (as amended in 2015), the amount of financial security the Board requires Baffinland Iron Mines Corporation (the Licensee or Baffinland) to post under the Water Licence is subject to periodic review, and adjustment to reflect the scale and scope of

¹ Nunavut Water Board, Reasons for Decision for 2AM-MRY1325, June 12, 2013 at pp. 54-63.

proposed activities in the year ahead (as described in a work plan filed with the Board in the fall of the preceding year). This correspondence is provided to all parties to:

- Explain the Annual Security Review (ASR) process conducted by the Board this year to assess the reclamation security that should be posted under all instruments for reclamation of the licensed undertaking (Mary River Project) if the activities proposed in the 2021 Work Plan were to be carried out; and
- Provide the NWB's conclusions and direction in respect of the ASR process, including identifying any changes to security to be held under Water Licence No: 2AM-MRY1325 required to reflect the changes to reclamation liability associated with the 2021 Work Plan.

The ASR process used by the Board to conduct this review of reclamation security associated with Baffinland's 2021 Work Plan is generally described in the Water Licence under Part C and Schedule C. Although the general requirements of the ASR process are set out in Schedule C of the Water Licence, this general timing and steps in the process were modified in the ASR process associated with the 2021 Work Plan to reflect the needs of the participants, Baffinland, the Qikiqtani Inuit Association (QIA), and Crown-Indigenous Relations and Northern Affairs (CIRNA).

The amount of security required to be posted under the Water Licence following the conclusion of the ASR process is based on both an estimate of the highest reclamation liability for land and water in the upcoming year (the global security amount), and any reductions from the global security amount to reflect the reclamation security that Baffinland has also provided to the QIA under the reclamation requirements associated with the Commercial Lease between Baffinland and the QIA. This information and the parties' comment submissions provided during the course of the ASR are considered by the Board in order to fix the total security amount that must be held under the Water Licence for the upcoming year.

As indicated in the NWB's guidance letter issued to the parties on November 20, 2020 with respect to the ASR Process, the NWB is issuing this correspondence to fix the security amount that must be posted under the Water Licence with the expectation that Baffinland will post the adjusted security under the Water Licence on or before March 29, 2021.

The ASR process commenced with the NWB circulating the 2021 Work Plan by Baffinland on November 6, 2020. **Appendix A** provides a summary of the key documentation provided pursuant to the 2021 ASR Process and the key activities undertaken by the Board and the parties to complete the 2021 ASR Process.

The Board has placed all non-confidential information associated with the ASR Process on its public registry. For further details, consult the NWB's FTP site and at the following link:

[ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-LUP1520%20LMI/3%20TECH/2%20SECURITY%20\(C\)/](ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-LUP1520%20LMI/3%20TECH/2%20SECURITY%20(C)/)

The NWB's Jurisdiction to Fix Security under the Water Licence

The Board's jurisdiction to require a licensee to furnish security is set out under s. 76 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, S.C. 2002, c. 10 as follows:

76. (1) The Board may require an applicant, a licensee or a prospective assignee to furnish and maintain security with the Minister in the form, of the nature, subject to such terms and conditions and in an amount prescribed by, or determined in accordance with, the regulations or that is satisfactory to the Minister.

In addition, the *Nunavut Waters Regulations*, SOR/2013-69 (the Regulations) further specify the limits on the Board's jurisdiction and state the following:

10. (1) For the purposes of subsection 76(1) of the Act, the Board may fix the amount of security required to be furnished by an applicant for a licence, a licensee or a prospective assignee in an amount not exceeding the aggregate of
(a) the costs of the abandonment of the undertaking;
(b) the costs of the restoration of the site of the undertaking;
(c) the costs of any ongoing measures that may remain to be taken after the abandonment of the undertaking; and
(d) the compensation that a person, including the designated Inuit organization, who is adversely affected by the use of waters or deposit of waste may be entitled to under section 13 of the Act.

With respect to this Water Licence particularly, the Board notes that almost all of the Mary River Project is located on Inuit Owned Lands (IOL). As a result, the Board must take into account that the QIA holds a significant portion of the global security amount required to reclaim the undertaking under the QIA's Commercial Lease to ensure that reclamation and full restoration of the undertaking on IOL takes place. This circumstance has meant that the NWB, in fixing the amount of reclamation security required under the Water Licence, has allocated only a small proportion of the global security amount for reclamation of the undertaking to the security required to be posted under the Water Licence. Last year, in the 2020 ASR Process, the Board required **\$1,591,000** or approximately 1.5% of the global security amount of **\$106,278,658** to be posted under the Water Licence. It should be noted that the value of reclamation security allocated under the Commercial Lease instrument was increased from **\$104,687,658** to **\$113,371,000** later in the year as a result of agreements made between Baffinland and QIA.² Consequently, going into the 2021 ASR process, the global financial security amount in place under both the Water Licence and the Baffinland-QIA Commercial Lease instrument was **\$114,962,000**.

As expressed in prior ASR decisions by the Board, failing to reduce the reclamation security under the Water Licence to reflect that a significant portion of the global security amount for reclamation of the undertaking is secured under the Baffinland-QIA Commercial Lease would result in the

² Chris Spencer (QIA) to Assol Kubeisinova (NWB), RE: Licence No. 2AM-MRY1325 Type "A"; Mary River Project, Baffinland Iron Mines Corporation, 2021 Annual Security Review - Qikiqtani Inuit Association Speaking Notes, dated January 18, 2021.

NWB fixing an amount of security in excess of what is permissible under s. 10(1) of the Regulations because it would far exceed the costs set out in s. 10(1)(a)-(d). Reflecting these concerns of over-bonding, and as set out in the Board's previous decisions, the NWB developed an approach to allow the Board to factor security held under land based instruments into the Board's fixing of security under water licences:

*... the Board's focus in assessing security is that the Applicant must have posted sufficient security, through all means, when taken together, to ensure that the overall reclamation of the site (land and water) has been adequately addressed. Consequently, the Board's starting point to assess security remains considering the security requirements holistically and then deducting from the aggregate land and water reclamation totals any security held under other instruments, with the remainder being secured under the water licence.*³

In fixing the security under the Water Licence as set out in Part C and Schedule C, the Board has therefore taken into account the reclamation security held by the QIA over time. The ASR process established under the Licence also takes into account that the total costs of security required to ensure reclamation of the undertaking may vary greatly over the life cycle of the Mary River Project. The ASR process was also designed to provide a mechanism for conducting periodic review of the security fixed under the Water Licence to reflect the objective, as stated in the Mine Site Reclamation Policy for Nunavut (2002) that:

*The total financial security for final reclamation required at any time during the life of the mine should be equal to the total outstanding reclamation liability for land and water combined (calculated at the beginning of the work year, to be sufficient to cover the highest liability over that time period)*⁴.

The Annual Security Review (ASR) Process

To date, the NWB has conducted security reviews under the Water Licence annually commencing in 2013. Although the timing and detailed process steps have varied slightly to reflect circumstances, essentially the Annual Security Reviews (ASR) under the Water Licence commence with Baffinland providing a new Work Plan in the Fall for the upcoming period of March to March, coupled with an updated reclamation estimate that reflects any changes to the global financial security amount required to reclaim the undertaking, if all on-going and new activities as identified in the new Work Plan were to proceed.

The NWB then receives comments on both the Work Plan and the updated reclamation estimate from the two land owners, Crown-Indigenous Relations and Northern Affairs (CIRNA) in respect of security held for Crown Lands and in respect of the Water Licence and the Qikiqtani Inuit

³ Nunavut Water Board, Reasons for Decision for 2AM-JER1119, December 21, 2012 at p. 47.

⁴ *Mine Site Reclamation Policy for Nunavut*, 2002, Minister of Indian Affairs and Northern Development, (Ottawa: Minister of Public Works and Government Services Canada, 2002) available on-line: https://www.rcaanc-cirnac.gc.ca/DAM/DAM-CIRNAC-RCAANC/DAM-NTHAFF/STAGING/texte-text/recpolnuna_1100100036043_eng.pdf

Association (QIA) in respect of the reclamation security held by the QIA under the Commercial Lease. When all submissions have been received, the NWB hosts an ASR meeting (by teleconference) with the parties to present their submissions to the Board and discuss any outstanding technical or process issues. Following the ASR teleconference, parties are permitted to file additional follow up submissions. When all submissions have been received, the security issue is remitted to the three-Member Panel appointed by the Board to make decisions in respect of the Water Licence. Following Panel deliberation, the Board issues direction under Part C and Schedule C of the Licence, determining the global financial security amount for the reclamation of the undertaking and specifying the amount of security that must be held under the Water Licence.

As established under the Water Licence, Part C, Item 1(a) and (b), changes to the amount of security that are the outcome of the ASR Process conducted under the Water Licence are not handled as amendments to the Water Licence, and any adjustment to the security required to be posted under the Water Licence is dealt with as an administrative change to the Water Licence that does not require approval of the Minister of Northern Affairs.

Summary of Submissions Received During the ASR Process Relating to the Global Financial Security Amount and Financial Security Held under Licence 2AM-MRY1325

LICENSEE (BAFFINLAND) MAJOR SUBMISSIONS

The 2021 Work Plan, as required under the provisions of Licence 2AM-MRY1325 (the Water Licence), was originally filed with the NWB on November 6, 2020. As required under the Water Licence (Part J, Schedule J), the 2021 Work Plan included the following components:

- Details regarding mining and associated activities that occurred or had been proposed but were not undertaken over the previous year as well as information on similar and/or additional activities proposed for the upcoming year;
- An assessment of the previous and upcoming year's activities, identifying any changes in environmental liabilities or risk associated with the Project that would affect the amount of reclamation security required for the Project, and that would allow a third-party contractor to perform reclamation under a worst-case scenario, and identifying any associated changes to the amount of reclamation security held under all instruments that should be filed; and
- An examination of any material changes that the proposed works would have on other Project variables such as management plans, existing infrastructure, progressive reclamation and more.

Details contained in Baffinland's 2021 Work Plan indicated that ongoing development of the mine will continue over the 2021 period. Similar to the previous years' work plans, the 2021 Work Plan includes details regarding new and ongoing works and activities, as well as works and activities

proposed under the 2020 Work Plan that were not carried out as planned, will not be carried out in the future, or were deferred in 2020, and will be carried over into the 2021 Work Plan.

The following summarizes the main activities, works, or undertakings Baffinland proposed to carry out under the 2021 Work Plan:

- Development and operation of the mine, ore crushing and land transportation, stockpiling and marine shipment of ore;
- The continued development and construction of infrastructure required at Milne Port and the Mary River Mine Site and along the Tote Road for the Mary River Project;
- Continued operation of Mine Site and Milne Port Camps to support ongoing operations and construction activities which will include the use of water and deposition of waste as authorized under existing permits;
- On-going operation and expansion of permitted quarry and borrow sources;
- At Milne Port, vessels carrying fuel, equipment and supplies for use at the Mine Site and Milne Port will arrive during open water. Material, fuel and supplies required for operational and construction activities will be transported to the Mine Site year round via the Tote Road;
- On-going environmental effects studies and baseline data collection will continue to support the construction and operation of the Project as well as for future engineering requirements;
- Continued environmental monitoring in accordance with the approved Project Certificate, licences, authorizations, management plans and environmental effects monitoring plans;
- On-going exploration activities including drilling, mapping, prospecting, sampling, and geophysics. Planning of the details of the summer drilling and/or trenching program is not yet finalized;
- Tote Road improvements to address safety concerns, freshet runoff issues and poor road conditions during the spring and summer periods;
- Continued construction of additional fuel storage at the project;
- Site grading and laydown construction for supplies and equipment to support future construction activities and remove ponding and permafrost degradation issues around current infrastructure, and;
- Erection of additional maintenance facilities to safely service equipment.

Based on the scope of work proposed in the 2021 Work Plan and considering works and activities not undertaken under the 2020 Work Plan, and works and activities carried over from 2020 in the 2021 Work Plan, on November 6, 2020, Baffinland proposed that the overall reclamation security for the Project should be increased substantially from the \$106,278,658 fixed by the Board in 2020 to \$119,270,419 under the 2021 Work Plan. Baffinland proposed that the amount of security to be held under the Water Licence should be increased from \$1,591,000 to \$2,328,934. In its January 13, 2021 submission, Baffinland adjusted the total estimate to \$119,357,956 with \$2,317,866 proposed to be allocated to security under the Water Licence. In addition, Baffinland informed the Board of the increase to the security amount currently held by the QIA to \$113,371,000 “as the correct amount of security for Inuit Owned Lands... in respect of the 2019 Work Plan”. Following the 2021 ASR teleconference hosted by NWB in January 2021, Baffinland

submitted a revised *2021 Marginal Closure and Reclamation Financial Security Estimate* that allocated **\$117,651,846** to the Baffinland-QIA Commercial Lease component and **\$2,317,866** to the Water Licence component resulting in updated total global financial security amount of **\$119,969,712 for the Project**.

QIA MAJOR SUBMISSIONS

On December 29, 2020, the QIA submitted a cover letter and accompanying 2021 Mary River Reclamation Security Update Report (i.e. the “2021 Security Estimate”) for the Project (conducted by ARKTIS Solutions Inc.). The submission recommended an increase in reclamation security under the Commercial Lease to \$143,539,000. The NWB distributed Baffinland’s responses to intervenor information requests on January 14, 2021. During the 2021 ASR teleconference on January 21, 2021, the QIA advised the NWB that further discussion with the Licensee was ongoing with the goal of coming to agreement on a reclamation security estimate associated with the 2021 Work Plan, and also advised the NWB that the expected outcome of the discussions would be Baffinland and the QIA providing a joint submission on reclamation security to the NWB.

After the joint submission from the QIA and Baffinland was filed with the Board on January 29, 2021, the Board received a separate submission from the QIA on February 2, 2021 that provided an updated estimate based on the QIA’s Abandonment and Reclamation Policy for Inuit Owned Lands and the Mine Site Reclamation Policy for Nunavut. The QIA explained that the updated amount represented an increase of \$19,538,000 from the 2020 security in place resulting in the updated estimate of reclamation security under the Commercial Lease of **\$132,909,000**. A comparison of the QIA and Baffinland estimates suggests that some of the main factors, contributing to the differences in the estimates were as follows:

- Disagreement in the methodology of estimating security for grade and recontour;
- Inclusion of water treatment for the Waste Rock Facility;
- Demobilization of ammonium nitrate;
- Disagreement in what constitutes a pit and security estimate for open pit stabilization;
- Buildings height;
- Inventory of mechanical and mobile equipment;
- Contaminated soil removal;
- Worker mobilization and camp accommodations; and
- Inflation.

BAFFINLAND – QIA JOINT SUBMISSION

On January 29, 2021, the QIA provided a joint submission developed by the QIA and Baffinland in support of the 2021 ASR Process for the Mary River Project. The joint submission was the result of extensive negotiations that occurred between Baffinland and the QIA prior to and following the NWB-hosted ASR Teleconference held on January 21, 2021.

The parties stated:

Baffinland and the QIA have identified a way forward, subject to the process to resolve outstanding differences referred to below, for Baffinland to post an additional \$7,628,500 to the QIA related to Baffinland's 2021 Work Plan. This interim measure will result in the QIA holding total security in the amount of \$120,999,500. These additional monies will be posted in a form consistent with the requirements of the Commercial Lease, on or before February 12, 2021. A copy of the security amendment will be provided to the NWB for their own records upon receipt by the QIA. Baffinland and QIA agree that the joint submission value of \$7,628,500 is an interim value without prejudice to either parties' rights under the Commercial Lease.

Baffinland and QIA have agreed to work together throughout 2021 to resolve outstanding items of discrepancy between the respective estimates... In the event that resolution cannot be achieved between parties, Baffinland will post the full value of QIA's 2021 estimate on or before December 31, 2021, at which time Baffinland may initiate arbitration under its rights in the Commercial Lease. Baffinland and QIA hope for a successful resolution of these outstanding items, and will provide updates to the NWB on the outcome of these discussions in future reclamation security estimates.

Therefore, the Licensee and the QIA do not intend to update the value of reclamation security under the Commercial Lease until such time that the resolution is achieved. The Board understands that the February 2, 2021 submission from the QIA constitutes the "full value of the QIA's 2021 estimate" as referenced in the joint submission.

CIRNA MAJOR SUBMISSIONS

On January 4, 2021, CIRNA submitted a cover letter and an accompanying *Mary River Project FINAL Rev. 1 2020-2021 Annual Security Review Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)* produced by SNC Lavalin Inc. for CIRNA (Report). The Report was based on the document package submitted by Baffinland as part of the 2021 ASR process. CIRNA estimated the global financial security amount for 2021 as \$130,002,508, which consists of \$3,310,611 for the reclamation of Crown Lands and \$126,682,163 for the reclamation of Inuit Owned Lands.

Following the January 21, 2021 teleconference hosted by NWB and continued discussions with Baffinland, CIRNA filed the *FINAL Rev.2 2020-2021 Annual Security Review Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)* (revised Report) with a cover letter on January 29, 2021. CIRNA introduced a number of changes to its original estimate resulting from the agreement on the unit rates and engineering and project management costs.

In the revised Report, the agency recommended the security for reclamation on Crown Lands (held under the Water Licence) be increased from \$1,591,000 to **\$2,788,000** and for Inuit Owned Lands (held under the Baffinland-QIA Commercial Lease) be increased to **\$123,444,485** resulting in an updated global financial security amount of **\$126,242,287** when the security held under both the

Water Licence and the Baffinland-QIA Commercial Lease is considered.

In addition, CIRNA recommended that, for future iterations of the ASR, Baffinland satisfy information requests as outlined in the revised Report (section 5 “Findings and Comments”).

SUMMARY OF RECLAMATION ESTIMATES PROVIDED BY ALL PARTIES

The following table (**Table 1**) summarizes the proposed reclamation estimates provided by the various parties initially and finally for the 2021 period.

Table 1: Security Proposed in Various Parties Submissions for the 2021 ASR			
Party -Submission	Water Licence (\$)	Commercial Lease (\$)	Total (\$)
QIA – Initial	N/A	\$143,539,000	N/A
QIA – Final	N/A	\$132,909,000	N/A
Baffinland – Initial	\$2,328,934	\$116,941,485	\$119,270,419
Baffinland – Final	\$2,317,866	\$117,651,846	\$119,969,712
CIRNA - Initial	\$3,310,611	\$126,682,163	\$146,893,961
CIRNA – Final	\$2,788,000	\$123,444,485	\$126,242,287
Baffinland-QIA(Jointly)	N/A	\$120,999,500	N/A

The Updated Global Financial Security Amount for 2021

The Board recognizes that there continue to be significant differences of opinion between Baffinland, CIRNA and the QIA with respect to assumptions underlying the development of the global financial security amount for the reclamation of the undertaking. However, after reviewing all submissions received to date, the 2021 Work Plan and the estimates as proposed and revised as part of the 2021 ASR Process, the Board is confident that there is sufficient information to support the Board’s decision that the global financial security amount should be increased by approximately \$8,825,500 from the existing **\$114,962,000 to \$123,787,500**.

This update to the total global financial security amount of \$123,787,500 reflects that the security being held by the QIA under the Baffinland-QIA Commercial Lease will constitute \$120,999,500 in accordance with the joint submission by Baffinland and the QIA. The update to the total global financial security amount also includes an increase from the current amount of security held under Part C, Item 1 of Water Licence No: 2AM-MRY1325 from **\$1,591,000 to \$2,788,000** because the

Board accepts the submissions of CIRNA that the reconciliation for 2020 and activities proposed by Baffinland in the 2021 Work Plan will increase the reclamation liability by approximately \$1,197,000 on Crown Lands. The Board's acceptance of CIRNA's updated estimate is based in part on the recognition that CIRNA's estimates are based on the RECLAIM Model, which is also the model that is generally accepted by the Board when fixing security under water licences. The NWB noted, however that CIRNA indicated a willingness to reconsider unit costs and other key assumptions that were inputs into the RECLAIM Model, and the NWB recommends that CIRNA and Baffinland hold further discussions to canvass the extent to which they can come to agreement in respect of unit costs and other key assumptions underlying their respective estimates. If both parties can reach agreement and can provide the Board with the rationales for changes to particular unit costs and key assumptions, the Board may consider estimates based on actual costs or adjustments to the costs assumed in the RECLAIM Model in subsequent ASR processes.

However, in the absence of agreement amongst the parties and/or suitable rationales for why costs assumed in the RECLAIM Model should not be used, the Board has accepted that CIRNA's updated estimate would be sufficient to ensure the reclamation of the undertaking. Having considered all the submissions of the parties throughout the 2021 ASR process, the Board's duly appointed decision-making Panel for the file (Mary River Panel or Panel P4) concluded, by way of Panel Motion No: 2020-22-P4-04 on February 26, 2021, that the global financial security amount should be increased from the current **\$119,969,712** to **\$123,787,500**. The Board is confident that this increased amount is equal to the highest reclamation liability for land and water associated with the undertaking governed by the Water Licence during the period of March 2021 to March 2022 and will be sufficient to cover previous activities and activities proposed for this period under the 2021 Work Plan on Crown Lands.

The Amount of Security Required by the NWB to be posted under Licence No: 2AM-MRY1325 for the 2021 Period

As outlined in the preceding section, the Mary River Panel has determined, by way of Panel Motion No: 2020-22-P4-04 that Baffinland must increase the reclamation security to be held by the Minister under Part C, Item 1 of the Water Licence from the current **\$1,591,000** to **\$2,788,000** in reclamation security. It is the Board's view that this increase to the amount held under the Water Licence is required to reflect increased Project liability on Crown Lands. As outlined in the Water Licence, this security must be held in the form required under the *Nunavut Waters Regulations* and as acceptable to the Minister of Northern Affairs.

Summary of Total Financial Security Posted Pursuant to Part C and Schedule C of Licence No: 2AM-MRY1325 for 2013-2021

The following graphs and figures show the total financial security posted for the Project during the years 2013-2021 and include the amount directed by the Board to be filed by Baffinland for the upcoming 2021 period.

Table 2: Global Security Amount Posted for the Mary River Project Annually, April 2013-March 2022

Year	2013	Q1 2014 to Q1 2015	Q1 2015 to Q1 2016	Q1 2016 to Q1 2017	Q1 2017 to Q1 2018	Q1 2018 to Q1 2019	Q1 2019 to Q1 2020	Q1 2020 to Q1 2021	Q1 2021 to Q1 2022
	(With Licence Issuance)	(Based on 1 st ASR, 2014 ASR)	(Based on 2 nd ASR, 2015 ASR)	(Based on 3 rd ASR, 2016 ASR)	(Based on 4 th ASR, 2017 ASR)	Based on 5 th ASR, 2018 ASR	Based on 6 th ASR, 2019 ASR	Based on 7 th ASR, 2020 ASR	Based on 8 th ASR, 2021 ASR
Total (\$)	\$36,000,000	\$39,959,000	\$47,683,500	\$50,055,500	\$52,682,600	As directed by NWB: \$85,007,826 As agreed by Baffinland and QIA: \$75,128,326	As directed by NWB: \$88,136,459 As agreed by Baffinland and QIA: \$106,136,459	As directed by NWB: \$106,278,658 As agreed by Baffinland and QIA: \$114,962,000	\$123,787,500

Table 3: Summary of Security Amounts Posted Under the Commercial Lease and Water Licence for the Period 2013-2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Inuit-Owned Land and/or Water	\$26,200,000	\$39,793,000	\$47,517,500	\$48,845,500	\$51,384,000 \$64,642,000*	\$73,829,771	\$104,687,658	\$104,687,658 \$113,371,000**	\$120,999,500
Crown Land and/or Water	\$9,800,000	\$166,000	\$166,000	\$1,210,000	\$1,298,555	\$1,298,555	\$1,448,801	\$1,591,000	\$2,788,000
Total	\$36,000,000	\$39,959,000	\$47,683,500	\$50,055,500	\$52,682,555 \$65,940,500*	\$75,128,326	\$106,136,459	\$106,278,658 \$114,962,000**	\$123,787,500

*including additional security posted on August 7, 2017 in accordance with the 2017 Work Plan Addendum

**including additional security posted in December 2020 in accordance with the arbitration outcomes for reconciliation for 2019

Figure 1: Graph Showing Reclamation Security Posted Annually for the Mary River Project, 2013-2021

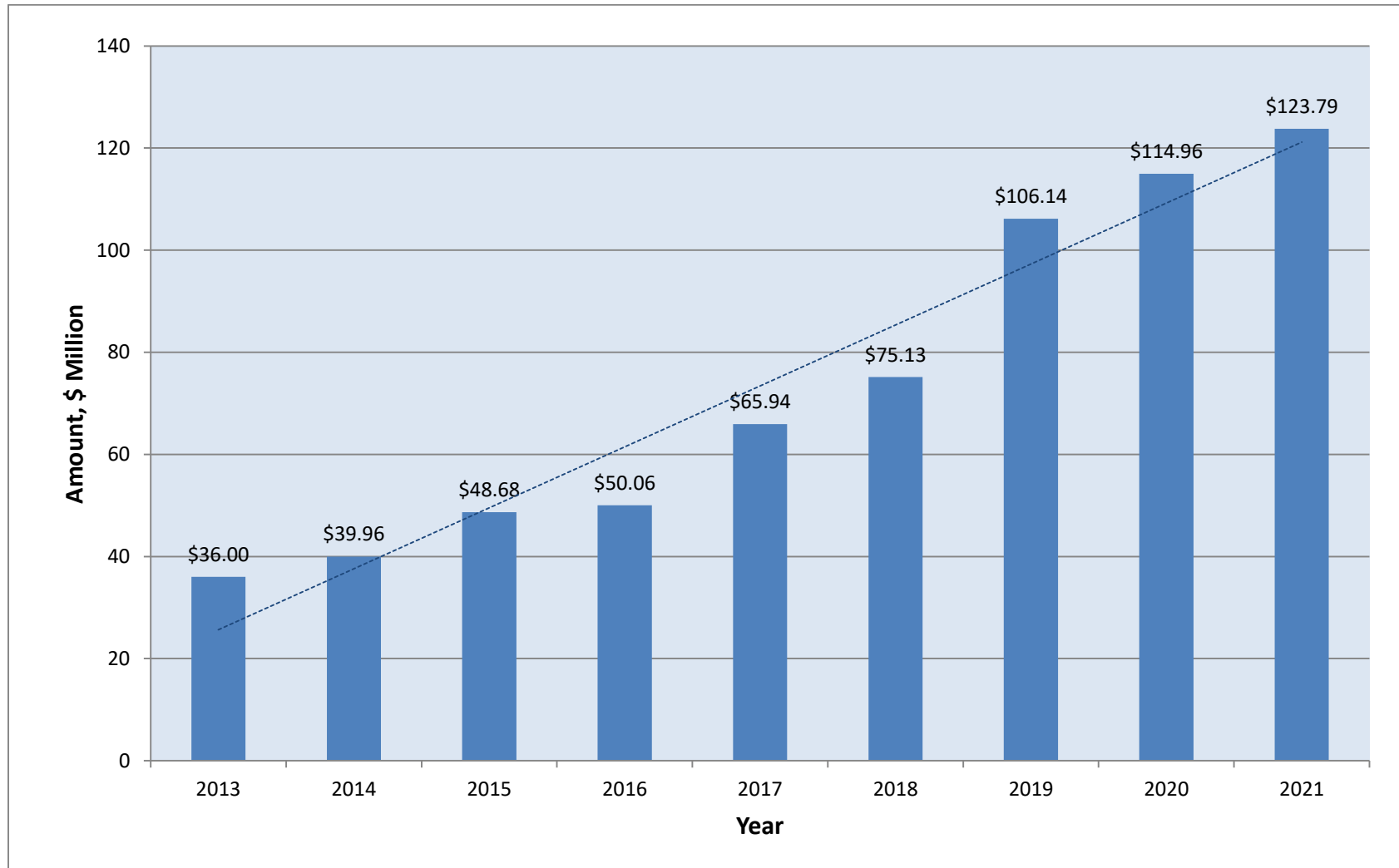
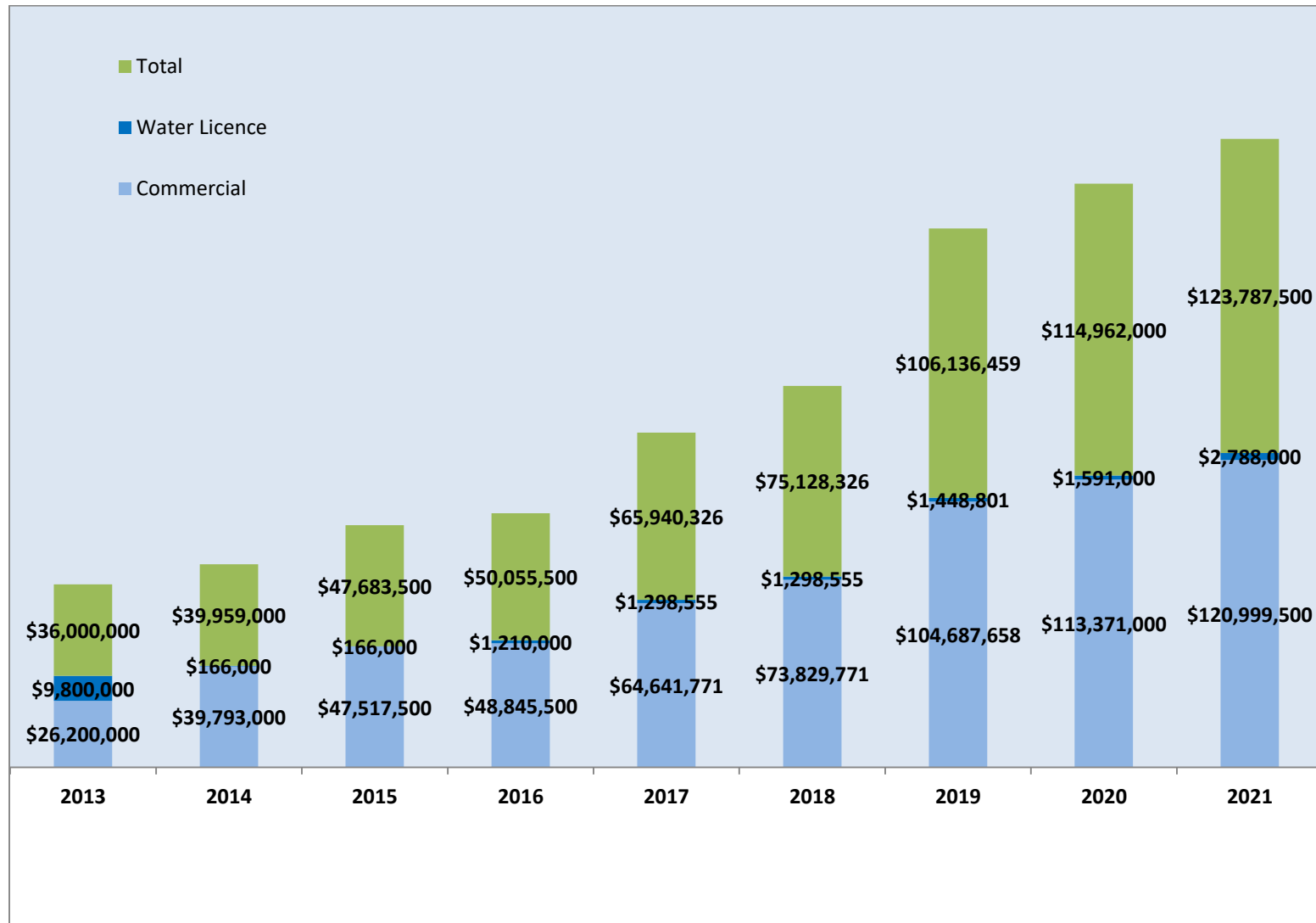


Figure 2: Graph Showing the Relative Proportion of Security Posted Under the Commercial Lease and Water Licence for the Period 2013-2021



Closure of the 2021 ASR Process

This concludes the Board's ASR determination with respect to the global financial security amount and the updated security required to be held under Part C, Item 1 and Schedule C of Licence No: 2AM-MRY1325 for the upcoming 2021-2022 season, as specified under the Licence, Schedule C, Item 4.

During the 2021 ASR Process, the Licensee agreed to furnish the financial security as set out in this determination on or before **March 31, 2021**. All parties are advised that, if confirmation of security being in force is not received by March 29, 2021, the Board may take further steps and issue further written direction under the ASR Process to ensure that adequate security is in place prior to the commencement of work under the 2021 Work Plan.

Further, the NWB recognizes that there are several processes underway that may alter the Board's future ASR process and the fixing of security under Water Licence No: 2AM-MRY1325 in the future, including:

- The receipt of further information from Baffinland and the QIA regarding the results of the discussions conducted under the Baffinland-QIA Commercial Lease, and
- The outcome of the NWB's consideration of an amendment application from Baffinland to amend Water Licence No: 2AM-MRY1325 to reflect the changes to water use and waste deposit associated with the Phase 2 Expansion Project Proposal.

As the information and advice to the Board associated with these processes is received, the NWB will issue additional guidance as considered necessary to ensure the NWB's periodic review of security is aligned with the NWB's developing best practices for fixing security, including changes that reflect amendments to the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* with respect to the Board's consideration of security that were brought into force only after the Water Licence for the original Mary River Project was issued in 2013.

If you have any questions or require further direction with respect to this matter, please contact the Board's Executive Director, Stephanie Autut at: (867) 360-6338, ext: 22 or via e-mail at stephanie.autut@nwb-oen.ca or Director of Technical Services, Karén Kharatyan at: ((867) 360-6338, ext: 35 or via e-mail at karen.kharatyan@nwb-oen.ca.

Regards,

Lootie Toomasie
Chairperson
Nunavut Water Board

cc. Public Registry
Chris Spencer (QIA)
Bridget Campbell (CIRNA)

APPENDIX A
List of Key Documentation and Activities in Support of the 2021 ASR

Date	Procedural Milestone
November 12, 2020	NWB distributed Baffinland's 2021 Work Plan as required under Part J of the Licence. The 2021 ASR Process Guidance document with a proposed timeline was also issued by the NWB.
November 19, 2020	Baffinland submitted its comments on the 2021 Annual Security Review Process and Timelines.
November 20, 2020	The NWB provided its response to Baffinland's submission of November 19, 2020.
December 4, 2020	The NWB granted the QIA's request for extension for submitting its 2021 security determination.
January 4, 2021	By this date, CIRNA and QIA filed written submissions regarding the Licensee's 2021 Work Plan and updates to the reclamation security estimates for the Project.
January 11, 2021	Baffinland requested a deadline extension to January 13, 2021 to file its response to Intervener comments. The NWB granted the extension.
January 12, 2021	The NWB distributed the draft Agenda for the January 21, 2021 teleconference.
January 13, 2021	Baffinland submitted updated information regarding its 2021 security assessment.
January 18, 2021	The parties filed their presentation materials in preparation for the teleconference. The NWB issued the final Agenda for the 2021 ASR Teleconference.
January 21, 2021	The NWB hosted the 2021 ASR Teleconference.
January 28, 2021	Baffinland filed an update to its submission (filed on January 13, 2021) based on the discussion and commitments at the teleconference. The QIA notified the Board that it was working with the Licensee on a potential agreement and would provide an update on January 29, 2021. CIRNA submitted its RECLAIM Model results.
January 29, 2021	CIRNA filed the <i>FINAL Rev.2 2020-2021 Annual Security Review Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)</i> . The QIA submitted the Baffinland-QIA joint submission.
February 2, 2021	The QIA submitted the <i>2021 Mary River Reclamation Security Report – Version 3</i> .

Date	Procedural Milestone
February 26, 2021	The NWB issues 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.
March 31, 2021	The Licensee is required to file any adjusted reclamation security amount as determined by the NWB and set out in the ASR decision in accordance with Part C, Item 1 of Licence No: 2AM-MRY1325.