

NWB 2022 Annual Security Review

QIA Teleconference Presentation



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Qikiqtani Inuit Association

Introduction

- QIA holds \$120,999,500 in reclamation security as of February 17, 2021.
- QIA provided its 2022 determination of reclamation security to the NWB on December 31, 2021
 - QIA's security determination for 2022 is \$ 128,312,000.
 - This value represents a \$7,312,500 increase
- This estimate reflects holdings for Inuit Owned Lands and is not related to the Type 'B' Exploration Licence nor activities on Crown Land.
- This presentation provides initial commentary to Baffinland's responses to the QIA determination of reclamation security, not those of intervenors.



Methodology

Generally, QIA's estimate considered the following:

- The QIA's Abandonment and Reclamation Policy
- Principles outlined in CIRNAC's reclamation policy
- Baffinland's 2022 Work Plan and Marginal Estimate (including Baffinland's 2021 Work Plan Addendum)
- QIA's 2021 Environmental Audit
- Assumptions and approaches used for the development of the 2014-2021 security reports
- The unapproved Interim Closure and Reclamation Plan
- The 2019 Arbitration Final Award

Disturbed Areas / Grade & Re-Contour

- Baffinland maintains that the Tote Road and aerodrome (airstrip) will remain in place at final closure (with the exception of culverts and bridges, following community consultation) and does not allocate security for these items
- QIA maintains its position that disturbed areas adjacent to the Tote Road and the airstrip must be remediated and require security
- Ultimate reclamation of the Site will require reclaiming the Tote Road and airstrip
- QIA acknowledges Baffinland's commitment to working with QIA towards the development of a mutually agreeable methodology for the assessment of disturbed areas

Equipment Inventory

- QIA acknowledges Baffinland's request for QIA to propose methodology for confirmation of site inventory moving forward.

Deposit 1

- Baffinland continues to classify the pit as a hilltop outcrop, and notes that further reclamation research to support additional security for the water quality of the pit requires operational monitoring
- Baffinland indicates that ponding of water is incidental and that the stability of the area has been assessed through the bi-annual Geotechnical Inspections
- QIA maintains that Inuit Owned Land at the pit area is significantly disturbed

Building Height

- Baffinland disagrees with the methods for consideration of building heights, citing there was no assumed building height in either the 2014 Hatch or ARKTIS 2014 security estimates
 - This methodology was applied by both Parties until recently changed by QIA
 - For reference, ARKTIS' 2014 estimate relied on the use of RS Means, which provided an estimate for building reclamation in m^3 . Buildings were assumed to be 3m to align unit costs with Baffinland's methodology, being on a m^2 basis.
- QIA maintains that building heights must be considered and acknowledges this is an update to the 2014 methodology
- Building heights also impact the extent to which the landfill can accommodate materials

Quarries

- QIA acknowledges Baffinland's request for the removal of the Quarry Q1 expansion and Quarry Q5 from security
- Quarry Q1
 - As per the QIA-Baffinland Quarry Concession Agreement, Baffinland is required to submit an updated Quarry Management Plan with the Work Plan and Security Estimate submission if there is a change to the boundary
 - QIA did not receive an updated Quarry Management Plan for Q1 and is unable to consider modifications to the quarry boundary at this time

Quarries

- QIA acknowledges Baffinland's request for the removal of the Quarry Q1 expansion and Quarry Q5 from security
- Quarry Q5
 - A reduction for Quarry Q5 was not accepted as it remains a proposed quarry according to Table 4.3 of the 2022 Work Plan

Engineering Fees

- It is acknowledged that the scale of the Project leads to decreasing engineering percentages; however, Baffinland does not acknowledge that engineering percentages regardless of size have generally increased in the multiple referenced guidelines.
- QIA adds that SNC Lavalin, the consultant for CIRNAC, continues to have concerns with the proposed 3.9% engineering fee.

Inflation

- Baffinland only applies inflation to the sum of the marginal increase. Baffinland cites unnecessary complexity with the approach taken by QIA, and that QIA's approach assumes if a unit rate has not been revised then it is not reflective of current costs.
 - QIA's approach is not complicated
 - QIA applies inflation by amending all unit costs to current dollars, thus making the entirety of the estimate current
 - QIA notes the need for inflation to be applied to unit costs individually, given potential for unit rates to be amended in different years.

Initial Comments to Baffinland responses

1. QIA agrees that activity of unloading at the landfill is captured. However, QIA maintains that security may be outstanding for loading and unloading of fuel being transported from Mary River to Milne Port.
2. QIA investigation of verifiable Site-based unit rates and productivities is ongoing.
3. QIA requests discussion with Baffinland on how unit rates derived in 2016 may be updated.
4. QIA investigation of verifiable fuel rates is ongoing.
5. QIA maintains that conservative costs be used, whether based on current site-specific fuel costs (and kept separate from mobilization costs) or costs based on past estimates.



Initial Comments to Baffinland responses

6. QIA requests discussion with Baffinland on closure and tiered security allocation for the pit.
7. QIA investigation of bridge removal costs is ongoing.
8. Slide 7 discusses building heights.
9. QIA maintains that hauling fuel from fuel storage tanks be considered.
10. QIA clarifies that the “Phase 2 Shiploader” (not simply Shiploader) which was previously allocated to IOL is being referred to. QIA maintains its recommendations.
11. QIA acknowledges that 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, and that refinement of this value is appropriate during the development of the final closure plan.



Initial Comments to Baffinland responses

12. Slide 5 discusses equipment inventory.
13. QIA clarifies the intent of this recommendation was not the quantity of treated water (which led to a net increase within the 2022 estimate), but the assumption of \$1/m³ which is not a site-based value.
14. Slide 11 discusses inflation.
15. QIA requests Baffinland confirm it will provide a draft 2021 Audit Report Information Requests work plan by March 1, 2022, for Party review and confirmation, to facilitate activity completion by August 1, 2022.
16. QIA requests discussion with Baffinland, CIRNAC and NWB on opportunities to amend Annual Security Review timelines to better reflect contractual obligations and resources.