



Water Resources Division
Resource Management Directorate
Nunavut Regional Office
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Your file - Votre référence
2AM-MRY2540
Our file - Notre référence
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December 30, 2025

Robert Hunter
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**Re: Crown-Indigenous Relations and Northern Affairs Canada's (CIRNAC)
Reclamation Cost Estimate in support of the Annual Security Review for
Baffinland Iron Mines Corporation's 2026-2027 Work Plan for the Mary River
Project, Water Licence 2AM-MRY2540**

Mr. Hunter,

Thank you for the original invitation on November 7, 2025 to participate in the Mary River Project's 2026-2027 Workplan and Annual Security Review (ASR). In following the supplemental guidance provided on November 14, 2025, Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) examined Baffinland Iron Mines Corporation (BIMC's) 2026 Work Plan submission and updates to the reclamation security estimates for the Mary River Project, pursuant to CIRNAC's responsibilities under Part C and Schedule C of the Water Licence 2AM-MRY2540.

Background

BIMC submitted a new and novel cost estimate model (CAPEX) with the 2026 Work plan, introducing civil construction-based unit rates for labor, materials, and equipment in a new format which has been described by BIM as a "Disturbed Areas Analysis" (DAA). BIMC's approach differs significantly from its previous Estimate Breakdown Structure (EBS) used in earlier work plans and required a significant level of effort to verify the 2026 cost estimate to ensure it appropriately includes all closure and restoration costs for the site, including any required post-closure measures. Unit Rates from the Reclaim V8 version were used as they are the most up to date Unit Rates available and capture the scope of reclamation activities to compare RECLAIM costs to BIMC's *CAPEX estimates*.



The 2026 Work Plan and security estimate Submitted by BIMC were reviewed and transferred into RECLAIM. The total security posted by BIMC in October 2025 was **\$136,753,840**, while BIMC's proposed 2026 security was **\$135,516,503**.

After reviewing the DAA submitted by BIM and translating that work into an approved EBS as found in Reclaim, and taking into account minor edits, updates and unit rate discussions with BIM over a number of weeks to ensure the comparability of the two models, CIRNAC's recommended global security estimate is **\$145,328,262**. A reduction in the current posted security is not recommended.

These additional costs can be associated with the following deficiencies in the DAA including;

- ICM duration set to one year instead of two years as required for unplanned closure.
- Missing hours for fuel mobilization

Other discrepancies between the models

It is CIRNAC's position that BIMC's global security amount is inadequate, as proposed. Throughout CIRNAC's on-going discussions with BIM in preparation for this submission significant and minor costs discrepancies between BIMC and CIRNAC's estimates have been identified and have agreed to revisit these outstanding issues in the coming ICRP review.

Following a consultative approach CIRNAC advised BIMC of our findings and in extensive consultation BIMC has recognized the need to address their estimate and the numerous concerns identified by CIRNAC. However it was felt that it would be best to address them in the review of the next ICRP due in 2026.

Under this approach CIRNAC has agreed to engage with BIM to resolve those outstanding issues as CIRNAC determines the acceptability of BIM's DAA approach in the estimation of environmental liability at site and the translatability of this information into unit rates for calculation. The model is not directly transferable to the RECLAIM model and is therefore much more labour intensive ensuring all known environmental Liabilities are captured in the estimate.

BIM has agreed to this approach and CIRNAC expects BIM to provide an updated 2026 ASR estimate that can be reviewed by all parties possibly within their January 16, 2026 submission.



Estimate for the 2026 Work Plan Overview

CIRNAC retained Atkins Réalis, who at the request of CIRNAC has subcontracted TRACE Associates to develop a reclamation cost estimate for the Mary River Project using the RECLAIM 7.0 model but comparing the Unit Rates to those found in the Reclaim V8 Model. This estimate is intended to incorporate the scope of BIMC's 2026 Work Plan and is provided as a separate document in Annex A of this submission.

This submission includes a reconciled 2023-24 global cost estimate and a 2025 marginal cost estimate. The 2025 global estimate was derived from the documents provided by BIMC and QIA in a Joint Statement published on the Public Registry on May 6, 2025 that indicate the 2025 global security was accorded to the commercial lease and amounted to an increase of \$ 2,969,355 to sum to a total security amount of CAD \$ 133,302,831.00 held by QIA. CIRNAC continued to hold \$ 3,451,009.00 for water security on the site.

Documents and files provided by BIMC considered in this review include the following;

- Updated 2025 Work Plan, dated October 31, 2025, which includes:
 - Appendix A: 2025 Disturbed Area Analysis
 - Appendix B: Interim Closure and Reclamation Plan V6
 - Appendix C: Borrow Pit Reclamation Report
 - Appendix D: Emergency Response Plan -May 14, 2025
 - Appendix E: Spill Contingency Plan, Dated 2021- no apparent updates
 - Appendix F: Basis of Estimate – Oct 28, 2025

Following extensive communications efforts between November 2, 2025 and December 15, 2025 CIRNAC and BIM provided both written documentation and oral feedback in an effort to ensure that the DAA could be adequately reviewed using the Reclaim V7/V8 model. During this period a number of other documents were shared including;

- Baffinland's Estimate Model in Excel,
- Baffinland's Unit Rate Deposition Spreadsheet,

BIMC proposal includes consolidating contractor indirect costs for mobilization, demobilization, supervision, survey, compaction testing, facilities etc. in the new DAA model to and all have been detailed separately and estimated on a resource / duration basis not on a unit rate basis of activity.

In order to compare the total contractor unit rates comparably to RECLAIM, one is required to calculate the contractor indirect costs and then prorate those back into the unit rates since RECLAIM does not detail these items.



Ensero, Baffinland’s main contractor for the ICRP and ASR process, incorporated that comparison into Column K of the Unit Rate Deposition spreadsheet which they have provided to CIRNAC’s estimators. However, Ensero has also rolled the many unit rates into summary / average unit rates and condensed the estimate to 64 line items in the Unit Rate Deposition spreadsheet down from 1,400 + in the full ASR cost estimate spreadsheet. This imposes a large obstacle to truthing individual rates however CIRNAC has committed to reviewing what has been provided in developing CIRNAC’s submission to the Nunavut Water Board.

In compliance with the provisions of Part 6 - Total Financial Security Calculation, Schedule C of 2AM-MRY2540, CIRNAC calculated the 2026 global estimate based on BIMC’s submitted 2026 Work Plan to be \$145,328,262. The Board must ensure that the amount of security furnished under Part C, Item1 is equal to the estimated mine closure and reclamation costs(including cumulative and legacy liabilities) for the upcoming year.

The updated Work Plan and associated appendices were reviewed to identify significant modifications from previous versions and to assess any inconsistencies or issues that could result in the Mary River Project being under-secured. The review was conducted within the context of the applicable regulatory framework and recognized industry best practices.

Although the entire Work Plan was examined, this report focuses on elements that may materially impact the financial security amount.

See Table 1 below for the breakdown of the Global Estimate Cost.

Table 1: CIRNAC 2024 Global Estimate Cost Breakdown

| | Security Posted under 2AM-MRY1325 | 2025 Reconciled Global Estimate | 2026 Work Plan Marginal Estimate | 2026 Global Estimate |
|------------|-----------------------------------|---------------------------------|----------------------------------|----------------------|
| Total Cost | \$130,333,476 | \$136,753,840 | \$9,811,759 | \$145,328,262 |

Next Steps

Currently the total security proposed by BIMC for the 2026 fiscal is \$135,516,503.00. The total security CIRNAC recommends to ensure adequate funding and appropriate closure and restoration of the site is \$145,328,262.

CIRNAC is concerned that there is no Remediation Agreement that would address the coordination / collaboration remediation on Crown/Inuit owned lands. Until such time as this is in place there will remain a level of uncertainty on how funds may be used and if they are sufficient to meet the portions of the anticipated mine closure and reclamation costs.



In the absence of said agreement CIRNAC will have to reevaluate the held quantum of security and request further amounts to ensure it is adequately secured. CIRNAC sees this Agreement as allowing the QIA and CIRNAC to reduce duplication of efforts and thus reduce the overall quantum of security.

Information Requests

To assist in refining the security estimates for this and future iterations of the ASR, CIRNAC recommends that CIRNAC, QIA and BIM work closely over the coming weeks to identify areas of discrepancy in the DAA vs Reclaim V7/V8 models and identify, where necessary, a common understanding or set of assumptions that may be applied to ensure consistency between estimates if BIMC wishes to continue to use this model.

If there are any questions or concerns, please contact me at (867) 975-4550 or via email at andrew.keim@rcaanc-cirnac.gc.ca.

Sincerely,

Andrew Keim

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