

Water Resources Division
Resource Management Directorate
Nunavut Regional Office
918 Nunavut Drive
Iqaluit, NU, X0A 3H0

Your file - Votre référence
2AM-MRY2540
Our file - Notre référence
GCDocs# 143682807

February 13, 2026

Robert Hunter
Licensing Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0B 1J0
E-mail: licensing@nwb-oen.ca

Re: Crown-Indigenous Relations and Northern Affairs Canada's final submission on the 2026 workplan and Annual Security Review of the Type A Water Licence No. 2AM-MRY2540

Dear Mr. Hunter,

Thank you for the invitation to participate in the 2026 Annual Security Review process for Baffinland Iron Ore Mines (Baffinland), Mary River Project Type A Water Licence No. 2AM-MRY2540. To date CIRNAC has provided a first estimate on December 31, 2025, a revised estimate on January 26, 2026 and this final estimate on February 13, 2026.

As forementioned in the teleconference on February 6, 2026 CIRNAC has had ongoing discussions with Baffinland following the submission of the Technical Memorandum dated January 26, 2026. Following these preliminary conversations CIRNAC understands that Baffinland is willing to actively work on developing a mutually agreeable security amount and providing further clarification where requested. Based on the discussions and commitments by Baffinland, CIRNAC has updated their recommended security amount. A list of additional items to be clarified or included in future versions are also included below. CIRNAC understands that Baffinland is committed to responding or including these items in future versions.

Baffinland's current security estimate is \$137,334,503. This value includes the original amount from the 2026 Work Plan as well as additional adjustments made in response to reviewer comments. Baffinland did not clarify where these adjustments were applied. A summary of Baffinland's security estimate is provided Table 1.

Table 1: Baffinland’s Security Estimate Summary

Security	Inuit Owned Lands	Crown Lands Total	Total
2026 Work Plan Estimate	\$133,779,416	\$1,737,087	\$135,516,503
Adjustment Based on Reviewer Comments	\$1,818,000	\$0	\$1,818,000
Total	\$135,597,416	\$1,737,087	\$137,334,503

CIRNAC is proposing a revised total security of **\$137,786,403**, based on Baffinland’s commitments. This represents an increase of **\$2,269,900** over Baffinland’s 2026 Work Plan, or **\$451,900** over the adjusted amount provided by Baffinland. The updated security by QIA (Qikiqtani Inuit Association) is provided in Table 2.

Table 2: ASR Report Security Estimate Summary

Security	Inuit Owned Lands	Crown Lands Total	Total
ASR Report Updated Security Estimate	\$136,111,553	\$1,674,850	\$137,786,403

A summary of the modifications and their cost implications is presented in Table 3. These amounts exclude indirect percentages and contingency. A detailed breakdown of the cost development methodology is provided in the following sections.

Table 3: Summary of Security Estimate Edits and Cost Implications

Modification	Cost Increase	Rationale
Fuel Mobilization Labour	\$617,242	Labour hours were excluded for moving fuel from the Mine Site to Milne Port prior to backhaul.
Blended Labour Rates	\$899,433	Two blended labour rates were calculated incorrectly.
Updated Productivity Factor	\$24,499	Productivity factors were set to 1.00 for grading of material for certain line items.
Scaled Indirects, contingency and changes to indirect direct	\$728,726	Increased based on percentages as per the basis of estimate. Includes minor variation due to how the indirect direct costs are calculated.
Summary of Costs	\$2,269,900	Includes modifications, scaled indirects and contingency

1.0 CHANGES MADE

1.1 Missing Hours for Fuel Mobilization

Baffinland responded that the costs for backhauling fuel from Milne Port south were calculated correctly, and Trace agrees with this assessment. However, the missing costs relate to the labour required to move fuel from the Mine Site to Milne Port before backhaul occurs were not included. Three line items (Items 367, 372, and 498) associated with mobilizing 7,600,000 L of fuel did not include a labour-hours-per-unit factor, resulting in no labour cost being applied (see Figure 1).

ITEM #	ITEM DESCRIPTION	GIS DATA (LM)	GIS DATA (SM)	DISTURBANCE STATUS	QTY	UNITS	LABOUR (LAB)					LINE ITEM UNIT COST
							UNIT LAB HRS	LAB PF	TOT LAB HRS	LAB RATE	TOTAL LAB COST	
367	Aerodrome Building Tank 1 - Freight From Mine Site To Milne Port For Demobilized Fuel	64.7	199.0	Disturbed	50,000.0	Lx		127	-	\$ 83.00	\$ -	0.11
372	Aerodrome Building Tank 2 - Freight From Mine Site To Milne Port For Demobilized Fuel	64.7	199.0	Disturbed	50,000.0	Lx		127	-	\$ 83.00	\$ -	0.11
478	4613-TI-001 - Freight From Mine Site To Milne Port For Demobilized Fuel	33.8	90.8	Disturbed	250,000.0	Lx	0.00035	127	111.3	\$ 83.00	\$ 9,238	0.15
483	4613-TI-002 - Freight From Mine Site To Milne Port For Demobilized Fuel	33.8	90.8	Disturbed	250,000.0	Lx	0.00035	127	111.3	\$ 83.00	\$ 9,238	0.15
488	4613-TI-003 - Freight From Mine Site To Milne Port For Demobilized Fuel	35.1	97.6	Disturbed	250,000.0	Lx	0.00035	127	111.3	\$ 83.00	\$ 9,238	0.15
493	4613-TI-004 - Freight From Mine Site To Milne Port For Demobilized Fuel	34.4	93.9	Disturbed	250,000.0	Lx	0.00035	127	111.3	\$ 83.00	\$ 9,238	0.15
498	4613-TI-005 - Freight From Mine Site To Milne Port For Demobilized Fuel	103.0	842.3	Disturbed	7,500,000.0	Lx		127	-	\$ 83.00	\$ -	0.11

Figure 1: Screenshot of Missing Fuel Mobilization Hours

For the security estimate, Trace applied a labour factor of 0.00035 hours per litre, taken from comparable fuel-handling line items within the CAPEX. Applying this factor resulted in 3,382 additional labour hours, leading to an increase of **\$617,242**.

Calculation: 3,382 hrs × \$83/hr × 2.20 (direct + indirect factor) = \$617,242

1.2 Updated Labour Rates for Demolition

The blended labour rates in the 2026 Work Plan were understated because foreman costs were excluded from the blended rate calculations, even though foreman quantities were included when determining the average. The incorrect calculations are shown in Figure 2.

DISCIPLINE CODE	LOOKUP CODE	JOB CLASSIFICATION	QTY	LAB RATE	CREW RATE
		Iron Worker Forman	1		\$ -
	HEVOP	Heavy Equipment Operator	3	\$ 86.00	\$ 258.00
	MCHWL	Mechanical Welder JP	1	\$ 108.00	\$ 108.00
	IWJP	Iron Worker JP	2	\$ 101.00	\$ 202.00
	CIVLAB	Civil Labourer	1	\$ 70.00	\$ 70.00
					\$ -
K - Bridge Removal		Total Crew Rate	8	\$ 80.00	\$ 638.00

DISCIPLINE CODE	LOOKUP CODE	JOB CLASSIFICATION	QTY	LAB RATE	CREW RATE
		Iron Worker Forman	1		\$ -
	HEVOP	Heavy Equipment Operator	4	\$ 86.00	\$ 344.00
	BSJPPL	Building Service JP Plumber	1	\$ 100.00	\$ 100.00
	ELCJP	Electrical JP	1	\$ 109.00	\$ 109.00
	IWJP	Iron Worker JP	1	\$ 101.00	\$ 101.00
	CIVLAB	Civil Labourer	2	\$ 70.00	\$ 140.00
					\$ -
M - Building Demolition		Total Crew Rate	10	\$ 80.00	\$ 794.00

Figure 2: Incorrect Blended Unit Rate Calculations in Basis of Estimate

In Okane Consultants Inc. report titled *Mary River Project 2026 Security Estimate* they provided a blended labour rate of \$90. For consistency between the two estimates this amount was used to calculate the updated amount.

For Building Demolition, this required updating 231 line items, representing 38,512.3 labour hours, resulting in an increase of **\$847,271**.

Calculation: $38,512.3 \text{ hrs} \times (\$90.00/\text{hr} - \$80/\text{hr}) \times 2.20 \text{ (direct + indirect factor)} = \$847,271$

For Bridge Removal, 8 line items were updated, representing 2,371 labour hours, resulting in an increase of **\$52,162**.

Calculation: $2,371 \text{ hrs} \times (\$90.00/\text{hr} - \$80/\text{hr}) \times 2.20 \text{ (direct + indirect factor)} = \$52,162$

The combined increase from updating these blended rates is **\$899,433**. In the next iteration of the security estimate Baffinland should calculate the blended rate to represent a correct rate for an Iron Worker Foreman. The \$90 amount was only used as a placeholder and it is understood that BIM will recalculate their blended labour rates.

1.3 Updated Productivity Factor

Thirty grading/recontouring line items had a productivity factor of 1.00, which is unrealistic and inconsistent with the productivity guidance in Section 6.5.5 of Baffinland’s 2026 Basis of Estimate. Trace updated these factors using Baffinland’s own labour productivity parameters. This correction added 281.6 labour hours, resulting in a cost increase of **\$24,499**.

2.0 ADDITIONAL ITEMS TO BE ADDRESSED BY BIM

Below are additional items identified during the security review which clarification or costs should be provided in future versions of the ICRP or security estimate. CIRNAC has reduced their recommended security amount with the understanding that BIM will address the issues below in the next iteration of the ICRP and/or security estimate.

2.1 ICM Duration

The current ICRP identifies a two-year period for closure planning and the associated Interim Care and Maintenance (ICM) phase for use in the Annual Security Review (ASR). This two-year duration was intended to reflect an unplanned closure scenario in which a third party would require additional time to develop the necessary planning documents. In its response, Baffinland stated that this wording was carried over from an earlier draft and that the two-year period was a drafting error. However, the same wording appears in multiple earlier ICRP versions, including Revision 5 (October 19, 2018), and has persisted for nearly eight years across five revisions and fourteen approvals. Given this history, CIRNAC does not consider it a drafting error.

Baffinland also noted that a one-year ICM period is referenced in Section 8.1, Table 8.1, and Table 9.1. Trace reviewed these sections and continues to disagree with a one-year ICM duration. Section 8.1 describes a one-year planning period for a planned closure scenario in which a Final Closure and Reclamation Plan (FCRP) already exists and has been approved. Under an unplanned closure scenario, which is the basis for the security estimate, no FCRP would be in place. Additional time would be required to gather information, revise the ICRP, and develop the associated reclamation strategies. Table 8.1 also assumes approval of the FCRP in Year 0, which is not feasible given the current status of the ICRP. Table 9.1 identifies up to one year of care and maintenance during which an Environmental Site Assessment (ESA) would be completed.

Baffinland further acknowledges in Appendix D that substantial research and reclamation planning must be completed before final closure can occur. Table D.7 identifies timelines for the following investigations:

- Environmental Site Assessments (six years)
- Landfarming research (seven years)
- Open Pit runoff water quality studies (three years)¹
- WRF seepage evaluations (three years)
- Thermal modelling (three years)
- Natural revegetation studies (no defined end date)

¹ Required to assess runoff from the workings area, even if the pit was not developed.

A realistic ICM timeline that accommodates these investigations would be three to four years. During the teleconference on February 6, Baffinland committed to the 2 year ICM and CIRNAC will continue the discussions with Baffinland on the items to be included in the revision of the ICRP later this year.

2.2 ICM and Post Closure Camp and Flight Costs

Camp and flight costs were excluded from Baffinland’s ICM estimate. These costs should be included in future iterations. Additionally no camp or flight costs are included for post closure activities and should be included in future versions.

2.3 ICM Labour Rates

The labour rates used for ICM and those included in the Basis of Estimate do not match. For example, the ICM rate for an Operator is \$50/hour, compared to \$86/hour in the Basis of Estimate, while an Electrician is listed at \$85/hour for ICM versus \$109/hour in the Basis of Estimate. The ICM rates are shown in Figure 3, and the rates used in the Basis of Estimate are shown in Figure 4. Labour rates between the various project phases should match or justification provided for the variation. It is understood that the Basis of Estimate rates are derived from contractor quotes.

CONTRACT	DISCIPLINE DESCRIPTION	ITEM DESCRIPTION	LINE ITEM UNIT COST
			UNIT COSTS
IND.01 Interim Care and Maintenance	V1 - Interim Care and Maintenance	Electrician	85.00
IND.01 Interim Care and Maintenance	V1 - Interim Care and Maintenance	Operator	50.00

Figure 3: Hourly Rates for Operators and Electrician for ICM From the CAPEX

ELCJP	Electrical JP	1	\$ 109.00	\$ 109.00
MCHLAB	Mechanical Labourer	2	\$ 70.00	\$ 140.00
HEVOP	Heavy Equipment Operator	2	\$ 86.00	\$ 172.00

Figure 4: Hourly Rates for Operators and Electricians from the Basis of Estimate

2.4 Waste Rock Facility Cover Area Discrepancy

Figure 6 shows that Baffinland’s security estimate uses 232,939.8 m³ of Not Acid Generating (NAG) cover material to cap the remaining 15% of exposed Potentially Acid Generating (PAG) waste rock in the Waste Rock Facility (WRF) in the event of an unplanned closure at the end of an operating year. This cover volume corresponds to a surface area of 388,233 m².

However, Figure 7 presents the area from the Disturbed Area Analysis, which identifies a significantly larger WRF area of 575,344 m². No explanation was provided for this discrepancy. In addition, the “Estimate Methodology” column within the CAPEX identifies

the approach as “Measured GIS,” yet the two areas do not align. Clarification should be provided for the discrepancy between the two areas.

ITEM #	ITEM DESCRIPTION	GIS DATA (SM)	DISTURBANCE STATUS	QTY	UNITS	COMMENTS
838	Waste Rock Facility - Load, Haul, Dump, Spread, and Compact 4.0m NAG Cover from Viper Pad (1 Km One-way)	388,233.0	Disturbed	232,939.8	CMx	15% Cover

Figure 5: Waste Rock Facility Cover Volume From CAPEX

Disturbance Area ID	WBS Area ID	Location	Diturbance Type	Area (m ²)	Land Type
MS-211	MS-RD-010-001	Mine Site	Road	14,026	IOL
MS-212	MS-RD-011-001	Mine Site	Road	10,819	IOL
MS-213	MS-RD-001-002	Mine Site	Road	136,140	IOL
MS-214	MS-RD-012-001	Mine Site	Road	10,203	IOL
MS-215	MS-RD-013-001	Mine Site	Road	3,288	IOL
MS-216	MS-RD-016-001	Mine Site	Road	34,478	IOL
MS-217	MS-RD-016-002	Mine Site	Road	16,146	IOL
MS-218	MS-SP-001-001	Mine Site	Stockpile	85,282	IOL
MS-219	MS-WR-001-001	Mine Site	Waste Rock	575,344	IOL

Figure 6: Waste Rock Facility Area from Disturbed Area Analysis

2.5 Missing Reclaimed Areas

Four areas (Items 975, 1083, 1121, and 1122) were listed as reclaimed and removed from the estimate. These areas have not yet been inspected, and therefore should remain within the mine reclamation estimate rather than being excluded from the existing security. In future versions if these areas have still not been inspected and approved they should be added back into the estimate.

2.6 Backfilling of Ponds Removed and Liners Left In Place

The ICRP states that all ponds will be backfilled with clean material and that all liners will be removed. However, in the 2026 Work Plan, Baffinland removed backfilling for the majority of ponds and proposed leaving select liners in place to be punctured rather than removed. Examples of these changes from the CAPEX are shown in Figure 8 and Figure 9. If there is a derivation from the procedures stated within the ICRP justification and backup needs to be provided. If no approval is in place then these items should be added back into the estimate.

SCOPE FILTER	LAND TYPE	TYPE OF WASTE	ITEM #	ITEM DESCRIPTION	DISTURBANCE STATUS	QTY	UNITS
Place Cover Material	IOL	DO NOT FILL PONDS	319	Surface Water Management Pond - Haul, Dump, And Place Clean Backfill Material - Assume Not Required	Disturbed	0.0	CMx
Place Cover Material	IOL	DO NOT FILL PONDS	322	Surface Water Management Pond - Haul, Dump, And Place Clean Backfill Material - Not Required	Disturbed	0.0	CMx
Place Cover Material	IOL	DO NOT FILL PONDS	325	Surface Water Management Pond - Haul, Dump, And Place Clean Backfill Material - Not Required	Disturbed	0.0	CMx
Place Cover Material	Crown	DO NOT FILL PONDS	328	Surface Water Management Pond - Haul, Dump, And Place Clean Backfill Material - Not Required	Disturbed	0.0	CMx
Place Cover Material	IOL	DO NOT FILL PONDS	331	Surface Water Management Pond - Haul, Dump, And Place Clean Backfill Material Not Required	Disturbed	0.0	CMx

Figure 7: Example of Where Backfilling Ponds Were Removed and Quantity Set to Zero

ITEM #	ITEM DESCRIPTION	DISTURBANCE STATUS
202	Landfarm - Close Temporary Landfarm - Assume Liner Can Stay In Place - Puncture Holes To Improve Drainage	Disturbed
205	Landfarm - Existing Landfill - Assume Liner Can Stay In Place - Puncture Holes To Improve Drainage	Disturbed
219	Snow Stockpile - Assume Liner Can Stay In Place - Puncture Holes To Improve Drainage	Disturbed

Figure 8: Liners Intended for Puncture Instead of Removal

3.0 CLOSURE

CIRNAC is committed to working with Baffinland to develop a mutually agreeable security amount. Several discrepancies were previously identified between Baffinland’s planning documents, methodologies, and commitments set out in the ICRP, 2026 Work Plan, and CAPEX. CIRNAC understands that Baffinland is committed to actively working with them to resolve these issues. Based on this mutual understanding, the resulting recommended security of **\$137,786,403**.

If there are any questions or concerns, please contact Spencer Dewar at spencer.dewar@rcaanc-cirnac.gc.ca or Lauren Perrin at lauren.perrin@rcaanc-cirnac.gc.ca

Sincerely,



Lauren Perrin

Water Management Specialist