

December 19, 2024

Karén Kharatyan
Director of Technical Services
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0

Re: Notification of Construction of Mine Site Laydown Area – Type ‘A’ Water Licence 2AM-MRY1325

Baffinland Iron Mines Corporation (Baffinland) is planning to begin the construction of a laydown area at the Mine Site for temporary storage of equipment and materials. This item was included in Baffinland's 2024 Work Plan as Item No. 2024-5, and associated area MS-P-LAY-005 in the Basis of Estimate (see Attachment 1). As outlined in the Basis of Estimate (Stantec 2024), a reclamation security estimate of \$207,899 is associated with this area covering 189,684m². Baffinland posted the financial security for this area in July 2024, as required in the NWB determination for the 2024 Annual Security Review Process (Attachment 2).

The proposed laydown area, located south of the Crusher Pad, requires an access road to connect the laydown with the Mine Haul Road (Figure 1). The proposed laydown is aligned with the details provided in the 2024 Work Plan, and no modifications have been made. The surface area covered by the laydown is 40,664 m² and the access road is 11,620 m², which is less than the total area that Baffinland is secured for (189,684m²). The proposed laydown and access road cross an intermittent stream at two locations. Although this stream is seasonal and non fish bearing, two culverts will be installed at the crossing locations to maintain flow and prevent erosion. A third culvert will be installed to cross the drainage ditch south of the Crusher Pad (Figure 1).

Construction of the laydown area needs to occur in the winter. However, the construction has been delayed as the required construction materials were not available in 2024. Based on current plans, we will have the required construction-grade materials to build the laydown area and access road in early 2025. We plan to start construction on **January 20, 2025** and it is expected to be completed around April 30, 2025.



Figure 1. Proposed Mine Site Laydown Area

Baffinland acknowledges that the current Water Licence is undergoing a renewal application as it expires in June 2025. It is expected that the construction of this laydown area will be completed before June 2025, and all works will be undertaken in compliance with the Water Licence.

We trust that this information meets the requirements under Part D of the Licence.

Regards,



Elisabeth Luther
Senior Manager, Regulatory Affairs

Cc: Lou Kamermans, Conor Devereaux (Baffinland)

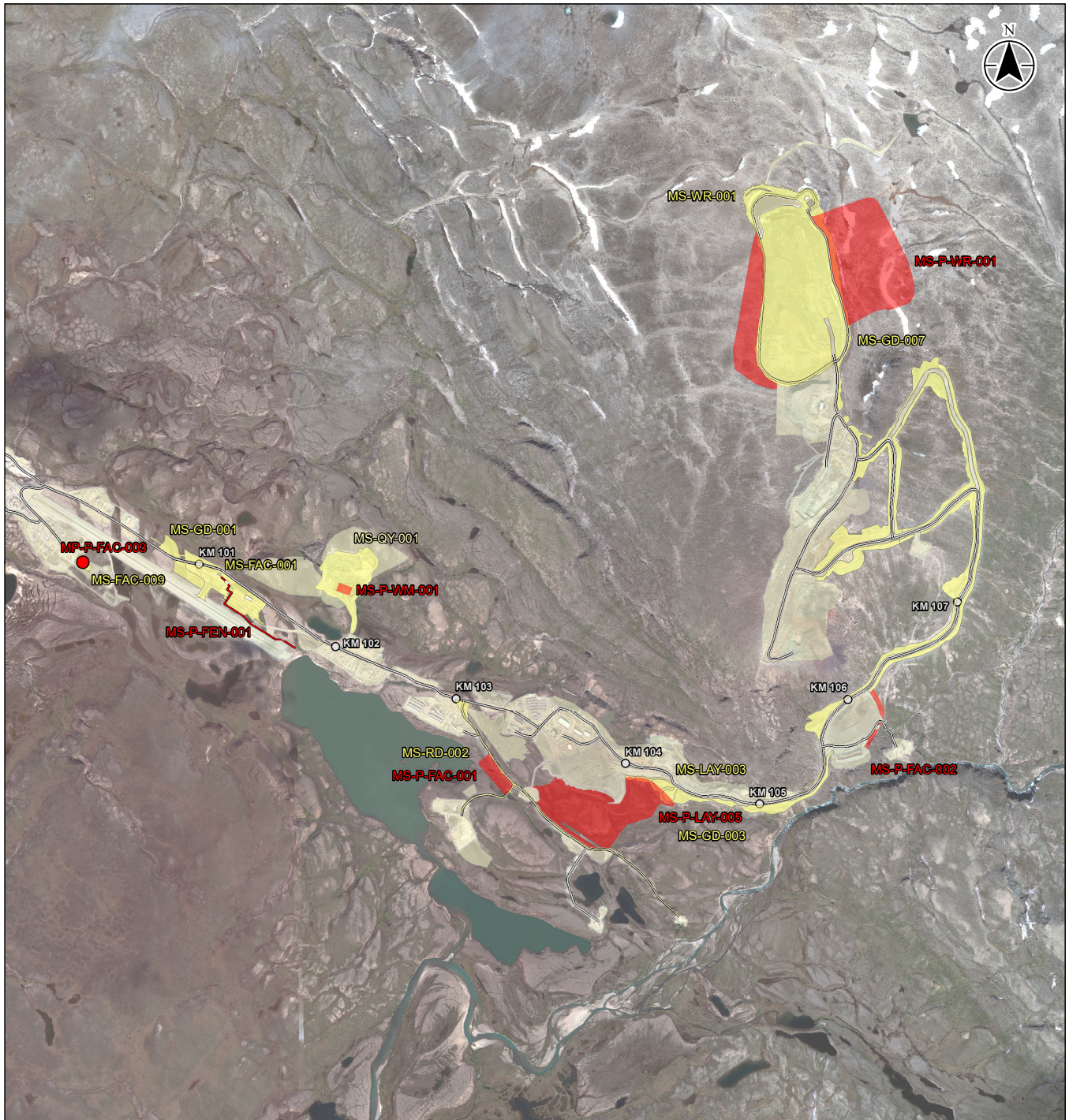
Attachments

Attachment 1 Mary River Project 2024 Security Update

Attachment 2 Licence No: 2AM-MRY1325, Part C and Schedule C, Baffinland Iron Mines Corporation Type A Water Licence, Mary River Iron Mine Project: Determination of the Nunavut Water Board in relation to the 2024 Annual Security Review Associated with the 2024 Work Plan

Attachment 1 Mary River Project 2024 Security Update

Source: Nunami Stantec Limited (2024). Baffinland Iron Mines Mary River Project 2023 and 2024 Security Update. Basis of Estimate. 61 pages



Notes
1. Coordinate System: NAD 1983 UTM Zone 17N
2. Data Sources: Natural Resources Canada, Baffinland Iron Mines
3. Orthoimagery: PhotoSat Imagery

Legacy Security Disturbance

Legacy Security Disturbance - Defined Features	
MS-FAC-001	AERODROME AREA
MS-FAC-009	HELICOPTER PAD
MS-GD-001	AERODROME GENERAL DISTURBANCE
MS-GD-003	HAUL ROAD EMBANKMENT
MS-GD-007	WASTE ROCK FACILITY EMBANKMENT
MS-LAY-002	HAUL ROAD LAYDOWN
MS-RD-002	ACCESS ROAD
MS-QY-001	QMR2
MS-WR-001	WASTE ROCK FACILITY
Proposed 2023 and 2024 Disturbance Features	
MS-P-FAC-001	ADDITIONAL SNOW STOCKPILE AREA
MS-P-FAC-002	EXPANSION OF KM 106 STOCKPILE PAD FOR WATER TRUCK
MS-P-FAC-003	15,000 L JET A TANK AND BERM
MS-P-FEN-001	FENCING AT MARY RIVER AERODROME
MS-P-LAY-005	LAYDOWN AREA AT THE MINESITE FOR TEMPORARY STORAGE OF EQUIPMENT AND MATERIALS
MS-P-WM-001	QMR2 QUARRY SEDIMENTATION POND
MS-P-WR-001	LEVELING AND GRADING WITHIN FOOTPRINT OF FUTURE WASTE ROCK FACILITY (WRF) EXPANSION TO SUPPORT GEOTECHNICAL INVESTIGATION WORK
TR-P-CUL-001	REPLACEMENT OF CULVERTS AT FISH-BEARING STREAMS ALONG MILNE INLET TOTE ROAD *

0 0.25 0.5 0.75 1
km
1:40,000 (at original document size of 8.5x11)



Project Location: North Baffin, Nunavut
Project Number: 121417395
Prepared by LSTEWART on 20231109
Requested by MSCHAUERTE on 20231108
Checked by TCARDINAL on 20231124

Client/Project/Report
Baffinland Iron Mines Corp.
Mary River Project 2024 Security Update

Figure No.

1

Title

Site Map

* Measured BIM
Culvert Schedule

Disclaimer: Stantec assumes no responsibility for data supplied in electronic format. The recipient accepts full responsibility for verifying the accuracy and completeness of the data. The recipient releases Stantec, its officers, employees, consultants and agents, from any and all claims arising in any way from the content or provision of the data.

Attachment 2 Licence No: 2AM-MRY1325, Part C and Schedule C, Baffinland Iron Mines Corporation Type A Water Licence, Mary River Iron Mine Project: Determination of the Nunavut Water Board in relation to the 2024 Annual Security Review Associated with the 2024 Work Plan



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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

Date: June 27, 2024

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: Determination of the Nunavut Water Board in relation to the 2024 Annual Security Review Associated with the 2024 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 or 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 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 2024

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

- 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 2024 Work Plan.

The ASR process used by the Board to conduct this review of reclamation security associated with Baffinland's 2024 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 2024 Work Plan to reflect the needs of the participants: Baffinland, the Qikiqtani Inuit Association (QIA), and Crown-Indigenous Relations and Northern Affairs (CIRNA). The usual timeline of the 2024 ASR process was extended due to extension requests, delayed submissions and to allow sufficient time for discussions to take place between the Licensee and the Interveners.

As in previous years, at the end of the ASR process, the NWB sets the amount of financial security required to be posted under the Water Licence associated with the annual Work Plan based on the written submissions from Baffinland, the QIA, and CIRNA regarding:

- the estimates of the highest reclamation liability for land and water in the upcoming year when all instruments (including the Commercial Lease between Baffinland and the QIA and the Water Licence) are taken into account (the total financial security amount);
- the reclamation security that is required for the reclamation of land and water associated with the components of the undertaking on Inuit Owned Lands (this security is held by the QIA under the Commercial Lease between Baffinland and the QIA); and
- the reclamation security that is required for the reclamation of land and water associated with the components of the undertaking on Crown Lands (security held by the Minister of Northern Affairs under the Water Licence).

As indicated in the NWB's guidance letter issued to the parties on December 04, 2023, concerning 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 **July 26, 2024**.

The ASR process commenced with the NWB circulating the 2024 Work Plan by Baffinland on December 4, 2023. **Appendix A** provides a summary of the key documentation provided pursuant to the 2024 ASR Process and the key activities undertaken by the Board and the parties to complete the 2024 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-MRY1325%20BIMC/3%20TECH/2%20SECURITY%20%28C%29/2024>

The NWB's Jurisdiction to Fix the Amount of Security Required 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 (*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.

It should be noted that the ASR process for 2023 was waived at the request of the Licensee and the Interveners as sufficient security remained in place to cover the activities Baffinland carried out under the 2023 Work Plan. Consequently, going into the 2024 ASR process, the global financial security amount in place under both the Water Licence and the Baffinland-QIA Commercial Lease instrument was **\$123,787,500**. The security amount held by CIRNA under the Water Licence was **\$2,788,000** and held by the QIA under the Commercial Lease was **\$120,999,500**.

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 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.*²

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 the 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 reviews of the security fixed under the Water Licence to reflect the objective, as stated in the *Mine Site Reclamation Policy for Nunavut (2002)*:

*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)*³.

The Annual Security Review (ASR) Process

To date, the NWB has conducted security reviews under the Water Licence typically on an annual basis, commencing in 2013. Although the timing and detailed process steps have varied slightly to reflect circumstances, essentially the Annual Security Review (ASR) under the Water Licence commences 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.

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

³ *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/eng/1100100036042/1547658056831>.

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 under the Water Licence and the Qikiqtani Inuit 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 file is remitted to the three-member Panel appointed by the Board to make decisions in respect of the Water Licence to fix the amount of security that must be posted under the Water Licence. Following Panel deliberation, the Board issues the Board's determination 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 is 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 No: 2AM-MRY1325

LICENSEE (BAFFINLAND) MAJOR SUBMISSIONS

The 2024 Work Plan, as required under the provisions of type A Licence 2AM-MRY1325 (the Water Licence), was originally filed with the NWB on December 1, 2023. As required under the Water Licence (Part J, Schedule J), the 2024 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 years 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 2024 Work Plan indicated that ongoing development of the mine will continue over the 2024 period. Similar to the previous years' work plans, the 2024 Work Plan includes details regarding new and ongoing works and activities, as well as works and activities proposed under the 2022 and 2023 Work Plan that were not carried out in those years as planned, will not be carried out in the future, or were deferred in 2022 and 2023, and that are expected to be carried out under the 2024 Work Plan.

The following summarizes the main activities, works, or undertakings Baffinland proposed to carry out under the 2024 Work Plan:

- Development and operation of the mine, ore crushing and land transportation, stockpiling and marine shipment of ore;
- Continued development and construction of infrastructure required at Milne Port and the Mary River Mine Site (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;
- Ongoing operation 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 the summer. Material, fuel and supplies required for operational and construction activities will be transported to the Mine Site year-round via the Tote Road;
- Ongoing environmental effects studies and baseline data collection will continue to support Project activities as well as for future engineering requirements;
- Continued environmental monitoring in accordance with the approved Project Certificate, licenses, authorizations, management plans and environmental effects monitoring plans;
- Ongoing exploration activities including drilling, mapping, prospecting, sampling, and geophysics. Planning of the details of the summer drilling and/or trenching program is not yet finalised;
- Tote Road improvements to address safety concerns, freshet runoff issues, fish passage issues and poor road conditions during the spring and summer periods; and
- Erection of additional maintenance facilities to safely service equipment.

Based on the scope of work proposed in the 2024 Work Plan and considering works and activities not undertaken under the 2023 and 2022 Work Plan, and works and activities carried over from 2023 and 2022 into the 2024 Work Plan, Baffinland proposed that the global financial security amount for the reclamation of the Project should be reduced from **\$123,787,500** to **\$107,799,674**. With respect to how the global financial security amount should be split between CIRNA and the QIA, Baffinland proposed that the security amount to be held under the Water Licence be reduced from **\$2,788,000** to **\$2,239,344** and the security amount currently held by the QIA be reduced from **\$120,999,500** to **\$105,560,330**.

As presented during the 2024 ASR teleconference hosted by the NWB on May 23, 2024, Baffinland considered the review comments provided by CIRNA and the QIA to develop an

updated global financial security amount. Subsequently, Baffinland submitted a cover letter along with a *2024 Work Plan Addendum* (Addendum) indicating Baffinland's support that the updated global financial security amount was **\$133,784,485** for the reclamation of the Project. The updated global financial security amount would increase the financial security held under the Water Licence to **\$3,451,009** and would increase the amount of security held under the Baffinland-QIA Commercial Lease to **\$130,333,476**. The Addendum included the details for an expanded laydown area at the Mine Site, however, because an equivalent surface area for a laydown area proposed in the original 2024 Work Plan was removed from the scope of the 2024 Work Plan as modified in the Addendum, there was no change in the site reclamation estimate associated with the expanded laydown area.

QIA MAJOR SUBMISSIONS

On January 31, 2024, the QIA submitted a cover letter and accompanying 2024 Mary River Reclamation Security Update Report (i.e., the "*Mary River 2024 Security Estimate*") for the Project (prepared by M.A. O'Kane Consultants Inc). The submission recommended the reclamation security under the Commercial Lease should be **\$140,314,100**. On February 26, 2024, the QIA submitted an updated estimate to account for the new information concerning the Waste Rock Facility submitted by Baffinland to the QIA. The revised estimate determined by the QIA increased the reclamation security under the Commercial Lease to **\$156,686,500**. Furthermore, the QIA requested the following studies be completed before October 01, 2024, to address uncertainties:

- pit-wall stability and geochemical analysis,
- climate change modelling for Waste Rock Facility (WRF) cover system,
- water quality modelling.

Following the submission by the QIA, Baffinland, in their submission of March 26, 2024, committed to completing the above studies.

Furthermore, during the 2024 ASR teleconference on May 23, 2024, the QIA advised the NWB that Baffinland and the QIA had engaged in multiple discussions, and these discussions resulted in agreement regarding the amount of reclamation security that should be held by the QIA under the Commercial Lease and this amount was provided to the NWB in the form of a joint submission from the QIA and Baffinland, which is summarized in the section that follows. The QIA also advised that the term used for the 4 m cover placement on the Potentially Acid Generating (PAG) rocks as described in the plan and reclamation estimates should be changed from '*progressive reclamation*' to '*progressive placement*' which was agreed upon by Baffinland.

BAFFINLAND – QIA JOINT SUBMISSION

On May 31, 2024, the QIA provided a joint submission developed by the QIA and Baffinland in support of the 2024 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 the NWB-hosted

ASR Teleconference held on May 23, 2024.

The parties stated:

As of March 26, 2024, the security value posted pursuant to the Commercial Lease was \$120,999,500 in respect of Inuit Owned Lands (IOL) held by the QIA. A portion of the security held by QIA is in cash form for which QIA has earned \$1,021,247 in interest over and above the \$120,999,500 in security required, meaning QIA total security holdings from Baffinland were \$122,020,747.

Discussions between Baffinland and QIA for the 2024 ASR focused on the appropriate reclamation security required for the Mary River Project Waste Rock Facility (WRF) in areas where exposed potentially acid-generating material is present, as well as the application of inflation and contingency across the security estimate. Baffinland and QIA have agreed that these reclamation security requirements can be addressed through Baffinland posting an additional \$8,312,729 to the QIA, resulting in QIA holding total security for \$130,333,476. The additional security was issued on May 8, 2024 in a manner consistent with the requirements of the Commercial Lease.

The security requirements for the WRF are contingent on Baffinland demonstrating adequate cover placement and geochemical testing on a quarterly basis, and third party audits of the progress to meet those requirements, as agreed to by Baffinland and QIA. Baffinland will issue quarterly reports, as outlined in the Phase I Waste Rock Management, to report on progress of cover placement on the WRF.

CIRNA MAJOR SUBMISSIONS

On March 15, 2024, CIRNA submitted a cover letter and an accompanying *ANNEX A: 2024 Reclamation Cost Estimate for the Mary River Project Water License 2AM-MRY1325 – Amendment #1 Prepared by Atkins Réalis* (Report). The Report was based on the document package submitted by Baffinland as part of the 2024 ASR process. CIRNA indicated that Baffinland's estimate for the 2024 Work Plan was inadequate. The main areas of disparity between Baffinland's and CIRNA's estimates were:

- discrepancies in Waste Rock Facility's Potentially Acid Generating (PAG) rocks requiring cover;
- allowance for inflation; and
- the application of contingency.

Baffinland proposed a progressive reclamation approach to CIRNA and the QIA suggesting placing 4 m of cover on 85% of the PAG materials by the end of the year. In the Report, CIRNA provided an estimate of \$133,779,151 for the global financial security amount, based on the condition that Baffinland provides the appropriate and requested documentation regarding the

placement of cover on PAG rock. The Report also stated that if Baffinland cannot meet the QA/QC Plan objective to cover 85% of the PAG rock, the total cost to place a 4 m cover over the entire area would increase the global reclamation security amount to \$170,742,329. During the review, it was identified that there were some minor discrepancies in the abovementioned amount throughout the document.

On March 26, 2024, Baffinland responded to CIRNA with the requested documentation and a commitment to placing a 4 m cover over 85% of the exposed PAG area by the end of the year. During the 2024 ASR teleconference, CIRNA accepted that the conditional global financial security estimate of **\$133,779,151** was appropriate for 2024, and indicated that the security that should be held under the Water Licence should be increased to **\$3,451,008** for the reclamation of Crown Lands with the remaining **\$130,328,143** to be held by QIA under the Baffinland-QIA Commercial Lease.

In addition, CIRNA mentioned that the placement of cover on the PAG rock would be monitored closely by both QIA and CIRNA Inspectors to ensure sufficient progress. Furthermore, CIRNA mentioned that the following outstanding items from the 2022 ASR review will be incorporated into the next security review:

- water treatment at the KM 105 Sedimentation Pond;
- contaminated soils and ore storage areas; and
- existing closure work as outlined in the 2018 ICRP not assessed to meet the current reclamation liability with respect to the closure of the Mine Site.

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 2024 period.

Table 1: Security Proposed in Various Parties' Submissions for the 2024 ASR

Party Submission	Water Licence (\$)	Commercial Lease (\$)	Total (\$)
QIA – Initial	N/A	\$140,314,100	N/A
QIA – Updated	N/A	\$156,686,500	N/A
QIA – Final	N/A	\$130,333,476	N/A
Baffinland – Initial	\$2,239,344	\$105,560,330	\$107,799,674
Baffinland – Final	\$3,451,009	\$130,333,476	\$133,784,485
CIRNA – With entire WRF area cover	\$167,224,497	\$3,517,833	\$170,742,329
CIRNA – Final	\$3,451,008	\$130,328,143	\$133,779,151
Baffinland-QIA(Jointly)	N/A	\$130,333,476	N/A

The Updated Global Financial Security Amount for 2024

The Board acknowledges that there continue to be significant differences in approach 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 the submissions received to date, the 2024 Work Plan and the estimates as proposed and revised as part of the 2024 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 **\$10,000,767** from **\$123,783,718** as determined by the Board in the 2022 ASR process to **\$133,784,485** as determined by the Board at the conclusion of the 2024 ASR process.

Consequently, the amount of security to be held by CIRNA under the Water Licence will increase from **\$2,788,000** (currently, CIRNA holds **\$2,788,000** while the Board's 2022 ASR Decision set the security amount at **\$2,784,218**) to **\$3,451,009**. In fixing the security under the Water Licence, the Board accepted the submissions of Baffinland and CIRNA that the reconciliation for 2022 and 2023 activities proposed by Baffinland in the 2024 Work Plan will increase the reclamation liability by approximately **\$666,791** 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. As agreed to by Baffinland and the QIA, the portion of the updated total global financial security amount that will be held by the QIA under the Baffinland-QIA Commercial Lease is **\$130,333,476**.

Having considered all the submissions of the parties throughout the 2024 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: 2024-04-P4-03 on June 20, 2024, that the global financial security amount should be increased from **\$123,783,718** as determined in the 2022 ASR process to **\$133,784,485**. 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 from June 2024 to March 2025 and will be sufficient to cover previous activities and activities proposed for this period under the 2024 Work Plan.

The Amount of Security Required by the NWB to be posted under Licence No: 2AM-MRY1325 for the 2024 Period

As outlined in the preceding section, the Mary River Panel has determined, by way of Panel Motion No: 2024-04-P4-03 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 amount of security held by CIRNA **\$2,788,000** (**\$2,784,218** as set by the Board in the 2022 ASR) to **\$3,451,009** to reflect the increased reclamation liability on Crown land. 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 2013-2024

The following graphs and figures show the total financial security posted for the Project during the years 2013-2024 and include the amount directed by the Board to be provided by Baffinland for the upcoming 2024 period.

Table 2 Global Security Amount Posted for the Mary River Project Annually, April 2013-June 2024

Year		Total (\$)
2013	With Licence Issuance	\$36,000,000.00
Q1 2014 to Q1 2015	Based on the 1 st ASR, 2014 ASR	\$39,959,000.00
Q1 2015 to Q1 2016	Based on the 2 nd ASR, 2015 ASR	\$47,683,500.00
Q1 2016 to Q1 2017	Based on the 3 rd ASR, 2016 ASR	\$50,055,500.00
Q1 2017 to Q1 2018	Based on the 4 th ASR, 2017 ASR	\$52,682,600.00
Q1 2018 to Q1 2019	Based on the 5 th ASR, 2018 ASR	As directed by the NWB: \$85,007,826 As agreed by Baffinland and the QIA: \$75,128,326
Q1 2019 to Q1 2020	Based on the 6 th ASR, 2019 ASR	As directed by the NWB: \$88,136,459 As agreed by Baffinland and the QIA: \$106,136,459
Q1 2020 to Q1 2021	Based on the 7 th ASR, 2020 ASR	As directed by the NWB: \$106,278,658 As agreed by Baffinland and the QIA: \$114,962,000
Q1 2021 to Q1 2022	Based on the 8 th ASR, 2021 ASR	\$123,787,500.00
Q1 2022 to Q1 2023	Based on the 9 th ASR, 2022 ASR	\$123,783,718.00
Q1 2023 to Q1 2024	Based on the 9 th ASR, 2022 ASR	\$123,783,718.00
Q1 2024 to Q1 2025	Based on the 10 th ASR, 2024 ASR	\$133,784,485.00

Table 3 Summary of Security Amounts Posted Under the Commercial Lease and the Water Licence for the Period 2013-2024

Year	Inuit-Owned Land and/or Water	Crown Land and/or Water	Total
2013	\$26,200,000	\$9,800,000	\$36,000,000
2014	\$39,793,000	\$166,000	\$39,959,000
2015	\$47,517,500	\$166,000	\$47,683,500
2016	\$48,845,500	\$1,210,000	\$50,055,500
2017	\$51,384,000	\$1,298,555	\$52,682,555
	\$64,642,000*		\$65,940,500*
2018	\$73,829,771	\$1,298,555	\$75,128,326
2019	\$104,687,658	\$1,448,801	\$106,136,459
2020	\$104,687,658	\$1,591,000	\$106,278,658
	\$113,371,000**		\$114,962,000**
2021	\$120,999,500	\$2,788,000	\$123,787,500
2022	\$120,999,500	\$2,788,000	\$123,787,500
2023	\$120,999,500	\$2,788,000	\$123,787,500
2024	\$130,333,476	\$3,451,009	\$133,784,485

*including additional security posted on August 7, 2017, as per the 2017 Work Plan Addendum

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

Figure 1: Graph Showing Reclamation Security Posted Annually for the Mary River Project, 2013-2024

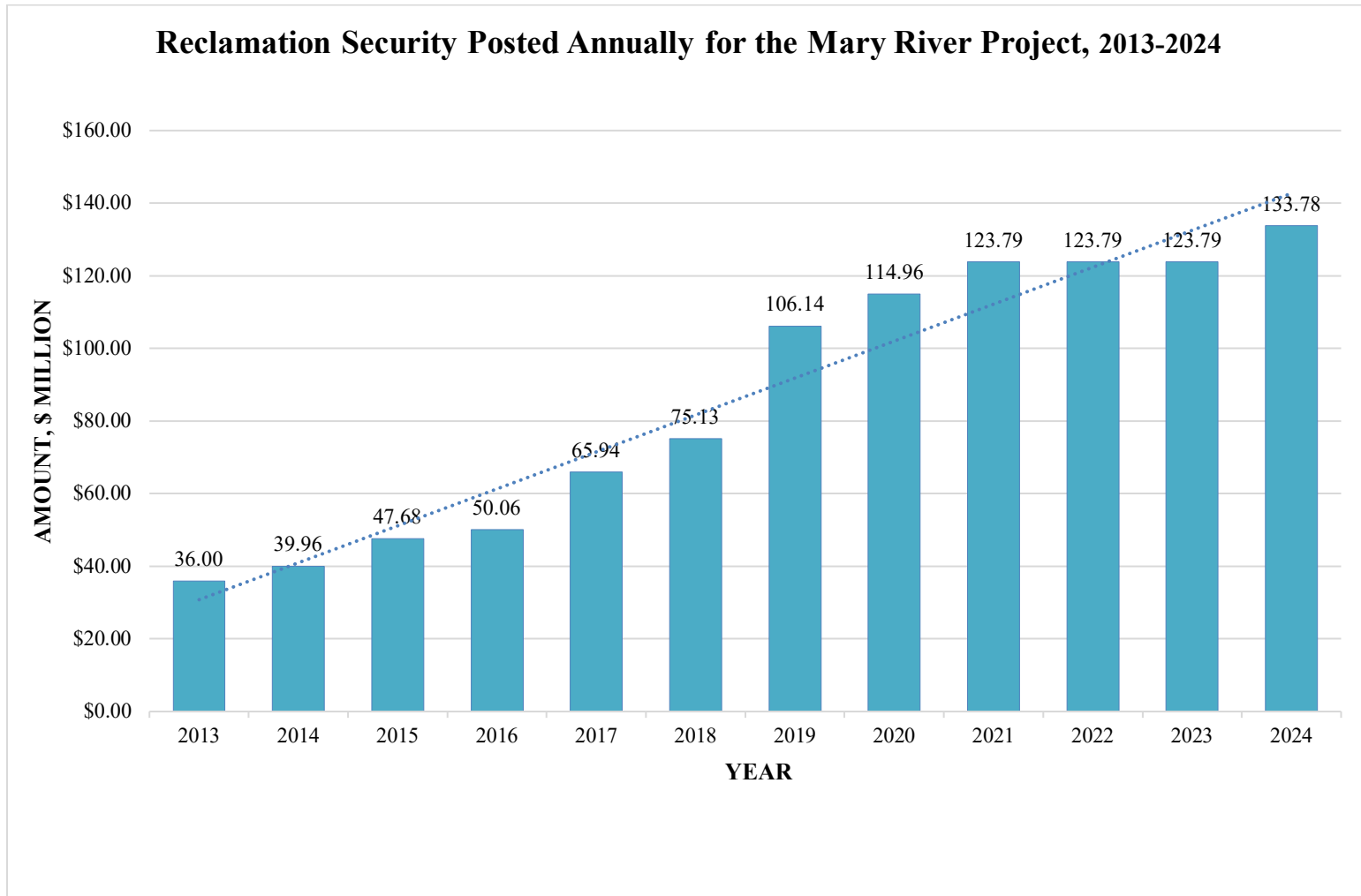
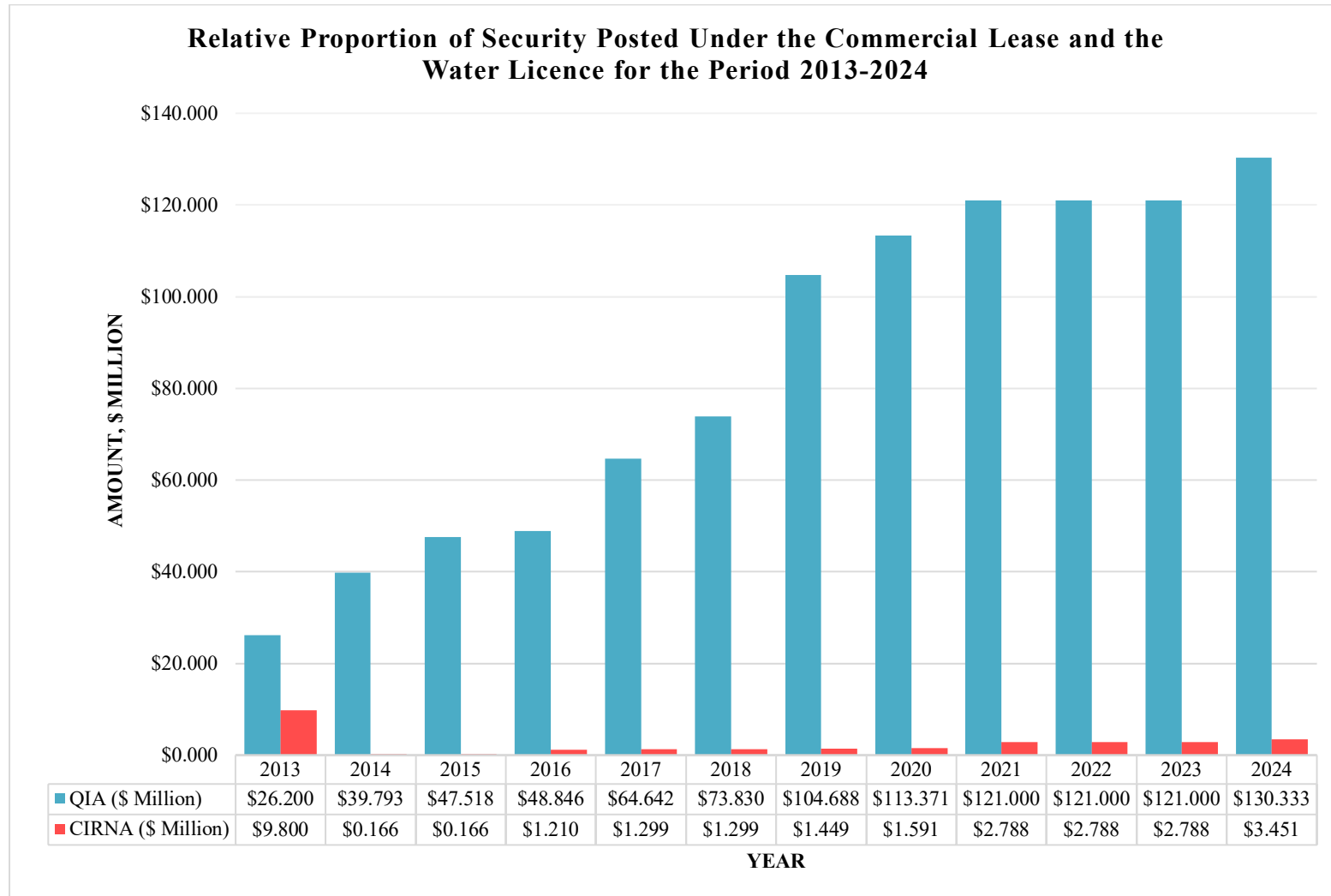


Figure 2: Graph Showing the Relative Proportion of Security Posted Under the Commercial Lease (QIA) and the Water Licence (CIRNA) for the Period 2013-2024



Closure of the 2024 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 type A Water Licence No: 2AM-MRY1325 for the upcoming 2024-2025 season, as specified under the Licence, Schedule C, Item 4.

During the 2024 ASR Process, the Licensee agreed to furnish the financial security as set out in this determination on or before **July 26, 2024**. All parties are advised that, if confirmation of security required is not received by July 26, 2024, 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 2024 Work Plan.

The Board notes that Baffinland provided confirmation that it has already issued a letter of credit to the QIA, under the Commercial Lease, for an additional \$8,312,729 which aligns with the proposed increase to security to be held under the Commercial Lease as agreed to by QIA and Baffinland in their joint submission. The joint submission also confirms the receipt of the letter of credit by the QIA.

Further, the NWB recognizes that during the Board's processing of the future application from Baffinland to renew Water Licence No: 2AM-MRY1325 parties the Board will likely revisit the Board's process for fixing security under a renewed and amended Water Licence No: 2AM-MRY1325. During the 2024 ASR teleconference parties indicated that the renewal application may include further information from Baffinland and the QIA regarding the process for posting security for the reclamation of the undertaking under the Baffinland-QIA Commercial Lease, and the Board indicated that opportunities to simplify and streamline the fixing of security under the Water Licence will be considered during the Board's processing of the renewal application.

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* and the *Nunavut Waters Regulations* 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, Conor Goddard (QIA); Lauren Perrin, Andrew Keim (CIRNA)

2AM-MRY1325
2024 Annual Security Review – Guidance from the NWB

APPENDIX A
List of Key Documentation and Activities in Support of the 2024 ASR

Date	Procedural Milestone
December 01, 2023	The Licensee filed a copy of its 2024 Work Plan as required under Schedule J of the Licence.
December 04, 2023	The NWB distributed Baffinland's 2024 Work Plan and the 2024 ASR Process Guidance document with a proposed timeline.
December 07, 2023	The QIA submitted its comments on the 2024 ASR Process and timeline and requested an extension for its written submission regarding the Licensee's 2024 Work Plan.
December 11, 2023	CIRNA submitted its comments on the 2024 ASR Process and timeline.
December 15, 2023	The NWB issued an updated timeline as per QIA's request.
January 30, 2024	CIRNA requested a two-week extension for its written submission regarding the Licensee's 2024 Work Plan which was granted by the NWB and an updated timeline was issued.
January 31, 2024	The QIA filed its written submission regarding the Licensee's 2024 Work Plan and updates to the reclamation security estimates for the Project.
February 12, 2024	Baffinland requested an extension for the ASR process to engage in discussions with the interveners, which the NWB granted.
February 15, 2024	The NWB issued an updated timeline as per Baffinland's request.
February 26, 2024	The QIA filed a revised security determination for the Project. CIRNA requested a 48-hour extension for its submission. The NWB granted the extension.
February 28, 2024	CIRNA requested an additional 24 hours for its submission which the NWB granted.
February 29, 2024	CIRNA requested an additional 2-week extension for its submission.
March 01, 2024	The NWB revised the ASR process guidance timeline to accommodate CIRNA's request.
March 12, 2024	Baffinland requested to postpone the ASR teleconference.
March 15, 2024	CIRNA filed its written submission regarding the Licensee's 2024 Work Plan and updates to the reclamation security estimates for the Project.
March 26, 2024	Baffinland filed its response to interveners' submissions regarding reclamation security associated with the 2024 Work Plan.

Date	Procedural Milestone
March 28, 2024	<p>The NWB issued an updated timeline along with the agenda for the ASR teleconference.</p> <p>Baffinland proposed an updated timeline for the 2024 ASR process which was distributed to the interveners for comments.</p>
April 02, 2024	<p>CIRNA confirmed that they do not have any objections.</p> <p>The NWB issued an updated timeline assuming that the QIA had no objections since the NWB did not receive any submissions from the QIA.</p>
April 08, 2024	<p>The QIA sent a correspondence stating they do not support the updated timeline.</p> <p>The NWB issued an updated timeline to accommodate the parties' requests.</p>
April 19, 2024	<p>The NWB distributed a draft Agenda for the May 07, 2024 teleconference.</p>
April 29, 2024	<p>The NWB issued an updated timeline due to the Board's unavailability to host the teleconference on May 07, 2024.</p>
May 16, 2024	<p>The parties filed their presentation materials in preparation for the teleconference.</p>
May 21, 2024	<p>The NWB issued the final Agenda for the 2024 ASR Teleconference.</p>
May 23, 2024	<p>The NWB hosted the 2024 ASR Teleconference.</p>
May 31, 2024	<p>Baffinland filed an update to its submission (filed on December 01, 2024) based on the discussion and commitments at the teleconference.</p>
June 27, 2024	<p>The NWB issued an ASR decision that advises the Licensee and interested parties of the total financial security required to be posted prior to the commencement of the 2024 Work Plan under Part C, Item 1 of the Licence.</p>
July 26, 2024	<p>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.</p>