



September 9, 2020

Merlyn Recinos  
Technical Advisor, North Baffin Community Group

Karen D. Costello  
Executive Director, Nunavut Impact Review Board

**Re: Response to September 4, 2020 North Baffin Communities' Submission of Information Relevant to Baffinland's Phase 2 Proposal, NIRB's Assessment, and Upcoming Technical Meetings**

Dear Mayors, HTO Chairs, and Ms. Costello

I would like to thank the elected officials of the Hamlets and Hunters and Trappers Organizations from the five affected communities in the North Baffin Region for providing the opportunity to resolve this issue in advance of the Technical Meetings for the Phase 2 Proposal. This information has been brought to the attention of parties in a manner that is missing important context and supports misleading conclusions. The intent of this letter is to provide some important clarifications.

Baffinland **does not** have approval to transport more than 6 Mtpa through the Northern Transportation Corridor, and the Phase 2 Proposal before the Nunavut Impact Review Board (NIRB) **does not** propose to increase transportation limits to 18 Mtpa through the Northern Transportation Corridor. What is before the NIRB is a Final Environmental Impact Statement Addendum based on the infrastructure and activity levels required to transport 30 Mtpa through the Northern and Southern Transportation Corridors, with enough conservatism built in to allow for limited operational flexibility through the North, as described in the Phase 2 Proposal Project Description Overview ('Phase 2 Proposal Overview') submitted to the NIRB on January 6, 2020.

Consistent with what was clarified during the November 6<sup>th</sup>, 2019 opening statement at the Public Hearing for the Phase 2 Proposal by Mr. Penney, Baffinland's intention is to maximize the value of its investment in the Mary River Project by maximizing reserves, production and profitability from the Project; and to maximize benefits from our activities for Inuit and the territory while minimizing negative impacts. This will always be done within the confines of acceptability. One scenario Baffinland continues to investigate is the feasibility of transporting more ore (i.e. 18 Mtpa) through the Northern Transportation Corridor. To clarify, this is only a concept and not yet defined to a level fit for meaningful discussion, let alone for the environmental studies and community engagements required to support additional applications to regulators. It should be recognized that it will take some time to get to 12 Mtpa of rail and shipping capacity; but with experience, over time, we may be able to optimize both operations and increase beyond 12 Mtpa, following the appropriate approvals. The ArcelorMittal statement referenced in your letter reflects the fact that our shareholders have authorized expenditures to plan the operation for up to 18 Mtpa through the North; but methodically, over time. The extra capital authorized for this purpose could also be related to infrastructure that we will use for the Steensby Inlet rail and port expansion.

Should Baffinland determine to move forward with an additional modification to the Project, the Nunavut Planning and Project Assessment Act and the NIRB Guidelines for the Mary River Project will ensure a comprehensive Final Environmental Impact Statement Addendum is submitted for public review. Additional assurance is also provided for under Schedule 9B of the Inuit Certainty Agreement (ICA) that any proposal to transport more ore than what is approved under the Phase 2 Proposal will require Baffinland to conduct an alternatives assessment, cumulative effects assessment, and culture, resource and land use assessment with QIA and impacted communities.

The NIRB has also considered the issue of future possible expansions beyond the current project in its Disposition of Motions Report for the November 2019 Public Hearing. In that report, the NIRB recognized that it is within a proponent’s discretion as to how they propose to develop a project, and that phased or incremental development of mines is commonplace and contemplated under the Board’s powers to reconsider significant modifications to previously-approved projects. Further, the NIRB recognized that the proposal before them was for a 12 Mtpa rail project with shipping via Milne Port. Baffinland encourages both the NIRB and QIA to provide independent statements on these matters.

Any potential approvals related to the Phase 2 Proposal will be based on the description of the Phase 2 Proposal submitted in August, 2018 and subsequently in January, 2020, and any modifications otherwise agreed to or imposed and reflected in a NIRB Recommendation Report. Baffinland will operate with transparency and respect for the requirements in its regulatory approvals, including those in an amended Project Certificate No. 005 that may limit ore production and transportation capacity.

Aside from the matter of Phase 2 transportation rates, there are three points of clarification Baffinland would like to provide in an effort to reduce confusion and concerns around company transparency.

1. The elected officials indicate concerns over project modifications to date and provide a timeline of regulatory submissions and approvals that is misleading. Baffinland received approval for the Early Revenue Phase in 2014 and in the same year submitted the Phase 2 Proposal. The Production Increase Proposal was not submitted until 2018, and only as an interim measure to support the company during an extended permitting process for Phase 2. While the Phase 2 Proposal Project Description has evolved since 2014, Baffinland has consistently indicated that increased ore production has been and remains the long term means to stabilize the company.
2. The elected officials identify a difference between Baffinland’s internal and external naming conventions for different Project phases. Below is a table to reconcile these differences and reduce present and potential future confusion.

<b>Internal (within Baffinland)</b>	<b>External</b>
Phase 1	Early Revenue Phase (Approved Project) 4.2 Mtpa
Phase 2	Production Increase Proposal 6.0 Mtpa
Phase 3 (Rail Project)	Phase 2 Proposal (Phase 2); plus additional capital required to investigate the optimization of the 12 Mtpa
Phase 4	Steensby Rail Project (Original Approved project 18 Mtpa) 30 Mtpa

3. The elected officials have raised concerns that increased ore production will lead to a shorter mine life and therefore deficient benefits. Although theoretically it is correct that increased ore production will lead to a shorter mine life than is currently projected under the Phase 2 proposal, it should be clear that any increased ore production above and beyond what is included in the Phase 2 Project Description will be subject to additional public review, and specifically include an examination of the socio-economic impacts and benefits from the proposed project. Furthermore, additional changes in project scope will require the review and renegotiation of the IIBA, as required under Schedule 9B of the ICA. Communities will have ample opportunity should a new process be required to share their views on the impacts and benefits of the subsequent Project. In the meantime, ongoing exploration work continues to increase mineral reserves across the Project, including at Deposits #2 and #3, both of which will require additional permitting and public review to develop.

Baffinland appreciates the ongoing participation of communities in the Phase 2 Proposal reconsideration process and looks forward to further engagement through the upcoming Technical Meetings. It is unfortunate that confusion around the Phase 2 Proposal Project Description continues to persist but it is Baffinland's hope that the provided clarification will prevent this from borrowing time from other legitimate topics for discussion.

Sincerely,



Megan Lord-Hoyle

Vice-President, Sustainable Development

cc:

PJ Akeeagok, President, Qikiqtani Inuit Association

Aluki Kotierk, President, Nunavut Tunngavik Incorporated

The Honourable Joe Savikataaq, Premier of Nunavut/Minister of Environment

Brian Penney, CEO and President, Baffinland Iron Mines