



Friday April 9th, 2021

Marjorie Kaviq Kaluraq
Chairperson
Nunavut Impact Review Board
29 Mitik Street - P.O. Box 1360
Cambridge Bay, NU X0B 0C0

Re: Baffinland Iron Mines Corporation Mary River Mine Phase 2 Expansion

Dear Ms. Kaluraq,

On behalf of the Mining Association of Canada, please accept this letter as a statement of support for Baffinland Iron Mines (Baffinland) Corporation Mary River Mine Phase 2 (Phase 2) Expansion project currently being reviewed by the Nunavut Impact Review Board (NIRB).

Since 1935, the Mining Association of Canada (MAC) has been the national voice of the Canadian mining industry. Working alongside our members, MAC promotes the industry nationally and internationally, works with governments on policies affecting the sector and educates the public on the value mining brings to the economy and the daily life of Canadians. Our members account for most of Canada's production of base and precious metals, uranium, diamonds, metallurgical coal, mined oil sands and industrial minerals, and are actively engaged in mineral exploration, mining, smelting, refining and semi-fabrication.

As the NIRB finalizes its assessment and decision for Phase 2, I write to share perspective on the value I see in this project and its importance to Canada, the identified challenges I believe that can be collectively overcome through willing partnerships, and the direct and indirect benefits Inuit and Canadians, Nunavut and Canada, stand to gain or lose pending the outcome.

National Context

We live in a world increasingly challenged by difficult trade-offs. GHG emissions are rising, as are geopolitical tensions between China and the United States. The climate is changing, as is the shape and trajectory of our economic activity. The pandemic – now in its 3rd wave – rages on leaving a wake of personal tragedy for many Canadians, economic displacement for millions of others, and the burden of stretched public finances for future generations to contend with. It is into this context that the NIRB's recommendation on the proposed Phase 2 expansion will be released, and also the lens through which it will be reviewed. And while the proponent and Inuit are the NIRB's most immediate audience, the decision will echo much further afield – through Canada and internationally – with potentially longer-term implications for the Qikiqtaaluk Region, Nunavut, and Canada that might seem apparent.

The above 3 era-defining events – climate change, elevating geo-political tension, and COVID-19 – have coalesced to prioritize achieving domestic self-reliance in sourcing the materials and goods without which Canadians cannot prosper. The activities that produce these goods are now undeniably subject to social, environmental, and economic imperatives without which projects are unlikely to succeed. Indeed, the very essence of the “Build Back Better” mantra is one that prioritizes environmentally responsible wealth generation with demonstrable shared and inclusive benefits. It is undeniable that the Phase 2 Expansion not only meets these criteria but exceeds them in several respects.

Project context

In MAC’s view, the opportunity the Mary River mine presents arises once in a generation, not just in Nunavut but in Canada more broadly. The last time a comparable project was approved in Canada was in 1998 – 23 years ago – when the remote Voisey’s Bay nickel mine in Labrador received its permits. There are several reasons why Mary River is a unique and world class mining project. These include: the project’s scale, the ore grade, the resulting comparatively lower environmental impacts and the enhanced co-management plan with Inuit.

Sizeable Project Scale

- **Multigenerational Benefits:** Current reserves at Mary River’s Deposits 1, 2 and 3 are approximately 1 billion tonnes, and each of these deposits are open to expansion through additional exploration. Even at a 30 Mtpa mining rate proposed under the full Mary River Project, the mine life is considered in decades, not years. When compared to other mine lives in Nunavut – Hope Bay at 15 years and Meliadine at 14 years – Phase 2 makes provision for a multi-generational project, and the substantial and sustained inter-generational economic opportunities and benefits the region would otherwise be without and which Nunavut needs to achieve greater autonomy within the Canadian federation, including:
 - 23% or \$724 million of Nunavut’s annual GDP
 - Over \$1.26 billion in contracts awarded to Inuit firms and joint ventures from 2013-2019 with preferred Inuit firms from Qikiqtani getting priority access to contracts
 - Over 400 Inuit employed (pre-Covid-19) with \$76 million in payroll to Inuit since 2014.
 - +\$66M to Qikiqtani Inuit Association (QIA) in royalties and +\$53 million in taxes to the Government of Nunavut (GN) to date, with Phase 2 projecting an additional \$679M to GN, \$1.5B, \$969M to QIA, \$1.5 billion to the Government of Canada, and \$1.4B to the Nunavut Tunngavik Incorporated.
 - Multiple funding commitments to advance local training, regional business development, day care and other social and economic opportunities.

Comparatively Lower Environmental Impacts

- **No Tailings:** In a key respect, Mary River is one of the most environmentally sustainable iron ore operations globally as the operation produces zero tailings. The high grade of the ore (approximately 68% iron) does not require these added processing stages onsite, and enables physical ore processing exclusively. The proposed Phase 2 expansion will not change this. No chemicals are used for processing and only minor amounts of water are used, as a dust suppressant during the dry summer and for domestic purposes.

- Marine Stewardship:** Baffinland recognizes there are anthropogenic impacts to the marine environment – from the mine’s maritime shipping operations – that need to be mitigated. The company acknowledges and has been transparent about these risks and has committed to substantial action in this area, including stringent aquatic invasive species monitoring, best practice ballast water management, reduced shipping speeds, defined shipping lanes and no-go zones, amongst other measures. Baffinland is also leading the industry in restricting the use of Heavy Fuel Oil (HFO) in the Nunavut Settlement Area, and by association the use of scrubbers, 7 years before Canadian regulations are expected to achieve a similar outcome through the HFO ban. These practices are designed to reduce pollution of all kinds, including noise pollution, and optimize operational sustainability in a way that minimizes impacts from shipping disruption. MAC appreciates the concern that shipping impacts may affect traditional hunting and cultural practices of the region’s Inuit communities. Our expectation is that a Phase 2 decision would mandate marine shipping environmental stewardship obligations informed by the best available science and practice globally.
- Industry Leading GHG Emissions Performance:** Despite being a remote and – at present – diesel reliant mining operation, Mary River’s emissions intensity is less than half that of the most comparable Canadian iron ore mine. The difference is attributable to the high-grade ore at Mary River requiring no onsite pyrometallurgical processing prior to shipment, nor the generation of emissions associated with tailings waste management, of which Mary River has none. Beyond this “natural” carbon competitive advantage, and noting railroads are four times more fuel-efficient than trucks, Phase 2 will even further reduce the carbon intensity of Mary River iron ore by holding overall greenhouse gas emissions stable, despite the doubling of production under Phase 2.

Inuit Co-Management

- Industry Leading Indigenous Partnership:** Baffinland will fund an Inuit Stewardship Plan, that is administered by the QIA, and includes social and cultural monitoring programs. These monitoring programs will be designed, implemented and reported on by Inuit, not Baffinland. Further, these programs will be tied directly to Baffinland’s Adaptive Management Plan, which Baffinland and the QIA must agree to in order for the company to remain in good standing with its Commercial Lease. This plan will include the monitoring indicators, thresholds and actions that must be taken in the event the Project causes any unforeseen impacts. From MAC’s perspective, this approach meets or exceeds current good practice in company-community collaboration, consistent with the upper tier standards set out in MAC’s Toward Sustainable Mining (TSM) Initiative. I would note that that Baffinland’s commitment to implementing TSM, an increasingly recognized global sustainability system, also puts it in the upper tier of responsible operators from an ESG perspective, as few other mining industry associations in the world have committed to TSM or any comparable system.¹

¹ TSM is globally recognized sustainability program supports mining companies in managing key environmental and social risks. It was the first mining sustainability standard in the world to require site-level assessments and is mandatory for all companies that are members of implementing associations. Launched in Canada by the Mining Association of Canada in 2004, TSM has since been adopted by mining industry associations in Finland, Norway, Spain, Botswana, Argentina, Brazil, the Philippines and Australia.

Overseen by a national independent Community of Interest Advisory Panel consisting of Indigenous people (including Inuit), environmental organizations, labour representatives, finance, local mining communities, social and faith-based organizations and

For the above reasons, MAC holds Mary River to be an extremely strong project where the benefits significantly outweigh the risks – demonstrably more so than any comparable mine in Canada when judged on the basis of its exceptionally limited environmental impact relative to the profound and long-term opportunity for regional prosperity it presents. I write this noting that no mining project is without its environmental impacts – including Mary River – and that these can and should be addressed in a positive decision that I hope results from this process.

A Critical Set of Considerations

According to its mandate, “the primary objectives of the NIRB shall be at all times to protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, and to protect the ecosystemic integrity of the Nunavut Settlement Area.” The NIRB is further mandated to “take into account the well-being of residents of Canada outside the Nunavut Settlement Area.” At the heart of this decision, then, is an analysis that is predicated on an informed assessment of the likely implications for the residents, communities (and Canadians more broadly) and ecosystemic integrity of the region of an approval or a rejection of Phase 2. Reviewing the implications of the impending Phase 2 decision for Baffinland’s current operation can serve as a proxy for assessing likely impacts, most especially on local communities and residents.

Baffinland’s proposed expansion is primarily about becoming an economically sustainable operation – something the current limited operational scope is unable to achieve. The reason for this relates to the economy of scale that phased mining operations require to obtain a viable operating margin, and the factors that enable or limit the enhancement of mining productivity to achieve that objective. A higher operating margin indicates that a company is earning enough money from business operations to pay for all of the associated costs involved in maintaining that business. In the case of Mary River, a sustainable operating margin cannot be achieved at present because the initial capital and ongoing operational costs exceed the value generated from its operations. The solution is to increase productivity, which in mining is measured by the ability to increase ore throughput per unit of time and cost, i.e., to produce more ore either more quickly or at a reduced cost. MAC understands that Mary River’s most productive year to date was in 2019 – following site optimizations – when 5.86 million tonnes of ore was shipped, and global iron ore prices were buoyant. Despite this, the company still operated at a \$10.5USD million loss for the year. The only means left to improve productivity is to expand operations in a manner that reduces the cost per unit of production, thus enabling the site to achieve the economy of scale needed to obtain a sustainable operating margin.

The above reality is not surprising as it reflects the intentional design of the project, namely: the Mary River mine was never intended to operate exclusively – nor would have been pursued in the first place – at a 4.2 or even 6 million tonne annual production limit. The reason as above explained is simple: it is

academics, TSM requires mining companies to annually assess, publicly report and verify their performance at the facility level. Performance is evaluated across a set of detailed environmental and social performance standards, including tailings management, water stewardship, Indigenous and community relationships, safety and health, biodiversity conservation, crisis management and preventing child and forced labour.

TSM is a constantly evolving standard and recently introduced a new Climate Change Protocol that sets a high bar for best practice, including corporate-level requirements to make commitments and implement strategies related to climate action as well as facility-level requirements to manage climate-related risks. This new protocol, in addition to the Indigenous and Community Relationships Protocol introduced in 2019, makes TSM the leading industry standard when it comes to environmental stewardship and community engagement. For more information on TSM, see www.mining.ca.

economically unviable. The implications for this fact are severe as it follows that the current level of benefits associated with the project – direct and indirect employment and training, business development opportunities, and taxes and royalties, amongst others – will cease if the project is unsuccessful in its application for expansion. While good companies appreciate the need to meaningfully pursue sharing and facilitating access to the benefits of natural resource wealth generation, no company advances a project that is unprofitable to operate.

Implications for Canada

The other component of your mandate is to consider how the implications of your decision will affect the people of Canada, more broadly. On this point, and as afore mentioned, Canada (and the world more broadly) is amidst an economic transformation in the battle against climate change that requires huge volumes of minerals and metals from which the economy of tomorrow can be built. More importantly, it needs these minerals and metals to be sourced in an environmentally and climate considerate manner. Iron ore, a critical ingredient in steel production, is essential for wind turbines, light rail public transportation and battery electric vehicle production, amongst other goods. The opportunity for Mary River is to meet that demand with a lower environmental and carbon footprint than would be possible elsewhere while generating shared wealth produced in a manner consistent with the expectations and values that Canadians hold. As such, this opportunity is highly consistent with the “Build Back Better” mantra, and supports our collective obligation to reconcile Canada’s COVID economic response by growing our economies – regional and national – with the highest respect for the environment and in a manner that drives Indigenous economic reconciliation.

If the project fails to go ahead, the implications for Canada’s mining industry, and its stated role in broader federal economic objectives, will be dire. Given the significance of Canada as a globally recognized leading mining nation – a point recognized by Prime Minister Trudeau as a national competitive strength to be leveraged to drive transition economy – rejecting Phase 2 after the unparalleled efforts of Baffinland to adapt and accommodate a world leading environmentally friendly project would signal a massive inconsistency between Canada’s stated goals and values and its actions. International investor confidence in a post-rejection scenario would sour, making it more difficult for Canada to attract the foreign direct investment needed to sustain and grow our mining industry, transition our economy, and maintain the quality of life that Canadians enjoy. Locally, such a ripple would extinguish any prospects that a new company could take-over in short order and accomplish what Baffinland was unable to. To fall from a bar set so high is a warning to future investors, not an invitation.

Looking Forward

While involving difficult trade-offs, I note that this decision is mandated to your organization on behalf of Inuit as a trusted third-party and unbiased intermediary. Thank you for your consideration of the

points I've raised in this letter. I look forward in hope to a positive decision that reflects the best of Canadian and Inuit values: partnership, community and prosperity achieved by working together toward common objectives.

Sincerely,

A handwritten signature in black ink, appearing to read "Pierre Gratton", is written over a light blue rectangular background.

Pierre Gratton
President and CEO

CC

The Right Honourable Justin Trudeau, P.C., M.P., Prime Minister of Canada
The Right Honourable Chrystia Freeland, P.C., M.P., Deputy Prime Minister of Canada
The Honourable Dan Vandal, P.C., M.P., Minister of Northern Affairs
The Honourable Seamus O'Reagan, P.C., M.P., Minister of Natural Resources