

2017 Marginal Closure and Reclamation Security Estimate – Revisions to Reflect Interested Parties Feedback

Date: November 24, 2016

**Subject: Revisions to reflect stakeholder feedback on 2017
Marginal Closure and Reclamation Financial
Security Estimate**

1. Purpose

The purpose of this memo is to provide a summary of revisions identified to be required to the 2017 Marginal Closure and Reclamation Financial Security Estimate based on feedback received from interested parties and modifications made to better reflect planned 2017 work based on updated information.

The marginal increase proposed in this report is in addition to the marginal increase already proposed in the 2017 Marginal Closure and Reclamation Financial Security Estimate that was developed to consider the 2017 Work Plan dated November 2, 2016 and submitted to the Nunavut Water Board (NWB), the Qikiqtani Inuit Association (QIA), Indigenous and Northern Affairs Canada (INAC) and other stakeholders on November 4, 2016.

2. Modifications Identified

Revisions identified to the 2017 Marginal Closure and Reclamation Financial Security Estimate, based on feedback received from interested parties and modifications made to more accurately reflect planned 2017 work, are:

- a) Mobile and mechanical equipment captured in the comprehensive global estimate, including the 2017 Marginal Closure and Reclamation Financial Security Estimate, were re-categorized (e.g. light equipment, medium equipment, and heavy equipment) to better align with category thresholds discussed with the QIA in order to reduce inconsistencies in the QIA and Baffinland security estimates. Category thresholds that were applied generally follow thresholds indicated in Table 1. This issue was addressed based on feedback received from the QIA.

Table 1: Mobile and Mechanical Equipment Classifications

Equipment Classification	Equipment Example
Light Mechanical Equipment	Pumps, fuel dispenser, laboratory equipment, and sample bins
Medium Mechanical Equipment	Aerodrome equipment, generators, shop / maintenance equipment, screens, and chutes.
Heavy Mechanical Equipment	Crusher, feeder, power plant generators, large screens, conveyors, and stackers
Light Mobile Equipment	Forklifts, picks up, vehicles around five (5) tonnes and under, scissor lift, man lifts, and small bin trucks. NOTE: Weight thresholds not always determining factor. Examples of Light Mobile Equipment includes: Skid Steer P10000, and Ford F-350 Pick-Up Truck.
Medium Mobile Equipment	Vehicles around 10 tonnes, trailers, buses, tow trucks, large garbage bins and water trucks. NOTE: Weight thresholds not always determining factor. Examples of Medium Mobile Equipment include: D6 Dozer, Kenworth T800 Fuel/Lube Truck, CAT P20000, Passenger Buses, Secondary Drills, Rock Drills, D6 Wheel Dozer, and Dump Trailers.
Heavy Mobile Equipment	Vehicles over 10 tonnes, boom trucks, large front end loaders, dump trucks, graders and cranes. NOTE: Weight thresholds not always determining factor. Examples of Heavy Mobile Equipment include: D9 Dozer, CAT 740 EFLT Fuel/Lube Truck, CAT 824H Wheel Dozer, and Production Drills.

- b) The 49-person camp previously included in the original 2017 Marginal Closure and Reclamation Financial Security Estimate submission was classified as a soft wall modular building (non-contaminated) for the purpose of the submission. Based on updated information, this camp is expected to be a hard wall trailer camp. Therefore the unit rate was modified to apply the 'Modular Building (non-contaminated)' rate instead of the previous 'Soft Wall (non-contaminated)' unit rate. Estimated camp size has not changed. This issue was addressed based on feedback received from INAC.
- c) An additional Truck Wash Building is proposed to be constructed in 2017 at the Mine Site. As part of this development, a commercial grade haul truck washing station will be installed within the building. This commercial grade haul truck washing station was accounted for in the 2017 Marginal Closure and Reclamation Financial Security Estimate submission as a piece of 'Medium Mechanical Equipment'. Based on feedback received from the QIA, the unit rate was modified to apply the 'Large Mechanical Equipment' instead.

3. Updated Marginal Reclamation and Closure Security Cost Summary

Table 2 presents the total closure and reclamation security posted to-date and proposed adjustments to be posted as a result of the modifications described in Section 2.

The totals presented are inclusive of all closure and reclamation costs estimated to be required for a 3rd Party Contractor to perform the work in a 'worst-case' scenario for all disturbed areas, project components and project activities existing on the Mary River Project site upon conclusion of the 2017 Work Plan including legacy exploration phase liabilities.

Costs estimated are in accordance with principles, methodology, and closure objectives defined within the Mary River Project Interim Closure and Reclamation Plan (BAF-PH1-830-P16-0012).

Table 2: Revised Mary River Project 'Global' Closure and Reclamation Security Summary¹

	A	B	C	D	E	F	G	H	I	J	K
	Authorization	Liability	Original Global Estimate from 2016/17 ASR (\$)	Revised Global Estimate from 2016/17 ASR (\$)	Difference of Original vs. Revised from 2016/17 ASR (\$)	Original 2017/18 ASR Marginal Estimate (\$)	Revised 2017/18 ASR Marginal Estimate (\$)	Difference of Original vs. Revised 2017/18 ASR Marginal Estimate (\$)	Revised Total 'Global' Estimated Security for 2017/18 (\$)	Total Posted (\$)	Adjustment to be Posted (\$)
					D-C			G-F	D+G		I-J
1	Type A 2AM-MRY1325	IOL ²	45,055,000	46,053,000	998,000	1,880,000	2,019,000	139,000	48,072,000	48,846,000	(774,000)
2		Crown	1,210,000	1,199,000	(11,000)	-	-	-	1,199,000	1,210,000	(11,000)
3		Water	1,342,000	1,342,000	-	-	-	-	1,342,000	-	-
4		Land	44,923,000	45,910,000	987,000	1,880,000	2,019,000	139,000	47,929,000	-	-
5	Subtotal Type A		46,265,000	47,252,000	987,000	1,880,000	2,019,000	139,000	49,271,000	50,056,000	(785,000)
6	Type B Construction 2BC-MRY1416	IOL ²	-	-	-	-	-	-	-	-	-
7		Crown	-	-	-	-	-	-	-	147,000	(147,000)
8		Water	-	-	-	-	-	-	-	-	-
9		Land	-	-	-	-	-	-	-	-	-
10	Subtotal Type B Construction		-	-	-	-	-	-	-	-	(147,000)
11	Type B Exploration 2BE-MRY1421 ³	IOL	165,000	165,000	-	-	-	-	165,000	-	165,000
12		Crown	1,082,000	1,082,000	-	-	-	-	1,082,000	1,250,000	(168,000)
13		Water	18,000	18,000	-	-	-	-	18,000	-	-
14		Land	1,229,000	1,229,000	-	-	-	-	1,229,000	-	-
15	Subtotal Type B Exploration		1,247,000	1,247,000	-	-	-	-	1,247,000	1,250,000	(3,000)
16	DFO Security Associated with Ore Dock	IOL ²	-	-	-	-	-	-	-	-	-
17		Crown	563,000	563,000	-	-	-	-	563,000	563,000	-
18		Water	563,000	563,000	-	-	-	-	563,000	563,000	-
19		Land	-	-	-	-	-	-	-	-	-
20	Subtotal DFO		563,000	563,000	-	-	-	-	563,000	563,000	-
21	AANDC Land Lease 47H/16-1-2 ^{4,5}	IOL ²	-	-	-	-	-	-	-	-	-
22		Crown	4,975,000	4,975,000	-	-	-	-	4,975,000	4,975,000	-
23		Water	-	-	-	-	-	-	-	-	-
24		Land	4,975,000	4,975,000	-	-	-	-	4,975,000	4,975,000	-
25	Subtotal AANDC Land Lease		4,975,000	4,975,000	-	-	-	-	4,975,000	4,975,000	-
27	GRAND TOTAL		53,050,000	54,037,000	987,000	1,880,000	2,019,000	139,000	1,880,000	58,721,000	(935,000)

NOTES:

1) Totals rounded to nearest '000 in CAD

2) Security relating to IOL held by Qikiqtani Inuit Association (QIA) under Commercial Lease No. Q13C301

3) As per Mary River Exploration Project Closure and Reclamation Plan (BAF-PH1-830-P16-0038, Rev 1)

4) Posting process for security relating to AANDC Land Lease 47H/16-1-2 phased into a 2-step approach. Phase 1 to be posted November 2016.

5) As per Closure and Reclamation Strategy and Financial Security Estimate for Nunavut Lease #47H/16-1-2 (H349001-2000-07-126-0001, Rev.0)

4. Supporting Documents

In addition to information presented within this document, please refer to Attachment A for Updated 2017/18 ASR Estimate Breakdown Structure (EBS).

Attachment A:
Updated 2017/18 ASR Estimate Breakdown Structure

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