



October 31, 2013

Mr. Stephen Williamson Bathory
Qikiqtani Inuit Association
P.O. Box 1340
Iqaluit, NU, X0A 0H0

Dear Stephen,

Re: 2014 Work Plan and Marginal Reclamation and Closure Security Estimate for Review

Please find attached the 2014 Work Plan and Marginal Reclamation and Closure Security Estimate for review. The purpose of this submission is to: provide a description of the work that Baffinland Iron Mines Corporation (Baffinland) expects to perform in the next year (2014); provide a summary of closure and reclamation security estimated to be required to meet the reclamation objectives outlined in the Mary River Interim Mine Closure and Reclamation Plan for the Mary River Project taking into consideration planned work in 2014; and address other commitments made in the Commercial Lease, No. Q13C301, agreed between Baffinland Iron Mines Corporation and the Qikiqtani Inuit Association as detailed in the 2014 Work Plan.

The 2014 Work Plan and an annual adjustment to reclamation security is required under Section 6.1 and 9.2, respectively, of the Commercial Lease, No. Q13C301, agreed to between Qikiqtani Inuit Association (as Landlord) and Baffinland Iron Mines Corporation (as Tenant) on September 6, 2013. In addition, an annual adjustment to reclamation security is a requirement under the Type 'A' Water Licence 2AM-MRY1325 (Part J, Item 3). The 2014 Marginal Reclamation and Closure Security Estimate therefore represent Baffinland's proposed annual adjustment to reclamation security for the purpose of these requirements. The 2014 Marginal Reclamation and Closure Security Estimate has been developed in accordance with conditions outlined within Section 9.2 of the Commercial Lease; conditions outlined within Type A Water Licence 2AM-MRY1325, Part J, Item 3 and Schedule J; and in consideration of the QIA Abandonment and Reclamation (A&R) Policy. The 2014 Marginal Reclamation and Closure Security Estimate incorporates current site conditions and all applicable activities described in the Baffinland Iron Mine Corporation's 2014 Work Plan. The estimated marginal closure and reclamation security required to account for 2014 planned work is intended to be aggregated with previous project closure and reclamation security bonding and project wide totals to date.

It should be noted, a separate estimate of closure and reclamation security is presented in anticipation for work conducted under the Early Revenue Phase (ERP) in 2014 which requires approval of an amended Project Certificate (No. 005). This closure and reclamation security estimate would only apply upon approval of the amended Project Certificate as described in the Addendum to the Final Environmental Impact Statement for the Early Revenue Phase (June 2013).

Sincerely,

A handwritten signature in black ink, appearing to read 'Erik Madsen', with a stylized, cursive script.

Erik Madsen, Vice President
Sustainable Development, Health, Safety & Environment

Cc: Murray Ball (AANDC)
Damien Cote (NWB)
David Hohnstein (NWB)
Karen Costello (AANDC)
Oliver Curran (BIM)
Jim Millard (BIM)