



2016 Annual Security Review (ASR)

Summary Presentation

December 17, 2015

Agenda

1. Introduction
2. 2015/16 Reconciliation
3. 2016 Work Plan
4. Results
5. Questions



Objective



- Provide a summary of the closure and reclamation security estimated for the Mary River Project for 2016/17
- Based on activities required to meet reclamation objectives as outlined in the Interim Mine Closure and Reclamation Plan (BAF-PH1-830-P16-0012)
- Takes into consideration planned work in 2016 being conducted under:
 - Type “A” Water Licence 2AM-MRY1325, Amendment No. 1
 - Qikiqtani Inuit Association’s (QIA) Commercial Lease No. Q13C301

Key Global Assumptions

Scope

- 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 2016 Work Plan.

Closure Scenario

- Assumes all planned activities described in respective Work Plans have taken place on-site unless noted otherwise (e.g. 2015/16 ASR Reconciliation). This includes remaining liabilities from the previous phases (Exploration Phase, Bulk Sampling Programs and previous Work Plans).

First Principles Approach

- Unit costs were developed from actual project-specific costs based on a detailed study of the resources such as labour, equipment, fuel and materials required to complete a functional unit for that project component (e.g. m² for building footprint, m³ for earthworks, etc.).

Reclamation Objectives

- Assume all hazardous materials are removed from all structures/equipment and disposed of appropriately off site. Non hazardous materials and waste to be disposed of on-site. All disturbed areas undergo contouring of ground surfaces to re-establish natural drainage patterns as reasonably practical.



2015/16 ASR RECONCILIATION

2015/16 ASR Reconciliation

The purpose 2015/16 ASR Reconciliation was to identify Project components and activities that have materially changed from the previous positions presented by Baffinland in order for the 2016/17 ASR Estimate to accurately reflect the total 'global' closure and reclamation security estimated to be required

Changes primarily relate the following:

- Removal of cost allocations related to components or activities that have not occurred to-date and are not anticipated to occur or have been superseded by a more current/accurate allocation
- Addition of cost allocations related components or activities that occur on-site that have not been captured in previous estimates
- Additional allocation of indirect costs to account for short-term care and maintenance, closure and post closure monitoring and reporting based on further program definition

2015/16 ASR Reconciliation – Direct Costs

Material changes to direct cost allocations from the previous positions presented by Baffinland were found related to:

- Grade and Re-Contour
- Buildings and Flooring/Foundations
- Mobile Equipment
- Mechanical Equipment
- Tanks
- Packaged Equipment (Vendor Packages)
- Ship loader Package
- Consumables (new)
- Fill application

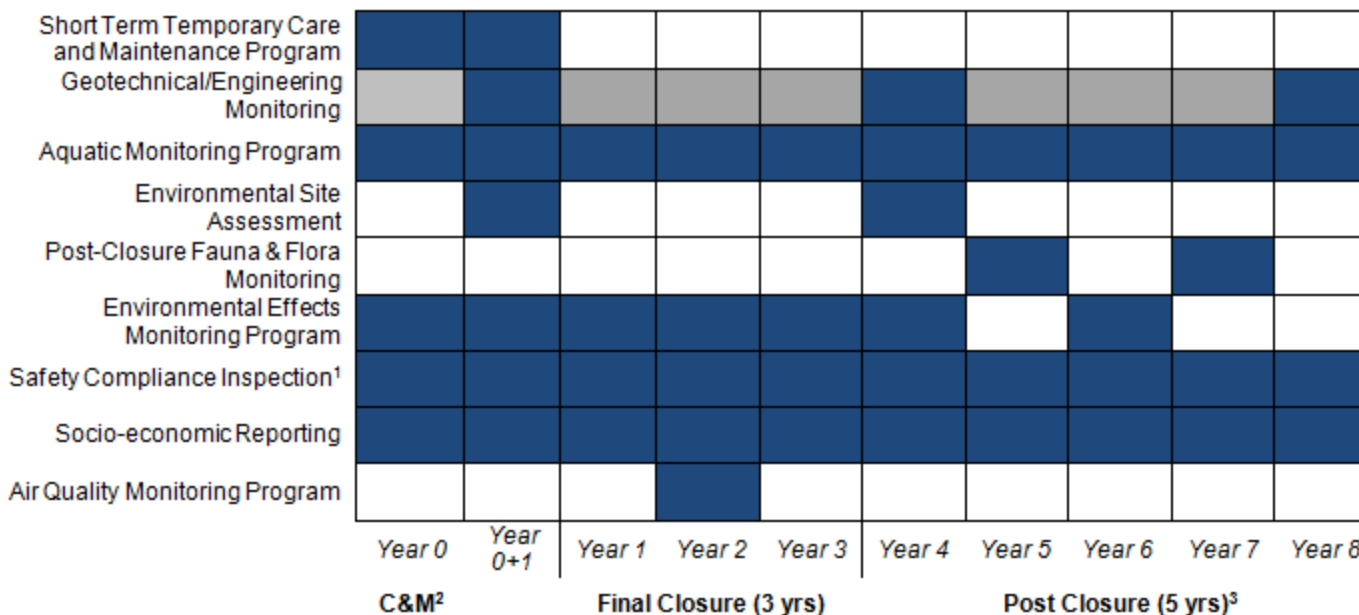
2015/16 ASR Reconciliation – Indirect Costs

Material changes to indirect cost allocations from the previous positions presented by Baffinland were found related to:

- Contaminated Soil Treatment
- Short-Term Care and Maintenance, Closure and Post Closure Monitoring and Reporting Costs
- Based on relative changes to direct costs/activities, corresponding changes to
 - On-Site Fuel Demobilization and Reclamation Fuel Mobilization
 - Mobilization of Workers Required for Reclamation
 - Worker Accommodation and Camp Operation
 - Mobilization and Demobilization of Equipment and Materials
 - Supervision, Project Management and Contract Administration
 - Engineering Fees
 - Contingency

Post-Operation Monitoring and Reporting

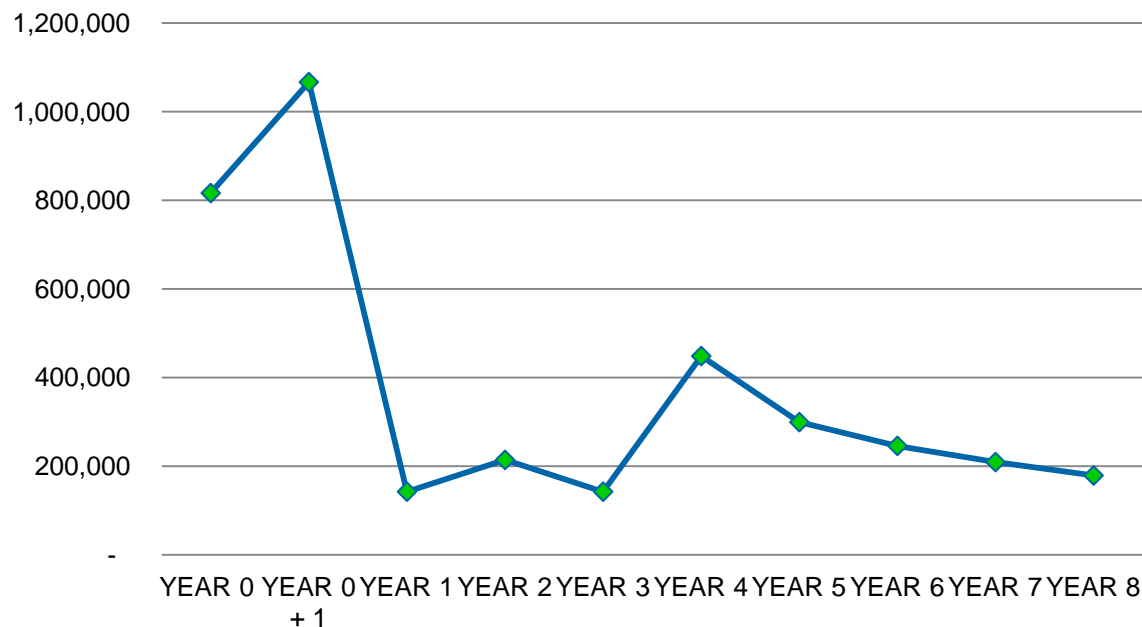
- New allocation of \$3,766,000 (previously allocated \$1,091,000) to account for Short-Term Care and Maintenance, Closure and Post Closure Monitoring Costs based on further program definition.



Short-Term Care and Maintenance, Closure and Post Closure Monitoring Schedule

Post-Operation Monitoring and Reporting

**Post -Operation Closure Monitoring and Reporting
Costs by Year**



PHASE	YEAR	COST (\$)
Care and Maintenance	Year 0	816,000
	Year 0 + 1	1,067,000
Closure Monitoring	Year 1	143,000
	Year 2	214,000
	Year 3	143,000
Post-Closure Monitoring	Year 4	449,000
	Year 5	300,000
	Year 6	246,000
	Year 7	210,000
	Year 8	179,000
TOTAL		3,766,000



2016 WORK PLAN

Proposed 2016 Activities (1/2)



- The continued development and construction of infrastructure required at Milne Port and the Mary River Mine Site (Mine Site) for the Mary River Project.
- Development and operation of the mine, ore crushing and land transportation, stockpiling and marine shipment of ore.
- Continued operation of Mine Site and Milne Port Camps to support ongoing operations and construction activities
- On-going operation of permitted quarry and borrow sources, there will also be additional identified quarries or borrow areas along the Tote Road.
- On-going exploration activities.
- On-going maintenance and upgrades of the Tote Road for purpose of health, safety, and efficiency.



Proposed 2016 Activities (2/2)



- Receive sealifts for fuel, equipment and supplies at Milne Port (approximately between mid-July and mid-October 2016).
- Material, fuel and supplies required for construction and operational activities will be transported to the Mine Site year round via the Tote Road.
- If required, geotechnical drilling to support engineering, design and construction activities of Project.
- Ongoing environmental effects and baseline data collection will continue to support the construction and operation of the Project.
- Continued environmental monitoring in accordance with the approved authorizations, management plans and environmental effects monitoring plans.

2016 Work Plan – Direct Costs

- Direct cost allocations were applied to quantities as indicated in the 2016 Work Plan for:
 - Grade and Re-Contour (with and without liner)
 - Mechanical Equipment
 - Tanks
 - Fill application
- Unit rates consistent with the direct cost assumptions described in the 2014 Complete Project Financial Security Assessment (H349000-1000-07-126-0018, Rev 1)

2016 Work Plan – Indirect Costs

- Based on relative changes to direct costs/activities, corresponding changes to the following indirect costs were made:
 - On-Site Fuel Demobilization and Reclamation Fuel Mobilization
 - Mobilization of Workers Required for Reclamation
 - Worker Accommodation and Camp Operation
 - Mobilization and Demobilization of Equipment and Materials
 - Supervision, Project Management and Contract Administration
 - Engineering Fees
 - Contingency



RESULTS

Items Modified Since Submission

The following changes were considered and incorporated as appropriate since the original submission of the 2016/17 ASR Estimate (October 30, 2015) :

- Updates to ammonium nitrate and pre-packaged explosives quantities and ammonium nitrate unit cost
- Addition of disturbed area and liner removal associated with the two (2) Portable Fuel Dispensing Units
- Liner removal associated with former 'Anmar workshop' footprint
- Adoption of quantities for all Waste Storage Areas with the Canadian Land Surveyor drawings from March 2015
- Reintegration of ship loader cover material application costs
- Reallocation of security associated with Tote Road reclamation along Crown Land portion of Tote Road
- Reintegration of D1Q1 Quarry reclamation



SEE 'TABLE A & B'

TABLE A: 2016 Mary River Project Total Closure and Reclamation Security Summary ¹

	A	B	C	D	E	F	G	I
	Authorization	Liability	Total Estimated for 2015 (\$)	Total Posted in 2015 (\$)	Original 2016/17 ASR (\$) [October 30, 2015]	Modified 2016/17 ASR (\$) [Updated Since Submission]	Difference (\$)	Adjustment to be Posted (\$)
							F-E	F-D
1	Type A 2AM-MRY1325	IOL ²	45,089,000	47,518,000	44,362,000	45,055,000	693,000	(2,463,000)
2		Crown	-	166,000	406,000	1,210,000	804,000	1,044,000
3		Water	2,214,000	-	1,342,000	1,342,000	-	1,342,000
4		Land	42,876,000	-	43,427,000	44,923,000	1,496,000	44,923,000
5	Subtotal Type A		45,089,000	47,684,000	44,768,000	46,265,000	1,497,000	(1,419,000)
6	Type B Water Licence ³ 2BC-MRY1416	IOL ²	-	-	-	-	-	-
7		Crown	-	147,000	-	-	-	(147,000)
8		Water	-	-	-	-	-	-
9		Land	-	-	-	-	-	-
10	Subtotal Type B Construction		-	147,000	-	-	-	(147,000)
11	Type B Exploration 2BE-MRY1421	IOL ²	165,000	-	-	-	-	-
12		Crown	1,082,000	1,250,000	1,247,000	1,247,000	-	(3,000)
13		Water	18,000	-	-	-	-	-
14		Land	1,229,000	-	-	-	-	-
15	Subtotal Type B Exploration		1,247,000	1,250,000	1,247,000	1,247,000	-	(3,000)
16	DFO ⁴	IOL ²	-	-	-	-	-	-
17		Crown	3,566,000	3,566,000	3,566,000	563,000	(3,003,000)	-
18		Water	3,566,000	3,566,000	3,566,000	563,000	(3,003,000)	-
19		Land	-	-	-	-	-	-
20	Subtotal DFO		3,566,000	3,566,000	3,566,000	3,566,000	-	-
21	AANDC Land Lease ⁵ 47H/16-1-2	IOL ²	-	-	-	-	-	-
22		Crown	4,975,000	Note 6	-	-	-	-
23		Water	-	-	-	-	-	-
24		Land	4,975,000	-	-	-	-	-
25	Subtotal AANDC Land Lease		4,975,000	-	-	-	-	-
27	GRAND TOTAL		54,877,000	52,647,000	49,581,000	51,078,000	1,497,000	(1,569,000)

NOTES:

¹ Totals rounded to nearest '000 in CAD

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

³ Security associated with activieis and components are double bonded under Type B Water Licence 2BC-MRY1416 and Type A Water Licence 2AM-MRY1325

⁴ Securty related to ore dock design in the amount of \$3,003,159 released by DFO in October 2015

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

⁶ Posting process for security relating to AANDC Land Lease 47H/16-1-2 still to be determined

TABLE B: 2016 Estimated Closure and Reclamation Security Detailed Summary

Cost	TOTAL COSTS			IOL Cost			Crown Land Cost		
	Original 2016 /17 ASR	Modified 2016 /17 ASR	Difference	Original 2016 /17 ASR	Modified 2016 /17 ASR	Difference	Original 2016 /17 ASR	Modified 2016 /17 ASR	Difference
Direct Cost									
Project Wide	1,180,000	1,395,000	215,000	1,180,000	1,171,000	(9,000)	-	224,000	224,000
Milne Port	5,632,000	5,670,000	37,000	5,632,000	5,670,000	37,000	-	-	-
Construction Facilities & Services	2,127,000	2,102,000	(24,000)	2,127,000	2,102,000	(24,000)	-	-	-
Mine Site	8,160,000	8,205,000	45,000	8,160,000	8,205,000	45,000	-	-	-
Tote Road	4,695,000	4,695,000	-	4,435,000	4,222,000	(214,000)	259,000	473,000	214,000
Mary River Exploration Activities	1,022,000	1,022,000	-	135,000	135,000	-	887,000	887,000	-
Total Direct Costs (\$)	22,816,000	23,089,000	273,000	21,670,000	21,505,000	-165,000	1,146,000	1,584,000	438,000
Indirect Cost									
Off-Site Disposal of Waste & Material	1,969,000	1,969,000	-	1,969,000	1,969,000	-	-	-	-
Fuel	3,144,000	3,152,000	8,000	3,144,000	3,152,000	8,000	-	-	-
Ammonium Nitrate (explosive Material)	1,429,000	2,537,000	1,108,000	1,429,000	2,537,000	1,108,000	-	-	-
Contaminated Soil Treatment	239,000	239,000	0	239,000	239,000	-	-	-	-
Mobilization of Workers Required for Reclamation	972,000	988,000	16,000	960,000	956,000	(4,000)	12,000	32,000	20,000
Worker Accommodation & Camp Operation	2,517,000	2,560,000	43,000	2,486,000	2,477,000	(9,000)	31,000	83,000	52,000
Mob/Demob of Equipment and Materials by Sealift	2,180,000	2,206,000	26,000	2,154,000	2,136,000	(18,000)	26,000	70,000	44,000
Short Term C&M, Closure Monitoring and reporting	3,766,000	3,766,000	-	3,766,000	3,647,000	(119,000)	-	119,000	119,000
Supervision,PM & Contract Administration	2,231,000	2,256,000	25,000	2,206,000	2,188,000	(18,000)	25,000	68,000	43,000
Engineering Fees	851,000	861,000	10,000	841,000	834,000	(7,000)	10,000	27,000	17,000
Contingency	3,676,000	3,663,000	(13,000)	3,634,000	3,550,000	(84,000)	42,000	113,000	71,000
Mary River Exploration Activities	225,000	225,000	-	30,000	30,000	-	195,000	195,000	-
DFO Financial Security for Ore Dock	3,566,000	3,566,000	-	-	-	-	3,566,000	3,566,000	-
Total Indirect Costs (\$)	26,765,000	27,988,000	1,223,000	22,857,000	23,715,000	857,000	3,908,000	4,273,000	366,000
Total Cost (Direct + Indirect) (\$)	49,581,000	51,077,000	1,496,000	44,527,000	45,220,000	693,000	5,054,000	5,858,000	804,000
Total Cost (Direct + Indirect) (%)				90%	89%	-1%	10%	11%	1%

NOTES:
All totals rounded to nearest '000 in CAD

Conclusions

A summary of the closure and reclamation security estimated for the Mary River Project for 2016/17, and the associated posting requirements, is as follows:

Liability	Posted to Date (\$)	Estimated Security for 2016/17 (\$)	Proposed Adjustment to be Posted (\$)
IOL	47,518,000	45,055,000	(2,463,000)
Crown	166,000	1,210,000	1,044,000



THANK YOU - QUESTIONS?