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December 12, 2016

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Resolute Bay

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Mr. Todd Burlingame

Vice President, Sustainable Development and Environment
Baffinland Iron Mines Corporation (BIMC)
2275 Upper Middle Road East, Suite 300
Oakville, ON L6H 0C3

RE: Financial Security Assessment, Inflation, and, Joint Submission to the NWB

Mr. Todd Burlingame,

The Qikiqtani Inuit Association (QIA) submits this letter to Baffinland Iron Mines Corporation (BIMC) in response NWB's request to discussion held during the 2017 Annual Security Review (ASR) teleconference held on December 9th, 2016. Specifically, QIA is raising its position relative the reasonableness of applying inflation in the context of security assessments, and, relative to the NWB's request on the status of a joint submission under the 2017 ASR.

Security assessments are one of the areas where our organizations have demonstrated the ability to collaborate, assess facts and come to mutual determinations of final security values.

Following QIA's presentation of its 2017 Security Assessment, BIMC representatives questioned QIA upon the application of inflation as a means of addressing unit rates jointly developed and assessed during the 2014 security baseline exercise. Also raised during the call was whether or not a "joint statement" was anticipated as part of the 2017 ASR process, whereby the Nunavut Water Board (NWB) requested an indication as to whether a document would be filed by December 16th, 2016. Each of these subjects is described below.

Inflation

QIA submits it is not reasonable or practicable to assess alternatives to the application of inflation at this point in time. Opportunities to reassess the application of inflation occurred during the following periods;

1. Following BIMC receipt of QIA's letter to BIMC on financial security assessments¹
 - a. This letter suggested that the topic of inflation could be scheduled for examination as part of the 2016 Environmental Audit.
2. In advance of, during, or as follow-up to QIA's 2016 Environmental Audit

¹ Letter from QIA (Williamson Bathory) to BIMC (Burlingame), *Baffinland Iron Mines Corporation's Letter of May 31st, 2016*. Issued June 8th 2016.



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- ⁶ BIMC-QIA Joint Submission to NWB. Issued to NWB on January 22, 2015.



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