



2018 Annual Security Review (ASR)

Summary Presentation

15 February 2018

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Agenda and Introductions



Agenda

1. Introductions
2. 2017 Reconciliation
3. 2018 Work Plan
4. Questions



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 the 2018 Work Plan.

Closure Scenario

- Assumes all planned activities described in respective Work Plans have taken place on-site unless noted otherwise (e.g. 2017 ASR Reconciliation). This includes remaining liabilities from the previous phases (Exploration Phase, Bulk Sampling Programs and previous Work Plans).

First Principles Approach

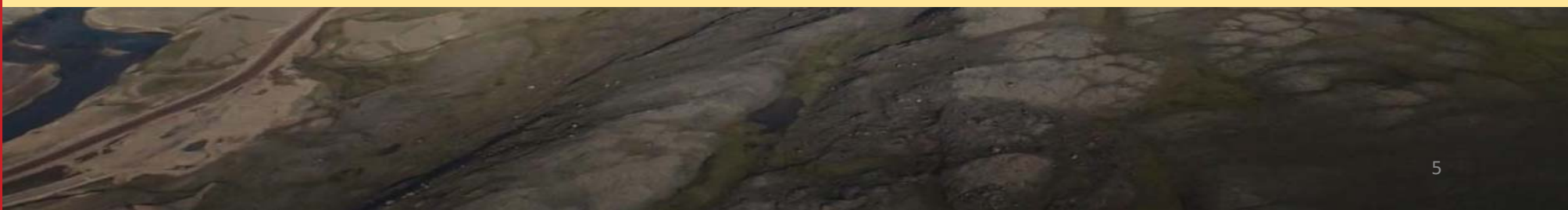
- Unit costs were developed from actual project-specific costs based on a detailed study of resources such as labour, equipment, fuel and materials required to complete a functional unit for that project component (e.g. m² for building footprint, m³ for earthworks, etc.).

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.



2017 ASR Reconciliation



2017 ASR Reconciliation

The purpose 2017 ASR Reconciliation was to identify Project components and activities that have materially changed from the previous positions presented by Baffinland in order for the 2018 ASR Estimate to accurately reflect the total 'global' closure and reclamation security estimated to be required

Activities No Longer Planned to be Conducted

- Removal of the Cross Conveyor planned for 2017 but not mobilized to Site

2017 ASR Reconciliation

Activities Planned in 2017 but have not yet occurred

- Works outlined in the 2017 Work Plan Addendum, including;
 - 3 ML fuel tank – approval granted, construction pending
 - 15 ML fuel tank – approval pending
 - 380 person camp – approval pending

2017 ASR Reconciliation

Works Conducted but Security Not Explicitly Allocated

- Sufficient security was posted in 2017 to account for these activities, details added to 2018 ASR
 - Laydown Pad Development at Milne Port and Mary River
 - IT Towers Laydowns and Communication Sheds
 - Actual Mobile Equipment (vs. forecasted)
 - Incorrect unit rates applied in Table 2-4, however correct rates applied in EBS and therefore global estimate remains accurate. Revised Table 2-4 as follows.

2017 ASR Reconciliation

Table 2-4 Mechanical and Mobile Equipment Not Previously Allocated
(Revised 15 Feb 2018)

Description	Unit Rate 2018 ASR (\$/unit)	Unit Rate Corrected (\$/unit)	Unit	Quantity	Cost 2018 ASR (\$)	Cost Corrected (\$)
Light Diesel Tanks	5,907.87	3,693.66	Ea	5	30,000	18,000
Med. Mobile Diesel Tank	16,407	10,481.05	Ea	5	82,000	52,000
Light Tank (Water)	3,335	2,148.33	Ea	1	3,000	2,000
Medium Tank (Water)	11,371	7,387.31	Ea	1	11,000	7,000
Office/Washcars	102.05	143.42	m ²	576	59,000	83,000
Heavy Mobile Equipment	5,217	2,618.87	Ea	-30	-157,000	-79,000
Medium Mobile Equipment	2,707	1,494.13	Ea	117	317,000	175,000
Light Mobile Equipment	1,587.86	941.09	Ea	34	54,000	32,000
Heavy Equipment	41,205.45	41,205.45	Ea	6	247,000	247,000
Medium Equipment	4,261.34	4,261.34	Ea	93	396,000	396,000
Light Equipment	1,980.80	1,980.80	Ea	14	28,000	28,000
TOTAL					1,071,000	961,000

2017 ASR Reconciliation: Indirect Costs

Indirect costs were calculated based on the sum total of all the 2017 Reconciled activities (2018-R in the EBS) and the 2018 Work Plan Activities (2018-C1 in the EBS), as presented in Section 3.3.2 of the Baffinland *'2018 Marginal Closure and Reclamation Financial Security Estimate'*.



2018 Work Plan

2018 Proposed Activities

- Operation of the mine, ore crushing and land transportation, stockpiling and marine shipment of ore.
- The continued development and construction of infrastructure required at Milne Port, the Mary River Mine Site and along the Tote Road for the Mary River Project.
- Operation of quarry and borrow sources, including new quarry Q5 at Milne Port
- At Milne Port, vessels carrying fuel, equipment and supplies for use at the Mine Site and Milne Port will arrive during open water (approximately between mid-July and mid-October 2017).
- Geotechnical drilling will be required to support engineering, design and construction activities of Project.
- Ongoing environmental effects studies and baseline data collection.
- Continued environmental monitoring.
- On-going exploration activities including mapping, prospecting, sampling, and geophysics.



Work Activity Categorization

- Concerns expressed by INAC and QIA regarding the uncertainty around activities that required further approvals to proceed in 2018
- Based on preliminary discussions and following guidance provided by NWB, only activities that required no further regulatory approvals would be considered under the current 2018 ASR process (NWB letter, 5 Dec. 2017)
- Baffinland issued the *2018 Work Plan (Rev. 1)* to incorporate the following classifications:
 - **Category 1 Activities:** Scope of Work items that are considered approved under the Type A Water Licence and Project Certificate
 - **Category 2 Activities:** Scope of Work items that are considered approved under the Project Certificate, but require a Type A Water Licence Modification.
 - **Category 3 Activities:** Scope of Work items for which approval has not been fully assessed, and deferred for future consideration.
- Only Category 1 Activities were included in the *2018 Marginal Closure and Reclamation Financial Security Estimate (Rev. 1)*

2018 Work Plan: Direct Costs

Direct cost allocations were applied to quantities as indicated in the 2018 Work Plan for:

- Building and foundations: Truck Shop, Explosives Garage, Offices/Washcars
 - Alignment with QIA on classification of Offices/Washcars/Changerooms as contaminated buildings. Baffinland applied a unit rate of \$143.42/m² representing a direct cost increase of \$205,000
- Mechanical and mobile Equipment: 424 total pieces (394 are 3rd Party)
- Site Works: Crusher Pad Pond Expansion, Laydowns, Quarry Q5
- Tanks: Water and diesel tanks
- Mobilization of Expansion Project Equipment and Materials (Modules):
 - Containerized equipment and break bulk for deployment following approval of the proposed expansion project. Mobilized to site in advance of expansion project construction due to limited shipping season for sealift.

2018 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

Updates Since Original Submission

Revisions were identified to be required to the 2018 ASR Estimate based on feedback received from interested parties. These include:

- Revisions to unit rates listed in Table 2-4 as detailed in this presentation
- Alignment with QIA on classification of Offices/Washcars/Changerooms as contaminated buildings. Baffinland applied a unit rate of \$143.42/m² representing a direct cost increase of \$205,000
- Discrepancy remains between Baffinland and QIA estimates on the demobilization of the Expansion Project Equipment and Materials.



Questions?

