



23 February 2018

Stephanie Autut  
Executive Director  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU X0B 1J0

**RE: 2018 Annual Security Review, QIA & Baffinland Joint Submission  
Mary River Project, Type A Water Licence (2AM-MRY1325)**

On 15 February 2018, Baffinland Iron Mines Corporation (Baffinland) participated in the 2018 Annual Security Review (2018 ASR) conference call hosted by the Nunavut Water Board (NWB). Subsequent to the 2018 ASR conference call, Baffinland and the Qikiqtani Inuit Association (QIA) entered into negotiations for the purpose of preparing a joint submission to the NWB on an agreed upon marginal increase and total security in respect of Inuit Owned Lands (IOL) held by QIA.

Baffinland and the QIA have reached an agreement for Baffinland to post a marginal increase of **\$22,067,500** to the QIA related to Baffinland's 2018 Work Plan. This agreement would result in the QIA holding total security in the amount of **\$83,709,271**, satisfying the requirements for the posting of security under the provisions of the signed Commercial Lease (Q13C301) between Baffinland and the QIA.

Adjustments to the initial estimate as prepared by Baffinland were initiated based on requests for clarification from QIA as part of the 2018 ASR process, specifically related to the reclamation demobilization cost for the Expansion Project Equipment and Materials (the Modules). Following discussion with QIA, Baffinland estimated the cost to demobilize the Modules based on costs associated with sealift. Further detail on the calculation of the module costs is provided as Attachment No. 1.

As detailed during the 2018 ASR conference call, Baffinland has additionally adjusted the unit rate applied for 'Offices/Washcars/Changerooms' to Contaminated buildings (revised unit rate of 143.42 m<sup>3</sup>). This represents an increase to the direct cost estimate of \$205,000. Based on this increase and the increase to the estimate for the Modules, the revised overall marginal increase as presented by Baffinland is \$21,773,000. However as noted above, Baffinland has reached a joint estimate submission with QIA and Baffinland recommends the NWB utilize the joint estimate in their determination.

Baffinland is thankful to all parties for feedback received during the 2018 ASR process and the NWB for hosting the 2018 ASR conference call. Baffinland is pleased to have come to a joint estimate with the QIA and look forward to the final ASR determination by the NWB anticipated no later than 9 March 2018.



Should you have any further questions or concerns in the interim, please contact the undersigned at your convenience.

Regards,

A handwritten signature in black ink, appearing to read "Chris Murray", written over a light gray rectangular background.

Christopher Murray  
Environmental & Regulatory Compliance Manager

Attachments

Attachment No 1: Estimate for Expansion Project Equipment and Materials

Cc: Stephen Williamson Bathory (QIA)  
David Hohnstein, Karén Kharatyan, Assol Kubeisinova (NWB)  
Sarah Forté (INAC)  
Todd Burlingame, Megan Lord-Hoyle (Baffinland)



**Attachment No. 1**

**Estimate for Expansion Project Equipment and Materials**



## **ESTIMATE FOR EXPANSION PROJECT EQUIPMENT AND MATERIALS**

The estimation of the demobilization costs associated with the Expansion Project Equipment and Materials (the “Modules”) was further refined by Baffinland following information requests received from the Qikiqtani Inuit Association (QIA) during the 2018 Annual Security Review (ASR) process. Specifically, a estimated unit rate was developed for the cost associated with demobilization of equipment by sealift.

The cost to Baffinland for a sealift varies from year to year, and specific contract information is commercially sensitive. It was estimated that a representative cost for sealift is approximately \$1,700,000, and that a vessel would hold approximately 25,000 m<sup>3</sup> of containerized equipment and break-bulk. Based on this, Baffinland has estimated a unit rate of \$68/m<sup>3</sup> to demobilize the Modules from Milne Port. Note that this unit rate is specific to the Modules to be mobilized in 2018 as this represents equipment and materials that will remain containerized and/or ready for demobilization as they will not have not been constructed in 2018.

The updated cost for the demobilization of the Modules is approximately \$10,995,600, as detailed in the below Table 1. These costs are applied as Indirect Costs under the ‘Mobilization and Demobilization of Equipment and Materials’ allocation, and not as Direct Costs as previously applied.

**Table 1 – Summary of Marginal Increase for Expansion Project Equipment and Materials**

<b>Description</b>	<b>Unit Rate Type</b>	<b>Unit Rate (\$/m3)</b>	<b>Quantity (m3)</b>	<b>Cost (\$)</b>
Crushing Module	m3	68	30,500	2,074,000
Screening Module	m3	68	40,500	2,754,000
Car Dumper Module	m3	68	24,100	1,638,800
BMH Conveyors	m3	68	41,500	2,822,000
Rail Construction Materials	m3	68	25,100	1,706,800
<b>TOTAL</b>			<b>160,800</b>	<b>10,995,600</b>