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May 22nd, 2018

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Serving the
communities of

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Arctic Bay

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Cape Dorset

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Pond Inlet

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Qikiqtarjuaq

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Resolute Bay

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Sanikiluaq

Mr. William Napier
Owner Representative
Baffinland Iron Mines Corporation
2275 Upper Middle Road East, Suite 300
Oakville, ON L6H 0C3

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

RE: BAFFINLAND IRON MINES CORPORATION, MARY RIVER PROJECT 2018 RECLAMATION SECURITY – MAY 2018 REVISED MARGINAL INCREASE –QIA COMMERCIAL LEASE (Q13C301) and NWB WATER LICENCE (LICENCE NO. 2AM-MRY1325),

Pursuant to Section 9 of the QIA-Baffinland Commercial Production Lease Q13C301¹ dated September 6, 2013 (the “Commercial Lease”), on April 26th, 2018 QIA issued a notice of default to Baffinland in relation to the requirement to post 2018 Mary River Mine Reclamation Security.

On May 4th, 2018 Baffinland filed a document titled 2018 Reclamation Security – May 2018 Revised Marginal Increase.² The 2018 Reclamation Security – May 2018 Revised Marginal Increase document is an amendment to the 2018 Work Plan³, and the 2018 Marginal Closure Cost Report.⁴ QIA considers the 2018 Reclamation Security – May 2018 Revised Marginal Increase to be a “Work Plan Amendment” as this document is seeking to adjust the scope and contents of the 2018 Work Plan.

Upon receipt of the 2018 Reclamation Security – May 2018 Revised Marginal Increase QIA and its contractors held discussions with Baffinland resulting in the 2018 Reclamation Security – May 2018 Revised Marginal Increase (Revision 1).⁵

QIA, as Landlord, contracted ARKTIS Solutions Inc. (ARKTIS) to evaluate changes to QIA’s security estimate for the Mary River Mine based on Baffinland’s 2018 Reclamation Security - May 2018 Revised Marginal Increase submitted by Baffinland on May 4, 2018

¹ QIA and Baffinland (2013). Commercial Lease No. Q13C301. September 6, 2013

² Baffinland (2018). 2018 Reclamation Security – May 2018 Revised Marginal Increase. May 4, 2018

³ Baffinland (2017). 2018 Work Plan. November 6, 2017.

⁴ Baffinland (2017). 2018 Marginal Closure Cost Report. November 22, 2017

⁵ Baffinland (2018). 2018 Reclamation Security – May 2018 Revised Marginal Increase. Revision 1. May 8, 2018

