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May 22nd, 2018

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トーP ユ d® Sanikiluag 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 Q13C3011¹ 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. 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. 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

³Baffinland (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



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۲۰۹۵ کد Sanikiluaq and May 8, 2018. Following the ARKTIS evaluation, QIA reviewed their results and determined that \$71,969,771 is the aggregate amount of adjusted Reclamation Security to be posted by Baffinland, as Tenant, for 2018 pursuant to the Commercial Lease. This amount represents an increase of \$10,328,000 from the current security of \$61,641,771 (as conditionally agreed upon during the 2017 ASR and 2017 ASR Addendum) posted pursuant to the Commercial Lease in respect of Inuit Owned Lands (IOL) held by the QIA.

The QIA's security estimate does not address items under the Type 'B' Exploration Licence No.: 2BE-MRY1421, nor does it address items located on Crown Land (e.g., Shiploader, KM 61 Mobile Maintenance Depot).

Having received the amount of financial security for the 2018 Work Plan Amendment, QIA can confirm Baffinland has remedied its default under the Commercial Lease. QIA hereby confirms the notice of default issued on April 26th, 2018 has been revoked. QIA will hold all funds posted by Baffinland for the 2018 Work Plan in trust consistent with the terms of Commercial Lease.

Please do not hesitate to contact the undersigned should you require any further information.

Sincerely,

SWB

Stephen Williamson Bathory Director, Major Projects

Attachments: May 2018 Revised Marginal Increase. Arktis Solutions. May 9, 2018.