



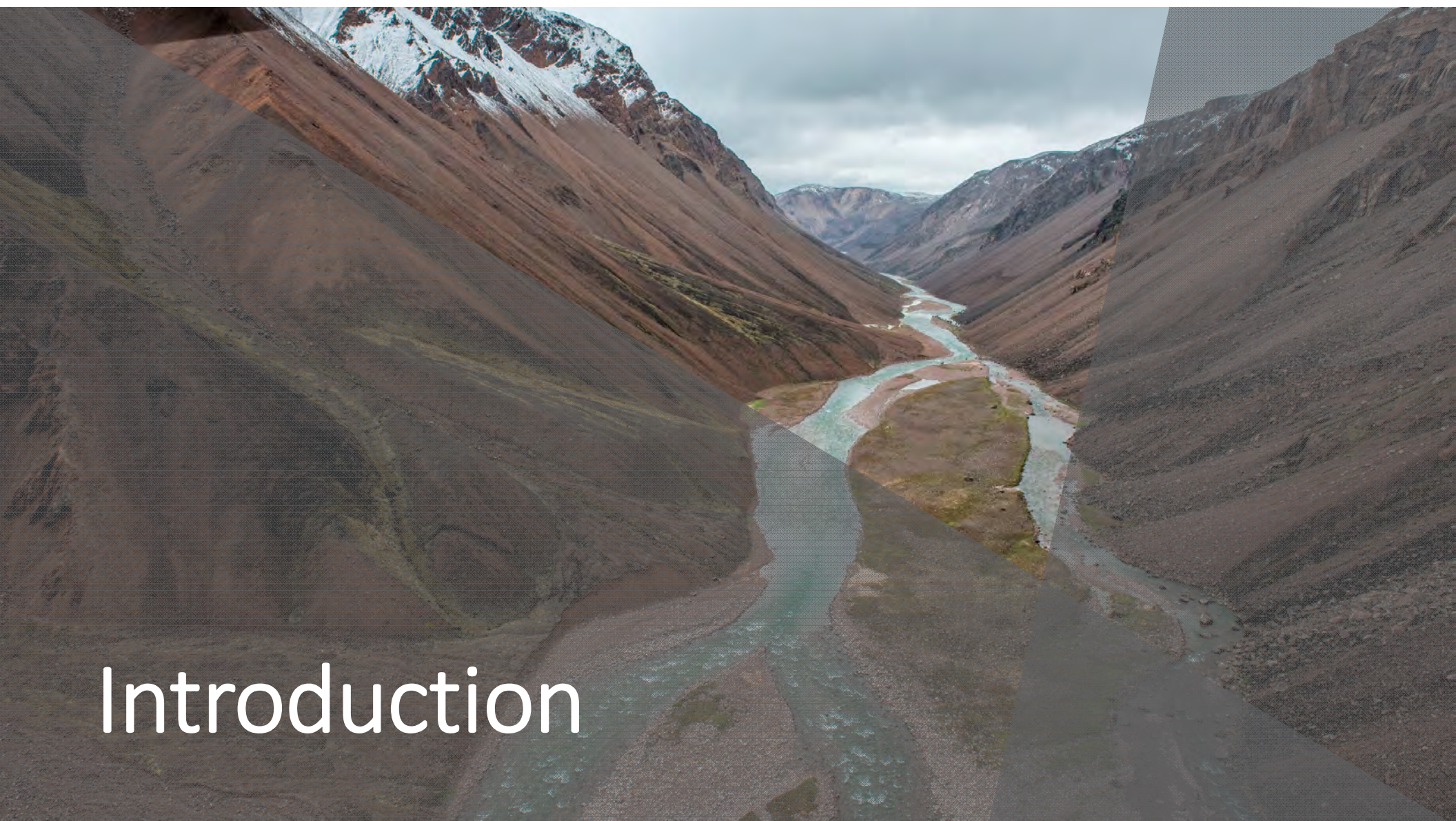
2019 Annual Security Review

Summary Presentation

13 December 2018

Agenda

- Introduction
- Unit Rate Update
- 2019 Work Plan
- 2019 Security Review
- Questions



Introduction

Introduction

- Annual update to the reclamation security required under the Type 'A' Water Licence 2AM-MRY1325, and Commercial Lease Q13C301
- Reclamation security intended to be inclusive of all closure and reclamation costs estimated for a 3rd Party Contractor to complete the work
- Estimate built up from direct cost unit rates, and indirect costs required to support reclamation work to ensure objectives are met
- Baffinland utilizes the Estimate Breakdown Structure (EBS) developed by Hatch in 2014.



Unit Rate Update

Applied Unit Rates

- Unit rates developed by Hatch in the 2014 *Complete Project Financial Security Assessment*
- 2014 Unit Rates used built up using blended rates for labour (\$100/hr) and equipment (\$150/hr)
- Blended rate used as it was deemed to be a conservative representation of equipment and labour costs, and facilitated greater application of unit rates for various activities

Updated Unit Rates

- Based on discussions with QIA regarding the High Uncertainty Items and the application of inflation to unit rates, Baffinland and QIA completed a review of current unit rates
 - Answer the question; are current unit rates still representative?
- Baffinland's review analyzed 3rd Party Contractor rates for labour and equipment, to update the blended rates used for labour and equipment in building the Unit Rates.
- Review identified unit rates from 2014 no longer representative

Updated Unit Rates

- Updated blended labour rate - \$75
 - Conservative assumption (Avg. \$68, Median \$71)
- Updated blended equipment rate - \$125
 - Conservative assumption based on weighted average, assumes 50% of all work completed by heavy equipment (W.Avg. \$124, Avg. \$97, Median \$75)
 - Some contractor rates provided as monthly rental
 - Hourly rate derived based on assumption of 8 hour day, 20 days per month.

Updated Unit Rates

- Updated labour and equipment rates result in average decrease of 23% in unit rate when applied in EBS.
- To reconcile this difference, Baffinland applied the updated unit rates to the total global estimate from 2014 through to the 2018 Addendum
- Resulted in global reduction of \$7,901,310



2019 Work Plan

2019 Work Plan Overview

- 2019 Work Plan scope focuses on improvements, infrastructure and equipment required to execute the currently approved phase of the Mary River Project
- No works related to Phase 2 construction have been included
- A 2019 Work Plan Addendum is anticipated for spring 2019, and will include additional operational items and preliminary construction activities for Phase 2

Carry Over from Prior Years

- A number of activities proposed in 2018 and prior, but not yet executed are included in the 2019 Work Plan. This list includes, but is not limited to;
 - 800 Person and 380 Person Camps
 - Laydowns and access roads at Milne Port
 - Inspection and repair of the Waste Rock Facility pond
 - Expansion of the landfill
 - Widening the Mine Haul Road

2018 Items with No Security Allocation

- Mine Site bulk fuel storage, 15 ML tank
- Mine Site Run of Mine Stockpile at KM107
- East Sedimentation pond expansion (2a) [west allocated]
- Culverts for the effluent discharge line

2019 Work Plan

- Tote Road
 - Development of five quarry locations, associated access roads, and laydowns
 - Quarry Q5 allocated in 2018, but expanded
 - Maintenance of the Tote Road bridges (re-decking), adjustment of bridge abutments
 - Construction of ice road bridges
 - Grade adjustments at KM8 and KM97

2019 Work Plan

- Milne Port
 - Further expansion of the ore stockpile, new water management structures
 - Storage structure for stacker/reclaimer equipment
 - Expansion of the LP2 laydown
 - Desalination plant

2019 Work Plan

- Mine Site
 - Expansion of KM110 laydown and installation of heated workshop
 - Laydown area for parking at KM106
 - Decommissioning and re-purposing of weatherhaven buildings
 - Expansion of 800 person camp laydown, new offices/trailers
 - Construction of new Hazardous Waste Berm (HWB), decommission select HWBs to consolidate storage
 - Development of a landfarm
 - Installation of a second 15ML tank



2019 Security Review

Updates to the Estimate

- Based on the estimates provided by CIRNAC and QIA, the following revisions were made to the estimate
 - Addition of the building that contains the concrete batch plant (Fold Away Building – Contaminated)
 - Updates to 3rd Party Equipment, 'Scott Woods' equipment demobilized in 2018

Security Estimate

- Direct Cost - \$6,859,000
- Indirect Cost - \$28,415,000
- Unit Rate Adjustment - \$7,901,000
- Total Marginal Estimate - \$35,274,000
- Total Global Estimate - \$97,404,000



Questions