



20 December 2018

Assol Kubeisinova
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0

**Re: 2019 Marginal Closure and Reclamation Financial Security Estimate, Revision 1
Mary River Project, Type A Water Licence No. 2AM-MRY1325**

Baffinland Iron Mines Corporation (Baffinland) provides the following letter to the Nunavut Water Board (NWB) in regards to the 2019 Annual Security Review (ASR) for the Mary River Project (the Project) Type "A" Water Licence No. 2AM-MRY1325 (as amended). Baffinland has provided Revision 1 of the 2019 Marginal Closure and Reclamation Financial Security Estimate for consideration by the NWB, based on comments received from intervenors submissions and discussions during the ASR teleconference on 13 December 2018.

It is recognized that there remains a difference in the marginal increase to security between the estimate prepared by Baffinland and the estimates prepared by the Qikiqtani Inuit Association (QIA) and Crown Indigenous Relations and Northern Affairs Canada (CIRNAC), and that the disparity is greatest with the QIA estimate. This difference in estimate is largely due to the indirect cost calculations, which have historically been a source of discrepancy due to differing methodologies and assumptions. As noted by QIA in their 20 December 2018 submission, Baffinland has engaged in discussions regarding a joint submission with QIA. As discussions are ongoing, this submission will occur following the holiday season, in the new year.

Should there be any outstanding information required for the NWB to make their decision on 18 January 2018, Baffinland will provide any additional clarification or respond to information requests.

Regards,

A handwritten signature in black ink, appearing to read "Chris Murray", written over a horizontal line.

Christopher Murray
Environmental & Regulatory Compliance Manager

cc. Grant Goddard, Megan Lord-Hoyle (Baffinland)
Richard Dwyer, Karén Kharatyan, Stephanie Autut (NWB)
Fai Ndofo, Sean Joseph (QIA)
Wajid Daouda, Bridget Campbell, Sarah Forté, Ian Parsons (CIRNAC)