



JOINT SUBMISSION TO THE NUNAVUT WATER BOARD

15 March 2019

Subsequent to the 13 December 2018 conference call hosted by the Nunavut Water Board (NWB) regarding the 2019 Annual Security Review (ASR), Baffinland Iron Mines Corporation (Baffinland) and the Qikiqtani Inuit Association (QIA) have had further discussions respecting estimates, including the proposed 2019 Work Plan.

The current security value (as agreed upon during the 2018 ASR and 2018 ASR Addendum) posted pursuant to the Commercial Lease is \$73,829,271 in respect of Inuit Owned Lands (IOL) held by the QIA.

Baffinland and the QIA have identified a way forward, subject to the process to resolve outstanding differences referred to below, for Baffinland to post an additional \$30,857,887 to the QIA related to Baffinland's 2019 Work Plan. This interim measure will result in the QIA holding total security in the amount of \$104,687,658. This additional amount will be posted as a credit towards the security requirements under the provisions of the signed Commercial Lease (Q13C301) between Baffinland and the QIA. These additional monies will be posted in a form consistent with the requirements of the Commercial Lease. Once submitted to the QIA a copy of the security amendment will be provided to the NWB for their own records upon receipt by the QIA.

Furthermore, Baffinland has requested, and QIA has consented, that the posting of these monies be divided into two (2) tranches; the first will be posted no later than 25 March 2019 with a total value of \$12,857,887, the second will be posted no later than 20 July 2019, in advance of the 2019 sealift, with a total value of \$18,000,000. The second installment is to account for the expansion project materials to arrive on the 2019 sealift. Both parties agree that QIA's consent of these amounts is without prejudice and will in no way restrict the rights of QIA to propose differing values for the work described in the 2019 Work Plan as part of the arbitration process referred to below.

Baffinland and QIA agree that the joint submission value of \$30,857,887 is considered a placeholder value without prejudice to either parties' rights under the Commercial Lease. These payments will be credited by QIA against the final amount required under the Commercial Lease determined by the process referred to below.

Baffinland posting \$12,857,887 in the first tranche for additional security will allow the 2019 Work Plan to commence, and the posting of \$18,000,000 in the second tranche for the materials to arrive on the 2019 sealift, while Baffinland and QIA have agreed, without prejudice and without malice, to enter into arbitration under the Commercial Lease. The arbitration will seek to resolve the 2019 amount of annual adjustment of reclamation security for the Mary River Project, which may affect the overall aggregate and cumulative amount of security for the Mary River Project. With the \$30,857,887 additional security posted, the parties remain \$19,925,042 apart in their respective security estimates for the 2019 adjustment, and there are several key issues related to security that have yet to be resolved. The final value of reclamation security required for 2019 is subject to adjustment based on the final determination of the arbitration process. The NWB will be advised of the outcome of the arbitration.

Baffinland and QIA look forward to working with NWB when parties embark on future ASR processes.