
ASR Teleconference - Engineering Fees Follow Up

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Fri, Jan 10, 2020 at 4:39 PM

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Hello Bridget,

Baffinland Iron Mines Corporation (Baffinland) provides the following response to the inquiry regarding the application of engineering fees of 3.9% as an indirect cost in the reclamation security estimate presented by Baffinland, discussed during the ASR teleconference today. Baffinland has utilized an engineering fee percentage of 3.9% since the *2014 Complete Project Financial Security Estimate* prepared by Hatch and associated development of the Estimate Breakdown Structure (EBS) model. This percentage was based on the Consulting Engineers of British Columbia (2009) Budget Guidelines for Consulting Engineering Services, for transportation/infrastructure projects with average complexity. It is noted that this is consistent with the engineering fee percentage utilized by QIA in their assessment completed in 2014.

The use of the selected 3.9% engineering fee is attributed to the relatively straightforward nature of the reclamation activities required and the level of information already available. Mainly, the reclamation program will be predominantly an earthworks exercise with a simple demolition contract and therefore a relatively simple engineering scope. This would indicate high allowances for additional engineering and redesign costs are not required. The position from 2014 has not changed as the complexity of the project has not materially increased, and the overarching closure strategies for the site remain unchanged from those considered in 2014.

Please let me know if I can provide further clarification.

Thank you,

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