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Qikiqtani Inuit Association

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Serving the communities of

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December 16, 2025

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RE: QIA 2026 Annual Security Determination for Baffinland's Mary River Project

The Qikiqtani Inuit Association ('QIA') received Baffinland Iron Mines Inc. ('Baffinland') 2026 Work Plan and 2026 Marginal Closure and Reclamation Financial Security Estimate on October 31, 2025[1]. Following the review of this information, QIA has determined that the appropriate security for Inuit Owned Land is **$138,229,000** for 2026. The full details of this determination are presented in the appended Mary River Project 2026 Security Estimate[2] by M.A. O'Kane Consultants Inc.

Annual Adjustments to Reclamation Security process as required by Section 9 of the QIA-BIMC Commercial Lease Q13C301[3], obligate Baffinland to post security by January 31, 2026.

QIA looks forward to discussing this determination with Baffinland, the NWB and Crown-Indigenous Relations and Northern Affairs Canada in the coming weeks.

[1] Baffinland (2025). 2026 Work Plan. October 31, 2025.
[2] MA. O'Kane Consultants Inc. (2025) Mary River Project 2026 Security Estimate. December 2025
[3] QIA and Baffinland (2013). Commercial Lease No. Q13C301. September 6, 2013.

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Mary River Project
2026 Security Estimate

December 12, 2025

okane

Integrated Mine Closure and Relinquishment Solutions

Mary River Project 2026 Security Estimate

955-221-R-005

December 2025

Prepared for:

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Rev. #	Status	Rev. Date	Author	Reviewer Sign-off	Major Changes
0	Draft	December 12, 2025	TP/KL	DC	
1	FINAL	December 16, 2025	TP/KL	DC	NA

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EXECUTIVE SUMMARY

Okane Consultants (Okane) was retained by the Qikiqtani Inuit Association (QIA) to perform a detailed security estimate review for the Mary River Project, a high-grade iron ore mine located north of the Arctic Circle in the Qikiqtani region of North Baffin Island, Nunavut, Canada. The mine, operated by Baffinland Iron Mines Corporation (Baffinland), began operation in 2015 and is required to post financial security to complete closure activities for the current site disturbance. Annual security estimates are completed by Baffinland and QIA and compared to ascertain security accuracy.

The site consists of four main areas: Milne Port, Tote Road, Steensby Port, and the Mine Site. To date, major infrastructure has been developed at the Milne Port, Tote Road and the Mine site including an open pit, waste rock and overburden piles, quarries and ore/aggregate stockpiles, buildings and equipment, mining infrastructure, disposal areas and water management systems, all which must be removed or reclaimed upon closure of the Mary River Project.

Okane utilized the RECLAIM 7.0 Model (Brodie Consulting Ltd., 2017) to benchmark unit rates and first principles, the BC Blue Book: Equipment Rental Rate Guide 2025–2026 (B.C. Road Builders & Heavy Construction Association, 2025) to validate equipment pricing and inflation adjustments, Yukon Bureau of Statistics (2025) for labour rate benchmarking, and Statistics Canada (2025) for productivity comparisons. These resources, along with ISO guidance for Class 4 cost estimates (ISO, 2021), provided a robust framework for evaluating the 2026 Security Estimate outlined in the 2026 Baffinland Work Plan (Baffinland Iron Mines Corporation, 2025) and identifying areas for improvement.

Okane completed a detailed review of Baffinland's 2026 security estimate and confirmed that overall, the estimate is reasonable and consistent with industry standards for northern mine sites. Okane's 2026 security estimate for the Mary River Project totals **$138,229,000** (Appendix A), $4,450,000 (3.3%) greater than BIM's 2026 estimate. Main discrepancies identified include:

- Contractor equipment rates, which were based on lasting agreements between BIM and onsite contractors developed during or before 2024 and are unlikely to stay consistent in the event QIA enters in new agreements due to unplanned closure. These equipment rates were updated based on industry standards in Okane's estimate.

- Water treatment costs, which were reduced by approximately $600,000 compared to previous year's estimates by BIM. While WRF seepage/runoff water quality has improved in recent years, it has been identified as a key risk to QIA (Okane, 2025). A reduction in estimated water treatment costs based on one year of reduced water treatment at the Mary River Project is not sufficient to highlight a trend, thus previous year's estimate totals were applied to Okane's 2026 estimate.

- Regrade and recontour area adjacent to the airstrip, which requires reclamation but was not included in BIM's security estimate calculations.

- Landfill cover system thickness, costs for which were estimated based on a 3.0 m cover system. Thermal monitoring data currently installed in the same material planned for the landfill cover system (NAG waste rock) suggest that a 4.0 m cover system will be required, and thus the added volume was included in Okane's 2026 estimate.

- Demolition crew buildup: The build out of labour crews in BIM's current estimate appears to omit a Foreman from the building and bridge demolition crew in the hourly rate calculation. Okane included the full crew costs outlined by BIM to account for the omission.

- Flights, Camp and Catering for Interim Care and Maintenance: BIM's 2026 estimate does not include provision for flights, camp or catering during the interim care and maintenance stage. Applying BIM's assumptions to the approximately 70,000 labour hours assumed during this stage results in a substantial increase in overall security.

Uncertainties also exist regarding climate change scenario effects on thermal cover system configuration, future geotechnical stability of the WRF, demolition volume methodology and costs associated with bridge removal of the site. Further study/transparency around these items is recommended to improve alignment in future estimates.

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1 INTRODUCTION

The Mary River Project (MRP) is a high-grade iron ore mine owned and operated by Baffinland Iron Mines Corporation (Baffinland) located north of the Arctic Circle in the Qikiqtani region of North Baffin Island, Nunavut, Canada. The majority of MRP is located on Inuit-Owned Land (IOL) administered by the Qikiqtani Inuit Associated (QIA). Under Section 6.1 of Commercial Lease No. Q13C301, Baffinland is required to provide annual assessments of reclamation security incorporating existing and planned future disturbances for the site. The reclamation security ensures funds are available to execute closure work and reclaim disturbed areas in the event of unplanned closure. To ensure accuracy within annual reclamation securities, QIA has retained Okane Consultants (Okane) to complete an annual environmental audit and financial security review for MRP.

1.1 Project Objectives and Scope

The overarching objective of the annual environmental audits and security estimate reviews is to provide QIA with a transparent, detailed understanding of closure obligations and liabilities associated with Mary River Project.

In October 2025, Baffinland submitted its 2026 work plan and security estimate (Baffinland, 2025) for review. Okane conducted a comprehensive assessment of the provided estimate, evaluating labour and equipment rates, reclamation quantities (e.g., areas and volumes), equipment fleet and labour productivities, and underlying assumptions. These values were benchmarked against standardized rates and practices typical of work performed in remote northern Canadian environments. Any discrepancies or values deemed unreasonable during this review are documented and discussed in subsequent sections of this report. In completing the above, Okane hopes to enhance QIA's understanding of associated closure costs and inform on the current and possible future misalignments in security costs between Baffinland and QIA.

Closure configurations for each site component have been outlined in the interim closure and reclamation plan (Baffinland, 2018) and is the basis of estimated reclamation activities. The main reclamation activities for final mine closure and reclamation include (Baffinland 2018):

- Filling the open pit with water to stabilize the pit walls and mitigate falling hazards;
- Installation of boulder fence and signage around the open pit to prevent inadvertent access;
- Removal of all mining and transportation infrastructure other than the Open Pit, Waste Rock Stockpile, Tote Road, and Milne Port Ore Dock. The Tote Road and Milne Port Ore Dock will be left in place after the project life, but not maintained;
- Demolition and removal of all buildings and foundations;

- All mining materials and equipment will either be removed from site or disposed of in on-site landfills/approved waste disposal areas;
- Removal of all hazardous materials and wastes to licensed disposal facilities;
- Storage of non-hazardous waste on site;
- Placement of a NAG cover system on the WRF;
- Removal of water management systems and infilling of mine water ponds;
- Re-contouring of roads, airstrips, and development areas as required;
- Removal of water crossings to restore natural drainage patterns;
- Scarification of disturbed areas of former mine infrastructure to encourage natural vegetation; and
- Monitoring during closure and post closure periods.

2 BACKGROUND

2.1 Property Description and Location

The Mary River Project is a high-grade iron ore mine located north of the Arctic Circle in the Qikiqtani region of North Baffin Island, Nunavut, Canada (Figure 2.1). The Project is wholly owned by Canadian miner Baffinland Iron Mines Corporation (Baffinland). The site consists of four main areas: Milne Port, Tote Road, Steensby Port, and Mine Site. To date, major infrastructure has been developed at the Milne Port, Tote Road and Mine site. Major infrastructure will remain in place throughout operations and intended to have similar lifespan as the Project. The Steensby Port will be connected to the Mine Site via a 149 km railway. It is expected that the Steensby Port facilities and railway will take four years to construct. To date, no development of the Steensby Port or railway has been completed.

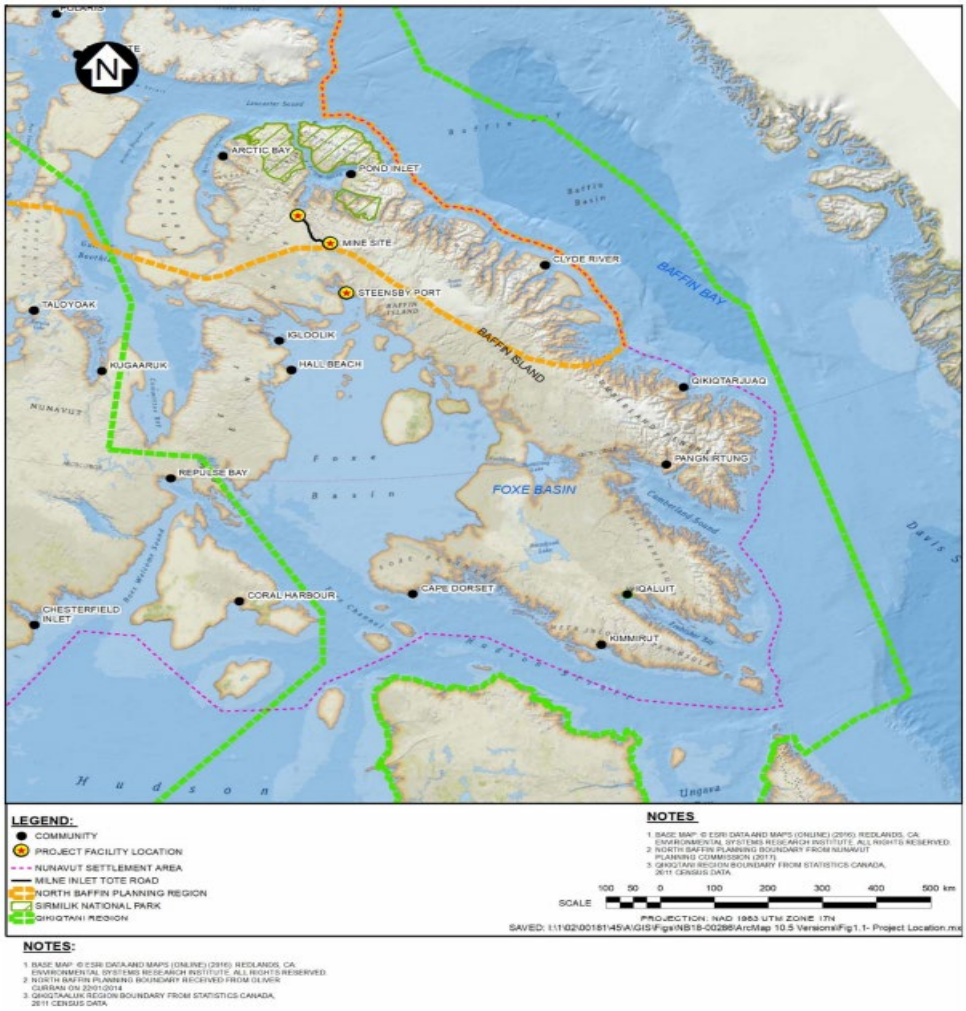

Figure 2.1: Mary River Project Site Location.

(Baffinland, 2018)

2.2 Summary of Disturbance Areas and Associated Reclamation Activities

The following sections provide a brief description of the various mine facilities, and the current plan for closure and reclamation.

2.2.1 Open Pit

Mining commenced on a hill crest outcrop and will progress until Year 10 to 12 of operation at full production volume (based on a nominal 21.5 Mtpa) before an open pit is formed. The mine plans call for conventional open pit mining methods utilizing 7.5 m benches. Ore is delivered to the primary crusher located south of the deposit via the east main haul road. The general configuration of the mine pit, haul road and waste rock dump is presented in Figure 2.2.

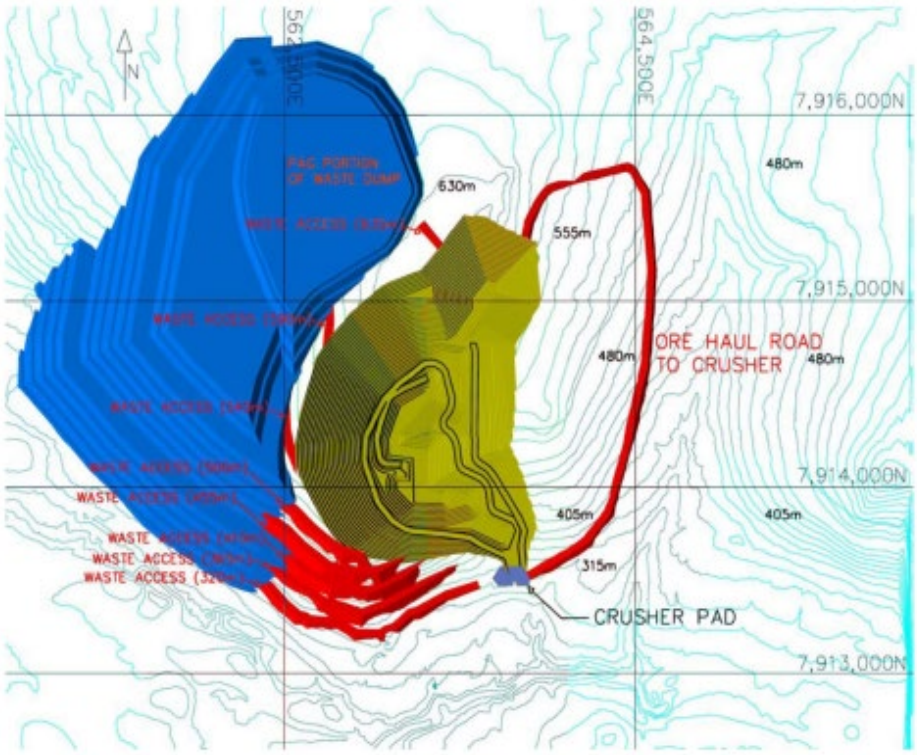

Figure 2.2: General Layout and Development of Deposit 1 Pit.

(Baffinland, 2018)

The current mine workings are free draining and there is no open pit. The final site condition of the open pit will be a pit lake that drains to the natural environment. It is currently anticipated that discharge from the open pit will not require treatment, however long-term water quality modelling predictions have not been updated since the submittal of the original 2013 Environmental Impact Study (BIM 2013). The main work items for closing the final open pit disturbance area are:

- Conducting an engineering stability analysis to confirm long-term stability.

- Barricading ramps, constructing perimeter boulder fence, and installation of hazard signage.
- Removal of dewatering infrastructure.
- Cleanup of contaminated soils.
- Flooding the open pit (either naturally or enhanced filling); and
- Spillway construction.

The pit lake will be filled either by natural flooding or enhanced pit filling (which uses pumps from nearby lake). The proposed closure scenario suggests the open pit to be naturally flooded and will take an estimated 85 to 150 years. However, if enhanced pit filling is selected, it is anticipated that pumping will occur from Mary River during the summer months (four months per year). The pumping system would operate 24 hours a day and could deliver 8,700 m^3/hour, over approximately a 1 km distance and an approximate elevation head of 200 m (Baffinland 2018).

2.2.2 Waste Rock Facility and Overburden Piles

The waste rock disposal area is located north of the open pit. The Waste Rock Facility (WRF) has sufficient capacity to stockpile the entire volume of waste produced by the mine. At closure, the WRF will contain approximately 630 Mt of waste rock and overburden, with average side slopes of 2H: 1V. Waste within the WRF is characterized as potentially acid generating (PAG), non-potentially acid generating (NAG) and overburden. Potentially acid generating waste will be encapsulated within a minimum 4 m of NAG material to reduce environmental risks (WSP 2023). Based on current modelling and monitoring, 4 m is a sufficiently thick layer for underlying PAG material to remain frozen permanently; however, climate change effects have yet to be sufficiently accounted for in thermal modelling.

The main work items for closing the Waste Rock and Overburden Stockpiles are (Baffinland 2018):

- Clean up of any contaminated soils.
- Monitoring and confirming the freezing of the pile.
- Monitoring seepage water quality.
- Conducting an engineering stability analysis to confirm long-term stability; and
- Grading at associated water management structures to establish final drainage pathways.
- Placement of at least a 4 m layer of NAG material on the outer shell of the Waste Rock Facility

Based on the current state of the Mine Site prior to mining activities, the site is characterized by rugged rocky terrain with minimal vegetation. Therefore, a NAG rock cover system on the WRF is considered an appropriate closure configuration (Baffinland 2018). Runoff from the WRF will be monitored until runoff meets water quality objectives for closure. Once met, WRF ponds will be decommissioned, and runoff allowed to discharge directly to the environment.

2.2.3 *Quarries and Ore/Aggregate Stockpiles*

The quarries and borrow sources at the Mine Site and Milne Port that were developed to construct the site (Table 2.1) will be progressively reclaimed. At closure, re-contouring and filling with overburden may be required to ensure slope stability and restore natural drainage pathways. Ore/Aggregate stockpiles will be depleted upon closure. Contaminated soils below stockpiles will be treated if required. The ore/aggregate stockpile bases will be re-contoured and scarified to allow for natural re-vegetation. There are no plans to place cover material at closure. Construction of a fill cover, and/or placement of residual ore as backfill will be assessed if water quality concerns are present (Baffinland 2018).

Table 2.1: Project Component Description

Main Area	Project Component	
Mine Site	Quarry D1Q1	Ore Stockpile
	Quarry D1Q2	ROM Stockpile
	Quarry QMR2	KM 97 Borrow Locations
Milne Port	MP-Q1-01	Quarry No. 1
	MP-Q1-02	Ore Stockpiles
	Borrow Source No. 1	
Tote Road	Extended cuts in bedrock along road corridor	

Closure of active quarry faces will involve removing all materials, equipment and infrastructure. Active quarry walls will be terraced during operation to closely manage issues related to drainage and will not be altered for closure. The quarry development will reduce the creation of pits and depressions to the degree practicable to reduce the potential for standing water. The quarry pit floor will be left as free draining. Quarry access roads will be removed to re-establish desired drainage. Reclamation of uncovered permafrost and ground/ice will involve removing any ponding water and backfilling the impacted permafrost and/or ground ice with available material.

2.2.4 *Buildings and Equipment*

At closure, buildings and infrastructure will be decommissioned and transported to the site landfill. Associated laydown areas will be re-graded to restore natural drainage patterns and scarified to allow for natural re-vegetation at closure.

The main work items for decommissioning building and equipment are (Baffinland 2018):

- Demolish buildings and haul refuse either to the mainland, onsite landfill or open pit.
- Demolish building foundations and concrete slabs.
- Relocate equipment to mainland for resale, dispose of on-site as refuse, or donated to local communities.
- Clean up of contaminated soil; and
- Re-grade and scarify footprints.

2.2.5 Mining Infrastructure

Mining infrastructure on site includes camp pads, laydown yards, airstrip, roads, water crossings, crushing and screening assemblies, etc. Remnants of mining infrastructure including buildings, culverts, and equipment will be removed and laydown areas re-graded to restore natural drainage patterns. Milne Port ore docks will remain in place at closure (Baffinland 2018).

2.2.6 Waste, Landfills, and other Disposal Areas

At closure the onsite landfill located at the Mine Site will be reclaimed by covering the landfill with 3.0 m of NAG rock to freeze the core of the landfill. The landfill site will be scarified to encourage natural re-vegetation. The explosives facility, incinerators, waste management buildings, fuels and tank farms will be decommissioned and removed from the site. The affected footprint will be re-graded and scarified to allow for natural re-vegetation. The hazardous waste containment areas will be evaluated for any remaining hazardous material/soils and addressed as per the Hazardous Materials and Hazardous Waste Management Plan. The area will be re-graded and scarified. Liners will be removed from polishing ponds and Polishing Waste Stabilization Ponds (PWSPs), and berms will be re-graded and levelled.

2.2.7 Water Management Systems

Sewage and water treatment plants will be decommissioned and either transported offsite or disposed of in the onsite landfill. Site water management ponds will be decommissioned as follows (Baffinland 2018):

- Impacted soils and sediment will be cleaned as necessary.
- Liners, where present, will be removed; and

- Ponds will be filled with clean material, re-graded and scarified to restore natural drainage patterns and re-vegetation.

3 SECURITY ESTIMATE REVIEW

Baffinland submitted its 2026 security cost estimate (Baffinland, 2025) for review, and Okane conducted a comprehensive assessment of the provided spreadsheet, evaluating labour and equipment rates, reclamation quantities (e.g., areas and volumes), equipment fleet and labour productivities, and underlying assumptions. These values were benchmarked against standardized rates (Table 3.1) and practices typical of work performed in remote northern Canadian environments. Any discrepancies or values deemed unreasonable during this review are outlined in the following sections.

Table 3.1: Supporting Resources for Cost Estimate Evaluation

Source	Reference	Purpose/Use
RECLAIM 7.0 Model	Brodie Consulting Ltd. (2017). *RECLAIM 7.0 Model*.	Benchmark unit rates and first principles
BC Blue Book	B.C. Road Builders & Heavy Construction Association. (2025). *BC Blue Book: Equipment Rental Rate Guide 2025–2026*.	Validate equipment pricing and inflation adjustments
Yukon Bureau of Statistics	Yukon Bureau of Statistics. (2025).	Labour rate benchmarking
Statistics Canada	Statistics Canada. (2025).	Productivity comparisons
ISO Guidance	ISO. (2021). *Cost estimate classification system – Class 4*.	Guidance for Class 4 cost estimates

3.1 Equipment Rates

To assess the appropriateness of the equipment rates, the BC Blue Book less operator rates and the RECLAIM model unit cost table and first principles were reviewed and compared against each corresponding piece of equipment used in the security estimate. A percent difference analysis was completed to confirm alignment with industry benchmarks. No inconsistencies were observed, and all equipment rates incorporated in the 2026 security estimate were determined to fall within a reasonable range when compared to the BC Blue Book and RECLAIM values.

In addition, the 2024 Baffinland security estimate was reviewed to assess rate consistency across years. It was identified that the 2026 estimate did not include an inflationary adjustment from the prior years. To address this, an escalation of 1.5% was applied based on industry standard increases for 2025. Applying this adjustment resulted in an overall discrepancy of approximately $615,000 between the BIM 2026 estimate and the inflation-adjusted value.

3.2 Equipment Fleet Productivity

To assess the accuracy of the equipment productivities used in the 2026 security estimate, all five primary activities were reviewed:

- Load, haul, and dump demolished materials at the Mine Site Landfill
- Haul, dump, place, and compact backfill local common fill material
- Grade and recontour
- Clean and remove liner
- Culvert removal

The percent difference between the RECLAIM model productivities and the reported productivity in $/m² was evaluated for grading/recontouring, liner removal, and culvert removal and found to be within an acceptable range. For the hauling activities, haul distances provided in the estimate were verified across a range of optimized fleet sizes and corresponding productivities. The productivities used in the 2026 security estimate were determined to be justifiable and consistent with industry norms. Overall, this review confirmed that the equipment productivities applied in the estimate are reasonable and appropriately reflect operational conditions for the MRP.

3.3 Labour rates and Crew Build-ups

To evaluate the appropriateness of labour rates within the 2026 security estimate, a detailed review was conducted using Yukon labour rates published by the Yukon Bureau of Statistics (2025). These rates were selected as a benchmark because they reflect compensation levels typical of northern environments, which are comparable to the conditions of the MRP. The review focused on individual job classifications included in the 2026 security estimate, covering a wide range of positions such as Civil Foreman, Heavy Equipment Operator, Truck Drivers, Civil Labourer, Drill Rig Operator, Blaster, Concrete Foreman, Iron Worker Foreman, Mechanical Welder (Journeyperson), Iron Worker (Journeyperson), Building Service Plumber, Electrical Journeyperson, Mechanical Foreman, Mechanical Leadhand, Mechanical Millwright, Mechanical Labourer, and Mechanical Pipefitter. It is important to note that no labour rate was provided for the Iron Worker Foreman position in the original estimate, which raised concerns about the completeness of the costing.

Once individual labour rates were confirmed, the analysis extended to crew build-ups for key activities associated with the security estimate. These activities included excavation, hauling, and backfill; grading and recontouring; drill and blast; crushing and screening; loading, hauling, and placing cover; handling and spreading demolished materials; culvert removal; hazardous materials removal; rail line demolition; bridge removal; concrete demolition; building demolition; mechanical equipment

demolition; tank and vessel removal; sea can removal; mobile equipment removal; pipeline demolition; and electrical equipment and power distribution demolition. Each crew composition was assessed to ensure that the labour mix and associated costs accurately reflected the scope and complexity of the work.

The review identified discrepancies in the estimated costs for bridge removal and building demolition activities. Specifically, while the quantity for an Iron Worker Foreman was included in the crew build-up, no corresponding labour rate was applied. This omission resulted in an understated combined labour cost for these crews. To correct this issue, it is recommended that the missing Iron Worker Foreman rate be incorporated into the estimate and that all crew pricing be adjusted to accurately reflect the required labour resources for each task. These corrective actions will help ensure that the overall cost estimate is both accurate and aligned with industry benchmarks for northern projects.

3.4 Labour Productivity

Labour productivity assumptions applied across the Milne Port, Mine Site, and Tote Road ranged from 73% to 81%. When compared to Statistics Canada's benchmark of 83% (Statistics Canada, 2025), the productivity levels at the Milne Port and Mine Site fall within an acceptable range, indicating that the estimates for these areas are generally aligned with industry standards. However, productivity on the Tote Road was approximately 10% lower than the benchmark, which initially appears significant.

Upon closer review, this reduction was deemed reasonable due to the inclusion of mobilization and demobilization activities in the productivity calculation for the Tote Road. These activities inherently reduce the effective working hours available for production tasks, as crews spend additional time relocating equipment and personnel rather than performing direct work. This logistical complexity is unique to the Tote Road and reflects the operational realities of maintaining and accessing remote mining locations. Consequently, while the productivity variance for the Tote Road is notable, it is considered justifiable given the scope of work and associated constraints. Recognizing these factors ensures that the estimate accurately represents the challenges of working in remote northern environments, where travel and setup times can significantly impact overall efficiency.

4 SECURITY ESTIMATE

Okane's 2026 security estimate for the Mary River Project totals **$138,229,000** (Appendix A), $4,450,000 (3.3%) greater than BIM's 2026 estimate. The difference is entirely due to discrepancies including water treatment costs, recency of contractor equipment costs, demolition crew buildups, landfill cover system thickness, one area omitted from the disturbed area analysis, and provision for flights, catering and camp during the interim care and maintenance phase. These items are detailed in the coming sections.

4.1 Discrepancies

Key discrepancies between Okane and BIM's 2026 estimate are shown in Table 4.1. Rationale behind each discrepancy is also detailed below.

Table 4.1: Identified Cost Discrepancies

Item	Direct Cost Associated	Indirect Cost Associated	Cost Discrepancy
Water Treatment Costs	$709,000	$227,000	$936,000
Contractor Equipment Rates	$428,000	$137,000	$565,000
Re-grade and Re-contour area adjacent to airstrip	$178,000	$57,000	$235,000
Landfill Cover System	$679,000	$217,000	$896,000
Bridge Demolition Crew Omission	$28,000	$9,000	$37,000
Building Demolition Crew Omission	$54,000	$18,000	$74,000
Flights, Catering and Camp for Interim Care and Maintenance	$0	$1,707,000	$1,707,000
		Total	**$4,450,000**

Values rounded to near thousand dollars.

Water treatment costs: The current estimate uses a monthly unit cost for water treatment, whereas previous years applied a volume-based methodology. Water treatment costs have been highlighted as an uncertainty in previous years due to consistency of treatment throughout the life of the project and a lack of up to date water quality model for the WRF at Mary River. While it is noted that water treatment of WRF seepage and runoff has been minimal in recent years, a reduction in water treatment costs estimated for the security estimate should be justified by long-term monitoring trends and up-to-date water quality modelling information. Okane's estimate carries forward water treatment costs from years past, which is a substantial drop in previously recommended water treatment costs for the Mary River Project (Okane, 2025)

Contractor equipment unit rates: equipment unit rates have remained unchanged between the 2024 and 2026 security estimates. It is understood that rates have not changed on site, likely due to multi-year contracts being signed prior to the 2024 estimate. However, negotiated, multi-year quotes are unlikely

to reflect the reality of 3rd party contractor rates should QIA be forced to assume liability of the site and enter new agreements. To account for this, Okane has applied industry standard increases to equipment rates from the 2024 estimate to estimate current rates for an agreement signed in 2026.

Re-grade and re-contour area adjacent to airstrip: during Okane's disturbed area analysis (Section 4.2) a relatively small area was identified as requiring reclamation (regrade and recontour) but was not included in the 2026 security estimate. It is understood that the ICRP does not prescribe any reclamation for the airstrip itself, however, the area adjacent to the airstrip should be reclaimed as per the ICRP.

Landfill Cover System Thickness: BIM's current estimate accounts for a 3.0 m NAG landfill cover system. However, the cover system material utilized is the same as the WRF cover system, which requires a 4.0 m cover system to promote freeze back based on monitoring data. To account for this, Okane included a 4.0 m landfill cover system in the security estimate.

Demolition Crew Omission: The build out of labour crews in BIM current estimate appears to omit a Foreman from the building and bridge demolition crew in the hourly rate calculation, leading to a calculated hourly rate of $80 rather than the $90 it would be if it was calculated in a consistent manner with the other crews. Okane applied an hourly labour rate of $90 to relevant crews to account for the omission.

Flights, Camp and Catering for Interim Care and Maintenance: BIM's 2026 estimate does not include provision for flights, camp or catering during the interim care and maintenance stage. Applying BIM's assumptions to the approximately 70,000 labour hours assumed during this stage results in a substantial increase in overall security.

4.2 Disturbed Area Analysis

Okane performed a disturbed area analysis based on aerial imagery of the site, provided by BIM in August 2025. Using the previously established standard operating procedure (BIM 2022c), Okane was able to verify each of the BIM reported disturbed areas without significant discrepancies with the exception of the inclusion of the area adjacent to the airstrip.

The remaining reclamation volumes (equipment removal, sea can removal, building removal etc.) were verified using a combination of aerial imagery and shipment manifests for incoming/outgoing materials, or assumptions based on Okane's professional judgement and experience.

5 SECURITY ESTIMATE UNCERTAINTIES

During Okane's site background review and previous Environmental Audits, several uncertainties were identified within the closure plan and security estimates that may have a material change to the sites environmental liability and financial security. The following section summarizes the identified uncertainties and outlines the potential effects to security estimates. While these items have potential to substantially affect the security estimate total, Okane does not feel their inclusion at this point is warranted due to a lack of certainty in their requirement at closure. However, Baffinland has committed to the study of each of the items and is responsible for conducting appropriate analysis to provide confidence to all parties that they will not be necessary reclamation activities at closure. Key items of uncertainty carried over from previous estimates included the water treatment periods, climate change scenario effects on the thermal cover system configuration and geotechnical stability of the WRF. New items identified in 2025 include uncertainty surrounding demolition estimating methodology and bridge removal.

Water treatment periods: Baffinland's estimate includes provision for treatment of water on site for three years post-closure, assuming that water quality objectives will be met within this timeline. This estimate is based on water quality predictions made in the original 2013 Environmental Impact Statement (BIM, 2013) and has not been updated to reflect current site data and conditions. In Okane's experience, if water treatment is necessary, the timeline often extends significantly longer than three years post-closure. While positive trends have been observed regarding water quality, a large degree of uncertainty exists surrounding the water treatment timelines until such modelling has been conducted.

Climate Change Scenario Effects on Thermal Cover System Configuration: There is uncertainty within the planned thermal cover systems of landfills on site and the effects climate change could have on the active zone depth. Okane notes that the 4 m NAG cover system requirement only considers the least conservative of climate change scenarios and does not accurately capture the environmental risk to the Mary River Project. Assuming a 6 m NAG cover system is needed to account for climate change, it would result in an estimated $9,232,000 increase in direct costs, as well as a $2,770,000 increase in indirect cost for the WRF, and $4,074,000 in direct costs and $1,222,200 in indirect costs for the landfill.

Geotechnical Stability of the WRF: Current slope stability modelling of the WRF utilizes an internal angle of friction in the waste rock material of 40˚, stating that this assumption is a conservative selection for waste rock material (Golder, 2021) without lab testing results to support the statement. While this internal angle of friction is a reasonable average value for waste rock, it does not take into account variability in the waste rock material and may not be considered a conservative value. During Okane's 2024 Environmental Audit (Okane 2024), evidence of finer-textured waste rock and local slope instability on the WRF were identified, presenting risk to QIA that the planned configuration of the WRF may not satisfy long-term factors of safety. Re-sloping of the WRF from the current 2H:1V to a hypothetical 2.5H:1V is estimated to cost $5,000,000 in direct costs and $2,200,000 in indirect costs.

Bridge removal: bridge removal cost estimates in the 2026 security, while not unreasonable, have decreased significantly from previous estimate (from approximately $780,000 to $160,000). Justification for this reduction in BIM's 2026 estimate is unclear.

Demolition volumes: Uncertainty also exists in the methodology used to convert building areas to demolition volumes. The estimate applies conversion factors ranging from 0.5 m^3/m^2 to 2 m^3/m^2, but the basis for these factors and how they were applied to individual structures is unclear. Without a transparent approach, there is a risk of miscalculating the total volume of material requiring transport to the landfill, which could significantly affect hauling and disposal costs.

6 RECOMMENDATIONS AND CONCLUSIONS

Okane completed a detailed review of Baffinland's 2026 security estimate and confirmed that overall, the estimate is reasonable and consistent with industry standards for northern mine sites. Okane's 2026 security estimate for the Mary River Project totals **$138,229,000** (Appendix A), $4,450,000 (3.3%) greater than BIM's 2026 estimate. Water treatment costs, which were reduced by approximately $600,000 compared to previous year's estimates by BIM. While WRF seepage/runoff water quality has improved in recent years, it has been identified as a key risk to QIA (Okane, 2025). A reduction in estimated water treatment costs is not considered appropriate based on available at this information at this time, thus previous year's estimate totals were applied to Okane's 2026 estimate.

- Regrade and Recontour area adjacent to the airstrip, which requires reclamation but was not included in BIM/Ensero's security estimate calculations.

- Landfill cover system thickness, costs for which were estimated based on a 3.0 m cover system. Thermal monitoring data currently installed in the same material planned for the landfill cover system (NAG waste rock) suggest that a 4.0 m cover system will be required, and thus the added volume was included in Okane's 2026 estimate.

- Demolition crew buildup: The build out of labour crews in BIM/Ensero's current estimate appears to omit a Foreman from the building and bridge demolition crew in the hourly rate calculation. Okane included the full crew costs outlined by BIM/Ensero to account for the omission.

- Flights, Camp and Catering for Interim Care and Maintenance: BIM's 2026 estimate does not include provision for flights, camp or catering during the interim care and maintenance stage. Applying BIM's assumptions to the approximately 70,000 labour hours assumed during this stage results in a substantial increase in overall security.

Uncertainties also exist regarding Climate Change Scenario Effects on Thermal Cover System Configuration, future geotechnical stability of the WRF, demolition volume methodology and costs associated with bridge removal of the site. Further study/transparency around these items is recommended to improve alignment in future estimates.

7 REFERENCES

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8 CLOSURE

We trust information provided is satisfactory for your requirements. Please do not hesitate to contact the undersigned at 13067131779 for further information or questions.

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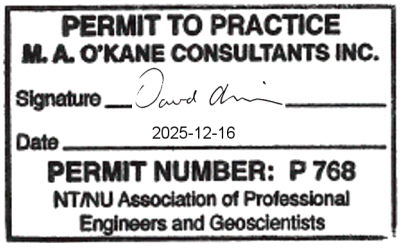

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	2026 Mary River Security Estimate Audit	Date: December 16,2025 B-0955-221 QIA Mary River RevA

DISCIPLINE CODE - DESCRIPTION	LAB TOTAL COST	MAT TOTAL COST	CEQ TOTAL COST	OTH TOTAL COST	IOL LIABILITY TOTAL COST	% IOL LIABILITY OF TOTAL COST	Comments
DIRECT CONSTRUCTION COSTS							
A - EXCAVATION, HAULING, AND BACKFILL	$ 952,073	$ 52,500	$ 2,075,616	$ -	$ 3,076,450	2.3%	
B - GRADING AND RECONTOURING	$ 8,332,355	$ 1,942,500	$ 12,705,856	$ -	$ 22,375,367	16.5%	
C - DRILL AND BLAST	$ 17,048	$ 45,500	$ 31,500	$ -	$ 94,048	0.1%	
D - CRUSHING AND SCREENING	$ 259,643	$ -	$ 490,000	$ -	$ 749,643	0.6%	
E - LOADING, HAULING, AND PLACING COVER	$ 1,445,337	$ -	$ 3,061,247	$ -	$ 4,506,584	3.3%	
F - LOADING, HAULING, BACKFILLING, AND SPREADING DEMOLISHED MATERIALS	$ 375,417	$ -	$ 1,824,412	$ -	$ 2,199,829	1.6%	
G - CULVERT REMOVAL	$ 56,574	$ -	$ 67,430	$ -	$ 113,180	0.1%	
H - HAZARDOUS MATERIALS REMOVAL	$ 1,210,927	$ 561,876	$ 1,078,182	$ 3,763,143	$ 6,614,128	4.9%	
J - RAIL LINE DEMOLITION	$ -	$ -	$ -	$ -	$ -	0.0%	
K - BRIDGE REMOVAL	$ 189,680	$ -	$ 39,819	$ -	$ 159,040	0.1%	
L - CONCRETE DEMOLITION	$ 838,724	$ -	$ -	$ -	$ 838,724	0.6%	
M - BUILDING DEMOLITION	$ 3,080,984	$ -	$ -	$ -	$ 3,067,800	2.3%	
N - MECHANICAL EQUIPMENT DEMOLITION	$ 528,917	$ -	$ -	$ -	$ 528,917	0.4%	
P - TANK / VESSEL DEMOLITION	$ 812,103	$ -	$ 71	$ -	$ 812,174	0.6%	
Q - SEA CAN REMOVAL	$ 1,524,828	$ -	$ 1,270,200	$ 1,360,200	$ 4,155,228	3.1%	
R - MOBILE EQUIPMENT REMOVAL	$ 569,840	$ -	$ 357,000	$ 2,333,100	$ 3,259,940	2.4%	
S - PIPELINE DEMOLITION	$ 63,384	$ -	$ -	$ -	$ 63,384	0.0%	
T - ELECTRICAL EQUIPMENT DEMOLITION	$ -	$ -	$ -	$ -	$ -	0.0%	
U - POWER DISTRIBUTION DEMOLITION	$ -	$ -	$ -	$ -	$ -	0.0%	
TOTAL DIRECT CONSTRUCTION COST	$ 20,257,835	$ 2,602,376	$ 23,001,332	$ 7,456,443	$ 52,614,435	38.8%	
DIRECT CONSTRUCTION INDIRECT FIELD SUPPORT COSTS							
V1 - INTERIM CARE AND MAINTENANCE	$ 4,461,840	$ 360,000	$ 1,416,000	$ 500,000	$ 6,648,932	4.9%	
V2 - CONTRACTOR MOBILIZATION AND DEMOBILIZATION	$ 3,039,120	$ -	$ -	$ 3,881,280	$ 6,836,349	5.0%	
V3 - CONSTRUCTION FACILITIES	$ -	$ -	$ 1,514,250	$ -	$ 1,496,981	1.1%	
V4 - GENERAL CONSTRUCTION EQUIPMENT	$ 272,160	$ -	$ 2,367,500	$ -	$ 2,634,305	1.9%	
V5 - SCAFFOLDING	$ -	$ -	$ -	$ -	$ -	0.0%	
V6 - CONTRACTOR SUPPLIED THIRD PARTY EXPERTISE (TESTING / SURVEY / SAFETY / ENGINEERING)	$ 982,800	$ -	$ -	$ 372,000	$ 1,333,941	1.0%	
V7 - CONTRACTOR CONSTRUCTION MANAGEMENT AND SUPPORT TEAM	$ 9,935,289	$ -	$ -	$ 1,474,200	$ 11,270,729	8.3%	
V8 - CONTRACTOR DISTRIBUTABLE COSTS	$ -	$ -	$ -	$ 254,124	$ 253,608	0.2%	
TOTAL DIRECT CONSTRUCTION INDIRECT FIELD SUPPORT COSTS	$ 18,691,209	$ 360,000	$ 5,297,750	$ 6,481,604	$ 30,474,845	22.5%	
TOTAL DIRECT CONSTRUCTION INDIRECT FIELD SUPPORT COSTS	$ 38,949,044	$ 2,962,376	$ 28,299,082	$ 13,938,047	$ 83,089,281	61.3%	
INDIRECT COSTS							
W1 - MOBILIZATION / DEMOBILIZATION FREIGHT	$ -	$ -	$ -	$ 7,500,044	$ 7,401,078	5.5%	
W2 - FLIGHTS, CAMP, AND CATERING	$ 750,000	$ 1,000,000	$ 187,500	$ 7,672,805	$ 9,483,494	7.0%	

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DISCIPLINE CODE - DESCRIPTION	LAB TOTAL COST	MAT TOTAL COST	CEQ TOTAL COST	OTH TOTAL COST	IOL LIABILITY TOTAL COST	% IOL LIABILITY OF TOTAL COST	Comments
W3 - POST-CLOSURE MONITORING AND MAINTENANCE	$ -	$ -	$ -	$ 3,215,000	$ 3,172,577	2.3%	
W4 - ENGINEERING AND DESIGN	$ -	$ -	$ -	$ 4,207,427	$ 4,151,909	3.1%	
W5 - PROJECT MANAGEMENT	$ -	$ -	$ -	$ 3,155,571	$ 3,113,932	2.3%	
W6 - PROCUREMENT AND CONTRACT MANAGEMENT	$ -	$ -	$ -	$ 1,051,857	$ 1,037,977	0.8%	
W7 - HEALTH AND SAFETY PLANS / MONITORING AND QUALITY ASSURANCE	$ -	$ -	$ -	$ -	$ -	0.0%	
W8 - BONDING / INSURANCE	$ -	$ -	$ -	$ -	$ -	0.0%	
TOTAL INDIRECT COST	$ 750,000	$ 1,000,000	$ 187,500	$ 26,802,704	$ 28,360,966	20.9%	
TOTAL DIRECT + INDIRECT COST	$ 39,699,044	$ 3,962,376	$ 28,486,582	$ 40,740,751	$ 111,450,247	82.2%	
PROVISIONAL COSTS							
X - CONTINGENCY	$ -	$ -	$ -	$ 22,627,750	$ 22,329,169	16.5%	
TOTAL PROVISIONAL COST	**$ -**	**$ -**	**$ -**	**$ 22,627,750**	**$ 22,329,169**	**16.5%**	
GRAND TOTAL COST	**$ 39,699,044**	**$ 3,962,376**	**$ 28,486,582**	**$ 63,368,501**	**$ 133,779,416**	**98.7%**	

DISCIPLINE CODE - DESCRIPTION	QTY	UNIT	Unit Rate Applied	Comment	Additional Cost
Direct Discrepancies					
K - BRIDGE REMOVAL (RATE UPDATE)	2810	Hrs	$ 9.90	Adjusted Labour buildup rate	$ 27,819.00
M - BUILDING DEMOLITION (RATE UPDATE)	5556	Hrs	$ 9.90	Adjusted labour buildup rate	$ 55,000.00
B - GRADING AND RECONTOURING (AIRSTRIP AREA ADDITION)	94,409	SMx	$ 1.89	Omitted area surrounding airstrip	$ 178,433.01
E - LOADING, HAULING, AND PLACING COVER (4.0M NAG COVER OVER MINE LANDFILL)	41,307	CMx	$ 16.44	Increase of cover thickness on landfill	$ 679,025
EQUIPMENT RATE CORRECTION (1.5% INCREASE)	1.015	%		Industry increase applied to CEQ	$ 428,298.73
WATER TREATMENT CORRECTION (2.4% INCREASE)	1,139,670	SMx		Increase to water treatment costs	$ 709,174.80
Total Additional Direct Costs	$2,077,750.66				
Indirect Discrepancies					
W2 - FLIGHTS	416	Flight	$ 1,295.00	BIM methodology and costs applied to ICM man hours, reduction of 1.3% to account for d	$531,716.64
W2 - CAMP, AND CATERING	5824	Camp-day	$ 155.00	BIM methodology and costs applied to ICM man hours, reduction of 1.3% to account for d	$890,984.64
W4 - ENGINEERING AND DESIGN	0.05	%			$103,887.53
W5 - PROJECT MANAGEMENT	0.0375	%			$77,915.65

	2026 Mary River Security Estimate Audit						Date: December 16,2025 B-0955-221 QIA Mary River RevA
DISCIPLINE CODE - DESCRIPTION	**LAB TOTAL COST**	**MAT TOTAL COST**	**CEQ TOTAL COST**	**OTH TOTAL COST**	**IOL LIABILITY TOTAL COST**	**% IOL LIABILITY OF TOTAL COST**	**Comments**
W6 - PROCUREMENT AND CONTRACT MANAGEMENT	0.0125	%					$25,971.88
Total Indirect Discrepancies	$1,630,476.35						
Contingency	$741,645.40						

Okane Total Estimate **$138,229,288.37**