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2011 ABANDONMENT AND RECLAMATION PLAN

Appendix G-1

Cost Summary for Closure and Security Estimate

Appendix G-1 2011 A&R Plan Cost Summary for Closure and Security Estimate

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	Labor	Equipment	2011 Total	2010 Total	Difference	% Difference	2011	2012	2013	2014	>2014	Contingency(\$)	Contingency (%)	Contingency(\$)	Contingency (%)				
Project Site Abandonment	\$ 37,206	\$ 11,900	\$ 49,106				\$ 49,106	\$ -	\$ -	\$ -	\$ -	\$ 4,146	8%						
Bulk Sample Pit	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -				\$ -		\$ 10,000					
Mineral Exploration Areas (Deposits No. 1, 2, 3)	\$ 19,028	\$ 60,747	\$ 79,775	\$ 76,870	\$ 2,905	4%	\$ -	\$ -	\$ 79,775	\$ -	\$ -	\$ 8,188	10%	\$ 9,299	12%				
Remote Sites	\$ 15,024	\$ 87,768	\$ 102,792	\$ 101,984	\$ 808	1%	\$ -	\$ -	\$ 102,792	\$ -	\$ -	\$ 9,402	9%	\$ 5,805	6%				
Stockpiles	\$ 30,876	\$ 56,761	\$ 45,372	\$ 52,243	\$ (6,871)	-13%	\$ -	\$ -	\$ 45,372	\$ -	\$ -	\$ 8,764	19%	\$ 2,612	5%				
Camps & Related Facilities	\$ 983,685	\$ 817,231	\$ 1,800,916	\$ 1,689,090	\$ 111,826	7%	\$ 7,000	\$ 585,211	\$ 1,201,895	\$ 6,810	\$ -	\$ 258,827	14%	\$ 237,852	14%				
Roads & Airstrips	\$ 1,679,929	\$ 772,930	\$ 2,452,859	\$ 779,410	\$ 1,673,449	215%	\$ -	\$ 457,985	\$ 526,942	\$ 1,467,932	\$ -	\$ 294,865	12%	\$ 134,753	17%				
Borrow Quarry Areas	\$ 187,428	\$ 283,334	\$ 470,762	\$ 563,131	\$ (92,369)	-16%	\$ -	\$ 45,000	\$ 425,762	\$ -	\$ -	\$ 103,678	22%	\$ 126,062	22%				
Fuel Storage Facilities (Bulk and Drums)	\$ 346,444	\$ 186,193	\$ 532,637	\$ 223,079	\$ 309,558	139%	\$ -	\$ 348,276	\$ 184,360	\$ -	\$ -	\$ 127,577	24%	\$ 25,033	11%				
Explosives	\$ -	\$ -	\$ -	\$ 7,044	\$ (7,044)	-100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 1,409	20%				
Waste Management	\$ 137,214	\$ 431,455	\$ 568,669	\$ 583,405	\$ (14,736)	-3%	\$ -	\$ 213,142	\$ 355,527	\$ -	\$ -	\$ 110,145	19%	\$ 141,297	24%				
Hydrocarbon Impacted Soil	\$ 707,266	\$ 465,416	\$ 1,172,682	\$ 460,773	\$ 711,909	155%	\$ 69,913	\$ -	\$ -	\$ 495,554	\$ 607,216	\$ 176,491	15%	\$ 124,242	27%				
General Site Area	\$ 1,562,040	\$ -	\$ 1,562,040	\$ 540,000	\$ 1,022,040	189%	\$ -	\$ 1,487,040	\$ -	\$ -	\$ 75,000	\$ 156,204	10%	\$ 54,000	10%				
Sealift	\$ 35,088	\$ 4,318,780	\$ 4,353,868	\$ 2,861,265	\$ 1,492,603	52%	\$ -	\$ 3,082,161	\$ 575,686	\$ 629,951	\$ 66,070	\$ 446,597	10%	\$ 167,489	6%				
Camp Operation	\$ 1,403,486	\$ 5,627,091	\$ 7,030,577	\$ 2,760,453	\$ 4,270,123	155%	\$ -	\$ 4,866,753	\$ 2,163,824	\$ -	\$ -	\$ 866,236	12%	\$ 281,709	10%				
Environmental Monitoring	\$ 241,000	\$ 62,636	\$ 303,636	\$ 505,210	\$ (201,574)	-40%	\$ -	\$ -	\$ -	\$ -	\$ 303,636	\$ 73,732	24%	\$ 129,052	26%				
Subtotal - cash costs excluding Contingency & Reserve	\$ 7,385,714	\$ 13,182,242	\$ 20,525,690	\$ 11,203,956	\$ 9,321,734	83%	\$ 126,019	\$ 11,085,568	\$ 5,661,936	\$ 2,600,246	\$ 1,051,922								
Contingency			\$ 2,644,853	\$ 1,450,614	\$ 1,194,239		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,644,853	13%	\$ 1,450,614	12.9%				
Management reserve			\$ -	\$ 365,569	\$ (365,569)		\$ -	\$ -	\$ -	\$ -	\$ -								
Total Cash Cost	\$ 7,385,714	\$ 13,182,242	\$ 23,170,543	\$ 13,020,139	\$ 10,150,404	78%	\$ 126,019	\$ 11,085,568	\$ 5,661,936	\$ 2,600,246	\$ 1,051,922								
Salvage (FOB Montreal)			\$ (2,470,971)	\$ (2,288,227)	\$ (182,744)	8%	\$ -	\$ 1,106,306	\$ 1,364,665	\$ -	\$ -								
Total Cash Costs net of salvage			\$ 20,699,572	\$ 10,731,912	\$ 9,967,661	93%	\$ 126,019	\$ 12,191,874	\$ 7,026,601	\$ 2,600,246	\$ 1,051,922								
Fuel - consumption from inventory at book value (non cash cost)				\$ 1,309,419	\$ (1,309,419)	-100%													
Total Cost (Cash & Non Cash)			\$ 20,699,572	\$ 12,041,330	\$ 8,658,242	72%													

Security Estimate As Per QIA A&R Policy

						Description of Major Variances between 2011 & 2010 Security Estimates
Total- Cash Costs Excluding Contingency & Reserve	\$ 20,525,690	\$ 11,203,956	\$ 9,321,734	83%		See Appendix G-2 Variance analysis - 2011 vs. 2010 Cost Estimate
Contingency	\$ 2,644,853	\$ 1,450,614	\$ 1,194,239	82%		Contingency - The amount of funds, budget or time needed above the estimate to reduce the risk of overruns of project objectives for a defined scope to a level acceptable to the organization. No significant change to contingency.
Management Reserve	\$ -	\$ 365,569	\$ (365,569)			Management reserve is budgeted for unplanned, but potentially required changes to project scope and cost. The 2011 Management Reserve was eliminated as a result of the increased detail and conservative estimates applied to a six year abandonment and reclamation plan
Engineering Design & Execution Planning	\$ 615,771		\$ 615,771			Engineering design and execution planning is budgeted to cover general miscellaneous engineering design for tasks not specifically costed in direct costs or identified in general technical specifications , and to cover general execution planning of annual reclamation programs.
Total Cash Cost Including Contingency, Reserve & Engineering Design & Execution Planning	\$ 23,786,314	\$ 13,020,139	\$ 10,766,175	81%		
Elimination of Borrow Royalty Fees	\$ -	\$ (53,000)	\$ 53,000	-100%		This is the cost of borrow royalty fees required to execute the A&R Plan. The borrow royalty fees have been included as a direct cost in the 2011 A&R plan under the worst case where QIA assumes authority for closure.
Eliminate Baffinland site management of closure activity		\$ (270,000)	\$ 270,000	-100%		All Project management & site supervision to execute closure at site by a third party has been included as a direct cost in the estimate of the 2011 A&R plan
Add QIA/Third Party Site Management		\$ 270,000	\$ (270,000)	-100%		All Project management & site supervision to execute closure at site by a third party has been included as a direct cost in the estimate of the 2011 A&R plan
Eliminate Execution Planning by Baffinland Corporate	\$ -	\$ -				Corporate costs are not included in the A&R Plan under a hypothetical abandonment scenario
Add Execution Planning by QIA/Third Party		\$ 200,000	\$ (200,000)	-100%		Engineering design and Execution Planning allowances have been made as indirect costs.
Total Security Estimate	\$ 23,786,314	\$ 13,167,139	\$ 10,619,175	81%		
Value of Security Bond	\$ 26,200,000	\$ 16,500,000				Baffinland Proposed value of 2011 security bond