



Solomon Amuno, PhD
Technical Advisor II
Nunavut Impact Review Board
29 Mitik Street, P.O. Box 1360
Cambridge Bay, NU, X0B 0C0

December 8, 2017

Re: Update Re Mary River Shipping/Haulage

Dear Solomon,

Baffinland Iron Mines Corporation (Baffinland) wishes to provide an update respecting levels of shipping and haulage of ore at the Mary River Mine, in the interest of transparency and full information.

Baffinland is currently at over 4Mt hauled on the Tote Road as of the beginning of December 2017. If conditions remain good, normal course hauling operations would result in the material hauled in calendar 2017 (as interpreted Jan. 1 - Dec. 31) exceeding 4.2Mt.

For the reasons outlined further below, we wish to continue normal course haul operations through the end of the year. Baffinland will not know the final haulage numbers until early January, as there is variability in the haul totals as a result of the circumstances that we have outlined further below. Without flexibility, the uncertainty as to when the operation will hit 4.2 Mt would force Baffinland to shut down operations through the end of December 2017.

Shipping

During the shipping season, Baffinland ensured that the total number of ships commissioned for bulk shipping did not exceed 4.2M tonnes. A total of 56 ships were loaded with a final shipped tonnage of 4,064,397. This is within the Project Certificate shipping allowance under Condition 179(a):

Hauling

The previous two years of haulage were:

2016: 3,256,474 tonnes

2015: 1,330,541 tonnes

This is a shortfall of approximately 3.8 million tonnes below the hauling allowance of 4.2 Mt/a under Project Certificate Condition 179(b):

For 2017, we have achieved higher levels of production and we are anticipating that by the end of December road hauling will meet and potentially exceed the hauling allowance by about 15 days of production (or about 5-7%).

We are confident that this overage is within the reasonable bounds of flexibility respecting the hauling allowance while maintaining our work force employed through the last few weeks of the year.

Road haulage calculations are finalized at the end of each month after an extensive survey of the Product Stockpile (PSC) at Milne. This process usually takes 5-7 days to complete and often results in a reduction of the daily haulage production figures. The November month end survey indicated that total hauled to date (2017) is 4.0M tonnes. December is often difficult for production as weather (high winds, snow) tends to shut down haulage due to safety concerns. The production level in December 2016 was 362k tonnes. Based on previous performance and haulage count at the beginning of December, it is anticipated that, subject to weather conditions, 4.2M tonnes will be reached on or slightly before December 15, 2017.

It is very difficult to accurately plan haulage to exact numbers as there are so many variables that can influence future production. Being within 15 days of a production limit is within the reasonable bounds of haulage planning and operation (within 5-7%).

If Baffinland were to cease the road haulage operation, it would likely require shutting down the whole operation due to limited surge capacity space. This would mean laying off most of the workforce for a short period to the end of the year. The impact on employees and the cost to the business would be a severe hardship. There would also be significant logistical and maintenance challenges if we were not able to keep our road haulage fleet running during a winter month.

The shortfalls in production and hauling in 2015 and 2016 would indicate that the cumulative effects of hauling for the three years combined to date are well below expectations. We have been very careful to ensure all environmental protection measures relating to hauling are in place. Winter hauling has relatively low impacts on issues such as dust control.

Going Forward

As indicated, we believe that we are being diligent and responsible in managing to the volume limits within a reasonable degree of flexibility. We will provide a full accounting of the haulage volumes for 2017 in early January, and we intend to work with regulators in 2018 to review the volume limits going forward.

Regards,

A handwritten signature in dark ink, appearing to read 'Brian Penney', with a stylized, flowing script.

Brian Penney
Chief Executive Officer

Cc:

Stephen Williamson Bathory, Qikiqtani Inuit Association
Sharon Ehloak, Executive Director, Nunavut Planning Commission
David Hohnstein, Nunavut Water Board