



February 4, 2014

Mr. Murray Ball  
Manager Water Resources  
Aboriginal Affairs and Northern Development  
Building 918  
Iqaluit, Nunavut  
X0A 0H0

Dear Mr. Ball:

**Re: Release of Security related to Type A Water Licence No. 2AM-MRY1325  
New posted Security (Letter of Credit) for Type A Water Licence No. 2AM-MRY1325**

On January 23, 2014, the Nunavut Water Board provided their direction under the Annual Security Review process established under Part C and Schedule C of the Water Licence.

As a result of this determination, Baffinland is requesting that Aboriginal Affairs and Northern Development release the Letter of Credit that is currently held under the Type A for the amount of \$9,800,000. Once this release has been confirmed, Baffinland, as per the Board's direction, will amend the existing Standby Letter of Credit to the Qikiqtani Inuit Association to increase the amount by this additional \$9,800,000.

Attached you will also find a PDF copy of the new Standby Letter of credit No. OSB4357TOR which will now be posted with your department to cover the \$166,000 that has been determined to cover the amount required under Part C, Item 1 of the Type A Water Licence. The hard copy has been sent in the mail to your address.

Please confirm that you have received this letter and provide confirmation of the release of the amount noted above, so that this new amended letter of credit can be issued to the Qikiqtani Inuit association so that their overall Standby Letter of Credit will be adjusted to total \$39,793,000.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erik Madsen".

Erik Madsen,  
Vice President  
Sustainable Development, Health, Safety & Environment

c.c Karen Costello (AANDC)  
Stephen Bathory (QIA)  
Damien Cote (NWB)  
Stephanie Anderson (BIM)  
Oliver Curran (BIM)



**The Bank of Nova Scotia**

Trade Service Centre  
61 Front Street West, 4th Floor  
Toronto, Ontario, M5H 1H1  
Tel: 416-847-6250  
Fax: 416-866-4286  
SWIFT: NOSCCATTTPT

**Irrevocable  
Standby Letter of Credit No.  
OSB4357TOR**

**Beneficiary:**

Her Majesty the Queen in Right of  
Canada as represented by the  
Minister of Indian Affairs and  
Northern Development Canada, Canada

**Applicant:**

Baffinland Iron Mines Corporation  
2275 Upper Middle Road East  
Suite 300  
Oakville, Ontario, L6H 0C3 Canada

**Date of Issue:**

January 31, 2014

**Date and Place of Expiry:**

January 30, 2015 Canada

**Amount:**

Not Exceeding CAD 166,000.00 One Hundred Sixty Six Thousand  
and 00/100 Canadian Dollars

Beneficiary's full name and address: Her Majesty the Queen in Right of Canada, as represented by the  
Minister of Indian Affairs and Northern Development Canada, Payable to the Receiver General of  
Canada c/o P.O. Box 100, Bldg. 918 Iqaluit, Nunavut, Canada X0A 0H0.

Attention: Manager of Water Resources, Nunavut Regional Office.

Re: Security pursuant to: Type A - CAD166,000 - Licence No. 2AM-MRY1325

At the request and for the account of Baffinland Iron Mines Corporation (the "Applicant"), we, The  
Bank of Nova Scotia, Toronto Trade Service Centre, 61 Front Street West, 4th Floor, Toronto, Ontario,  
Canada M5H 1H1, hereby establish in your favour our Irrevocable Standby Letter of Credit No.  
OSB4357TOR ("Letter of Credit" or "Credit") for sums not exceeding in the aggregate amount of One  
Hundred Sixty Six Thousand and 00/100 Canadian Dollars (CAD 166,000.00).

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This Credit is available with us for drawing at sight, without enquiry as to whether you have a right as between yourself and the Applicant to make such demand and without recognizing any claim of the Applicant or objection by the Applicant, against presentation to us, by you or your duly authorized representative or agent, of the following documents:

1. a sight draft, payable to the Receiver General of Canada, drawn on The Bank of Nova Scotia, Toronto Trade Service Centre, 61 Front Street West, 4th Floor, Toronto, Ontario, Canada M5H 1H1; and
2. the original of this Irrevocable Letter of Credit No. OSB4357TOR for endorsement of payment thereon; and
3. a statement signed by an official of the Department of Indian Affairs and Northern Development Canada certifying
  - a) that the signatory is an official of Indian Affairs and Northern Development Canada and has the authority to sign the statement on behalf of the Minister of Indian Affairs and Northern Development Canada ("the Minister"), and
  - b) either
    - i. that the Minister is entitled to apply the amount drawn, being all or part of the security posted and maintained pursuant to Type A Number 2AM-MRY1325, issued by the Nunavut Water Board, whether as originally issued or as amended, renewed or replaced from time to time, or
    - ii. that this credit is due to expire in thirty (30) days or less and that the Applicant has not replaced this credit by posting with the Minister other security satisfactory to the Minister.

Partial drawings are permitted.

This Credit is effective from 8:30 A.M. on January 31st, 2014 and shall expire at our counters at 5:00 P.M. on January 30th, 2015 (the "Initial Expiry Date"). This Credit shall be renewed automatically without amendment for an additional one year period from the Initial Expiration Date and for an additional one year period from each future expiration date (each such expiration date, the "Operative Expiration Date"), unless at least Ninety (90) days prior to the Operative Expiration Date we notify you in writing by registered mail or courier that we elect not to consider this Credit renewed for such additional period.

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## The Bank of Nova Scotia

The Water Licence is referred to herein for reference purposes and does not form part of the terms of this Credit.

We hereby agree that all drafts drawn under and in compliance with the terms of this Credit shall be duly honoured by us if presented for payment on or before the Operative Expiration Date.

This credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600. Notwithstanding Article 36 of said Publication, if this Credit expires during an interruption of business as described in Article 36, we agree to effect payment if this Credit is drawn on us within thirty (30) days after the resumption of business.

Regards,

Authorised Signature(s)

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