



February 14, 2014

Our reference
IQALUIT-#779522

Your reference
Bank of Nova Scotia ISLOCs:
#OSB4357TOR and #OSB1495TOR

Erik Madsen
Vice President
Sustainable Development, Health, Safety & Environment
Baffinland Iron Mines Corporation
2275 Upper Middle Road East, Suite 300
OAKVILLE, ON
L6H 0C3

Dear Mr. Madsen:

Re: Receipt of new water licence reclamation security related to Type 'A' Water Licence #2AM-MRY1325, Bank of Nova Scotia ISLOC #OSB4357TOR

Release of former water licence reclamation security related to Type 'A' Water Licence #2AM-MRY1325, Bank of Nova Scotia ISLOC #OSB1495TOR

As you are well aware, the reclamation security required under Baffinland Iron Mine Corporation's (Baffinland) Type 'A' Water Licence for the Mary River Project was reduced by \$9,634,000 to \$166,000 following the Nunavut Water Board's January 23, 2014 security review determination¹ of Baffinland's 2014-15 work plan pursuant to Part C and Schedule C of the licence.

Baffinland arranged for the Bank of Nova Scotia to issue an irrevocable standby letter of credit (letter of credit) to satisfy the licence's new reclamation security requirement (Reference #OSB4357TOR). Also, as stated in your February 4, 2014 letter to Mr. Murray Ball of Aboriginal Affairs and Northern Development Canada² (the department), Baffinland are requesting that the department release the Bank of Nova Scotia letter of credit (Reference #OSB1495TOR) currently held under the licence in the amount of \$9,800,000. The department has received and accepted the new letter of credit, dated January 31, 2014. Enclosed is the previously issued letter of credit, along with its first and only amendment respectfully dated August 13, 2013 and January 2, 2014, that is replaced by the new letter of credit.

It should be noted that the letter of credit being returned is in the amount of \$4,311,784 not \$9,800,000. The remaining balance, \$5,488,216, was held under Baffinland's Type 'B' Water Licence, #2BB-MRY1114, for the Mary River Exploration Project. This discrepancy was resolved through the Nunavut Water Board's January 23, 2014 security review determination and December 4, 2013 Type 'B' Water Licence amendment (reduced Type 'B' Water Licence reclamation security requirement by \$5,488,216 to \$1,250,000).

¹ Nunavut Water Board. *Water Licence #2AM-MRY1325, 2014-15 Annual Security Review Determination*. January 23, 2014.

² Baffinland Iron Mines Corporation. *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*. Letter from Mr. Erik Madsen, Baffinland Iron Mines Corporation, to Mr. Murray Ball, Aboriginal Affairs and Northern Development Canada. February 4, 2014



The Nunavut Water Board's January 23, 2014 security review determination set the project's global security amount to \$39,959,000 (an increase of \$3,959,000 from the amount determined during the 2013 Type 'A' Water Licence application review). Of this amount, only \$166,000 is required to be held by the Minister of Aboriginal Affairs and Northern Development Canada under Part C, Item 1 of the licence, with the remaining \$39,793,000 being secured under a land lease with the Qikiqtani Inuit Association.

Feel free to contact me by telephone at 867-975-4555 or email at david.abernethy@aandc-aadnc.gc.ca for further information

Sincerely,
David W.
Abernethy

Digitally signed by David W. Abernethy
DN: cn=David W. Abernethy, o=Aboriginal Affairs and
Northern Development Canada, ou=Nunavut Regional Office,
email=david.abernethy@aandc-aadnc.gc.ca, c=CA
Date: 2014.02.14 15:23:58 -0500

David Abernethy
Regional Coordinator
Water Resources Division
Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada
P.O. Box 100
IQALUIT, NU
X0A 0H0

c.c.: Mr. Murray Ball, Aboriginal Affairs and Northern Development Canada
Ms. Karen Costello, Aboriginal Affairs and Northern Development Canada
Ms. Patti Gilbert, Aboriginal Affairs and Northern Development Canada
Mr. Damien Côté, Nunavut Water Board
Mr. Stephen Bathory, Qikiqtani Inuit Association
Ms. Stephanie Anderson, Baffinland Iron Mines Corporation
Mr. Oliver Curran, Baffinland Iron Mines Corporation

Encl.

Bank of Nova Scotia. *Irrevocable Standby Letter of Credit #OSB1495TOR*. Issued August 13, 2013 and Amended January 2, 2014.