



April 22, 2014

Your file - Votre référence
Bank of Nova Scotia ISLOCs
#OSB4357TOR and #OSB1495TOR

Our file - Notre référence
IQALUIT-#794509

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: Formal clarification on status of water licence reclamation security held by Aboriginal Affairs and Northern Development Canada for the Mary River Project

This letter is in response to your request for formal clarification on the status of water licence reclamation security held by Indian Affairs and Northern Development Canada (also known as Aboriginal Affairs and Northern Development Canada) for the Mary River Project. As you are aware, 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, #2AM-MRY1325, 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 Type 'A' Water Licence, with the remaining \$39,793,000 being secured under a land lease with the Qikiqtani Inuit Association. The security required under Baffinland Iron Mine Corporation's (Baffinland) Type 'A' Water Licence was effectively reduced by \$9,634,000.

Baffinland subsequently issued a Bank of Nova Scotia irrevocable standby letter of credit (letter of credit) for \$166,000 to satisfy the licence's new reclamation security requirement (reference #OSB4357TOR). The department received and accepted the new letter of credit, dated January 31, 2014. Baffinland requested, in a February 4, 2014 letter that you sent me¹, that Aboriginal Affairs and Northern Development Canada release the Bank of Nova Scotia letter of credit (reference #OSB1495TOR) held under the licence in the amount of \$9,800,000. My office returned a letter of credit in the amount of \$4,311,784. The remaining balance, \$5,488,216, was held by me under Baffinland's Type 'B' Water Licence, #2BB-MRY1114. This was effectively returned through the Nunavut Water Board's December 4, 2013 Type 'B' Water Licence amendment reducing reclamation security requirement by \$5,488,216 to \$1,250,000, and your subsequent amendment of the Type 'B' letter of credit to \$1,250,000.

¹ 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



At this time I hold \$166,000 in security for the Type 'A' Water Licence, and \$1,250,000 for the Type 'B' Water Licence in the form of letters of credit through the Bank of Nova Scotia. This fully satisfies the current water licence requirements.

Feel free to contact David Abernethy, Water Resources Regional Coordinator, for further information. David can be contacted by telephone at 867-975-4555 or email at david.abernethy@aandc-aadnc.gc.ca.

Sincerely,

Murray Ball
Manager, Water Resources Division
Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada
P.O. Box 100
IQALUIT, NU
X0A 0H0

c.c.: Mr. David Abernethy, 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. May Li, Baffinland Iron Mines Corporation