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October 17th, 2014

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Serving the
communities of

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Arctic Bay

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Cape Dorset

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Pond Inlet

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Qikiqtarjuaq

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Resolute Bay

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Sanikiluaq

Damien Côté
Executive Director
Nunavut Water Board (NWB)
P. O. Box 119
Gjoa Haven, NU X0B 1J0
Telephone: (867) 360-6338
Fax: (867) 360-6369
Email: licensing@nwb-oen.ca

RE: Notice to the Parties NWB Request For Comment on the Timing and Process for the Annual Security Review for 2015-2016 under Part C and Schedule C of Type "A" Water Licence 2AM-MRY1325 Mary River Project

Mr. Côté,

The Qikiqtani Inuit Association (QIA) is writing this letter to you in response to the NWB's letter of October 7th, 2014.

In the NWB's letter it has been requested that QIA provide information to support the Annual Security Review (ASR) for 2015-16 in relation to 2AM-MRY1325, and, to provide comments related to any preferences QIA has relative to the process and scheduling for the 2015-16 ASR.

Specifically, the NWB has requested that QIA supply information with respect to Schedule C: Conditions Applying to Security, Item 2, sub items c-e. These have each been responded to below:

- c. the total of any equivalent financial security being held by the Minister and/or the Qikiqtani Inuit Association outside the Licence;

QIA can confirm it is currently in possession of a letter of credit for a total amount of \$39,793,000. This amount is held consistent with the requirements of Article 9 of Commercial Lease No.: Q13C301. QIA has previously shared Article 9 of Q13C301 with the NWB as part of the 2014-15 ASR process. Additionally, attached to this letter is a copy of the most recent amendment to the LOC held by QIA. The amended LOC represents the amount that was agreed to between QIA and the proponent in conjunction with the 2014-15 ASR process.

- d. information that supports the increase, maintenance or reduction of the total financial security under the Licence; and



QIA does not anticipate filing any other information prior to conducting its review of the 2015-16 Work Plan.

- e. any other information necessary to support the request of the parties for the Board to issue further directions under Part C with respect to the amount of security to be furnished and maintained under the Licence.

QIA does not anticipate filing any other information prior to conducting its review of the 2015-16 Work Plan.

With respect to the proposed process for the 2015-16 ASR, consistent with the 2014-15 ASR process QIA's primary intention is to fulfill the requirements of Q13C301 which stipulates the following:

1. Proponent's submission of a Work Plan, on/before November 1st
(see Q13C301, 9.2 (b))
2. QIA filing of a security review with the proponent, on/before December 31st
(see Q13C301, 9.2 (c))
3. Proponent's posting of security adjustments with QIA, on/before January 31st
(see Q13C301, 9.2 (d))

Consistent with last year's ASR, QIA's internal review and decision making processes related to the 2015-16 Work Plan are scheduled to conclude on December 18th, 2014. QIA can commit to filing such materials with both the proponent and the NWB on this date.

Sincerely,

{Original Signed By}

Stephen Williamson Bathory
Director, Department of Major Projects

Attachments: Standby Letter of Credit, No. S18572/269319, July 22, 2014



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. S18572/269319**

Amendment no. 5
Dated July 22, 2014

Beneficiary:

QIKIQTANI INUIT ASSOCIATION
P.O. BOX 219, IQALUIT, NUNAVUT
X0A 0H0
ATTENTION: LANDS DEPARTMENT, Canada

Applicant:

Baffinland Iron Mines Corporation,
2275 Upper Middle Road East
Suite 300
Oakville, ON L6H 0C3 Canada
Ref: S18572/269319

We amend our Standby Letter of Credit subject to the following terms and conditions. This amendment forms an integral part of the original instrument. All other terms and conditions remain unchanged.

Amended Terms:

The amount of the Standby Letter of Credit is increased by: CAD 9,800,000.00 to CAD 39,793,000.00

Unless otherwise instructed herein, all correspondence and enquiries regarding this transaction should be directed to our Customer Service Centre at the above address, telephone: 416-847-6250. Please indicate our reference number in all your correspondence or telephone enquiries.

Regards,

Authorised Signature(s)

[Handwritten signature]
10705

[Handwritten signature]
10088

ORIGINAL