



April 26, 2018

Mr. William Napier  
Owner Representative  
Baffinland Iron Mines Corporation  
2275 Upper Middle Road East, Suite 300  
Oakville, ON L6H 0C3

Mr. Napier,

**RE: COMMERCIAL LEASE – RECLAMATION SECURITY NOTICE OF DEFAULT**

This letter is issued by the Qikiqtani Inuit Association (QIA) to Baffinland Iron Mines Corporation (Baffinland) as a notice of default regarding Baffinland's failure to post the 2018 Mary River Mine Reclamation Security.

On February 23, 2018, QIA and Baffinland presented a joint submission for the 2018 Annual Security Review (ASR) to the Nunavut Water Board (NWB) in which both parties agreed on the total value of additional security and that the amount be posted with QIA no later than April 9, 2018<sup>1</sup>. On March 21, 2018, the NWB provided final directions for the 2017-2018 Annual Security Review Process in which it acknowledged that Baffinland agreed to furnish additional financial security on or before April 9, 2018<sup>2</sup>. The NWB however, extended the latest date to post adjusted security under the Water Licence to April 21, 2018.

Baffinland is required to have already increased Reclamation Security by the agreed amount of \$22,067,500 for a global total of \$83,709,271 taking into account activities proposed under Baffinland's 2018 Work Plan. QIA has not agreed to postpone the posting of financial security for 2018.

In accordance with Section 13.1 a) of the Commercial Lease, this letter constitutes Notice to Baffindland that if the default is not remedied within fifteen (15) days of this Notice, by Baffindland making available to QIA any form of security permitted by Section 9 of the Commercial Lease, QIA shall be entitled to pursue its remedies pursuant to Section 13.2 of the Commercial Lease or as otherwise permitted by law.

We also note that under the terms of the Commercial Lease no work pursuant to Baffinland's 2018 Work Plan may be commenced unless and until the required increase in Reclamation Security has been delivered to QIA.

<sup>1</sup> QIA-BIMC. Joint Submission to the Nunavut Water Board. February 23, 2018.

<sup>2</sup> 2AM-MRY1325 2017 ASR NWB Decision. March 21, 2018.



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QIA is available to respond to any questions or comments that Baffinland may have to support finalization of a payment for 2018.

Sincerely,

SWB

Stephen Williamson Bathory  
Director, Department of Major Projects

Cc. Stephanie Autut, Executive Director, NWB

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