

BRANCH: Scotia Plaza - 40 King Street, W. Toronto, Ontario		DATE	BANK REFERENCE NUMBER #S18572/269319
CONTACT NAME: Bibi Mohamed - Client Relationship Mgr		TELEPHONE/FAX NO.: 416 866 7209	

1. Please <input type="checkbox"/> issue <input checked="" type="checkbox"/> amend <input type="checkbox"/> By airmail/Courier Original to: <input type="checkbox"/> Branch <input type="checkbox"/> Applicant <input type="checkbox"/> Beneficiary (Place "X" in one box only) <input type="checkbox"/> By Teletransmission For my/our account the following: <input type="checkbox"/> Irrevocable Standby Letter of Credit Subject to: <input type="checkbox"/> UCP <input type="checkbox"/> ISP (Place "X" in one box only) <input type="checkbox"/> Irrevocable Letter of Guarantee	2. Applicant (For Account Of) Baffinland Iron Mines Corporation 120 Adelaide Street, West Toronto, Ontario M5H 1T1
3. Beneficiary (In Favour Of) Qikiqtani Inuit Association P.O. Box 219 Iqaluit, Nu X0A 0H0 Attn: Land Department	4. Amount in words (specify currency) Sixteen Million Five Hundred Thousand Dollars Amount in figures \$16,500,000.00
5. Expiry date of guarantee/L/C <u>October 31, 2010</u> Expiry date of counter guarantee _____ (IF APPLICABLE)	
6. Details including purpose, documentation required and special conditions, if any. Amendment of amount of Letter of Credit #S18572/269319 from \$6,203,300.00 Cad to \$16,500,000.00 cad All conditions remain the same.	
<input type="checkbox"/> Suggested Proforma attached duly signed bearing reference to this application.	

FOR BANK USE ONLY Debit drawings to DDA Account # _____ (CAD/USD) Commission Rate <u>.80%</u> Customer Data Maintenance Form <u>Supplied/Attached</u> (delete one) Customer SLC/LG ID # _____ OLL INFORMATION OLL Account # <u>476960002098</u> BLT Transit # <u>47696</u> Booked as Financial / Non-Financial (delete one) OTHER LIABILITY LOAN NUMBERS Customer Liability under SLC _____ Curr _____ Customer Liability under LG _____ Curr _____ AUTHORIZED SIGNATURE _____ NUMBER <u>113494</u> AUTHORIZED SIGNATURE _____ NUMBER <u>C2171</u>	The Undersigned hereby requests The Bank of Nova Scotia (the "Bank") to issue or amend its Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee substantially in compliance with specifications noted above. If the Bank authorizes the issuance or amendment of its Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee, its counter guarantee or supporting letter of credit, the Undersigned agrees to be bound by the terms and conditions set out on page 2 hereof. Company Name (where applicable) Baffinland Iron Mines Corporation Company Contact to clarify instructions Gwen Gareau Telephone Number: <u>416 814 3177</u> Customer signature _____ Customer signature _____ (IN CASE OF INCORPORATED COMPANIES AND OTHER ORGANIZATIONS THIS FORM MUST BE SIGNED BY PROPERLY AUTHORIZED OFFICIALS)
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1 - FORWARD TO INTERNATIONAL TRADE SERVICES UNIT 2 - BRANCH COPY 3 - CUSTOMER COPY

IN CONSIDERATION of The Bank of Nova Scotia (the "Bank") issuing or amending, from time to time, its Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee (individually a "Credit" and collectively "Credits", meaning the Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee which the Applicant has requested the Bank to issue pursuant to the written application of the Applicant or a counter guarantee or supporting letter of credit which the Bank is authorized to issue hereunder, where "Applicant" means each party signing the Application, where "Application" means the Application for Irrevocable Standby Letter of Credit/Letter of Guarantee on the reverse side hereof), or requesting another institution to issue its irrevocable standby letter of credit or irrevocable letter of guarantee against the Bank's counter guarantee or supporting letter of credit, pursuant to an Application, the Applicant and if more than one, each of them jointly and severally, hereby agree(s) with the Bank as follows:

1. The Applicant shall reimburse the Bank on demand at the branch/agency, (shown on the Application on the reverse), the amount of each Drawing, (where "Drawing" means any demand or other request for payment or any draft, bill of exchange or other instrument presented for payment under the Credit, in compliance with requirements of the Credit and includes any payment of the proceeds of the Credit into court or otherwise to the credit of the outcome of any action or proceeding), paid or to be paid, by the Bank under the Credit, and where requested by the Bank to prepay all amounts which the Bank may become liable for under the Credit. Each reimbursement or prepayment by the Applicant under this paragraph shall be made, either in the Local Currency equivalent of each Drawing, (where "Local Currency" means the currency of the country in which the branch/agency of the Bank, set out on the written application of the Applicant, is located), paid or to be paid by the Bank, or in the currency in which the Bank is to make, has made, or may be called upon to make payment under the Credit. If a time draft is presented in respect of a Drawing under a Credit, the Bank may notify the Applicant of the amount and maturity date of such time draft and the Applicant will make such payment without demand sufficiently in advance of its maturity to enable the Bank to arrange for cover in same day funds to reach the place where the time draft is payable no later than the date of maturity of such time draft.
2. The obligation of the Applicant to reimburse the Bank in accordance with paragraph 1 shall be absolute, unconditional and irrevocable and shall not be reduced by any Drawing paid or acted upon being invalid, insufficient, inaccurate, false, fraudulent or forged or being subject to any defense or being affected by any right of set-off, counterclaim or recoupment which the Applicant may now or hereafter have against the Beneficiary, (where "Beneficiary" means the party in favour of whom or which the Applicant has requested the Bank to issue the Credit and in the case of a transferable Credit, each transferee, and where the Bank has issued a counter guarantee or supporting letter of credit, "Beneficiary" means the party in favour of whom or which the counter guarantee or supporting letter of credit has been issued), the Bank or any other person for any reason whatsoever including the fact that a Drawing is held by the Bank or any of its correspondents in its or their own right, or the fact that the Bank or its correspondents paid any Drawing or Drawings aggregating up to the amount of the Credit drawn upon notwithstanding:

- (a) any contrary instructions from the Applicant;
- (b) the occurrence of any event including, without limitation, the commencement of legal proceedings to prohibit payment of such Drawing; or
- (c) the issuance of any order of any government, agency, governing body or court whether or not having jurisdiction in the premises.

Any payment, action, inaction, or omission, made, taken or suffered by the Bank or any of the Bank's correspondents under or in connection with such Credit or any Drawing made thereunder, if in good faith and in conformity with all laws, regulations or customs applicable thereto shall be binding upon the Applicant and shall not place the Bank or any of its correspondents under any resulting liability to the Applicant. Without limiting the generality of the foregoing, the Bank and its correspondents may receive, accept or pay as complying with the terms of such Credit, any Drawing thereunder, otherwise in order which may be signed by, or issued to, the administrator or any executor or liquidator for succession purposes of, or the trustee in bankruptcy of, or the receiver for any property of, or other person or entity acting as the representative or in the place of, such Beneficiary or its successors and assigns. The Applicant further agrees that the Bank shall not be liable for issuing a Letter of Guarantee in lieu of a Standby Letter of Credit, for any choice of another institution to issue a standby letter of credit or letter of guarantee against the Bank's counter guarantee or supporting letter of credit, or for any act or omission of such institution whether in issuing a standby letter of credit or letter of guarantee on instructions of the Bank or otherwise.

3. The Applicant authorizes and directs the Bank to pay any Drawing on demand and in such currency as the Bank may determine to be appropriate, all commissions in respect of each Credit (so long as the Bank shall be contingently obligated under such Credit) and fees and charges for issuing or amending such a Credit computed and payable at such time and at such rates as and in accordance with the Bank's prevailing practice and all other expenses which the Bank may incur in connection with each Credit including, without limitation, charges and expenses of other banks or other parties paid or to be paid by the Bank on behalf of the Applicant. Such payment by the Bank shall be made without reference to or confirmation of the Applicant. Moreover, the Applicant will pay to the Bank interest on all amounts not paid by the Applicant on the date of demand or when otherwise due at the reference rate of interest then in effect in the relevant currency and location, being * 3.00 % per annum, or, *, calculated daily and payable monthly not in advance on the basis of a calendar year for the actual number of days elapsed, with interest on overdue interest at the same rate as on the principal.

*Insert applicable rate or rate and phrase for interest basis.

4. Upon the happening and continuation of any one or more of the following events, (each an "Event of Default"):

 - (a) the non-payment of any of the obligations of the Applicant under this Agreement or any other agreement between the Applicant and the Bank when due;
 - (b) the failure of the Applicant to perform or observe any term or covenant hereof;
 - (c) the failure of the Applicant to pay its debts as they become due or the admission in writing by the Applicant of its inability to pay its debts

generally, the institution by or against the Applicant of proceedings respecting bankruptcy, insolvency, liquidation, winding up, reorganization arrangement, adjustment, protection, relief, composition of it or its debts under any laws relating to bankruptcy, insolvency or reorganization or relief of debtor or the seeking of entry of an order for relief or the appointment of a receiver, trustee or other similar official for the Applicant or for any substantial part of its property or the taking of any corporate action by the Applicant to authorize any of such actions;

- (d) the occurrence of any of the events noted in this paragraph with respect to any person or entity which has guaranteed any obligations of the Applicant to the Bank or if a guarantor's guarantee of the Applicant's obligations to the Bank lapses or becomes unenforceable;

then the amount of the Bank's contingent liability (as determined by the Bank) under the Credit as well as any and all other obligations of the Applicant under this Agreement shall, at the option of the Bank, become due and payable immediately upon demand to the Applicant and the obligation (if any) of the Bank to issue further Credits under the Application(s) shall terminate.

5. All security now or hereafter held by the Bank for the payment or discharge of any and all present or future indebtedness and liability of the Applicant to the Bank and all property of the Applicant now or hereafter in the possession or control of the Bank for any purpose including monies on deposit and property held for safekeeping, shall be held by the Bank as security for the payment of all amounts which may become payable by the Applicant to the Bank under or in connection with this Agreement, and the Applicant hereby grants a security interest to the Bank in respect of all such aforementioned property to the extent necessary to achieve the foregoing. If at any time the Bank requires collateral (or additional collateral), the Applicant will, on demand, assign/hypothecate and deliver to the Bank as security for any and all obligations of the Applicant now or hereafter existing under this Agreement collateral of a type and value satisfactory to the Bank or make such cash payment as the Bank may require.
6. Upon default by the Applicant in payment of any amount due and payable hereunder the Bank may, except to the extent not permitted by law, in accordance with applicable law, sell by public or private sale or realize in such other manner all or any security held by the Bank and any moneys received by the Bank as proceeds of any such sale or realization, after deduction of all costs and expenses incurred by the Bank in connection therewith, shall be applied against any amount payable by the Applicant to the Bank under this Agreement and on any other indebtedness or liability of the Applicant to the Bank.
7. Upon payment by the Bank of any Drawing or the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized to set-off and apply any and all deposits (at any time held) and other indebtedness at any time owing by the Bank to or for the credit of the account of the Applicant against any and all obligations of the Applicant now or hereafter existing under this Agreement irrespective of whether or not the Bank shall have made demand under this Agreement and despite such deposit, indebtedness or obligation being unmatured or contingent. The rights of the Bank under this paragraph 7 are in addition to other rights and remedies which the Bank may have.
8. The Applicant will indemnify the Bank from and against:
 - (a) all loss or damage to the Bank arising out of its issuance of, amendment to, or any other action taken by the Bank in connection with a Credit, other than loss or damage resulting from its negligence or wilful misconduct; and
 - (b) all costs and expenses (including attorney's fees and expenses) of all claims or legal proceedings arising out of the Bank's issuance or amendment to a Credit or incidental to the collection of amounts owed by the Applicant hereunder or the enforcement of the Bank's rights hereunder, including, without limitation, legal proceedings related to any court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under a Drawing.
9. If, for the purpose of obtaining judgment in a court or tribunal in any jurisdiction, it is necessary to convert amounts due hereunder in any currency into a second currency such conversion shall be made at the rate of exchange quoted by the branch/agency of the Bank set out on the Application at 10:00 a.m. on the business day immediately prior to the date of judgment. Further, as a separate obligation, the Applicant will pay to the Bank any additional amount over and above that determined using the rate of exchange cited above if the rate of exchange used at the date of payment to the Bank is less favourable to the Bank than it was at the date of judgment in instances which the Bank is required to convert the amount of any judgment into the amount of any obligation it may owe at any time.
10. In the event the Applicant applies from time to time hereafter for any extension of the expiry date or for any renewal or increase in the amount of the Credit or any other modification of its terms, this Agreement shall continue in force and apply to the Credit so extended, renewed, increased or otherwise modified and to any action taken by the Bank or its agents or correspondents in accordance with such extension, renewal, increase or other modification.
11. This Agreement shall be binding upon the Applicant and upon its heirs, executors, administrators, successors and assigns and each of them and shall endure to the benefit of the Bank, and its successors and assigns. Any provision of this Agreement which is void or unenforceable shall be ineffective to the extent void or unenforceable and shall be severable from the other provisions hereof and this Agreement shall be interpreted as if such provision were not included herein. None of the terms of this Agreement shall be amended except in writing signed by the Bank and any waiver by the Bank shall not constitute any further waiver.
12. Except as otherwise expressly provided, the Credit, if a Standby Letter of Credit, shall be subject to the Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce, (the "UCP"), or the International Standby Practices as most recently published by the same organization, (the "ISP"). The Credit, if a Letter of Guarantee, shall be governed by and construed in accordance with the laws, customs and regulations which may be in force in any place of payment thereof, or, with the laws of any jurisdiction to be jointly agreed to by the Applicant in writing and the Bank. This Agreement shall be governed by and construed in accordance with the laws of the jurisdiction in which the branch/agency of the Bank, as noted on the Application, is situated, except, if a Standby Letter of Credit, to the extent that such laws are inconsistent with the UCP, or ISP and except if a Letter of Guarantee, to the extent that such laws are inconsistent with the laws under which a Drawing may be made under the Letter of Guarantee.
13. The parties have requested that this Agreement and all related documents be drafted in English. Les parties ont exigé que cette convention et tous les documents y afférents soient rédigés en anglais.

Customer Signature(s)

Date

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AUTHORITY TO HOLD FUNDS ON DEPOSIT

TO: THE BANK OF NOVA SCOTIA

The Undersigned for valuable consideration hereby agrees with The Bank of Nova Scotia (the "Bank") as follows:

1. The Bank is hereby directed and authorized to hold any balance to the extent of

SIXTEEN MILLION FIVE HUNDRED THOUSAND

(\$ 16,500,000 -) Dollars which may at any time stand to the credit of the Undersigned in any account with the Bank including any interest thereon due or accruing due to the Undersigned (the "Amounts") and to charge against the Amounts the payment of all debts and liabilities in any currency, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Undersigned to the Bank or remaining unpaid by the Undersigned to the Bank, whether arising from dealings between the Bank and the Undersigned or from any other dealings or proceedings by which the Bank may be or become in any manner whatever a creditor of the Undersigned and wherever incurred, and whether incurred by the Undersigned alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses (the "Obligations").

2. If the Undersigned shall fail to pay any of the Obligations when due, or if a writ of execution or a garnishment or any similar or analogous writ, process or proceeding is issued against or in respect of the Undersigned, or if the Undersigned dies, becomes insolvent, commits or threatens to commit any act of bankruptcy or makes any assignment for the benefit of creditors, or if a receiver or other person with like powers is appointed in respect of the Undersigned or if an encumbrancer takes possession of any of the properties or assets of the Undersigned, the Obligations shall, at the option of the Bank, become immediately due and payable and the Bank shall be entitled and is hereby irrevocably authorized and empowered as and when it thinks fit and without notice to the Undersigned to immediately apply all or any of the Amounts to such part of the Obligations as the Bank may see fit.

3. If the Bank permits the Undersigned to make withdrawals of any of the Amounts such permission shall be without prejudice to the rights hereby conferred upon the Bank to hold and apply the Amounts as aforesaid and is not to be construed as a waiver by the Bank of such rights.

4. The Bank may grant extensions of time or any other indulgence, take, abstain from taking or perfecting, give up, or realize on any securities, accept compositions, grant releases and discharges and otherwise deal with securities and other parties as the Bank may see fit without prejudice to the Obligations of the Undersigned to the Bank or the rights hereby conferred upon the Bank to hold and apply the Amounts.

5. The rights hereby conferred on the Bank are in addition to and not in substitution for or derogation from any other rights which the Bank may have under law or under any securities now or hereafter held by the Bank.

6. This agreement shall extend to and enure to the benefit of the Bank and its successors and assigns, and shall be binding upon the Undersigned and the heirs, executors, liquidators for succession purposes, administrators, legal representatives and assigns of the Undersigned and each of them.

7. The parties have requested that this Agreement and related documents be drafted in English. Les parties ont exigé que cette entente et les documents y afférents soient rédigés en anglais.

DATED at

this 17th day of August 2009

SIGNED, SEALED AND DELIVERED
in the presence of

WITNESS

SIGNATURE

(SEAL)

DATE RECEIVED
RECORDED
APPROVED
E.O. AUDITOR