



July 9, 2013

Mr. Brian Aglukark
Nunavut Planning Commission
P.O. Box 2101
Cambridge Bay, NU, X0B 0C0

Re: DFO File NU-07 NIRB File 08MN053 Baffinland Iron Mines Early Revenue Phase

Dear Mr. Aglukark:

On June 12 2013, Baffinland Iron Mines Corporation (Baffinland) provided correspondence to the Nunavut Planning Commission (NPC) that provided the following:

1. A description of the Project Proposal for the Early Revenue Phase (ERP) to satisfy NPC requests as outlined in their letter of April 13, 2013;
2. Authorizations related to the Approved Mary River Project (Nunavut Impact Review Board Project Certificate No. 005);
3. Positive conformity determinations of the Mary River Project to the North Baffin Regional Land Use Plan (NBRLUP); and,
4. Request for NPC conformity determination of the proposed Early Revenue Phase.

Subsequently, on June 20th 2013, Baffinland provided a hard and electronic copy of the Addendum to the Final Environmental Impact Statement (FEIS) to the NPC. This document assesses the social, economic and environmental aspects of additional activities not already assessed and approved under NIRB Project Certificate No. 005. As such, the Addendum to the FEIS includes a detailed description of the proposed construction and operational activity associated with the Early Revenue Phase and provides concordance to Appendix J and Appendix K of the NBRLUP.

On July 5th 2013, the NPC provided Baffinland with the questionnaire "Nunavut Planning Commission Application to Determine Conformity with the North Baffin Regional Land Use Plan" to further assist the NPC with conformity of the ERP to the NBRLUP. Baffinland's completed questionnaire is included as Attachment 1 under this cover. Additionally, by way of this covering letter, Baffinland would like to provide the additional information below as context to the attached questionnaire.

The scope of the ERP is consistent with two previous conformity determinations for the Mary River Project, which Baffinland suggest are relevant in NPC's consideration:

- NIRB File No. 07EN012 – On January 22, 2007, NPC provided Baffinland with a positive conformity determination on for its 2007/08 bulk sampling program. This successfully completed program involved the following:
 - expansion of exploration phase camp facilities at the Mine Site
 - the establishment of camp facilities at Milne Port
 - upgrade of the Milne Inlet Tote Road to all-season capability
 - haulage of ore by truck to Milne Port
 - ore stockpiling and ship loading facilities, and ocean shipment of ore to markets through Milne Inlet and Eclipse Sound
- NIRB File No. 08MN053 – On April 30, 2008, NPC confirmed a positive conformity decision on the Baffinland's Development Proposal for the Mary River Project.

Baffinland believes that the ERP is in conformity with the NBRLUP and that such works and activities can be treated as not changing the project proposal(s) that have already been reviewed for conformity under Section 11.5.10, for the following reasons:

- The ERP works and activities are a modification of the works and activities outlined in Baffinland's previous project activities that received positive conformity determinations from the NPC; and,
- The ERP uses the existing Milne Inlet Tote Road, which is recognized as a public access easement under Article 21, Part 4 (Section 21.4.1) of the Nunavut Land Claim Agreement and includes shipping of ore from Milne Port during the open water season only, and along the currently established shipping route through Milne Inlet and Eclipse Sound.

With respect to Question # 21 specifically, Baffinland provides the following information. The shipping corridor for the Early Revenue Phase is the same route that will be utilized for the approved Mary River Project. The shipping route is shown on Figure 1-1.1 in the Final Environmental Impact Statement (FEIS), and Figure 1-1.1 in the Addendum to the FEIS (provided in this correspondence as Attachment 2). As such, the ERP is not considering the development of a new transportation corridor. As noted in the NBRLUP, the Government of Canada's policy is to encourage commercial shipping in the waters of the Arctic subject to environmental and safety standards enforced by Transport Canada. Further, the NIRB process will ensure a comprehensive review by all interested parties regarding shipping activities introduced by the ERP within this approved shipping corridor.

Finally, with respect to existing water crossings along the Tote Road, Fisheries and Oceans Canada File No. HCAA-CA7-00084 provides the authorization for existing water crossings pursuant to subsection 35(2) of the Fisheries Act. The authorization includes conditions for

upgrades to existing crossings as planned by Baffinland under the approved Project in 2013 and 2014.

Please do not hesitate to contact the undersigned with any questions you might have regarding this correspondence.

Sincerely,

A handwritten signature in dark ink, appearing to read 'O. Curran', with a stylized flourish at the end.

Oliver Curran,
Director Sustainable Development

Cc: Christopher Tickner (NPC)
Erik Madsen (Baffinland)
Ryan Barry (NIRB)

Attachment 1

Nunavut Planning Commission Application to

Determine Conformity with the

North Baffin Regional Land Use Plan

NUNAVUT PLANNING COMMISSION
APPLICATION TO DETERMINE CONFORMITY
WITH THE NORTH BAFFIN REGIONAL LAND USE PLAN

All applicants for a project proposal shall comply with the requirements listed below.
The relevant sections of the plan are noted in each requirement.

- 2. Environmental Protection: s3.13.8:** The applicant undertakes to prevent any new occurrences of pollution, garbage and contamination at the site of the development.

☒ Yes

No

- 3. Removal of Fuel Drums: s3.13.8:** The applicant undertakes to remove all drums safely from the site and dispose of the drums in a safe manner.

☒ Yes

No

- 4. New Site Restoration and Clean Up: Appendix H, s1:** The applicant undertakes to clean up the site and restore the site to its natural condition to the greatest extent possible.

☒ Yes

No

- 5. Old Site Restoration and Clean Up: s3.13.2 and Appendix H, S1:** The applicant undertakes to clean up the site and restore the site to its original condition to the greatest extent possible, including any work required due to the applicant's action prior to this application.

☒ Yes

No

- 6. Low-Level Air Flights: Appendix H, s3:** Will the applicant avoid all low-level flights?

☒ Yes

No

- i. If not, explain why such flights are or may be absolutely necessary.

Low level flights will be avoided to the extent possible and subject to safety considerations during poor weather and or visibility.

- ii. If such flights are or may be absolutely necessary, will they avoid disturbance to people and wildlife?

☒ Yes

No

Mitigation measures for aircraft flights have been assessed and approved under Project Certificate No. 005. All mitigations are subject to safety considerations.

- iii. If not, explain why it is not possible to avoid such disturbance.

7. **Caribou Protection Measures.** s3.3.7 and Appendix I: Will the applicant comply with the Caribou Protection Measures outlined in section 3.3.7 and in Appendix I?

☒ Yes

No

9. **Polar Bear Denning Areas and Walrus Haul-outs:** s3.3.8: Will the applicant keep its activities away from any polar bear denning area or walrus haul-out?

☒ Yes

No

HERITAGE RESOURCES

10. **Reporting of Archaeological Sites:** s3.11.3 and Appendix H, s2 and s8: Will the applicant immediately report the discovery of all suspected archaeological sites to the Department of Culture and Heritage (GN)?

☒ Yes

No

MINING

11. **Mining Development:** s3.6.5: Is the proposal for mining development?

☒ Yes

No

If yes, include with the application a mine closure and restoration plan and the proof of complete financial guarantees for the abandonment and restoration of the site.

The Preliminary Mine Closure and Reclamation Plan which was Appendix 10G of the Final Environmental Impact Statement, has been approved by the Nunavut Water Board under Part B, Section 14 of the Water Licence issued June 12, 2013 (the Water Licence is still pending approval by the Minister). Subsequently, the Interim Abandonment and Reclamation Plan is provided in the Addendum to FEIS as Appendix 10G. The Plan

includes a closure and reclamation plan for all aspects of the Mary River Project including the mine site, and Milne Inlet.

The Water Licence also includes, as Part C, conditions applying to security under which the initial total security amount of approximately \$36 million to cover closure and reclamation of the current works and undertakings. The Water Licence provides for an Annual Security Review as set out in Schedule C of the Water Licence and will require Baffinland to provide an updated Abandonment and Reclamation Plan on an annual basis along with a calculation of security for the highest level of reclamation liability for land and water for the upcoming year. Additional security will be posted annually as necessary. Currently, as shown in Attachment 3, a Letter of Credit (LOC) has been issued in favour of the Qikiqtani Inuit Association in the amount of \$26,200,000.00 and an second LOC has been issued in favour of Aboriginal Affairs and Northern Development Canada in the amount of \$6,738,216.00. As per Part C, Item A of the Type A Water licence issued by the Nunavut Water Board to the Minister, Baffinland will be required to post additional credit of \$4,311,784 once the Type A Water Licence is issued. The total of all LOC's would cover all security costs associated with planned activities in 2013.

The ERP, if approved by the Nunavut Impact Review Board, will be a modification of the Mary River Project and the above requirements for the Abandonment and Reclamation Plan and for security will continue to apply to the Project as amended.

12. Negative Effects: s3.6.6: Has the applicant planned to minimize the negative effects of its activity on the environment?

☒ Yes

☐ No

Include with the application the mitigative measures developed.

The Project Certificate issued for the Mary River Project by the Nunavut Impact Review Board on December 28, 2012 includes extensive requirements for minimizing the negative effects of the Project on the environment. The Project certificate contains 182 terms and conditions and requires the implementation of management plans for all aspects of the environment including water, vegetation, the aquatic environment, terrestrial wildlife and habitat, birds, the marine environment and marine wildlife and marine habitat.

13. Hunting Restrictions: s3.6.9: The applicant is informed of any special hunting restrictions that may apply to the area and will strictly enforce them at its mine sites and along transportation routes.

☒ Yes

☐ No

Term and Conditions No. 62 of the Nunavut Impact Review Board Project Certificate for the Mary River Project specifies that the proponent shall prohibit project employees from transportation of firearms to site and from operating firearms in project areas for

the purpose of wildlife harvesting. These requirements are incorporated into the Environmental Management Plans for the Project and will continue to apply to the modifications proposed for the ERP. The IIBA will include provisions for beneficiaries pursuant to the NLCA.

- 14. Carving Stone Deposits:** *Appendix H, s9.* Will the applicant report any discoveries of carving stone deposits to the Qikiqtani Inuit Association?

☒ Yes

☐ No

A soap stone deposit at Mary River is a resource harvested by residents of North Baffin for carving purposes. Like all soapstone deposits, it is protected under the Nunavut Land Claims Agreement (NLCA), giving Inuit inherent harvesting rights. Figure 3-2.3 in Volume 3 of the FEIS indicates the location of the deposit.

MARINE AND TERRESTRIAL TRANSPORTATION

- 21. Corridor:** *s3.5.11, s3.3.5.12:* Does the proposal consider the development of a transportation and/or communications corridor?

☐ Yes

☒ No

If yes, include with the application an assessment of alternate routes, the cumulative effects of the preferred route and options for other identifiable transportation and utility facilities.

Terrestrial Transportation

Terrestrial Transportation will take place along the existing Tote Road between the Mary River Mine Site and Milne Inlet. The Tote Road has been in existence as a transportation corridor for many years (back to the 1960s) and is recognised as a public access easement under Article 21, Part 4 (Section 21.4.1) of the Nunavut Land Claim Agreement. Accordingly, the Early Revenue Phase (ERP) does not include the development of a new transportation corridor. The Tote Road has previously been included as part of the bulk sampling program which received a positive conformity determination from the NPC on January 22, 2007, and continues to form part of the Mary River Project, which received a positive conformity determination from the NPC, on April 30, 2008.

As indicated in the Project Proposal for Early Revenue Phase, which is Attachment 1 to our letter of June 12, 2013, the ERP will result in increases in the volume of traffic along the tote road. Under the Mary River Project, the tote road traffic included vehicles for equipment and supplies between Milne Inlet and the Mary River mine site. Under the ERP, additional traffic will include ore trucks transporting ore from the mine site to Milne Inlet. The addendum to the FEIS for the ERP includes an assessment of the potential effects of the increase in traffic along the existing tote road transportation corridor, for review by the Nunavut Impact Review Board.

Code of Good Conduct for Land Users: *Appendix H: The applicant*

No

10-728-3500 FAX: 10-728-3501

Signature of Applicant:

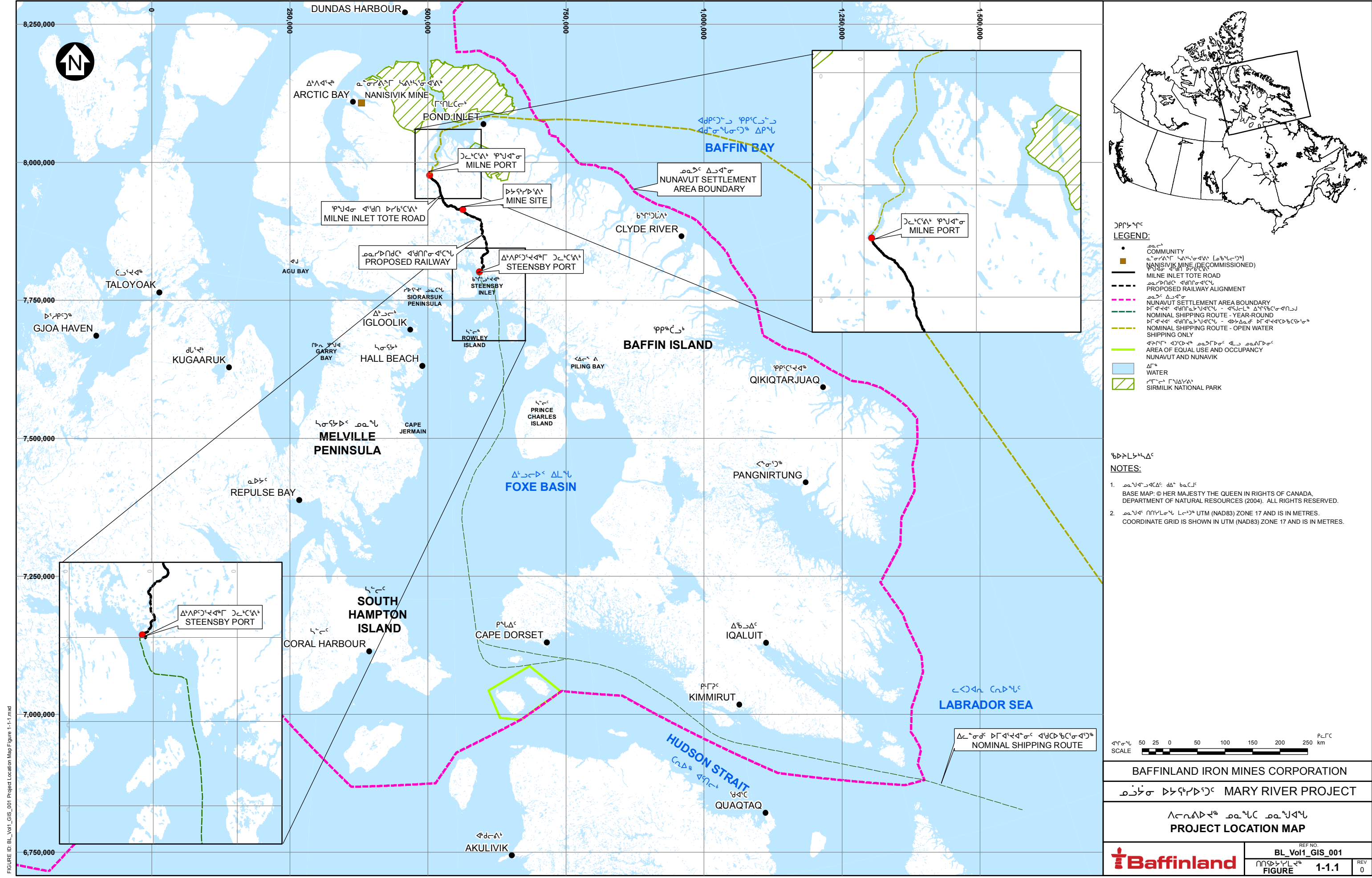


North Baffin Regional Land Use Plan
Appendix H
Code of Good Conduct for Land Users

1. The landscape of each camp and other land use sites will be restored to its original condition to the greatest degree possible. Water quality will be preserved and no substances that will impair water quality will be dumped in water bodies. When possible and feasible, old sites will be restored to the natural state.
2. All land users shall assist communities and government(s) in identifying and protecting archaeological sites and carving-stone sites, as required by law.
3. Generally, low-level flights by aircraft at less than 300 metres should not occur where they will disturb wildlife or people. If such flights are necessary, they should only take place after consultation with the appropriate communities. All land users are responsible for reporting to the land managers any illegal or questionable low-level flight.
4. All activities on the land will be conducted in such a fashion that the renewable resources of the area in question are conserved.
5. Whenever practicable, and consistent with sound procurement management, land users will follow the practice of local purchase of supplies and services.
6. Land users will establish working relationships with local communities and respect the traditional users of the land.
7. During the caribou calving, post-calving and migrating seasons, land use activities should be restricted to avoid disturbing caribou, in general, and activities will be governed more specifically by caribou protection measures such as those contained in Appendix I.
8. Artifacts must be left where they are found. All land users are responsible for reporting the location of, or any removal or disturbance of artifacts, to Department of Culture and Heritage.
9. The mining industry is encouraged to assist in identifying local carving-stone deposits and report any discoveries to the QIA. Industry is also encouraged to identify and report old waste sites that need to be cleaned up.
10. All land users shall obey the laws of general application applying to land use.

Attachment 2

Shipping Route Figure 1-1.1



Attachment 3
Letters of Credit

APPLICATION FOR IRREVOCABLE STANDBY LETTER OF CREDIT/LETTER OF GUARANTEE

BRANCH:		DATE:	
CONTACT NAME:	TELEPHONE NO.:	FAX NO.:	BANK REFERENCE NUMBER S18572/269319

<p>1. Please <input type="checkbox"/> issue <input checked="" type="checkbox"/> amend</p> <p><input type="checkbox"/> By airmail/Courier</p> <p>Original to: <input type="checkbox"/> Branch <input type="checkbox"/> Applicant <input type="checkbox"/> Beneficiary (Place "X" in one box only)</p> <p><input type="checkbox"/> By Teletransmission</p> <p>For my/our account the following:</p> <p><input checked="" type="checkbox"/> Irrevocable Standby Letter of Credit</p> <p>Subject to: <input checked="" type="checkbox"/> UCP <input type="checkbox"/> ISP (Place "X" in one box only)</p> <p><input type="checkbox"/> Irrevocable Letter of Guarantee</p>	<p>2. Applicant (For Account Of)</p> <p>Baffinland Iron Mines Corporation 120 Adelaide ST. W., Suite 1016 Toronto, ON Canada M5H 1T1</p>
<p>3. Beneficiary (In Favour Of)</p> <p>Qikiqtani Inuit Association P.O. Box 219 Iqaluit, Nunavut Canada X0A 0H0 Attention: Lands Department</p>	<p>4. Amount in words (specify currency)</p> <p>Twenty six million two hundred thousand dollars Canadian CAD26,200,000.00</p> <p>Amount in figures</p>

5. Expiry date of guarantee/LC <u>Oct 31, 2012 with auto renewal of 60 days notice</u>	Expiry date of counter guarantee _____ (IF APPLICABLE)
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6. Details including purpose, documentation required and special conditions, if any.

We hereby send the Application and Agreement For Irrevocable Standby Letter of Credit / Letter of Guarantee ("L/C Agreements") for our existing L/C reference No. S18572/269319 to document the following changes made to our L/C facility resulting from the Applicant's decision to change the underlying cash security supporting the L/C facility:

- i) Commission rate to 0.85% per annum payable quarterly in arrears; and
- ii) Interest charges to be paid at the Bank's prime rate on amounts not paid by the applicant on the date of demand as per the L/C Agreements.

All terms and conditions in the above mentioned existing L/C remain unchanged.

☒ Suggested Proforma attached duly signed bearing reference to this application.

<p align="center">FOR BANK USE ONLY</p> <p>Debit drawings to DDA Account # _____</p> <p>Commission Rate 0.85% per annum</p> <p>Customer Data Maintenance Form</p> <p>Customer SLC/LG ID # _____</p> <p>OLL INFORMATION</p> <p>OLL Account # _____</p> <p>BLT Transit # _____</p> <p>Booked as</p> <p>OTHER LIABILITY LOAN NUMBERS</p> <p>Customer Liability under SLC _____ Curr _____</p> <p>Customer Liability under LG _____ Curr _____</p>		<p>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 in the Agreement for Irrevocable Standby letter of Credit/Letter of Guarantee previously signed by the Undersigned and delivered to the Bank.</p> <p>Company Name (where applicable) <u>Baffinland Iron Mines Corporation</u></p> <p>Company Contact to clarify instructions <u>Stephanie Anderson</u></p> <p>Telephone Number: <u>416-814-3171</u></p> <p>Customer signature <u>[Signature]</u></p> <p>Customer signature</p> <p>(IN CASE OF INCORPORATED COMPANIES AND OTHER ORGANIZATIONS THIS FORM MUST BE SIGNED BY PROPERLY AUTHORIZED OFFICIALS)</p>
<p>AUTHORIZED SIGNATURE</p> <p>NUMBER</p>	<p>AUTHORIZED SIGNATURE</p> <p>NUMBER</p>	

Agreement for Irrevocable Standby Letter of Credit/Letter of Guarantee

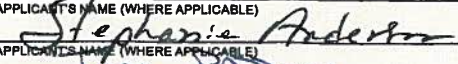

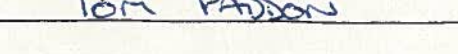

IN CONSIDERATION of The Bank of Nova Scotia (the "Bank") issuing or amending, from time to time, its Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee (individually a "Credit" and collectively "Credits", meaning any Irrevocable Standby Letter of Credit or Irrevocable Letter of Guarantee 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 below and the Application, where "Application" means an Application for Irrevocable Standby Letter of Credit/Letter of Guarantee), 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 applicable Application, 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 * prime % per annum, or, * prime 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 ensure 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.

APPLICANT'S NAME (WHERE APPLICABLE) 	CUSTOMER SIGNATURE(S) 
APPLICANT'S NAME (WHERE APPLICABLE) 	CUSTOMER SIGNATURE(S) 
DATE <div style="text-align: center; font-size: 1.2em;">Nov 25, 2011</div>	

APPLICATION FOR IRREVOCABLE STANDBY LETTER OF CREDIT/LETTER OF GUARANTEE

BRANCH:		DATE:	
CONTACT NAME:	TELEPHONE NO.:	FAX NO.:	BANK REFERENCE NUMBER S18572/318034

<p>1. Please <input type="checkbox"/> issue <input checked="" type="checkbox"/> amend</p> <p><input type="checkbox"/> By airmail/Courier</p> <p>Original to: <input type="checkbox"/> Branch <input type="checkbox"/> Applicant <input type="checkbox"/> Beneficiary (Place "X" in one box only)</p> <p><input type="checkbox"/> By Teletransmission</p> <p>For my/our account the following:</p> <p><input checked="" type="checkbox"/> Irrevocable Standby Letter of Credit</p> <p>Subject to: <input checked="" type="checkbox"/> UCP <input type="checkbox"/> ISP (Place "X" in one box only)</p> <p><input type="checkbox"/> Irrevocable Letter of Guarantee</p>	<p>2. Applicant (For Account Of)</p> <p>Baffinland Iron Mines Corporation 120 Adelaide ST. W., Suite1016 Toronto, ON Canada M5H 1T1</p>
	2a. Applicant Reference No.
<p>3. Beneficiary (In Favour Of)</p> <p>Her Majesty The Queen in Right of Canada as Presented by The Minister of Indian Affairs and Northern Development</p>	<p>4. Amount in words (specify currency)</p> <p>Six million seven hundred thirty eight thousand two hundred sixteen dollars Canadian CAD6,738,216.00</p> <p>Amount in figures</p>

5. Expiry date of guarantee/LC May 4, 2012 with auto renewal of 90 days notice Expiry date of counter guarantee _____
(IF APPLICABLE)

6. Details including purpose, documentation required and special conditions, if any.

We hereby send the Application and Agreement For Irrevocable Standby Letter of Credit / Letter of Guarantee ("L/C Agreements") for our existing L/C reference No. S18572/318034 to document the following changes made to our L/C facility resulting from the Applicant's decision to change the underlying cash security supporting the L/C facility:

i) Commission rate to 0.85% per annum payable quarterly in arrears; and

ii) Interest charges to be paid at the Bank's prime rate on amounts not paid by the Applicant on the date of demand as per the L/C Agreements.

All terms and conditions in the above mentioned existing L/C remain unchanged.

☒ Suggested Proforma attached duly signed bearing reference to this application.

<p align="center">FOR BANK USE ONLY</p> <p>Debit drawings to DDA Account # _____</p> <p>Commission Rate <u>0.85% per annum</u></p> <p>Customer Data Maintenance Form</p> <p>Customer SLC/LG ID # _____</p> <p>OLL INFORMATION</p> <p>OLL Account # _____</p> <p>BLT Transit # _____</p> <p>Booked as _____</p> <p>OTHER LIABILITY LOAN NUMBERS</p> <p>Customer Liability under SLC _____ Curr _____</p> <p>Customer Liability under LG _____ Curr _____</p>		<p>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 in the Agreement for Irrevocable Standby Letter of Credit/Letter of Guarantee previously signed by the Undersigned and delivered to the Bank.</p> <p>Company Name (where applicable)</p> <p><u>Baffinland Iron Mines Corporation</u></p> <p>Company Contact to clarify instructions</p> <p><u>Stephanie Anderson</u></p> <p>Telephone Number: <u>416-814-3171</u></p> <p><u>[Signature]</u></p> <p>Customer signature</p> <p><u>[Signature]</u></p> <p>Customer signature</p> <p>(IN CASE OF INCORPORATED COMPANIES AND OTHER ORGANIZATIONS THIS FORM MUST BE SIGNED BY PROPERLY AUTHORIZED OFFICIALS)</p>
<p>AUTHORIZED SIGNATURE</p> <p>NUMBER</p>	<p>AUTHORIZED SIGNATURE</p> <p>NUMBER</p>	

COPY 1 - FORWARD TO INTERNATIONAL TRADE SERVICE UNIT

COPY 2 - BRANCH COPY

COPY 3 - CUSTOMER COPY

Agreement for Irrevocable Standby Letter of Credit/Letter of Guarantee

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 any 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 below and the Application, where "Application" means an Application for Irrevocable Standby Letter of Credit/Letter of Guarantee), 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 applicable Application, 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, 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 prime % per annum, or, prime, 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 enure 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.

APPLICANT'S NAME (WHERE APPLICABLE) <i>Stephanie Anderson</i>	CUSTOMER'S SIGNATURE <i>[Signature]</i>
APPLICANT'S NAME (WHERE APPLICABLE) <i>TOM ANDERSON</i>	CUSTOMER'S SIGNATURE(S) <i>[Signature]</i>
	DATE <i>Nov 25, 2011</i>