



BAFFINLAND IRON MINES CORPORATION
ANNUAL INFORMATION FORM
for the Fiscal Year Ended December 31, 2008

March 23, 2009

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CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Annual Information Form contains certain information that may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to management's future outlook and anticipated events or results, and includes statements or information regarding the future plans, intentions, beliefs and prospects of the Company, and can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "envision", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. In particular and without limitation, statements about the Company's plans and intentions in order to advance the development of the Mary River Property, including the completion of the basic engineering and the definitive capital cost estimate for construction at the Mary River Property; completion of the regulatory process and estimates about project construction timelines and the commencement of commercial ore shipments; as well as statements about the Company's planned 2009 drilling program; the Company's 2009 budget; the training program with the QIA; the revision of the resource estimate for Deposit No. 1; the completion of a basic ship design; obtaining terms of reference from NIRB; completion of metallurgical testing; the Company's goal to add one or more strategic investors and substantially all of the information contained in and/or derived from the DFS (as defined herein) and the Development Proposal, constitutes forward-looking information. Actual results may vary. See "Risk Factors".

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, iron ore prices, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials, including financing to conduct the 2009 drilling program and the other activities necessary to continue to develop the Mary River Property in the short and long-term, the progress of construction and development activities, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters. In addition to assumptions regarding the general conduct of mining operations at the Mary River Project, the information contained in the DFS and the information contained in the Development Proposal, is also based on a number of assumptions regarding, among other things, mineral reserve and resource estimates, future annual production and shipment quantities, the grade and moisture content of iron ore produced from the Mary River Project, iron ore sale prices, currency exchange rates, the relative composition of lump ore and fines, estimated initial and sustaining capital costs and estimated operating costs. Many of these assumptions are described in this Annual Information Form and readers are cautioned that while the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Without limitation, in estimating an initial capital cost for the Mary River Property of \$4.1 billion, the Company has assumed, among other things, that current high construction input costs for labour, equipment and materials prevail over the construction period, that the current strength in the Canadian dollar prevails over the construction period, that Federal goods and services taxes are recoverable, that the Government of Nunavut fuel importation tax is recoverable, that the royalties imposed by Federal Government and the QIA for the use of gravel do not change, that construction input costs do not escalate from the present time through to the end of construction, that financing costs are excluded from the capital cost estimate, that any payments required under the terms of the future IIBA do not exceed the allowance for such currently included in the capital costs, that the allowances made in the construction estimate to account for the effects of global warming prove to be adequate, that design criteria concerning the geotechnical conditions present at Mary River, Steensby Inlet and along the rail corridor prove to be adequate, that the construction cost for the dedicated cape-size ore carriers will be undertaken by ship owners operating through the Fednav shipping pool rather than by Baffinland, as a result of the regulatory process, costs in excess of those already included in the capital costs for regulatory compliance are not imposed. See "Risk Factors" and "General Development of the Business and Industry – Three-Year History".

In estimating that operating costs for all facilities at Mary River and Steensby Inlet will be \$14.62 per tonne, excluding taxes and financing costs, the Company has assumed, among other things, that Baffinland will operate all facilities constructed on land for the Project, that current high operating costs for labour, equipment and materials return to more moderate historical levels over the operational period, that the Canadian dollar returns to more moderate historical levels over the operational period, that Federal goods and services taxes are recoverable, that the Government of Nunavut fuel importation tax is recoverable, that the royalties imposed by the Federal Government and the QIA for the use of gravel do not change, that operational input costs do not escalate from this present time through to the end of the production period, that financing costs are excluded from the operating cost estimate, that any payments required under the terms of the future IIBA do not exceed the allowance for such currently included in the operating costs, that the allowances made in the operating cost estimate to account for the effects of global warming prove to be adequate, that certain freight costs paid by Baffinland as the long-term charterer of the dedicated ore carrier fleet will be fully

reimbursed by Baffinland's customers through long-term offtake agreements that reflect DES sales terms, that Baffinland's customers will view the ocean freight costs imposed by Baffinland are competitive throughout the operating period such that no freight equalization payments are required, that there is no delay in the delivery of the dedicated ore carrier fleet such that the start of commercial production is delayed, that the early delivery of the dedicated ore carrier fleet will not impose additional costs on the Project, that as a result of the regulatory process, costs in excess of those already included in the capital costs for regulatory compliance are not imposed. See "Risk Factors" and "General Development of the Business and Industry – Three-Year History".

In making statements concerning the planned engineering and construction schedule of the Mary River Property, including the timing of completion of basic engineering and project construction and the commencement of commercial production, the Company has assumed, among other things, that iron ore prices will not change materially from the prices used in its current financial forecasts, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration and development of the Mary River Property, and the construction and mining activities required in order to complete such activities, and that such activities will proceed in the ordinary course without undue disruption. See "Risk Factors". In making statements concerning the Company's plans and intentions in order to advance the development of the Mary River Property, including completion of the regulatory process; the Company's planned 2009 drilling program; the training program with the QIA; the revision of the resource estimate for Deposit No. 1; the completion of a basic ship design; obtaining terms of reference from NIRB; and completion of metallurgical testing, the Company has assumed that it will have funding sufficient to complete such activities and that the Company will not encounter any unforeseen events causing it to operate over budget. In stating that the Company will continue to seek a strategic partner(s), the Company has assumed that there will be some improvements in the global economy and the financial position of potential strategic partners. There can be no assurance that such a strategic partnership can be completed.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what management currently expects. These factors include risks inherent in the exploration and development of mineral deposits, risks relating to changes in iron ore prices and the worldwide demand for and supply of iron ore, uncertainties inherent in the estimation of mineral reserves and resources, risks relating to the remoteness of the Mary River Property including access and supply risks, reliance on key personnel, construction and operational risks inherent in the conduct of mining activities, including the risk of increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the construction process, the risk of fluctuations in the Canadian/U.S. dollar exchange rate, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Mary River Property may not be available on satisfactory terms, or at all, environmental risks, including risks relating to climate change and the potential impact of global warming on project timelines and on construction and operating costs, and insurance risks.

In particular, the key sensitivities of the conclusions reached in the DFS relate to Baffinland's ability to obtain regulatory approvals that do not materially change the project timeline, that construction contractors, equipment, materials and labour are available at the appropriate time, in adequate quantity and with adequate quality, and at similar cost to the assumptions reflected in the DFS, that weather, ocean, and ice conditions allow for the mobilization and execution of the construction plan in general agreement with the assumptions in the DFS, that future decisions on the part of regulators are consistent with assumptions included in the DFS, that the Inuit Impact and Benefits Agreement negotiated with the QIA is consistent with the assumptions included in the DFS, that the ocean shipping market and ship-building market continue to function in accordance with assumptions included in the DFS, and that the terms and conditions associated with the abandonment and restoration of the project site remain in accordance with the assumptions in the DFS. See "Risk Factors".

Although the Company has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the DFS, and are cautioned not to place undue reliance on such information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

DATE OF INFORMATION IN ANNUAL INFORMATION FORM

Except as otherwise noted, the information in this Annual Information Form is given as of December 31, 2008.

CURRENCY

Except as otherwise noted, all currency references in this Annual Information Form are in Canadian dollars.

GLOSSARY OF TERMS

The following is a glossary of certain mining terms used in this Annual Information Form:

<i>alumina (Al₂O₃)</i>	Alumina.
<i>banded iron formation</i>	Sequence of rocks that consists of alternating bands of iron-rich minerals and chert or fine grained quartz.
<i>blast furnace</i>	A furnace for the smelting of iron from iron oxides; combustion is intensified by a blast of air and/or other inert gases.
<i>breccia</i>	Rock consisting of fragments, more or less angular, in a matrix of finer-grained material or of cementing material.
<i>CoG</i>	Cut off grade.
<i>concentrate</i>	Very fine-grained (less than 0.15 millimetre or 150 microns) particles of iron ore (ultrafines) generated by mining, grinding, handling and transporting of iron ore, with no practical direct application in the steel industry, unless the material is aggregated into pellets through an agglomeration process. In many iron ore deposits, it is necessary to grind the mineralization very finely to liberate the iron minerals.
<i>deleterious element</i>	Elements considered undesirable in iron ores used in the blast furnace phase of the steel production process. Outside of a specified range of content within the iron ore product, the shipment will be penalised by negotiated rates. Dependent upon the specific steel mill, these penalties may vary. The deleterious elements are phosphorous, base metals (Cu, Zn, Pb etc.), potassium, sodium, titanium silica, alumina, moisture content, sulphur and in the case of lump or fines oversize or excessive fine content.
<i>iron (Fe)</i>	Iron.
<i>fines (sinter feed)</i>	Refers to iron ore with particles in the range of 0.15 millimetres and 6.3 millimetres in diameter. Suitable for sintering.
<i>granite</i>	Igneous felsic rock (a rock containing a high proportion of feldspar, quartz and muscovite (mica)) identifiable in coarse quartz and potassic feldspar.

<i>hematite</i>	An iron oxide mineral whose composition is Fe_2O_3 and stoichiometric maximum iron content is 69.94% iron (Fe).
<i>ISO</i>	International Organization for Standardization, a leading developer of international standards. These standards are designed to be implemented world-wide and specify the requirements for state-of-the-art products, services, processes, materials and systems, and for good conformity assessment, managerial and organizational practice.
<i>lump ore</i>	A type of iron ore that meets minimum physical, chemical and metallurgical characteristics that allow it to be crushed and screened to less than 31.5 mm and greater than 6.3 mm and charged directly to the blast furnace without further processing or concentration.
<i>magnetite</i>	An iron oxide mineral whose composition is Fe_3O_4 and stoichiometric maximum iron content is 72.36% iron (Fe).
<i>mineral reserve</i>	<p>Under Canadian Institute of Mining, Metallurgy and Petroleum standards, the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.</p> <p>Mineral reserves are sub-divided into probable mineral reserves and proven mineral reserves. A probable mineral reserve has a lower level of confidence than a proven mineral reserve.</p>
<i>mineral resource</i>	<p>Under Canadian Institute of Mining, Metallurgy and Petroleum standards, a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.</p> <p>Mineral resources fall under the following categories: measured mineral resource, indicated mineral resource and inferred mineral resource.</p>
<i>mineralization</i>	The concentration of metals, minerals and their chemical compounds within a body of rock.
<i>oxides</i>	Compounds of oxygen with another element.
<i>phosphorous (P)</i>	Phosphorous.
<i>paleozoic</i>	Of or relating to the earliest of three geologic eras of the Phanerozoic eon. The paleozoic era spanned from approximately 542 million years ago to approximately 251 million years ago.

<i>pellets</i>	Agglomerated ultra-fine iron ore particles of a size and quality suitable for particular steelmaking processes. Pellets generally range from 8 millimetres to 18 millimetres in size with a preferred size between 12.5 millimetres and 15 millimetres.
<i>precambrian</i>	Of or relating to the earliest geological era of the earth's history from its origin about 4.6 billion years ago to the beginning of the Cambrian period about 590 million years ago.
<i>quartz</i>	A mineral whose composition is silicon dioxide. A crystalline form of silica.
<i>sulphur (S)</i>	Sulphur.
<i>schist</i>	Foliated metamorphic rock composed of layers of different minerals (often including mica, quartz and potassic feldspar and splitting into their irregular plates).
<i>silica (SiO₂)</i>	Silicon dioxide.
<i>sintering</i>	Refers to the agglomeration of small particles into a coherent mass by heating without melting.
<i>specularite</i>	A variety of hematite characterized by aggregates of silvery, metallic, specular hematite flakes or tabular, anhedral crystals. Also referred to as specular hematite.
<i>tonne (t)</i>	A unit of measure equal to 1,000 kilograms or approximately 2,204.6 pounds.

CORPORATE STRUCTURE

Name, Address and Incorporation

Baffinland Iron Mines Corporation (“Baffinland” or the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on March 10, 1986 under the name Glimmer Resources Inc. The Company’s Articles of Incorporation were amended on February 6, 2004, to change the name of the Company from Glimmer Resources Inc. to Baffinland Iron Mines Corporation. The registered and head office of the Company is located at 120 Adelaide Street West, Suite 1016, Toronto, Ontario, M5H 1T1.

GENERAL DEVELOPMENT OF THE BUSINESS

Baffinland is a Canadian publicly-traded junior mining exploration and development stage company that is focused on its 100%-owned Mary River iron ore deposits located in Nunavut Territory, Canada. The Company’s activities since 2004 have been focused on exploration and development of the iron ore deposits located on the Mary River Property in Northern Baffin Island, Nunavut. Three closely adjacent iron deposits identified as Deposit Nos. 1, 2, and 3 are entirely contained within two mineral leases on the Mary River Property. A third lease area on the Mary River Property lies about 27 kilometres to the northwest of the other deposits, covering Deposit No. 4. These leases comprise a total area of approximately 1,593 hectares and are valid and in good standing to 2013 and extendable thereafter. To date, most of the Company’s work has been on Deposit No. 1, which is the largest and best known of the deposits. The Company has spent approximately \$391 million advancing the project since 2004. Baffinland is currently in the exploration and development stage and is devoting its efforts to developing the iron ore deposits located in the Mary River Property.

Historical Background

Baffinland was originally a resource company involved in the acquisition, exploration and development of precious metal properties. Together with a joint venture partner, the Company brought the Glimmer Mine, a ramp-access underground gold mining operation located near Matheson, Ontario, Canada, into production in 1998. On May 10, 2001, production at the Glimmer Mine was halted, and the Glimmer Mine was placed on care and maintenance. On September 6, 2002, the Company sold its interest in the Glimmer Mine to Apollo Gold Corporation. Following this sale, the Company ceased to have any producing properties, income or cash flow.

In February 2004, the Company acquired, pursuant to a reverse take over transaction (the “Business Combination”), all of the issued and outstanding shares of Baffinland Iron Mines Limited (“Baffin Limited”), a private company whose principal asset consisted of the Mary River iron ore deposits (the “Mary River Property”) on northern Baffin Island, Nunavut, Canada. Under the terms of the Business Combination, all of the outstanding common shares of Baffin Limited were exchanged for common shares of the Company (the “Common Shares”) at a ratio of four Common Shares for every three Baffin Limited common shares. As a result of the Business Combination, the shareholders of Baffin Limited acquired control over the Company.

In 2004, the Company raised a total of \$11 million for exploration and general corporate purposes through the issuance of flow-through common shares and Common Shares and spent approximately \$8.5 million on large diameter drilling, camp construction, metallurgical studies, fuel and supply purchases and positioning, and preliminary environmental engineering studies. During 2004, the Company drilled a total of approximately 2,814 meters in a total of 15 drill holes and in the process discovered a new upper zone on Deposit No. 1. The Company also mobilized its supplies and equipment for the 2005 drill program.

In 2005, the Company raised a total of \$32 million for exploration and general corporate purposes through the issuance of flow-through common shares and Common Shares, and spent approximately \$15 million on additional large diameter drilling, camp enhancements, additional metallurgical studies, fuel and supply purchases. During 2005, the Company drilled a total of approximately 8,072 metres in a total of 32 drill holes and in the process extended the depth of Deposit No. 1 by more than 450 metres. The Company also engaged an engineering contractor, Aker Kvaerner E&C, a Division of Aker Kvaerner Canada Inc. (“Aker Kvaerner E&C”) to provide engineering services for the advancement of the Mary River Project and mobilized its supplies and equipment for the 2006 drill program.

In connection with the private placement financings in 2005, the Company also entered into an agreement with Mitsubishi (the “Mitsubishi Agreement”) as a result of which Mitsubishi was granted the right to participate in, subject to certain conditions, any future financings undertaken by the Company in order to maintain its level of ownership in the Company. Mitsubishi was also granted certain Asian marketing rights for a portion of the Company’s future iron ore production.

Three-Year History

2006

In May 2006, the Company released a new resource estimate for Deposit No. 1 located on the Mary River Property, announcing an indicated resource of approximately 309 million tonnes at an average grade of 66.1% iron plus an additional inferred resource of approximately 28 million tonnes at an average grade of 65.9% iron, defined within a practical open pit geometry. Also in May 2006, the Company released the results of the scoping study on Deposit No. 1 located on the Mary River Property, which was performed by Aker Kvaerner E&C.

In September 2006, the Company closed a non-brokered private placement of an aggregate of 2,000,000 Common Shares (flow-through) priced at \$2.50 per Common Share for gross proceeds of \$5 million, and in October 2006, the Company closed a private placement of an aggregate of 5,818,180 Common Shares (flow-through) priced at \$2.75 per Common Share for gross proceeds of approximately \$16 million.

The 2006 drilling program involved 7,067 metres of drilling, including geotechnical drilling, in-fill drilling on Deposit No. 1, step out drilling on Deposit No. 2 and the first drilling on Deposit No. 3.

2007

In January 2007, the Company raised gross proceeds of approximately \$30 million through the completion of a public equity offering (the "2007 Equity Offering") of 10,909,100 units at a price of \$2.75 per unit. Each unit was comprised of one Common Share and one-half of one Common Share purchase warrant, with each whole warrant (each a "Warrant") entitling the holder thereof to purchase one additional Common Share at a price of \$5.50 for a period of 5 years commencing from January 31, 2007, subject to adjustment in certain events. Subsequent to the completion of the 2007 Equity Offering, Mitsubishi exercised its participation rights under the Mitsubishi Agreement and subscribed, on a private placement basis, for an aggregate of 1,054,875 units at a price of \$2.75 per unit, for total gross proceeds to the Company of approximately \$2.9 million. Each unit consisted of one Common Share of the Company and one-half of one Warrant.

In May 2007, Nunavut Impact Review Board ("NIRB") approved the Company's bulk sample program, subject to certain conditions. The approval allowed the Company's bulk sample program to proceed without further review. Under the bulk sample program, the Company intended to ship up to 250,000 tonnes of iron ore to steel mills, located primarily in Europe, in 2008. In 2008, the Company completed its bulk sample program, shipping a total of approximately 113,217 tonnes of lump and fine iron ore. Further information on the bulk sample program is described on page 12.

In May 2007, the Company signed a memorandum of understanding with Nunavut Tunngavik Incorporated ("NTI"), the Inuit birthright corporation that holds mineral ownership within lands designated as Inuit-owned land, establishing a substantially larger package of prospective ground for the Company's continued iron ore exploration. This memorandum of understanding was converted into an exploration agreement in May 2008, which grants the Company rights to a 100% interest in the minerals within, upon, or under the Inuit-owned parcel surrounding Deposit Nos. 1, 2 and 3, with an area totalling 16,695 hectares.

In May 2007, the Company entered into an agreement (the "Fednav Agreement") with Fednav Limited ("Fednav") pursuant to which Fednav agreed in principle to develop and deliver shipping solutions for the Mary River Property, subject to certain conditions. Under the terms of the Fednav Agreement, Fednav is exclusively responsible to the Company for all matters related to iron ore shipping services, including supervision of detailed ship specifications, and assisting berth design, ship-loading equipment and port operational procedures. Fednav also assists the Company in the permitting process and the negotiations of the Inuit Impact and Benefits Agreement ("IIBA"). The Fednav Agreement also contemplates and defines the terms on which other shipping companies may participate in the Mary River Property.

In June 2007, the Company closed a brokered private placement of an aggregate of 15,973,505 Common Shares (flow-through) priced at \$3.10 per Common Share for gross proceeds of approximately \$49.5 million.

In August 2007, the Company was impacted by the general disruption in the Canadian non-bank sponsored asset backed commercial paper ("non-bank ABCP") market. At that time, the Company had approximately \$43.8 million in the aggregate invested in non-bank ABCP, some of which matured but was not redeemed. In August 2007, the Company arranged a \$21 million senior secured credit facility from the Bank of Nova Scotia (the "Credit Facility") to provide liquidity to the Company as a result of the non-bank ABCP disruption. By December 2007, approximately

\$23.9 million of the Company's non-bank ABCP investments had been repaid, and the funds received from such repayment were used to repay principal, and pay accrued interest, standby fees and legal fees on the Credit Facility. The Credit Facility was repaid in full and terminated on December 24, 2007. By March 23, 2009, approximately \$20 million of the Company's non-bank ABCP remains outstanding. During 2008, the Company recorded an aggregate impairment charge of approximately \$10 million, leaving a fair value of approximately \$10 million.

During 2007 and 2008, a restructuring process was initiated for the purpose of replacing the ABCP notes with long-term asset backed securities notes (the "New Notes"). While the restructuring process received investor approval in April 2008, and Court approval in June 2008, the proposal has been the subject of numerous appeals to the Ontario Court of Appeal and the Supreme Court of Canada. In September 2008, the Supreme Court of Canada denied all the appeals, thus clearing the way for implementation of the restructuring plan. The Pan-Canadian Investor Committee which is overseeing the restructuring completed the restructuring in January 2009. In January 2009, the Company received New Notes with a face value of approximately \$20 million and the Company's share of cash as part of the restructuring in the amount of \$658,785.

In September 2007, the Company closed a brokered private placement of an aggregate of 3,125,000 Common Shares priced at \$3.20 per Common Share and 5,128,204 Common Shares (flow-through) priced at \$3.90 per Common Share for gross proceeds of approximately \$30 million. Mitsubishi's participation right under the Mitsubishi Agreement expired following this private placement.

In November 2007, the Company closed a non-brokered private placement of an aggregate of 6,961,839 Common Shares (flow-through) priced at \$5.30 per Common Share for gross proceeds of approximately \$37 million.

In December 2007, the Company signed non-binding letters of intent with ThyssenKrupp Steel AG ("ThyssenKrupp"), Salzgitter Flachstahl GmbH ("Salzgitter") and voestalpine Rohstoffbeschaffungs GmbH ("voestalpine") for the future sale of iron ore. Specifically, the letters of intent contemplate the future sale of up to 3 million tonnes per year of iron ore to ThyssenKrupp, up to 1 million tonnes of iron ore per year to Salzgitter, and up to 1.2 million tonnes per year to voestalpine, respectively. Similarly, in January 2008 the Company signed a non-binding letter of intent with ROGESA Roheisengesellschaft Saar mbH ("ROGESA") for the future sale of up to 1 million tonnes of iron ore per year. These letters are expressions of interest only and any binding contract of purchase and sale will be subject to, among other things, production decisions by the Company and future negotiation with ThyssenKrupp, Salzgitter, voestalpine and ROGESA, respectively.

The Company completed a 9,338 metre drilling program in 2007 focused on geotechnical data collection and exploration/geomechanical data collection. Drilling was also undertaken at the Milne Inlet and Steensby port sites, as well as along the Steensby railway alignment, intended to support project permitting and basic engineering, which was a new focus of the 2007 drilling program.

In the Deposit No. 1 2007 program, the Company reports the completion of a total of 4,392 metres of drilling which includes both geotechnical and exploration drilling. This drill program was comprised of 3 bulk sample pilot test holes on the north limb, a further 3 north limb infill holes, 3 south limb infill holes, 10 fold nose holes and 3 geotechnical-specific holes. An additional 88 core samples from 2006 Deposit No. 1 drilling were submitted for metallurgical testwork.

A total of eight additional holes were drilled on Deposit No. 3 in 2007 for a total of 1,918 metres on 450-metre step outs.

2008

In January 2008, the Company engaged CIBC World Markets Inc. and Citigroup Global Markets Inc. to act as the Company's co-financial advisors in seeking a strategic partner or partners. In December 2008, the engagements with the Company's co-financial advisors expired and the Company did not renew them. While the Company is continuing to pursue a strategic partner or partners, the global financial crisis and deteriorating economic outlook have affected both large and small companies and added a degree of complexity to the Company's strategic partner initiative. This has delayed this process and the Company anticipates this initiative to continue throughout 2009. Although it is a goal of the Company to add one or more strategic partners, there can be no assurance that a strategic investor will invest in the Company or that such investment will be on favourable terms. Any future equity investment by a strategic investor could result in the dilution of the existing shareholders of the Company.

In February 2008, the Company announced the execution of a commercial lease of surface lands from the Qikiqtani

Inuit Association (“QIA”) covering approximately 10,567 hectares of surface lands on Baffin Island, Nunavut. The lease permits the Company to use the subject area for the purposes of the exploration of minerals, the undertaking of engineering, geotechnical and environmental studies in support of the planning for a potential major mining development and to complete a bulk sampling program. The lease is valid from August 1, 2007 until October 31, 2009 and may be renewed for an additional one year by the Company, subject to the terms and conditions of the lease.

In February 2008, the Company announced an updated mineral resource and mineral reserve statement for the Mary River Property. The results for Deposit No. 1 indicated approximately 160 million tonnes of proven reserves at an average grade of 64.4% iron, plus probable reserves of approximately 205 million tonnes at an average grade of 64.9% iron. The results also indicated approximately 52 million tonnes of indicated mineral resources, 448 million tonnes of inferred mineral resources and 400,000 tonnes of measured mineral resources (all exclusive of mineral reserves) on Deposit Nos. 1, 2 and 3. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to indicated mineral resources, there is no assurance that mineral resources will be upgraded to proven and probable ore reserves. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

In February 2008, the Company also released the results of the definitive feasibility study, managed by Aker Kvaerner E&C, on Deposit No. 1 (the “DFS”). The DFS is a detailed study of the technical and economic feasibility of Deposit No. 1 and was based on proven reserves of 160 million tonnes and probable reserves of approximately 205 million tonnes. The DFS indicates that, based on the shipment of 18 million tonnes of ore per year to the European market, the proven and probable reserves could sustain a mine life of over 20 years. Assuming FOB Steensby Inlet and average sale prices of US\$67 per tonne for lump ore and US\$55 per tonne for fines, the DFS indicates that the mine could generate a pre-tax internal rate of return of 20.5%, with a payback period of 3.7 years, and an after-tax internal rate of return of 15.9%. The DFS forecasts pre-tax cash flow over the life of the mine to be \$18.1 billion, with after-tax cash flow of \$11.2 billion.

The DFS estimates the initial capital costs for the project to be \$4.1 billion, including all direct and indirect costs, contingencies and owner’s costs. Sustaining capital is estimated to be \$400 million over the life of the project, including project reclamation and closure costs. Operating costs for all of the facilities is estimated to be \$14.62 per tonne, excluding taxes and financing costs. The following tables provide itemized summaries for the estimated operating and capital costs of the project.

Summary of Total Capital Costs	
Direct Costs	\$ Millions
Mining	23
Mary River Site	591
Railway	1,215
Steensby Site	706
Direct Costs Subtotal	2,535
Indirect Costs	
Support	988
Owner’s Costs	86
Gravel	29
Contingency	437
Indirect Cost Subtotal	1,540
Initial Capital Cost Total	4,075

Summary of Operating Costs per Tonne	
	\$/Tonne
Mining	4.08
Crush / Screen / Load	4.89
Railway	1.45
Camp / Catering	0.59
Aircraft Services	0.60
Leased Equipment	0.40
G&A Onsite	2.25
G&A Offsite	0.36
Operating Cost Total	14.62

The assumptions that are most sensitive in the capital cost estimate are the assumption of parity between the Canadian and US dollar during the construction period, the geotechnical design criteria for the railway alignment and assumptions regarding construction costs, and in particular labour and material costs. The assumptions that are most sensitive in the operating cost estimate are an average Canadian/US. dollar exchange rate of U.S.\$0.85:CS\$1.00 during the operating period and average fuel prices during the operating period of U.S.\$60 per barrel. Ocean freight costs are estimated to be U.S. \$26.32 per tonne, which are assumed to be recovered through sales contracts. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These capital and operating cost estimates are subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what management currently expects. See “Risk Factors”.

In managing the DFS, Aker Kvaerner E&C worked with several specialist sub-consulting firms. Railway design and

costs were prepared by Canarail Consultants Inc., material handling systems design and costs were prepared by Lassing Dibben Consulting Engineers Ltd - Bulk Handling, shipping costs and port design were prepared by Aker Arctic Technology Inc. ("Aker Arctic"). Fednav provided expert input into all maritime aspects of the project, while ICAP Hyde & Company Limited contacted shipyards on behalf of the project. Peter Kiewit Sons Co., H.J. O'Connell Construction Ltd., North American Energy Partners Inc., Clark Builders and Black & McDonald Limited provided critical input into construction planning and costs, logistics and scheduling. Comprehensive metallurgical test-work was performed at Studien Gesellschaft fur Eisenerz-Aufbereitung ("SGA") in Germany.

In March 2008, the Company completed a public equity offering ("2008 Equity Offering") of an aggregate 52,886,985 Common Shares at a price of \$3.65 per share for total gross proceeds of \$193 million, which offering was underwritten by a syndicate of underwriters led by Raymond James Ltd.

In March 2008, the Company submitted a Development Proposal and associated applications in order to initiate regulatory review of the Mary River Project. The Development Proposal contemplates a 21 year mine life based on currently defined iron ore reserves and with commercial operation commencing in 2014. Geological conditions suggest that additional ore reserves may be added depending on results of ongoing exploration of Deposits 1, 2, 3 and 4. A complete copy of the Development Proposal and associated regulatory applications can be found at www.baffinland.com.

In June 2008, the Company entered into a memorandum of understanding with the QIA to develop and promote the delivery of mine-related training related to economic and community development, labour market research, curriculum development, career development and other related activities for the benefit of Inuit in the communities associated with the Project.

In June 2008, the Company appointed AMEC to provide engineering, procurement and construction management services ("EPCM") for the Mary River Project. AMEC is a global organization with extensive corporate resources, a worldwide staff of over 20,000 people, a proven track record and more northern experience than any other engineering/construction company, with over \$30 billion of successful EPCM Northern Canadian projects completed or in progress. In January 2009, Baffinland informed its engineering and technical service providers that due to budget constraints in 2009, the majority of their services would be suspended until such time as the Company secures additional sources of financing. Progress reports have been written to document the work completed to date in order to facilitate an orderly resumption of work in the future.

In June 2008, Aker Solutions completed a study for the potential expansion of the Mary River Project based on the development of a second open pit mine encompassing Deposits No. 2 and No. 3, located approximately 3 kilometres from Deposit No. 1. The majority of the resources included in the Deposit No. 2 and No. 3 open pit are classified as "inferred", which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the conclusions of the study will be realized.

In July 2008, the Company revised its bulk samples targets from up to 250,000 tonnes to a range of 120,000 to 150,000 tonnes. This target was revised primarily due to the advent of an earlier than anticipated spring melt combined with severe rainfall in the later part of June resulting in a need for extensive construction and maintenance work along the full length of the 100-kilometre tote road to the shipping site at Milne Inlet. Haulage of the bulk sample on this road at the time had been interrupted for approximately 9 weeks and resumed in late July 2008.

In August 2008, the Company signed a letter of intent with Riva Fire S.p.A. ("Riva") for the future sale of up to 1.8 million tonnes per year of iron ore. Riva is the largest steel producer in Italy. This letter of intent with Riva represented the fifth letter of intent the Company has entered into to date. This letter of intent is an expression of interest only and any binding contract of purchase and sale will be subject to, among other things, production decisions by the Company and future negotiations with Riva.

By November 2008, three shipments of the bulk sample program iron ore arrived in Europe. The first trial cargo of lump iron ore was shipped to the port of Vlissingen in the Netherlands for ThyssenKrupp. The trial cargo weighed approximately 54,464 tonnes by draft survey at the discharge port and the lump iron ore graded more than 68% iron with low moisture content of 1.28% and low levels of deleterious elements. Despite the lack of screening facilities at Milne Inlet, Baffinland's loading port, the undersize (less than 6.3 mm) portion of the cargo was 3.4% of the cargo weight (most long-term contracts allow between 11 to 14% of undersize material).

The second trial cargo of lump iron ore discharged approximately 31,050 tonnes at the port of Bremen, Germany for

ArcelorMittal Bremen. This trial cargo also graded more than 68% iron with low moisture of 1.26% and low deleterious elements. The undersize portion of the cargo was 4.2%.

The third and final trial cargo was discharged at the port of Vlissingen in the Netherlands for ThyssenKrupp. This trial cargo weighed approximately 27,701 tonnes and graded more than 66% iron with moisture content of 3.32%.

The bulk sample open pit was selected to mine and ship lump iron ore that was representative metallurgically of what would be shipped in the initial 10 to 15 years of production. Deleterious elements, both in the grade control drilling and within the bulk sample material were significantly lower than expected from the Company's reserve block model. This appears to indicate that deleterious elements or impurities are more localised in a real extent than previously interpreted. The excellent and exceptional physical characteristics of the lump iron ore may allow Baffinland to reduce the maximum size of the lump ore, while maintaining the expected output at a 75%: 25% split of lump ore to fine ore. Lump iron ores currently marketed are between 6.3 mm and 31.5 mm in size.

The three trial cargos represent an important milestone for Baffinland as the Mary River iron ore was partially consumed in the blast furnaces of ArcelorMittal and ThyssenKrupp in late 2008.

In December 2008, the Company closed two concurrent private placements (the "2008 Private Placements") for aggregate gross proceeds of approximately \$21.8 million. The private placements consisted of: (i) a private placement of 14,665,541 Common Shares and 22,176,564 subscription receipts (each, a "Subscription Receipt") to Resource Capital Fund IV L.P. ("Resource LP") at a price of \$0.19 per share or Subscription Receipt, for total gross proceeds of \$7 million (the "RCF Private Placement") and (ii) a private placement of 70,464,805 flow-through common shares at a price of \$0.21 per flow-through share through a syndicate of agents led by CIBC World Markets Inc. for aggregate gross proceeds of approximately \$14.8 million.

Each Subscription Receipt entitles Resource LP to acquire one common share of the Company for no additional consideration at any time prior to June 1, 2009 on notice being given that the Company and its shareholders have approved the Shareholder Rights Plan Agreement between the Company and Computershare Investor Services Inc. dated January 27, 2009 (the "Rights Plan") and any other escrow release conditions described below have been met. The proceeds from the issue of the Subscription Receipts pursuant to the RCF Private Placement are currently held in escrow. The Subscription Receipts will be automatically exercised as soon as all conditions have been met such that the issuance of the Common Shares on such exercise will be an Exempt Acquisition within the meaning of the Rights Plan. The Company has called a meeting of its shareholders on March 24, 2009, to, among other things, consider and if deemed appropriate, approve the Rights Plan. In the event that shareholder approval has not been obtained by March 31, 2009, or any other escrow release conditions have not been met by June 1, 2009, any amounts held in escrow in respect of the Subscription Receipts will be returned to Resource LP along with interest at an annual rate of 8% earned thereon from December 11, 2008.

For the year 2008, the Company completed a total of approximately 12,411 metres of drilling in 2008, with 5,071 metres of exploration and infill drilling on Deposit No. 1 in 27 holes, and 7,340 metres of geotechnical drilling in 442 holes. The focus of the program was to provide information and to improve confidence in the reserves and resources in the upper 250 metres of Deposit No. 1. More than half of the drill holes were drilled flat (less than 20 degrees) to provide this information. For the 2008 metallurgical testwork program, a further 77 metallurgical samples from 2007 drill core and channel sampling are almost complete. The exploration and infill drilling will support a revised resource estimate for Deposit No. 1 in 2009. With the installation of a new brine mixing station, quality control on brine solutions improved and consequently, the success rate on drill hole completion was the best experienced by any drill program at the Project. Additional mineralization drilled in the footwall will increase the thickness of Deposit No. 1 in several key locations. The geotechnical drilling included 315 holes along the railway corridor, 64 holes at the Steensby port location, 33 holes at quarry and tunnel locations along the railway corridor, and 30 holes at the Mary River minesite location. New drills designed for movement by helicopter accelerated the geotechnical drilling program, allowing for drill coverage to extend over a greater area than originally planned, collecting additional information to support basic engineering design.

Drilling was completed using mainly HQ (core diameter 63.5 mm) in order to improve core recovery and to provide sufficient sample for the Company to metallurgically categorize Deposit No. 1. All hole collars are surveyed on an ongoing basis and down hole surveys are completed using a Maxibor instrument which collects dip and strike data of the entire length of the hole. Where drilling became difficult, holes were extended using NQ equipment (core diameter 47.6 mm). Drilling was completed using Longyear L-38 and LM-30 modular rigs.

In October 2008, the Company staked 18 mineral claims totalling approximately 32,000 hectares. The claims surround

and are adjacent to Deposit No. 4. In addition, iron oxide mineralization has been identified on these claims forming what is being referred to as Deposit No. 5.

The program of diamond drill core testing has continued on the samples generated in the drilling campaigns for the years 2006 and 2007, but the results of this work have not yet been reported by SGA. The intent of this current work is to expand the data base beyond the 216 samples from Deposit Nos. 1, and 7 samples from Deposit No. 2, to the rest of Deposit No. 2 and Deposit No. 3, in order to facilitate understanding and future mine planning requirements for ore grade, impurity levels, lump to fines ratio, and metallurgical properties for all ores in the Mary River deposits at that location.

Deposit	Channel Samples		Core	
	Complete	Pending	Complete	Pending
No. 1	15	-	291	54
No. 2	2	-	23	-
No.3	-	7	10	16

The Company continues to work on the recommendations outlined in the Technical Report with work continuing into 2009 and 2010. The degree of progress with regards to these additional plans will depend on, among other things, the ability of the Company to obtain the necessary financing and permits. The initial budget approved for 2009 will result in a significant reduction in work compared to 2008, resulting in a delay in completing all of the work recommended in the Technical Report.

Adjacent Properties

There are no adjacent properties immediately surrounding the Company's leases. DeBeers and BHP Billiton Ltd. have prospecting permits and mineral claims for diamond exploration in the general vicinity of the Company's property.

Subsequent to 2008 Year End up to the Date of this Annual Information Form

In January 2009, the Company approved its 2009 exploration and development plans, which included \$30 million in expenditures: (i) to fund a 2,200 metre drill program on Deposit No. 3, (ii) complete additional resource estimation on Deposit No.1, (iii) continue to fund progressive reclamation, (iv) maintain regulatory compliance, and (v) preserve core assets at site. Due to global economic conditions, the Company reduced the scale of its activities for 2009 including a 35% reduction in the full time work force from 40 people to 26 people. The number of full time consultants was reduced, the compensation of senior management was reduced, no cash bonuses were paid to any employees (including senior management) and certain satellite offices were closed. In addition, the Company informed its engineering and technical service providers that a majority of their services would be suspended until such time as the Company secures additional sources of financing.

In February 2009, the Minister of Indian and Northern Affairs Canada ("INAC") referred the Mary River Project to a review under Article 12 of the Nunavut Land Clams Agreement ("NLCA"). This referral was made in response to the recommendations of the NIRB Screening Report completed after conformity of the Mary River Project to the North Baffin Regional Land Use Plan was first determined by the Nunavut Planning Commission ("NPC").

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Iron Ore Industry Trends and Analysis

World production of iron ore remains at record levels. According to the AME Mineral Economics Iron Ore 2008 Strategic Market Study (the "AME Study"), world production of iron ore increased approximately 11% in 2008 to 1,576 million tonnes; however, the iron ore industry's largest customer, the world crude steel industry, experienced a slight decrease in production to 1,330 million tonnes compared to 1,340 million tonnes a year earlier. Following the financial crisis that began in late 2007, and continued throughout 2008 and 2009, steel demand dropped sharply in the fourth quarter of 2008 and steel and iron ore markets are expected to contract 10% to 12% in 2009. The speed and impact of the global financial crisis is expected to reach its full impact in 2009 and slight optimism is expected for 2010 and

beyond.

Currently, the five largest iron ore producing countries are Brazil, Australia, China, India and Russia and account for more than 80% of the world total. Canada currently ranks as ninth and produces 3% of the total. According to the AME Mineral Economics and the Tex Report, China imported 444 million tonnes or more than 50% of world seaborne imports of iron ore in 2008. The drop in Chinese domestic iron ore production in 2008 is expected continue in 2009 and beyond as China imports better quality iron ores for its steel industry. While the global recession continues it is anticipated that three of the largest iron ore producers, Companhia Vale do Rio Doce SA (“Vale”) in Brazil, and BHP Billiton Iron Ore and Rio Tinto PLC/Rio Tinto Limited, will continue to control approximately three-quarters of the seaborne iron ore trade. The collapse in all commodity prices in 2008 is expected to result in a more rational and balanced approach to resource development, particularly, in the iron ore sector. The promotion of any project with an iron credit is expected to shift focus to projects with iron ores capable of being marketed and sold on a world-wide basis. Poor quality iron ores may find a difficult sales market, if they will be able to be sold at all.

According to the AME Mineral Economics, the Tex Report and Credit Suisse, iron ore prices for fines increased almost 400% over the past six years and it is expected that prices will drop approximately 20% to 30% in 2009. Unlike past recessions, producer and consumer discipline has seen immediate production cuts for both steel and iron ore producers. Despite the expected decrease in 2009, long-term price forecasts remain relatively bullish and prices for fine iron ore are generally 20% higher than the price used by the Company in its DFS. The price drop and production rationalization is expected to see more stable and manageable growth in the coming years.

Development of the Mary River Property

Given the results of the DFS, the Company is currently focussed on advancing the Mary River Property to a development stage. Over the short term the Company intends to achieve this objective by:

- Working with AMEC, to document the results of the previously completed basic engineering program on the railway and the value engineering studies completed in 2008.
- Completing a 2,200 metre infill drilling program on Deposit No. 3 intended to upgrade inferred resources to the indicated category in 2009.
- Delivering a training program for Inuit workers in cooperation with the QIA, Qikiqtaaluk Corporation and Kakivik in 2009.
- Revising the resource estimate for Deposit No. 1 in 2009 using analytical information received from the 2007 and 2008 technical programs by the end of 2009.
- Working with Fednav and Teekay Shipping Corporation, complete the basic design of a 190,000 dwt cape-size, Polar Class 4, ore carrier by Daewoo Shipbuilding and Marine Engineering Company Limited (“DSME”) and Samsung Heavy Industries (“SHI”) in 2009.
- Obtaining terms of reference from the NIRB in 2009 to establish requirements for the preparation of an environmental impact statement.
- Completing metallurgical testing at SGA to complement the blast furnace processing of the bulk sample in 2009.
- Obtaining test reports from ThyssenKrupp Steel AG and ArcelorMittal Bremen describing the results of processing the bulk sample in their blast furnaces.
- Continuing the consultation process with the local communities on Baffin Island and in Nunavut that is expected to lead to the development of a draft Inuit Impact and Benefits Agreement (the “IIBA”).
- Adding one or more strategic partners.

The Company has selected a railway system to port facilities located at Steensby Inlet, approximately 140 kilometres to the south-east of Mary River. Steensby Inlet was selected as the preferred location for the port, over the closer Milne Inlet (approximately 100 kilometres to the northwest), after a comprehensive review of socio-economic, environmental and operational considerations. The railway system is expected to be used to transfer operating supplies, personnel and equipment from Steensby Inlet to the Mary River operations.

The port facility at Steensby Inlet is designed to accommodate cape-sized ore carriers for 12 months each year. Shipment of ore from Steensby Inlet primarily to the European market, together with all port assistance vessels, is assumed to be a service provided by major international shipping company(s), coordinated by the Company's valued shipping partner, Fednav. Enfotec, Fednav's consulting company specializing in ice navigation, completed a comprehensive review of ice conditions over a ten year period in order to establish appropriate shipping lanes, and to recommend the required "ice class" for the dedicated ore carriers. A detailed bathymetric survey of the shipping lanes was completed, to Canadian Hydrographic Service standards, by Kivalliq Marine. Trans-Atlantic transit simulations to evaluate the efficiency of ore shipment in each month of the year were completed by Fednav and Aker Arctic, the designers of approximately 60 percent of the ice-breaking vessels currently in operation worldwide.

The ship design used in the DFS is a cape-size ore carrier, Polar Class 4 (DNV +1A1), of 135,000 deadweight tonnes capacity, suitable for dedicated operations between Steensby Port and Europe over a 12 month operating period each year. A fleet of ten dedicated vessels is required to fully service the project requirements. This design will continue to be evaluated and optimized with respect to cargo capacity and dimensions. In addition, market vessels may be chartered in the ice-free period, August and September each year. Construction costs for the dedicated ships have been obtained from five of the world's largest and most reputable shipyards in South Korea and Europe, including Aker Yards, DSME, Hyundai Heavy Industries Co. Ltd., SHI and STX Shipbuilding Company Ltd. After completion of the DFS, Fednav has worked with DSME and SHI to complete the design of 190,000 dwt, cape-sized, Polar Class 4 ore carriers. This work is expected to be completed in 2009.

Knight Piésold Ltd. has been engaged to conduct environmental baseline studies and traditional Inuit knowledge studies, to prepare the regulatory submissions including an environmental impact assessment, and to represent Baffinland through the federal and territorial regulatory and approval process. A development proposal and associated applications were submitted in March 2008 to initiate the federal and territorial regulatory review and approval process. The Minister of INAC referred the project to a Part 5 review under Article 12 of the NLCA in February 2009.

The Company completed a drilling program totalling approximately 12,411 metres in 2008. The drilling program primarily focused on infill drilling on Deposit No. 1 and geotechnical drilling to support the project permitting and basic engineering.

Completion of basic engineering for the project is contingent on the successful completion of the strategic partner initiative and will result in the definitive capital cost estimate for control during construction. The regulatory process has progressed at a slower pace than originally anticipated and is currently approximately 8 months behind the original schedule. With ongoing market uncertainty, the Company has been unable to determine a definitive project schedule at this time.

AMEC has reviewed the construction execution strategy developed in the DFS and has significantly improved the plan. A revised target date for commercial production, originally estimated for the third quarter of 2014, is currently under review given the current world economic climate, progress on strategic partnering, current finances, state of regulatory review and the revised construction execution strategy developed by AMEC.

In order to advance the development of the Mary River Property the Company will be required to obtain additional equity and/or debt financing, and there is no assurance that this financing will be obtained on favourable terms, or at all. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Mary River Property. See "Risk Factors".

Risk Factors

An investment in the securities of the Company is subject to a number of risks, including, but not limited to: risks inherent in the exploration and development of mineral deposits, risks relating to changes in iron ore prices and the worldwide demand for and supply of iron ore, uncertainties inherent in the estimation of mineral reserves and

resources, risks relating to the remoteness of the Mary River Property including access and supply risks, reliance on key personnel, construction and operational risks inherent in the conduct of mining activities, including the risk of increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the construction and development process, the risk of fluctuations in the Canadian/US dollar exchange rate, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Mary River Property may not be available on satisfactory terms, or at all, environmental risks, including risks relating to climate change and the potential impact of global warming on project timelines and on construction and operating costs, and insurance risks.

In addition to the other information contained in this Annual Information Form and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Any of the matters highlighted in these risk factors could have a material adverse effect on the Company's business prospects or financial condition and could result in a delay or indefinite postponement in the development of the Mary River Property.

Nature of the Company's Exploration Activities

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not mitigate. Few properties that are explored are ultimately developed into producing mines. The Mary River Property is still in the exploration and development stage. Significant expenditures will be required to establish additional ore reserves and to construct mining and material handling facilities at the Mary River Property. It is impossible to provide any assurance that the exploration programs planned by the Company will result in a profitable commercial mining operation.

Iron Ore Prices

The development and success of the Mary River Property will be dependent, in part, on the future price of iron ore. Iron ore prices are subject to fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, global and regional supply and demand, and the political and economic conditions of major iron-ore producing countries throughout the world. The price of iron ore has increased substantially in recent years, and future significant price declines could cause continued exploration and development of the Mary River Property to be impracticable.

The future trend in the price of iron ore cannot be predicted with any degree of certainty. The market price of iron ore affects the economics of any potential development project, as well as having an impact on the perceptions of investors with respect to the Mary River Property and the ability of the Company to raise capital. A decrease in the market price of iron ore could affect the Company's ability to finance the continued exploration and the development of the Mary River Property. There can be no assurance that the market price of iron ore will remain at current levels or that such prices will improve or that market prices will not fall.

Mineral Reserves and Resources

The activities of the Company are directed towards the search, evaluation and development of iron ore deposits. There is no certainty that the expenditures to be made by the Company will result in discoveries of economic ore bodies. Whether the Mary River Property will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure, steel and other metal prices, government regulations, and environmental protection. Many of these factors are outside of the control of the Company and the exact effect of these factors cannot accurately be predicted.

The Mary River Property consists of both mineral resources and mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to indicated mineral resources, there is no assurance that mineral resources will be upgraded to proven and probable ore reserves. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Future Production Estimates May be Inaccurate

No assurance can be given that production estimates for the Mary River Property as described in the DFS will be

achieved. These production estimates are based on, among other things, the accuracy of reserve estimates, the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics, short-term operating factors relating to the mineral reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades, risks and hazards associated with mining, natural phenomena, such as inclement weather conditions and unexpected labour shortages. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations, stated reserves and financial condition.

Mine Development and Completion

Feasibility studies are used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating estimates and the estimate of future commodity prices. Capital and operating cost estimates are based on many factors, including anticipated tonnage and grades of ore to be mined, the configuration of the ore body, ground and mining conditions, expected recovery rates of the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and, as a result, the Company cannot give any assurance that the estimates in the DFS will be correct or that the Mary River Property will produce profitable operating mine(s). If a mine is developed, actual operating results may differ from those anticipated in the DFS. There can be no assurance that delays will not be experienced. Should there be any delays, such delays may result in an increase in capital requirements, costs and expenditures.

Mining Operations

Mining operations generally involve a high degree of risk and potential future mining operations will be subject to the risks inherent in the mining industry, including fluctuations in fuel prices, commodity prices, exchange rates, metal prices, costs of constructing and operating a mine and processing facilities in a specific environment, the availability of economic sources of energy and the adequacy of water supplies, adequate access to the site, unanticipated transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment), and industrial accidents and labour actions or unrest. The Company is also subject to all the hazards and risks normally encountered in the exploration for, and development and production of iron ore, including variations in grade and other geological differences, surface or underground conditions, processing problems, mechanical equipment performance, accidents, labour disputes, force majeure risks and natural disasters. Such risks could result in: personal injury or fatality, damage to or destruction of mining properties, processing facilities or equipment, environmental damage, delays or reductions in mining production, monetary losses, and possible legal liability. The occurrence of any of these factors could materially and adversely affect the development of a project, and, as a result, materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

Licenses and Permits

The exploration of the Mary River Property requires licenses and permits from the Canadian government and the government of Nunavut and consents from third-parties. The current exploration and bulk sample programs were approved in 2007 pursuant to the federal and territorial environmental assessment processes, and licences and permits have been issued accordingly. In the first quarter of 2008, the Company received permit amendments facilitating operational enhancements to its exploration and geotechnical program. The Company has or expects to have all of the permits that it requires to execute the work currently planned under these programs and does not currently anticipate that the necessary permits will not be in place to execute such programs. If the exploration of the Mary River Property warrants the development of the Mary River Property into a commercial mine, then the Company will require additional permits to mine the Mary River Property. In order to develop a mine at the Mary River Property, the Company must secure necessary licenses, permits and third party consents after first successfully completing regulatory review in accordance with the requirements of the NLCA and any other applicable legislation including the successful negotiation of the IIBA with the QIA. There can be no guarantee that the Company will be able to complete the regulatory review process(es), successfully negotiate the IIBA and obtain or maintain all necessary licenses, permits and third-party consents that may be required to explore and, if warranted, develop and mine the Mary River Property.

The Company's rights to the Mary River Property mineral deposits are held in the form of leases from the Canadian

government. If the Company fails to meet the specific requirements of a lease, the lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease will be met. The termination or expiration of the Company's leases would have a material adverse effect on the Company's business prospects and financial condition.

Under the terms of the existing permits and authorizations held by the Company, most notably the water license and a commercial land lease with the QIA, an Abandonment and Reclamation Plan has been established and is subject to revision at the end of the first quarter each year. The Abandonment and Reclamation Plan establishes the work to be completed under both temporary and final closure scenarios, including an estimated cost associated with this work.

In the first quarter of 2008, the Company provided a \$5,407,000 irrevocable letter of credit to the QIA to provide security for future abandonment and reclamation costs. In June 2008, the QIA advised the Company of its intent to review the adequacy of the level of security provided and subsequently in August 2008, the irrevocable letter of credit was increased to \$6,203,300 at the request of the QIA. Discussions with the QIA are ongoing. The letter of credit is renewable and expires in October 2009. The amount of the letter of credit has been classified as restricted cash. It is expected that the level of security required to be held by the QIA or other potential parties will increase as the Mary River Property continues to be explored and developed.

Regulatory and Environmental Risks

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the exploration activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing the operations and activities of the Company or the more stringent implementation thereof could have a substantial adverse impact on the Company.

Climate Change

Canada ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change in late 2002 and the Kyoto Protocol came into effect in Canada in February 2005. Various levels of governments in Canada are developing a number of policy measures in order to meet Canada's emission reduction obligations under the protocol. While the impact of the protocol and these measures cannot be quantified at this time, the likely effect will be to increase costs for fossil fuels, electricity and transportation, restrict industrial emission levels, impose added costs for emissions in excess of permitted levels and increase costs for monitoring and reporting.

In addition, the effects of global warming could include, among other things, increased temperatures, precipitation and evaporation, which in turn could lead to melting permafrost and an increase in active layer depth on Baffin Island. These and other effects of climate change may require additional costs in the development of the Mary River Property, including with respect to the design and construction of the Company's infrastructure.

Remote Northern Location

The Mary River Property, because of its remote northern location and limited accessibility, is subject to special climate and transportation risks. These risks include the inability to operate or to operate efficiently during periods of extreme cold, the unavailability of materials and equipment, and unanticipated transportation costs. Adverse weather conditions may also prevent the operation of equipment on land, in the air or on the ocean. Such factors can add to the cost of mine exploration, development, production and operation, thereby affecting the Company's financial condition.

Equipment and Supplies

A shortage of equipment and supplies could affect the Company's ability to operate. The Company is dependent on various supplies and equipment to carry out its exploration activities and mining operations. The shortage of supplies, equipment and parts could have a material adverse effect on its ability to carry out its operations and therefore limit or increase the cost of exploration and related activities.

Infrastructure

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources,

water supply, storage, rail and port facilities. The Company's inability to secure adequate access to such infrastructure, as well as other events outside of its control, such as extreme weather, sabotage, government or other interference in the maintenance of the provision of such infrastructure, could adversely affect the Company's operations and financial condition.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. An increase in demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and could increase potential scheduling difficulties and costs due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs or result in project delays or both. Any such material increase in costs would adversely affect the Company's results of operations and financial condition.

Capitalization, Commercial Viability and Dilution

The Company does not currently have sufficient funding to commence or complete the development of the Mary River Property. The Company's historical capital needs have been met by the issuance of Common Shares. The Company will require substantial additional funds to further explore and develop the Mary River Property. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities, for additional exploration or for the substantial capital that will be required in order to place the property into commercial production. In order to finance the development of the Mary River Property, the Company will have to issue additional equity, borrow sufficient funds from third party lenders or both. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Mary River Property. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company. The latter part of 2008 has seen the development of adverse market conditions which has continued into 2009. The continuation of this situation could have negative implications for the company in terms of the ability to continue as a going concern and to continue the development of the Property.

It is a goal of the Company to add one or more strategic partners. However, there can be no assurance that a strategic investor will invest in the Company or that such investment will be on favourable terms. Any future equity investment by a strategic investor could result in the dilution of the existing shareholders of the Company.

Future Profitability Depends on the Success of the Mary River Property

The Mary River Property is the Company's only property, and the Company anticipates that substantially all of its net income in the future will come from the Mary River Property. There are no assurances that the Company will be able to successfully complete, commission and operate the Mary River Property. If it is unable to do so, its ability to generate net income will be materially adversely affected.

The Company Expects to Incur Losses for the Foreseeable Future

The Company has incurred losses since its inception and the Company expects to continue to incur losses for the foreseeable future. The Company expects to incur losses unless and until such time as the Mary River Property enters into commercial production and generates sufficient revenues to fund continuing operations. The Mary River Property is the Company's only property and its development will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultants' analysis and recommendations and the rate at which operating losses are incurred. If the Company is unable to develop the Mary River Property into a profitable commercial mining operation and/or acquire additional properties, then the Company will have no source of revenue or income, and there can be no assurance that the Company will ever achieve profitability.

Exchange Rate Fluctuations

Iron ore is priced and sold in U.S. dollars, and many, but not all, of the Company's expected operating and capital costs are also priced in U.S. dollars. As a result, the Company expects to be affected by changes in the Canadian dollar/U.S.

dollar exchange rate. The Canadian dollar/U.S. dollar exchange rate has varied significantly over the last several years. The Company does not currently use foreign currency options and forward foreign exchange contracts to purchase U.S. dollars in order to hedge against the effects of currency fluctuations.

Insurance

In the course of the exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operation conditions, may occur. While management carries various insurance types and reviews the coverage on an annual basis, it is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could materially adversely affect the financial condition of the Company.

The Company carries pollution liability insurance to cover certain environmental exposures. This coverage is reviewed by management at least annually to ensure that the level of coverage remains appropriate. Notwithstanding the insurance coverage, there is a risk that environmental liabilities could be incurred that would not be covered by the policy that could materially adversely affect the financial condition of the Company.

Reliance on Key Personnel

The Company's success depends in large measure on the continued contributions of certain of the Company's executive officers and other key management and personnel, certain of whom would be difficult to replace. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not maintain key person insurance.

Limited History

The Company has no history of mining iron ore and the Mary River Property is still in the exploration and development stage. The future development of the Mary River Property will require the construction and operation of a mine and related infrastructure. The costs, timing and complexities of mine construction and development are increased by the remote northern location of the Mary River Property. It is common in new mining operations to experience unexpected problems and delays during construction, development, and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations, that the Company will successfully establish mining operations or profitably produce iron ore, or that the Company will meet any of its current timelines or schedules.

Mineral Project - Mary River Iron Ore Deposits

Technical Report and Qualified Persons

Information in this section is summarized or extracted from the "Technical Report of the Definitive Feasibility Study, Mary River Iron Ore Project Northern Baffin Island, Nunavut" dated February 2008 (the "**Technical Report**") prepared by Mr. Graham Holmes, P. Eng, Mr. Rene Gharapetian, P. Eng, and Mr. George H. Wahl, P. Geo., each of whom is a "Qualified Person" as defined in National Instrument 43-101 ("**NI 43-101**"). As noted previously, the Company commissioned Aker Kvaerner E&C to prepare the DFS for the Mary River iron ore project (the "**Mary River Project**"). The Technical Report is based on the DFS and updates a technical report dated May 2006, and subsequently amended in October 2006, relating to the 2006 scoping study prepared by Mr. Fred A. Edwards, P. Eng, Mr. Rene Gharapetian, P. Eng, Mr. Robert Lynn Moxham, P. Eng, P. Geo, and Mr. George H. Wahl, P. Geo.

Portions of the following information extracted from the Technical Report are based on assumptions, qualifications and procedures that are set out in the full Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Technical Report, which is available for review on the System for Electronic Document Analysis and Retrieval (SEDAR) located at www.sedar.com. Alternatively, the Technical Report may be viewed upon prior request during normal business hours at the offices of the Company located at Suite 1016, 120 Adelaide Street West, Toronto, Ontario, M5H 1T1.

Property Location, Description and Access

The Mary River iron ore deposits on Baffin Island are located on NTS Sheet 37 G/5 at latitude 71° and longitude 79°, approximately 160 kilometres south of Mittimatalik (Pond Inlet), 270 kilometres southeast of Nanisivik, 300 kilometres north of Sanirajak (Hall Beach), and 1,000 kilometres northwest of Iqaluit, Nunavut Territory.

The mineral properties of the Company consist of three mineral leases over the Mary River Deposit No. 1 (Lease 2484), Deposits No. 2, No. 3 (Lease 2485), and Deposit No. 4 (Lease 2483), with a total area of 1,593.4 hectares. The leases are valid for a 21-year period and expire on August 27, 2013. In order to obtain mineral leases under applicable Canadian mining regulations, legal surveys of the leases are required and were completed for the three Mary River leases in 1971. After the initial 21-year period for the mineral leases, the leases were renewed in 1992 for a second 21-year period.

The Company is the exclusive owner of the mineral rights within the three mining leases that comprise the Mary River Property which host all four Mary River Deposits. There are no royalties, back-in rights, payments or other obligations pertaining to the property other than taxation pertaining to any mining property being developed in Nunavut. In 2005 the Company sought and obtained a title opinion that indicated that the leases were in good standing, that the Company was the exclusive holders of the leases and that the leases were unencumbered in any way.

The following table describes the mineral leases held by the Company:

<u>Lease</u>	<u>Issue Date</u>	<u>Expiry Date</u>	<u>Area (hectares)</u>	<u>Deposits</u>
2483	1992-08-27	2013-08-27	129.73	Mary River Deposit No. 4
2484	1992-08-27	2013-08-27	557.20	Mary River Deposit No. 1
2485	1992-08-27	2013-08-27	906.43	Mary River Deposit Nos. 2 and 3

The Company's mineral leases predate the May 25, 1993, NLCA but are surrounded by Inuit-owned land, either designated as surface and subsurface rights (around mineral Leases 2484 and 2485), or surface only (around mineral Lease 2483). The mineral leases are administered by Indian and Northern Affairs Canada under applicable Canadian mining regulations. Access to land for which the Inuit have surface ownership is through the regional QIA in Iqaluit and departments of the Nunavut Territorial Government.

Access to the Mary River Project is by fixed wing aircraft, with usable gravel airstrips at the Mary River site and at Milne Inlet. Access is also available by float or ski plane on a nearby lake. The closest scheduled air service is to Pond Inlet, 160 km from the Mary River site. Pond Inlet is serviced by an ATR turboprop aircraft 6 d/wk from Iqaluit. The Company currently operates a regular charter service (3 d/wk) from Iqaluit to the site using a nine-passenger Dornier.

Milne Inlet, the closest navigable water, is located approximately 100 km to the west of the Mary River site. To date, major movements of supplies and equipment have originated from Montreal to Milne Inlet by ship, and ships have been unloaded to lightering barges which have been beached at the shore of Milne Inlet. Materials have been then transported to Mary River by the Milne Inlet Tote Road. A 45-person hard-shell camp was established at Milne Inlet in 2007. The road, constructed in the 1960s, connects the Mary River deposits with the Milne Inlet.

The Milne Inlet Tote Road is currently being upgraded to an all-weather condition to support the transportation of the bulk sample ore from Mary River to the Milne Inlet beach in the winter of 2007-2008. After completion of the bulk sampling program, the crossings will be removed and the road will revert back to a winter-only road before mine construction will begin.

Steensby Inlet, located about 140-km south-southeast of Mary River, also provides a navigable access route, and is being proposed for the port site from which Mary River ore will be exported. An existing 12-person camp established by the Company in 2007 will be replaced with a 40-person camp in 2008, pending amendments to existing permits. There is currently no road route or port facility available for use through this entry; all access to this site has, to date, been by helicopter. The Company has negotiated a memorandum of understanding with the Nunavut Tunngavik Incorporated which is in the process of being ratified to grant to the Company rights to 100% interest in the minerals within, upon or under certain Inuit-owned lands comprised of a total of 16 903 ha, and which excludes mining leases 2484 and 2485. The agreement once ratified will provide a substantially larger package of prospective ground for the Company's iron ore exploration. No deposits have been as yet explored for or identified on this parcel, except the potential eastern extension of Deposit No. 3.

There are no pending environmental liabilities currently associated with the Mary River Property. The Mary River Property was explored in the 1960s and it is possible that some environmental liabilities exist in the form of petroleum hydrocarbon contamination. The original camp operated a landfill or dump. The potential environmental liabilities from

these operations have been reviewed in a level one environment assessment and are considered minimal. A letter of credit of \$5.407 million has been posted to the QIA as security against current activities and closure costs.

Exploration and Development History

The exploration history of the Mary River Property can be divided in the work completed during the initial discovery years from 1962 to 1965, mainly by the geological consulting firm of Watts, Griffis and McQuat Limited ("WGM") and the work programs carried out since 2004 by the Company. Since the revival of interest in the project, the Company has completed four drill campaigns in 2004, 2005, 2006 and 2007. Because assay results are still pending from 2007 drilling on Deposit No. 1, the Technical Report covers work completed up until the end of the 2006 field season for Deposit No. 1 and up until the end of the 2007 field season for Deposit Nos. 2 and 3.

Exploration by WGM was comprised of magnetometer surveys, geological mapping, channel sampling of all four deposit areas and diamond drilling of Deposit No. 1. Additional engineering work included metallurgical testwork, tote road construction between Milne Inlet and the Mary River Camp, construction of three airstrips to support exploration, topographical surveys, hydrographic surveys, engineering studies of facilities and services, terminal/ship loading studies, ocean shipping studies, an investigation into sources of hydroelectric power, and soil testing for road/rail construction.

A total of 26 holes with a combined length of 3319 m were drilled at Deposit No. 1 in 1964 and 1965. Only 15 holes were completed as planned, with the remaining 11 holes either lost or not completed. Drill-hole assay data for the WGM sampling program was limited to Fe, SiO₂, and S. WGM also collected a total of 208 channel samples representing 1034.8 m of sample returning high grades (>60% Fe) on Deposit Nos. 1, 2, 3 and 4. WGM also completed magnetometer surveys indicating that magnetic anomalies were consistent with high-grade outcrops suggesting significant potential strike extent for each of the deposit areas.

Drilling by the Company in 2004 was focused on extending the northern and southern extents of mineralization previously defined by WGM drilling on Deposit No. 1. A total of 2813 m of drilling produced 832 assay samples or 1497 m of split core samples. In 2004, a total of 68 composite samples (60 to 120 kg) were collected from the remaining drill core and forwarded for metallurgical testwork at SGA in Germany. Each composite represented approximately a 14- to 16-m drill core interval. The drill program was successful in extending the northern and southern extents of Deposit No. 1. The first drill hole was drilled into Deposit No. 2 intersecting approximately 85 m true width of high-grade iron formation indicating that further drilling on Deposit No. 2 was warranted. A further seven metallurgical samples were collected from core and two metallurgical samples from outcrop in Deposit No. 2 and also forwarded to SGA in Germany for testwork.

In 2005, 34 holes were completed for a total of 8073 m. On Deposit No. 1, a total of 2,621 samples representing 5216 m of split core were sent for assay. In 2005, no drilling was completed on Deposit Nos. 2 and 3. The drill program was largely aimed at testing the depth extent of Deposit No. 1 to delineate the footwall contact. Drilling in Deposit No. 1 was successful in indicating that the surface widths encountered by WGM extended to approximately 600 m in depth with no indication of pinching out at depth. An additional 135 metallurgical composites collected from Deposit No. 1 drill core were dispatched to SGA in Germany for metallurgical testwork. Another 15 metallurgical samples from surface outcrops on Deposit No. 1 were also forwarded to SGA in Germany. An aerial topographic survey was completed by Eagle Mapping Services to produce a digital terrain map of the area covering Deposit Nos. 1, 2, and 3.

According to the Company, the 2006 drilling program was comprised of 7067 m of drilling which included exploration, infill drilling, as well as geotechnical drilling for pit walls and infrastructure. The Company reports that in 2007, it completed a total of 9338 m of drilling which includes exploration and infill drilling as well as geotechnical drilling of pitwalls, infrastructure locations, port facilities and railway alignments.

Exploration drilling in 2006 and 2007 on Deposit No. 1 was targeted towards drilling the upper 250 m in elevation, in order to provide metallurgical material and to obtain a more complete deleterious database for the upper portion of deposit, the portion that provide the raw material for the first years of mine life. This program was only partially completed in 2007 and is proposed to continue in 2008.

Deposit No. 1 drilling in 2006 was comprised of a total of 22 drill holes (4137 m). Thirteen holes were focused on the north limb, one on the south limb, four on the fold nose and the remaining four holes were comprised of geotechnical pit wall holes. A total of 1,276 samples were collected representing 2513.70 m of sample from 18 exploration drill holes.

Exploration in 2006 also commenced on Deposit Nos. 2 and 3. A total of 311 samples were collected from 610 m of split drill core on Deposit No. 2 in 7 drill holes drilled on sections spaced 100-m apart. Deposit No. 3 2006 drilling was comprised of a total of 118 samples collected from 231.7 m of split core from 3 drill holes. One of these three holes penetrated 169.8 m of massive high-grade specular hematite, suggesting a true thickness of at least 140 m at the western extent. An additional 17 core samples were submitted from Deposit No. 2 and an additional 10 core samples from Deposit No. 3 were submitted for metallurgical testwork.

In the Deposit No. 1 2007 program, the Company reports the completion of a total of 4392 m of drilling which includes both geotechnical and exploration drilling. This drill program was comprised of 3 bulk sample pilot test holes on the north limb, a further 3 north limb infill holes, 3 south limb infill holes, 10 fold nose holes and 3 geotechnical-specific holes. Information on the meterage and number of samples collected from the Deposit No. 1 2007 program are still pending. An additional 87 core samples from 2006 were submitted for metallurgical testwork.

A total of eight additional holes were drilled on Deposit No. 3 in 2007 for a total of 1918.5 m on 450-m step outs.

A total of 578 m of core were sampled representing 293 samples. A further eight channel samples for a total of 82 m were collected in 2007.

For the 2008 metallurgical testwork program, a further 53 metallurgical samples from 2007 drill core are in preparation for transport to SGA in Germany for Deposit No. 1, as well as another 22 core and outcrop samples for Deposit No. 3 from the 2007 exploration program.

Exploration results from 2006 and 2007 were successful in that they allowed for the definition of continuous zones of high-grade mineralization for Deposit Nos. 1, 2 and 3, and the subsequent estimation of mineral resources for these deposits.

Climate, Local Resources, Infrastructure and Physiography

North Baffin Island has a semi arid climate with relatively little precipitation. The region experiences 24 hour darkness with less than 2 hours of twilight from approximately November 12 to January 29. Frost-free conditions are short and are from late June to late August. There is continuous daylight from approximately May 5 to August 7. The months of July and August bring maritime influences and are usually the wettest (although snow may still occur).

The only local resources available at the Mary River Property are freshwater, sand gravel and coarse stone. There is no timber of any kind. A potential hydroelectric source is situated on the Rowley River, approximately 60 km to the northeast of the Steensby Inlet port site. Wind power generation is also a potential source of energy. Other local resources include resources valued by the Inuit of the region, including wildlife species for harvesting, a long archaeological record as evidenced by archaeological sites found throughout the region, and soapstone deposits such as the "Mary River soapstone" deposit found near Deposit Nos. 2 and 3.

The surrounding communities of Arctic Bay, Clyde River, Hall Beach, Igloodik and Pond Inlet provide a potential labour pool for operations, as do other communities in Nunavut. Some Inuit have received training in basic trades and skills while working on the now closed Distant Early Warning line and Nanisivik Mine operations.

Physiographically, the local landscape is dominated by the northwest-southeast valley of the Central Borden Fault Zone, a major feature. To the northeast, the land rises to about 500 metres and forms a plateau dissected by southward draining streams. The bedrock is a Precambrian complex of metamorphic (and some igneous) rocks. To the southwest, the land surface is more gentle and is covered by broad lakes. This terrain is underlain by early Paleozoic sedimentary units. The Mary River Property lies within the zone of continuous permafrost, with an active layer thickness of up to 2 m and a total permafrost depth of about 500 m.

Water quality in the region is neutral to slightly alkaline, with low to very low turbidity and low nutrients. Water within the Mary River area tends towards naturally pristine, despite the presence of highly-mineralized deposits. Aluminum and copper appear to be naturally elevated in surface drainages near the Mary River iron ore deposits.

Geology and Mineral Deposits

The Mary River Property is part of the Committee Belt, an assemblage of granite-greenstone terranes and rift basin sediments and volcanic rocks that lie within the northern Churchill Province and extend from southwest of Baker Lake for over 2,000 kilometres to north-western Greenland. The Committee Belt is joined to the south by the Baffin

Orogen.

In 1962, high grade iron ore deposits were discovered within a deformed granite-greenstone terrane at the Mary River Property, about 160 kilometres south of Pond Inlet. Initial fieldwork in 1962-1965 outlined the presence of four exposed deposits, (Deposit Nos. 1, 2, 3 and 4) of high grade iron ore. These iron ore deposits represent atypical high grade examples of Algoma-type iron formation, which is characterized by zones of massive, layered to brecciated hematite and magnetite, variably intermixed with banded oxide to silicate facies iron formation.

Mary River Deposit No. 1

Deposit No. 1 is currently the largest defined iron deposit in the Mary River area. The deposit has a total strike length, as defined by outcrop and magnetic anomalies of about 3800 m. Outcrops of high-grade iron oxides consisting of hematite and magnetite in various proportions and of specularite are exposed along the margin and crest of Nuluujaak Mountain at elevations ranging from 250 to 700 m, over a strike length of 2500 m. A possible additional strike of 550 m is suggested by magnetics and outcrop to the south, and magnetics indicate the continuation of the iron formation for about 750 m to the north.

Deposit No. 1 can be divided into an approximately 1300-m long northern portion (north limb) which strikes at 041° and dips at -77° to the southeast, and an approximately 700-m long southern portion (south limb) which strikes at 316° and dips at -65° to the northeast. Minor extensions to the northeast and southeast vary locally in strike and dip. The limbs occupy the flanks of a steep northeasterly plunging syncline. Three stratigraphic lenses of high-grade mineralization are located within the fold nose. These include from footwall to hanging wall the lower, middle and upper zone.

The high-grade lower zone oxide iron formation forms a tabular, 105-m to over 150-m thick body with chlorite-actinolite schist and/or garnetiferous amphibolite at the hanging wall and quartz-mica schist and quartz-feldspar-mica gneiss at the footwall. Bands of chloriteactinolite schist with garnet and/or magnetite, banded oxide facies iron formation, and staurolite-cordierite-mica schist are rarely interlayered within the iron deposit particularly with the high-grade magnetite of the north limb. The bands are laterally continuous and average 1 to 15 m in thickness and separate the lower, middle and upper zones. High-grade hematite-dominated iron formation predominates along the south limb and core of the synformal structure, while specularite occurs adjacent to the site where the north limb is disrupted by a north-northwest trending fault.

The iron formation along the south limb forms an assemblage of at least 290 m in thickness. The assemblage consists of two major sequences comprised of a lower high-grade iron formation band (up to 120 m in true thickness) overlain by a mixed zone of variably alternating high-grade iron formation, banded oxide iron formation, chlorite-actinolite schist, amphibolite and cordierite-staurolite-mica schist layers 2- to 18-m thick. The lower highgrade iron formation band forms the surface outcrop along the crest of Nuluujaak Mountain.

Mary River Deposit No. 2

Deposit No. 2 outcrops on a ridge 2.6-km east of Deposit No. 1. The deposit consists of dark steel to blue-grey weathered high-grade specularite iron formation outcrops up to 40 m in width and 90 m in length and can be traced for over 500 m along strike. The deposit strikes west-southwest and grades into a south to south-southeast dipping up to 100-m wide belt of banded oxide facies iron formation. The banded iron formation belt trends westward for 900 m where it is truncated by an interpreted northwest-trending fault. The high-grade iron formation zone at Deposit No. 2 outcrops over an elevation of 610 to 670 m, strikes east-northeast – west-southwest to east – west and is characterized by subvertical dips to the south and south-southeast. Mapping, drilling results and correlation with the Mary River Group assemblage at Deposit No. 1, suggests that high-grade specularite iron formation at Deposit No. 2.

The deposit has been drilled across a strike length of 500 m, extending east-northeast. An expanded strike length of 850 m can be tentatively interpreted based on occurrences of high-grade float towards the west and the extension of the high-grade zone eastwards along strike to the contact with the northeast-trending fault zone (at section line 567,000E) that separates Deposit Nos. 2 and 3.

Deposit No. 2 appears to be much more complex than Deposit No. 1 in terms of continuity of high-grade iron formation and continuity of thickness. The high-grade zone reaches a maximum (true) thickness of 90 m at MR2-06-82 and thins to 22 m at MR2-06-88 (300 m to the east-northeast). To the west-southwest, the high-grade zone comprises up to four bands of high-grade specularite to hematite iron formation interleaved with banded oxide facies iron formation across an interval 79 m in (true) width (MR2-06-99). A zone of high-grade magnetite to specularite iron

formation, 17 m in true thickness, has been encountered in the upper banded iron formation zone at hole MR2-06-85; the total strike length and depth extent remains to be determined. Typical analytical results, from 2006 drilling through the high-grade zone, include grades of 66.3% Fe, 3.7% SiO₂, 0.014% P, 0.01% S and 0.7% Al₂O₃ across a drill intersection of 119.8 m at hole MR2-06-82, and 66.2% Fe, 3.0% SiO₂, 0.025% P, 0.01% S and 1.4% Al₂O₃ across a drill intersection of 44.4 m at hole MR2-06-85.

Mary River Deposit No. 3

As a result of the 2007 drill program, the nomenclature previously referred to as “Deposit Nos. 3, 3A and 3B” centred around groups of widespread outcrops along the same stratigraphy have been renamed to refer to a single zone which will be called Deposit No. 3.

Deposit No. 3 is situated on the crest and lower slope of a ridge 670-m south of Deposit No. 2. The deposit consists of high-grade hematite and specularite iron formation. The deposit occurs at an elevation of 490 to 530 m. The iron formation which hosts Deposit No. 3 follows an east-northeast trending airborne magnetic anomaly which extends continuously approximately 8 km towards the northeast. High-grade iron formation outcrops and float associated with a belt of Mary River Group metasedimentary and metavolcanic rocks can be traced along strike in outcrop and in aeromagnetic anomaly patterns intermittently for more than 15-km east-northeast and northeast to the Glacier Lake area. These deposits are treated as part of the same iron formation assemblage.

There is no outcrop evidence to suggest the continuation of high-grade iron formation northwards of Deposit No. 3 to connect to Deposit No. 2, as had been inferred from previous mapping. A single hole drilled in 2006, located 320 m north-northeast of the western most outcrop at Deposit No. 3 and south of Deposit No. 2, failed to intersect iron formation. Instead, the hole intersected interleaved bands of granitic to granodioritic gneiss and chlorite-mica schist. The complex structural setting, across this area, suggests that continuity of the high-grade belt between the two deposits is not likely. However, additional drilling and detailed magnetometer surveys are planned to fully explore the nature of the north-northwest trending magnetic anomaly that lays midway between the two deposits and northwest of the site drilled in 2006.

Foliation in gneiss and schist and foliation plus relict banding in high-grade iron formation at Deposit No. 3 strikes east-west and at its western extent dips -88° to the north while at its eastern extent the dip decreases to -67° towards the north. Drilling at Deposit No. 3 has shown that at the footwall contact, high-grade specularite iron formation is in contact with chlorite-amphibole to mica-sericite-chlorite schist which in turn is in contact with a thick sequence of quartz-feldspar-mica gneiss. Comparison with the correlative stratigraphic sequence noted at Deposit No. 2, suggests that the Mary River Property succession is overturned at Deposit No. 3. Thus, the high-grade iron formation assemblage is stratigraphically overlain (down slope) by silicate and/or banded oxide facies iron formation with minor chlorite-amphibole schist, which is in turn overlain by amphibolite.

Drilling during the 2006 season resulted in an incomplete drill intersection comprised almost entirely of remarkably homogeneous high-grade specularite iron formation that measured 169.8 m in length grading 65.8% Fe, 1.8% SiO₂, 0.03% P, <0.01% S and 1.1% Al₂O₃. This drill intersection represents a high-grade iron formation zone with an estimated true thickness of approximately 140 m. Drilling in 2007 on 450-m spaced drill sections indicated a strike length of at least 2450 m of high-grade iron formation, with the high-grade zone pinching out towards the east. The deposit remains open towards the west and at depth. At its western extent, however, the zone is interpreted to be terminated by a southwest-trending fault which is also interpreted to limit the eastern extension of Deposit No. 2. Potential exists beyond the eastern-most extent of Deposit No. 3 for the discovery of additional targets of high-grade iron formation.

Mary River Deposit No. 4

High-grade iron formation of Deposit No. 4 outcrops on a low ridge 27 km northwest of Deposit No. 1 and 3 km west of the Central Borden Fault zone. In this area, exposures of high-grade magnetite and specularite iron formation occur as a series of elongated lenses or bands, 5- to 75-m wide, that outcrop intermittently over a strike length of 2800 m within the mine lease boundary. The exposures outcrop at a maximum elevation of 308 m and cover a combined surface exposure area of approximately 90000 m². The average grade of the deposit area based on 196 m of trench samples taken by WGM was determined to be 66.8% Fe, 2.1% SiO₂, 0.108% P, 0.02% S and 0.7% Al₂O₃.

Mineralization

The Mary River deposits comprise of a number of lensoid bodies which differ in iron, silica and sulphur content and in the proportions of their main oxide minerals – hematite, magnetite and specularite. These chemical and mineralogical differences may reflect primary compositional variations of the exhalative sediments which formed the iron formation horizons, and secondary hypogene changes during metamorphism, as well as supergene alteration near unconformities.

Microscopic examination of drill core specimens by a third party suggests that magnetite was the stable mineral of the iron formations during metamorphism (amphibolite facies), and was replaced to various degrees by hematite (martitization), resulting in a range of hematitemagnetite compositions. This alteration process had occurred during a late stage of metamorphism, under conditions of localized stress and high oxygen pressure, and may have been associated with folding and faulting of the tabular high-grade magnetite iron formation.

Drilling

Drilling activities at the Mary River Property include WGM exploration data completed in the 1960s, as well as four successive years of exploration by the Company. Tables 1, 2 and 4 summarize the exploration database completed on Deposit Nos. 1, 2 and 4 by the end of 2006. For 2007, assay data was still pending on Deposit No. 1; however, the complete Deposit No. 3 2007 dataset was available and is included in Table 3.

Table 1
Database Mary River Deposit No. 1

Year	Company	Type	No. of Collars	No. of Metres
1964	WGM	DDH	26	3318.06
2004	Baffinland	DDH	12	2 349.50
2005	Baffinland	DDH	34	8 393.20
2006	Baffinland	DDH	22	4 135.80
		Total	94	18 196.56
1963	WGM	CHA	208	1022.78
2006	Baffinland	CHA	12	67.35
		Total	220	1090.13

Table 2
Database Mary River Deposit No. 2

Year	Company	Type	No. of Collars	No. of Metres
2004	Baffinland	DDH	1	122
2006	Baffinland	DDH	7	1192.7
		Total	8	1314.7
1963	WGM	CHA	22	130.19

Table 3
Database Mary River Deposit No. 3

Year	Company	Type	No. of Collars	No. of Metres
2006	Baffinland	DDH	3	636
2007	Baffinland	DDH	8	1916.5
1963	WGM	CHA	19	96.65
2007	Baffinland	CHA	8	82

Table 4
Database Mary River Deposit No. 4

Year	Company	Type	No. of Collars	No. of Metres
1963	WGM	CHA	32	190.72

(DDH: Diamond drill core; CHA: channel sampling.)

Drilling was completed using mainly HQ (core diameter 63.5 mm) in order to improve core recovery and to provide sufficient sample for the Company to metallurgically map the Deposit No. 1. All hole collars are surveyed on an ongoing basis and down hole surveys are completed using a Maxibor instrument which collects dip and strike data of the entire length of the hole. Where drilling became difficult, holes were extended using NQ equipment (core diameter 47.6 mm). Drilling was completed using Longyear L-38 and LM-30 modular rigs.

Drill core recoveries generally ranged between 90% to 95% for the Company drill programs. Occasional intervals of poor recovery were a result of broken or fragmentary hematite or magnetite generally related to apparent zones of faulting or shearing, friable, porous hematite within the fold axis; or fractured or brecciated waste rock above the hanging wall. A total of 4,729 samples from the Company drill programs averages 96.7% core recovery.

Sampling Method and Approach

The sampling method and approach utilized by WGM was to assay the N-size core in three or six metre lengths in the iron oxide and iron formation horizons. Core from the drilling programs at Deposit No. 1 in 1964-1965 was split longitudinally and one-half stored at the Mary River Property and the other half shipped for assaying to Technical Service Laboratory in Toronto, or to Warnock Hersey Company Limited in Montreal. A total of 701 samples with a combined length of 2,728 metres from 25 drill holes were assayed, with the lengths of individual samples varying from 0.3 to 16.8 metres, with an average of 3.9 metres. The core samples show no bias and are representative of the portions of the deposit drilled, since the entire length of the intersections in the iron oxide body was sampled and assayed. While the assay tables are available, with graphic and summary logs, the detailed geological logs are no longer available.

The principal sampling method and approach employed by the Company from 2004 through 2007 was core drilling which was contracted to Boart Longyear Inc. A limited amount of surface channel sampling was completed on Deposit No. 1 in 2006. A total of 48 channel samples covering 48.35 m were sent to SGS Lakefield Laboratories ("SGS") in Sudbury, Ontario for assay. Channel samples were cut with a diamond saw and sample volume per metre roughly equated that of HQ diameter core.

An additional 11 channel composites weighing approximately 200 kg each were sent for metallurgical testwork on Deposit No. 1 and another 2 approximately 200-kg channel sample composites were sent for metallurgical testwork on Deposit No. 2. Channel sampling on Deposit No. 3 in 2007 was comprised of eight channel samples for a total of 82 m.

The HQ-sized drill core was logged and 2-m sample lengths were marked for sampling and assaying. Sample lengths were less than 2 m when intervals were encountering changes in lithology. The core was split using a diamond saw. Samples were collected not only for ore grade material, but also for internal waste, hanging wall and footwall as well as adjacent banded iron formation, in order to assess the grade impacts of waste deleterious elements and dilution. Remaining core samples were stored in core boxes on site for future reference or for metallurgical testwork. Sample mass for HQ sized core ranged from 11 to 15 kg while sample mass for NQ sized core ranged from 6 to 7 kg.

Drill core logging captured major and minor rock types, core recovery, rock quality distribution, presence of sulphides and structure. Geological logging of drill core was completed on laptops to reduce transcription errors. Core was photographed prior to sampling.

Negligible opportunities exist for tampering with the core or samples, because of the isolation of the site and restricted access to the site. All samples were air-shipped in sealed containers to SGS laboratories in Sudbury. No evidence of tampering of samples was encountered. Sample assay values forwarded to different laboratories returned similar values.

Sample Preparation, Analysis and Security

Sample preparation was completed by SGS. Logging, core cutting and shipping of samples from site to the assay laboratory was undertaken by the Company's personnel and under the supervision of the Company's qualified personnel.

Sample security was assured in two ways. Since the Company operates in such a remote location, only Company personnel at the Mary River Property had access to the sampled materials. Secondly, due to the nature of iron raw materials, contamination, either by negligence or malfeasance is unlikely because of the very high levels of the element of interest. The main problem is sample numbering and identification, to ensure that all samples are correctly numbered and accounted for in the whole sample processing cycle. This was achieved through a multiple redundant numbering and labelling system for bagged samples. To date, no samples have been lost or confused.

Data Verification

Approximately 5% of the electronic drill hole assay database was checked against original assay records for data entry errors. Although assay certificates for the WGM drilling were no longer available, original assay tables were used to check data entry. No significant errors were encountered. Drill logs and drill core from the WGM drill campaign were no longer available for verification purposes. During data input assay intervals were checked and corrected for overlapping samples, and data entry errors.

SGS completed the assay work in the Company's 2004, 2005, 2006 and 2007 drill programs. SGS is accredited by the Standards Council of Canada for specific mineral tests listed on the scope of accreditation to the ISO/IEC 17025 standard. ISO/IEC 17025 addresses both the quality management system and the technical aspects of operating a testing laboratory. SGS documentation provided by the Company indicates that SGS also participates in round robin reference material certification programs. SGS's internal quality control procedures and frequency include duplicate samples, spiked blanks, spiked replicates, reagent/instrument blanks, preparation control samples, certified reference material analysis, and instrument control samples.

Adjacent Properties

BHP Billiton Ltd. has acquired adjacent prospective iron formation stratigraphy surrounding the Company's mining leases.

Metallurgical Testing and Mineral Processing

Historical Metallurgical Testwork

In 1964, three one-tonne samples were collected at surface over sections on which drill holes S-4, S-8 and S-9 were located, and shipped for processing to the Ontario Research Foundation in Weston, Ontario. The three high-grade (69.7-70.9% iron) samples used for the tests consisted of hematite, hematite with 10-15% magnetite, and magnetite with 3-5% hematite, with low levels of silica, manganese, sulphur and phosphorus, and 5-10% porosity in the hematite-rich samples. The chemical composition of the three samples compared favourably with iron ore concentrates and pellets from North America and Brazil, which generally had less iron and more silica.

In 1971, a metallurgical test program on core samples from the Mary River Property was conducted at the University of Minnesota. The samples used were collected from core stored at the Mary River Property and included samples high in hematite and specularite, samples high in magnetite and sulphurous high-grade and low-grade samples. The core was from nine different holes spread over a strike length of the deposit of about 1000 m.

Preliminary pellet tests at the University of Minnesota also indicated that excellent pellets could be produced from high-grade hematite and magnetite ores, and a superior sinter product was produced from the ore.

Recent Metallurgical Testwork (2003 to 2006)

After the 2004 work season, 20 large samples of various types of oxide-rich material were dispatched to SGA a specialized iron ore laboratory in Germany, and submitted to a full range of chemical, physical and metallurgical tests to determine their suitability as lump ore feed material for the primary steel industry. Results showed that the Mary River Property material would constitute a high quality lump ore. The material shows high iron content and favourably low contents of titanium, alkalis and deleterious minor materials. Some zones presented higher than acceptable sulphur content, which can be selectively mined or shipped and sold with reasonable customer penalties. The phosphorous levels in some zones were over limits, but can probably be controlled by selective mining and blending. Drill core from the 2005 drilling program was composited using the same sampling protocol as in the second batch tested in 2004. However, to ensure sufficient sample for the physical testing of the samples, primarily the tumble test, a minimum of 100 kg per composite was maintained. An additional 135 drill core composite samples from Deposit Nos. 1, totalling approximately 18 t in weight, were sent to SGA for testing as batch Nos. 3 and 4.

Additional lump ore tests on the 2005 samples from Mary River Deposit 1 were performed in 2006 and 2007. These results and all previous chemical, physical, and metallurgical testing done on these and previous samples in the period January 2005 to December 2007 were reported as batch Nos. 1 to 4 in the SGA "Status Report on Mary River Iron Ore", issued in December 2007. Conclusions derived from this work have been updated to include all of the lump ore tests on the 210 composite drill core, and 13 composite channel samples.

Other work was also undertaken during the period 2006 – 2007. This work included a crushing pilot plant test on two samples by Metso Minerals Industries Inc. (“Metso”). At the same time, SGA did a reassessment summary of the lump to fines ratio for Deposit Nos. 1 and 2, and drop tests to evaluate the breakage of lump ore in handling. Chemical analysis of the lump and fine fractions after screening on 6.3 mm for 135 samples, and screen fraction metal analyses on 25 samples including 12 composites and 13 channel samples were also done and the results reported in the SGA December 2007 report. SGA also summarized all the results and conclusions for the work done to date in that same report. Finally, ProMet Engineers of Australia (“ProMet”) were hired to give an independent overview of the test work completed. The Metso, SGA, and ProMet reports are filed in the Appendix to the Technical Report.

The program of diamond drill core testing has continued on the samples generated in the drilling campaigns for the years 2006 and 2007, but the results of this work have not yet been reported by SGA. The intent of this current work is to expand the data base beyond the 216 samples from Deposit Nos. 1, and 7 samples from Deposit No. 2, to the rest of Deposit No. 2 and Deposit No. 3, in order to facilitate understanding and future mine planning requirements for ore grade, impurity levels, lump to fines ratio, and metallurgical properties for all ores in the Mary River deposits at that location.

Mineral Processing

The capacity for the proposed mining, comminution and handling facilities at the Mary River Property are considered modest for iron ore operations. The subarctic location will necessitate thorough weatherproofing, but otherwise, the crushers, screens and other processing and transfer equipment will be conventional in their selections.

Lump iron ore is expected to be the main product from the Mary River Property. This product will have high iron grade by world standard, and will have variable impurity content, depending on the mine plan and schedule. The lump product has been found suitable for blending as direct feedstock for blast furnace iron making. The minority fines product would also be saleable depending on its grade and market conditions.

Mineral Resource and Mineral Reserve Estimates

Table 5 reports the proven and probable reserves in Deposit No. 1. No reserves were generated from the resources in Deposit Nos. 2 or 3 in the Technical Report, as well as the remaining mineral resources exclusive of reserves in Deposit No. 1, and the indicated and inferred mineral resources estimated in Deposit Nos. 2, and 3. The resource estimates were prepared according to NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum classification system.

Table 5
Deposit Nos. 1, 2 and 3 Mineral Resources Exclusive of Reserves and Mineral Reserves

Mineral Reserves (Deposit No. 1)						
Category	Mt	Fe%	P%	S%	SiO₂%	Al₂O₃%
Proven	160	64.35	0.030	0.25	3.52	1.43
Probable	205	64.88	0.039	0.23	3.03	1.25
TOTAL	365	64.66	0.035	0.24	3.24	1.32
Mineral Resources Exclusive of Reserves						
Category	Mt	Fe%	P%	S%	SiO₂%	Al₂O₃%
Measured	0.4	65.39	0.010	0.60	1.86	1.09
Indicated	52	64.60	0.035	0.32	4.39	1.27
Inferred	448	65.48	0.044	0.18	2.56	1.21

The parameters used for the pit optimisation in Deposit No. 1, and Deposit Nos. 2 and 3, and to define ore and non-ore resources, were the best estimates based on the available information. Some of the parameters such as: mining cost, process cost, mining dilution, mining recovery, and the rehabilitation costs were estimated by Aker Kvaerner. The overall slope angles were estimated by Knight Piésold Ltd. The product price and the information on royalty were provided by the Company.

The resource model was imported into GEMS software and checked for integrity, but not audited. The final pit design was based on Whittle 4X optimization results.

Based on the selected nested shells, the interim and final practical pits were engineered and the in-pit reserves were estimated for Deposit No. 1. Reserve estimation and the production scheduling were carried out by using a 50% CoG.

Owner operation is assumed for the Deposit No. 1 mining operation. The mining fleet consists of large drills with the ability to drill 15-m holes in a single pass, hydraulic shovels with up to 26-m³ bucket capacity, and 210-t haul trucks.

The estimated mine life at an annual production rate of 18 Mt is 21 years. In the first 5 years, the average iron grade per year is 67.55% to 66.04%. The stripping ratio during this period is less than 1.0. For the remaining mine life, the average iron grade in the product is above 64%. The total average stripping ratio for the final pit is 1.6. The mineral resources were estimated by Mr. George H. Wahl, P. Geo, who is a Qualified Person as defined by National Instrument 43-101.

Mineral reserves can only be estimated as a result of an engineering and economic evaluation arising from a preliminary feasibility study or a feasibility study of a mineral project. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to indicated mineral resources there is no assurance that mineral resources will be upgraded to proven and probable ore reserves. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Recommendations

The Technical Report concludes with a series of recommendations directed at providing additional data for the next phases of the Mary River Project, with particular emphasis on geotechnical and other field surveys and construction planning. The recommendations include the following:

- continuing with environmental baseline studies;
- carrying out an additional geotechnical program in 2008 and onward, including drilling, laboratory testing and geophysical programs, to better define actual conditions present and adjust design and costs accordingly;
- completing a near-surface drill program prior to detailed engineering;
- continuing near-surface step-out drilling on Deposit Nos. 1, 2 and 3;
- in order to maximise the in-pit reserves, in-fill drilling inside the pit limits, which may result in upgrading the inferred mineralised rock category to indicated or measured categories;
- defining the overburden surface accurately within the perimeter of the final pit, allowing for a more accurate slope design and a better estimate of the required waste stripping which may affect the drill, load and haul operations;
- more detailed geotechnical testwork and study to define the pit slopes for different rock types, i.e., overburden, mineralised rock, and waste rock;
- defining water condition within the pit and waste dumps in order to finalise the slope stability analysis for both open-pit and waste dumps;
- conduct of drill and blastability tests in order to estimate a more accurate drill and blast pattern;
- continuing geotechnical investigations along the proposed rail alignment;
- specific geotechnical investigations for the tunnels and bridge crossings;
- continuing optimisation of the rail route alignment;
- completion of rail equipment specifications considering cold climatic requirements;
- collection of additional data for dock and causeway at Steensby;
- carrying out further optimisation of the dock design; and
- developing a more detailed schedule for construction considering various constraints, including possible environmental restrictions.

DIVIDENDS

The Company has not to date paid dividends on its Common Shares. The Company's current intention is to retain earnings to fund the development and growth of its business, and therefore the Company does not anticipate declaring or paying any cash dividends in the near to medium term. The Company's board of directors will determine if and when dividends should be paid in the future based on all relevant circumstances, including the desirability of financing further growth of the Company and the Company's financial position at the relevant time.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's capital structure consists of an unlimited number of Common Shares. As at the date of this Annual Information Form, an aggregate of 233,129,899 Common Shares, an aggregate of 5,981,988 Warrants, and an aggregate of 22,176,564 Subscription Rights are outstanding.

Common Shares

The Company is authorized to issue an unlimited number of Common Shares. The holders of the Common Shares are entitled to receive notice of any meeting of the Company's shareholders and to attend and vote thereat. Each Common Share entitles its holder to one vote. The holders of Common Shares are entitled to receive on a *pro rata* basis such dividends as the board of directors of the Company may declare. In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Common Shares will be entitled to receive on a *pro rata* basis all of the assets of the Company remaining after payment of all of the Company's liabilities.

Warrants

The Warrants were created and issued pursuant to an indenture (the "Warrant Indenture") dated January 31, 2007 between the Company and Computershare Investor Services Inc., as warrant agent (the "Warrant Agent"). The following is only a summary of the terms and conditions of the Warrant Indenture, and does not purport to be complete. This summary is qualified in its entirety by the actual text of the Warrant Indenture, which is filed on SEDAR.

Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of \$5.50 at any time from January 31, 2007 until the date that is five years after January 31, 2012 (the "Expiry Date"), subject to adjustment in certain events. The Warrants will become null and void on the Expiry Date. Holders of Warrants do not, as such, have any voting rights or any other rights which a holder of Common Shares would have. The Warrant Indenture provides for adjustment to the exercise price of the Warrants and/or to the number or kind of securities or property issuable upon the exercise of the Warrants upon the occurrence of certain events.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not materially and adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that materially and adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on such resolution or (ii) adopted by an instrument in writing signed by the holders of warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

MARKET FOR SECURITIES

Common Shares

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (“TSX”). Prior to June 29, 2006 the Common Shares were listed and posted for trading on the TSX Venture Exchange. The monthly trading price range and volume of the Common Shares for the year ended December 31, 2008 are set out in the table below.

Month	Open	High	Low	Close	Volume (Total)
January, 2008	\$4.50	\$4.62	\$3.10	\$3.12	2,911,124
February, 2008	\$3.25	\$4.40	\$2.92	\$3.95	5,664,228
March, 2008	\$3.86	\$3.95	\$3.09	\$3.10	9,693,189
April, 2008	\$3.12	\$3.50	\$2.85	\$3.19	10,570,192
May, 2008	\$3.31	\$3.65	\$3.14	\$3.40	6,403,633
June, 2008	\$3.39	\$3.39	\$2.94	\$3.10	6,324,957
July, 2008	\$3.15	\$3.17	\$1.62	\$1.86	6,748,556
August, 2008	\$1.77	\$1.96	\$1.22	\$1.58	11,225,712
September, 2008	\$1.56	\$1.60	\$0.85	\$1.07	6,825,129
October, 2008	\$1.11	\$1.15	\$0.30	\$0.39	9,847,114
November, 2008	\$0.42	\$0.42	\$0.19	\$0.19	13,995,386
December, 2008	\$0.20	\$0.20	\$0.11	\$0.17	10,797,267

Warrants

The Company’s Warrants are listed and posted for trading on the TSX. The monthly trading price range and volume of the Warrants for the year ended December 31, 2008 are set out in the table below.

Month	Open	High	Low	Close	Volume (Total)
January, 2008	\$1.70	\$1.75	\$1.10	\$1.15	158,400
February, 2008	\$1.10	\$1.79	\$1.08	\$1.50	210,400
March, 2008	\$1.50	\$1.50	\$1.10	\$1.10	73,050
April, 2008	\$1.10	\$1.25	\$1.00	\$1.18	155,700
May, 2008	\$1.09	\$1.33	\$1.02	\$1.22	93,400
June, 2008	\$1.27	\$1.27	\$0.97	\$1.10	95,000
July, 2008	\$1.00	\$1.00	\$0.61	\$0.75	62,650
August, 2008	\$0.85	\$0.85	\$0.40	\$0.60	120,200
September, 2008	\$0.55	\$0.55	\$0.25	\$0.37	27,400
October, 2008	\$0.20	\$0.20	\$0.10	\$0.11	95,650
November, 2008	\$0.18	\$0.18	\$0.02	\$0.02	466,900
December, 2008	\$0.03	\$0.05	\$0.02	\$0.03	156,500

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth for each of the directors and executive officers of the Company: (i) the name, province or state and country of residence and the year the person first became a director of the Company; (ii) the position with the Company and the principal occupation currently and for the five preceding years; and (iii) the number and percentage of Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Annual Information Form.

<p>Name, Province/State and Country of Residence, and Year first became a Director (or n/a if not a director)</p>	<p>Position or Office with the Company, Principal Occupation Currently and During Five Preceding Years</p>	<p>Number and Percentage of Common Shares Beneficially Owned, Directly or Indirectly, or over which control or direction is exercised at March 23, 2009⁽¹⁾</p>
<p>Brian L. Acton⁽³⁾⁽⁷⁾ Florida, USA 2004</p>	<p>Director President and Chief Operating Officer of Oxbow Carbon and Minerals LLC since 1995.</p>	<p>96,550 0.04%</p>
<p>Donald K. Charter⁽³⁾⁽⁴⁾⁽⁸⁾ Ontario, Canada 2007</p>	<p>Director President 3C's Corporation since January 2006. Prior to January 2006, Mr. Charter was an Executive Vice President of Dundee Corporation and Dundee Wealth Management Inc. and the Chairman, President and Chief Executive Officer of Dundee Securities Corporation and Dundee Private Investors.</p>	<p>154,700 0.07%</p>
<p>Graham G. Clow⁽³⁾⁽⁵⁾⁽⁹⁾ Ontario, Canada 2004</p>	<p>Director Managing Director of Scott Wilson Mining Group and Roscoe Postle Associates (predecessor company) since May 2002.</p>	<p>69,000 0.03%</p>
<p>Russell L. Cranswick⁽¹⁰⁾ Colorado, U.S.A. 2008</p>	<p>Director Vice President, Principal and Partner of Resource Capital Funds ("RCF") since 2000.</p>	<p>Nil</p>
<p>Grant Edey⁽²⁾⁽⁶⁾ Ontario, Canada 2008</p>	<p>Director Corporate Director and Retired Executive Chief Financial Officer of IAMGOLD Corporation from 2003 to 2007. Vice President of Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation from 1996 to 2002.</p>	<p>205,400 0.09%</p>
<p>John Lydall⁽²⁾⁽⁴⁾ Ontario, Canada 2004</p>	<p>Director. Director of Dundee Precious Metals Inc. and Lead Director of FNX Mining Company Inc. since 2003.</p>	<p>1,475,165 0.63%</p>
<p>Richard D. McCloskey Ontario, Canada 1997</p>	<p>Chairman of the Board Chairman of the Company since June 2005 and President of McChip Resources Inc. since 1990.</p>	<p>8,216,150 3.52%</p>

<p>Name, Province/State and Country of Residence, and Year first became a Director (or n/a if not a director)</p>	<p>Position or Office with the Company, Principal Occupation Currently and During Five Preceding Years</p>	<p>Number and Percentage of Common Shares Beneficially Owned, Directly or Indirectly, or over which control or direction is exercised at March 23, 2009⁽¹⁾</p>
<p>Gordon A. McCreary Ontario, Canada 2004</p>	<p>Director, President and Chief Executive Officer. President of the Company since June 2005 and Chief Executive Officer of the Company since May 2004. Chairman of the Company from January 2004 to June 2005. In order to adhere to the guidelines of the Toronto Stock Exchange, in June 2005 Mr. McCreary relinquished his role of Chairman of the Company to a new non-executive Chairman. Vice President of Kinross Gold Company ("Kinross") with responsibility for investor relations and corporate development from June 1993 to May 2004.</p>	<p>2,213,340 0.95%</p>
<p>Gordon Watts⁽²⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada 2004</p>	<p>Director. Consulting Engineer since 1977, with extensive experience in the mining industry in exploration, development and operations and specializing in the economic analysis of mining ventures and the development and application of computer systems to mining-related problems.</p>	<p>303,574 0.13%</p>
<p>Michael T. Zurowski Ontario, Canada n/a</p>	<p>Executive Vice President. Executive Vice President of the Company since 2005. President of the Company from February 2004 to June 2005. In order to adhere to the guidelines of the Toronto Stock Exchange, in June 2005 Mr. McCreary relinquished his role of Chairman of the Company to a new non-executive Chairman. Mr. McCreary then became President of the Company and Mr. Zurowski relinquished his role as President and became Executive Vice President. Consulting Geologist and an associate of Watts Griffis and McQuat from June 2000 to January 2005.</p>	<p>82,500 0.04%</p>
<p>Gwen M. Gareau Ontario, Canada n/a</p>	<p>Vice President, Finance and Chief Financial Officer. Vice President and Chief Financial Officer of the Company since December 2008. Controller of the Company from April 2008 to December 2008. Audit Manager at PricewaterhouseCoopers LLP from 2001 to 2008.</p>	<p>Nil</p>
<p>Sonya D. Stark Ontario, Canada n/a</p>	<p>Vice President, Corporate Affairs and Corporate Secretary. Vice President, Corporate Affairs and Corporate Secretary of the Company since March 2007. Vice President, Administration and Corporate Secretary of Tiberon Minerals Ltd. from October 2005 to February 2007. From October 1995 to September 2005, Ms. Stark held various positions at CFM Corporation which included Director, Corporate Affairs; Director, Investor Relations and Corporate Secretary and Director, Legal Affairs.</p>	<p>3,226 0.001%</p>

<p>Name, Province/State and Country of Residence, and Year first became a Director (or n/a if not a director)</p>	<p>Position or Office with the Company, Principal Occupation Currently and During Five Preceding Years</p>	<p>Number and Percentage of Common Shares Beneficially Owned, Directly or Indirectly, or over which control or direction is exercised at March 23, 2009⁽¹⁾</p>
<p>Derek Chubb Ontario, Canada n/a</p>	<p>Vice President, Sustainable Development. Vice President, Sustainable Development of the Company since March 2007. Manager, Sustainable Development of Suncor Energy from May 2004 to March 2007. Senior Project Manager of Dillion Consulting Limited from January 2003 to April 2004. Permitting Coordinator of the BHP Billiton Diamonds Inc. EKATI mine from December 2000 to December 2002.</p>	<p>5,140 0.02%</p>
<p>Rodney A. Cooper⁽⁵⁾ Ontario, Canada n/a</p>	<p>Vice President, Operations and Chief Operating Officer. Vice President, Operations and Chief Operating Officer of the Company since 2006. Vice-President, Technical Services of Kinross from June 2000 to February 2006.</p>	<p>4,000 0.002%</p>

- (1) The information with respect to the shares beneficially owned, directly or indirectly, by the above individuals has been furnished by these individuals, such information not being within the knowledge of the Company.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance and Nominating Committee.
- (5) Member of the Environmental, Health and Safety Committee.
- (6) Chairman of the Audit Committee.
- (7) Chairman of the Compensation Committee.
- (8) Chairman of the Corporate Governance and Nominating Committee.
- (9) Chairman of the Environmental, Health and Safety Committee.
- (10) Resources Capital Fund III L.P. and Resource L.P. (collectively, the "Resource Funds") are joint actors and are both current security holders of the Company. Mr. Cranswick is currently a director of the Company and a partner and a member of the Investment Committee of the Resource Funds, which beneficially own, control or direct, directly or indirectly, 35,181,706 Common Shares representing approximately 15.09% of the issued and outstanding Common Shares.

Term of Office

Each director remains in office until the next annual shareholders' meeting or until his or her successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company and/or any other applicable law.

Voting Securities

As at the date of this Annual Information Form, directors and senior officers of the Company, as set out on pages 34 through 36 of this Annual Information Form, as a group beneficially own, directly or indirectly, or exercise control or direction over a total of 12,828,745 Common Shares, which constitute 5.5% of the issued and outstanding Common Shares of the Company.

In addition, Resource Capital Fund III L.P. and Resource Capital Fund IV L.P. (collectively, the "Resource Funds") are joint actors and are both current security holders of the Company. Mr. Cranswick is currently a director of the Company and a partner and a member of the Investment Committee of the Resource Funds, which beneficially own, control or direct, directly or indirectly 35,181,706 Common Shares representing approximately 15.09% of the issued and outstanding Common Shares. Resource Capital Fund IV L.P. also own 22,176,564 Subscription rights, which entitles it to acquire 22,176,564 Common Shares for no additional consideration at any time prior to June 1, 2009, for a total ownership, upon exercise of such Subscription Rights, of 57,358,270 Common Shares representing approximately 22.47% of the issued and outstanding Common Shares.

Committees

Under the provisions of the *Business Corporations Act (Ontario)*, the Company is required to have an audit committee. Messrs. Edey, Lydall and Watts are currently members of the Company's audit committee (the "Audit Committee"). Mr. Edey is the Chairman of this committee.

The Company also has a Compensation Committee (the "Compensation Committee") of which Messrs. Acton, Charter and Clow are currently members. Mr. Acton is the Chairman of this committee.

The Company also has a Corporate Governance and Nominating Committee (the "CGN Committee") of which Messrs. Charter, Lydall, and Watts are currently members. Mr. Charter is the Chairman of this committee.

The Company also has an Environmental, Health and Safety Committee (the "EHS Committee") of which Messrs. Clow, Watts and Cooper are currently members. Mr. Clow is the Chairman of this committee.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

On June 30, 2005, the Superior Court of Quebec (Commercial Division) granted an initial order to Campbell Resources Inc. ("Campbell") under the Companies' Creditors Arrangement Act, at which time Mr. Clow was serving as a director. On February 27, 2007, the monitor presented a Certificate of Execution with respect to the Plan of Arrangement confirming that Campbell had executed all of its obligations pursuant to the Plan of Arrangement with its creditors.

A temporary cease trading order was issued by the Ontario Securities Commission (the "OSC") on December 6, 2001 against Glimmer Resources Inc. (the predecessor of the Company), at which time Mr. McCloskey was acting as President and Director, for failing to file interim financial statements. On December 18, 2001 the OSC extended the cease trading order. The order was rescinded by the OSC on May 26, 2003.

A temporary cease trading order was issued by the OSC on March 16, 2005 against Kinross, at which time Mr. Cooper was acting as Vice President, Technical Services, for failing to file annual financial statements. On April 14, 2005, the OSC issued a definitive cease trade order and the Nova Scotia Securities Commission (the "NSSC") issued a similar order. The orders by the OSC and the NSSC were lifted on February 22, 2006.

LEGAL PROCEEDINGS

Management of the Company is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company or relating to its business which would be material to the Company's business or financial condition.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the Company's three most recently completed financial years, or during the Company's current financial year, no director or executive officer of the Company, or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of the outstanding voting securities of the Company, or an associate or affiliate of any person or companies referred to above, had any material interest, direct or indirect, in any transaction that has materially affected or would materially affect the Company except as described below.

As described above under the heading "General Development of the Business – Three Year History – 2008", Resource LP subscribed for an aggregate of 14,665,541 Common Shares and 22,176,564 Subscription Receipts at a subscription price of \$0.19 per share or Subscription Receipt, as applicable, for gross proceeds to the Company of \$7 million. The Resource Funds are joint actors and are both current security holders of the Company. Mr. Cranswick is currently a director of the Company and a partner of the Resource Funds. The RCF Private Placement was negotiated on an arm's length basis between the Company, CIBC World Markets Inc. and Resource LP. As at March 23, 2009, the Resource Funds beneficially own or control approximately 15.09% of the outstanding Common Shares (22.47% on a fully diluted basis).

TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

The Company entered into the following material contracts during the most recently completed financial year and to the date of this Annual Information Form:

1. An Underwriting Agreement dated March 5, 2008 between the Company and Raymond James, CIBC World Markets Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., National Bank Financial Inc. and Loewen, Ondaatje, McCutcheon Limited with respect to the 2008 Equity Offering.
2. An Agency Agreement dated December 11, 2008 between the Company and CIBC World Markets Inc., Raymond James Ltd. And Dundee Securities Corporation with respect to the 2008 Private Placements.
3. The Rights Plan dated January 27, 2009 between the Company and Computershare Investor Services Inc. with respect to shareholder rights in the event of a take-over bid.

INTEREST OF EXPERTS

Names of Experts

1. The Company's independent external auditor is PricewaterhouseCoopers LLP, Chartered Accountants, P.O. Box 82, Royal Trust Tower, Suite 3000, Toronto Dominion Centre, Toronto, Ontario, M5K 1G8 ("PwC"), who were appointed on June 22, 2006. PwC has reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Canada.
2. Information of an economic (including economic analysis), scientific or technical nature regarding the Mary River Property is included in this Annual Information Form based upon the DFS and the Technical Report authored by Graham Holmes, P. Eng, Mr. Rene Gharapetian, P. Eng and Mr. George H. Wahl, P. Geo, each of whom is a "Qualified Person" as defined in National Instrument 43-101. The authors were engaged by Aker Kvaerner E&C to prepare the DFS and the Technical Report. The Company also commissioned Aker Kvaerner E&C to prepare a scoping study relating to the estimation of mineral resources for the Mary River iron ore deposits in 2006. All of the authors of the Technical Report are independent of the Company within the meaning of National Instrument 43-101 and do not have an interest in the property of the Company. As of the date hereof, the authors and Aker Kvaerner E&C beneficially own, directly and indirectly, less than 1 per cent of the outstanding Common Shares.

AUDIT COMMITTEE INFORMATION PER 52-110F1

Audit Committee Charter

The Audit Committee and the board of directors adopted a charter of the Audit Committee on January 15, 2004, which was amended in 2007 and 2008 (the "Audit Committee Charter"). The Audit Committee Charter is set out in full in Schedule "1" to this Annual Information Form.

Composition of the Audit Committee

Messrs. Edey, Lydall and Watts are currently members of the Audit Committee. All members of the Audit Committee are "independent" and "financially literate" as such terms are defined in Multilateral Instrument 52-110, Audit Committees ("MI 52-110"). Mr. Edey is the Chairman of this committee.

Relevant Education and Experience

Member	Relevant Education and/or Experience
Grant Edey Chairman	In 2007, Mr. Edey retired as Chief Financial Officer from IAMGOLD Corporation. From 1996 to 2002, Mr. Edey was the Vice President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation ("Repadre"). Prior to Repadre, Mr. Edey held senior positions with Strathcona Mineral Services Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algon Limited and INCO Limited. Mr. Edey has a Master of Business Administration from the Ivey School of Business, University of Western Ontario and a Bachelor of Science (Mining Engineering) from Queens' University.
John W. Lydall	In 2003, Mr. Lydall retired as head of Mining Investment Banking at National Bank Financial ("NBF") in Toronto. From 1982 to 2000 Mr. Lydall was responsible for all of First Marathon's investment research in the mining sector. In January 2000, he moved to NBF's Investment Banking group as Managing Director. Mr. Lydall graduated with a B.Sc. (Hons.), Mining Engineering, Nottingham University, UK in 1966 and in 1974 with a MBA from Cranfield School of Management, UK.
Gordon Watts	Mr. Watts is a professional engineer with over 45 years experience in the mining industry in exploration, development and operations. Mr. Watts specializes in the economic analysis of mining ventures and the development and application of computer systems to mining-related problems. Mr. Watts has prepared over 250 financial models in the mineral industry during the last 28 years.

Pre-Approval Policies and Procedures

In accordance with MI 52-110 and with the Audit Committee Charter, the Audit Committee has the sole authority to pre-approve: (a) all auditing services, including all engagement fees and terms, and (b) all non-audit services, including certain tax services to be performed by the Company's independent auditor. The Audit Committee currently approves any such proposed audit and non-audit matters prior to the services being performed. The Audit Committee is currently considering the implementation of a policy with respect to the pre-approval of such audit and non-audit items.

External Auditor Service Fees (By Category)

Category of Fee	Description	Amount 2008	Amount 2007
Audit Fees	Fees billed by the Company's external auditor in connection with the audit of the Company's financial statements and with the review of the Company's interim financial statements.	\$90,433	\$92,067
Audit-Related Fees	Fees billed by the Company's external auditor in connection with a diagnostic and plan of implementation with respect to International Financial Reporting Standards.	\$ 7,350	nil

Non-Audit Fees	Fees billed by the Company's external auditor in connection with filing a short form prospectus.	\$37,283	\$63,389
Tax Fees	Fees billed by the Company's external auditor in connection with preparation of tax returns and certain tax advice.	\$14,490	\$5,115
Total Fees		\$149,556	\$160,571

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness and principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular dated February 2, 2009 prepared in connection with the Company's annual and special meeting of shareholders on March 24, 2009.

Additional financial information is provided in the Company's financial statements and management's discussion & analysis for the year ended December 31, 2008.

SCHEDULE "1"

CHARTER OF THE AUDIT COMMITTEE

1.0 PURPOSE

The Audit Committee (the "Committee") of Baffinland Iron Mines Corporation (the "Company") has been established by the Board of Directors of the Company (the "Board") for the purposes of assisting the Board in overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company and shall assume responsibility for:

1.1 Auditor Qualification and Independence

The external auditor's qualifications and independence.

1.2 Auditor Performance and Audit Functions

The external auditor's performance and internal and external audit functions.

1.3 Financial Statements and Related Disclosure

Review of the Company's financial statements and related disclosure.

1.4 Internal and Disclosure Controls and Reporting

Oversight of the Company's procedures for internal control over financial reporting, disclosure controls and procedures and public disclosure with respect to finance, accounting and internal and disclosure controls.

2.0 COMPOSITION

2.1 Members

The Committee shall consist of as many members as the Board shall determine, but in any event, not fewer than three (3) members. The Board shall appoint the members of the Committee annually.

2.2 Qualifications

2.2.1 Each member of the Committee shall be an independent director of the Company within the meaning of the Canadian Securities Administrators Multilateral Instrument 52-111.

2.2.2 Each member of the Committee shall be financially literate, meaning each member, at the time of his/her appointment, must be able to read and understand financial statements that represent a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Company that can reasonably be expected to be raised by the Company's financial statements.

2.2.3 It is recommended that Committee members not simultaneously serve on the committees of more than three (3) other public companies. If a Committee member serves on more than two other committees, the Committee (or Board) must determine whether membership on multiple committees impairs the ability of the member to serve on the Committee.

2.3 Chair

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee.

2.4 Removal and Replacement

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be an independent director. The Board may fill vacancies on the Committee by election from among the Board. If, and whenever, vacancies shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.

3.0 OPERATIONS

3.1 Meetings

The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four (4) times per year. The Audit Committee shall meet within forty-five (45) days following the end of each of the first three financial quarters and shall meeting within ninety (90) days following the end of the financial year.

3.2 Independent Meetings

The Committee members shall meet independently, with only members of the Committee, following every meeting of the Committee, or more frequently, if necessary. The Committee shall meet separately with the independent auditors at every meeting of the Committee at which the independent auditor is present. The Committee shall meet separately with management quarterly or as frequently as necessary or desirable.

3.3 Quorum

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee.

3.4 Notice

Committee meetings shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members which shall not be less than twenty-four (24) hours. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to request that any member of the Committee call a meeting.

3.5 Agenda

The Chair of the Committee, with the assistance of the Corporate Secretary, shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall be, to the extent practical, communicated to members of the Committee sufficiently in advance of each meeting to permit meaningful review.

3.6 Report to the Board

The Committee shall report regularly, which shall be at least quarterly, to the entire Board. The Chair of the Committee shall prepare and deliver the report to the Board. The Committee's report by the Chair may be a verbal report delivered to the Board at a duly called Board meeting.

3.7 Assessment of Charter

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

4.0 RESPONSIBILITIES

The Committee is responsible for ensuring adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements including:

4.1 Auditor Qualification and Independence

- 4.1.1 The Committee shall be directly responsible for the appointment (subject to shareholder approval), retention or replacement of the independent auditor;
- 4.1.2 The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor, (including resolution of disagreements between management and the auditor regarding financial reporting), employed by the Company to audit its financial statements.
- 4.1.3 The independent auditor shall report directly to the Committee.
- 4.1.4 The Committee shall review and evaluate the experience, qualification, performance and independence of the independent auditor.
- 4.1.5 The Committee shall have the sole authority to pre-approve:
 - (a) all auditing services, including all audit engagement fees and terms; and
 - (b) all non-audit services, including tax services to be performed by the Company's independent auditor.
- 4.1.6 The Committee shall review with the lead audit partner whether any of the audit partners receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor.
- 4.1.7 The Committee shall obtain and review with the lead audit partner and a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing:
 - (a) the independent auditor's internal quality-control procedures;
 - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, regulatory or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and
 - (c) all relationships between the independent auditor and the Company in order to assess the independent auditor's independence.
- 4.1.8 The Committee shall ensure a five-year rotation period and a five-year "time-out" period of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law and a seven-year mandatory rotation period with a two-year "time-out" period for certain other audit partners depending on the partner's involvement in the audit. In addition, the Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent audit firm on a regular basis.
- 4.1.9 The Committee shall recommend to the Board policies for the Company's hiring of partners, employees or former partners and employees of the current and former independent auditor who participated in any capacity in the audit of the Company.
- 4.1.10 The Committee shall pre-approve the hiring of any partner, employee or former partner and employee of the independent auditor who was a member of the Company's audit team during the

preceding two fiscal years. In addition, the Committee shall pre-approve the hiring of any partner, employee or former partner or employee of the independent auditor within the preceding two fiscal years for senior positions within the Company, regardless of whether that person was a member of the Company's audit team.

4.2 Auditor Performance and Audit Functions

- 4.2.1 The Committee shall discuss with management and advise on the appointment, replacement, reassignment or dismissal of any senior internal auditor, if applicable.
- 4.2.2 The Committee shall meet with management and the independent auditor prior to the audit to discuss the scope, planning and staffing of the proposed audit for the current year.
- 4.2.3 The Committee shall review and discuss with management and the independent auditor, any internal audit department responsibilities, plans, results, budget and staffing, if applicable.
- 4.2.4 The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

4.3 Financial Statements and Related Disclosure

- 4.3.1 The Committee shall review and discuss with management and the independent auditor the Company's annual audited financial statements, including the management's discussion and analysis before the filing of such statements.
- 4.3.2 The Committee shall review and discuss with management and the independent auditor the Company's quarterly financial statements, including the interim management's discussion and analysis, and the results of the independent auditor's review of the quarterly financial statements, before the filing of such statements.
- 4.3.3 The Committee shall discuss with the independent auditor management's competency in preparing the financial statements.
- 4.3.4 The Committee shall review and discuss quarterly and annual reports from the independent auditor on:
 - (a) all critical accounting policies and practices to be used by the Company in preparing its financial statements;
 - (b) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- 4.3.5 The Committee shall review and discuss with management earnings (and/or other financial information) press releases with particular attention to the use of "pro forma" or "adjusted" non-GAAP information, before they are issued.
- 4.3.6 The Committee shall review and discuss generally with management the nature of the financial information and earnings guidance provided to analysts and rating agencies.
- 4.3.7 The Committee shall review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- 4.3.8 The Committee shall discuss with management and the independent auditor any audit problems or difficulties and management's response.

- 4.3.9 The Committee shall discuss with management and the independent auditor financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal control over financial reporting and any special steps adopted in light of material control deficiencies.
- 4.3.10 The Committee shall review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements.
- 4.3.11 The Committee shall review with management any related party transactions and ensure such related party transactions are appropriately disclosed.

4.4 Internal and Disclosure Controls and Reporting

- 4.4.1 The Committee shall review with management, any internal auditor and the independent auditor disclosures made to the Committee by the Company's CEO and CFO during their certification process for the quarterly and annual financial filings about the quality, adequacy and effectiveness of the Company's internal control over financial reporting and any significant deficiencies in the design or operation of internal control over financial reporting or material weakness therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
- 4.4.2 The Committee shall review and discuss with management and the independent auditor the effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting.
- 4.4.3 The Committee shall review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's policies with respect to risk assessment and risk management.

4.5 Legal and Regulatory Compliance

- 4.5.1 The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company.
- 4.5.2 The Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or potential violations of law; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or potential violations of law.
- 4.5.3 The Committee shall review any required disclosure in public documents with respect to the Committee and its functions, including the disclosure required in the Annual Information Form under Multilateral Instrument 52-110

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight function.

5.0 AUTHORITY

5.1 Delegation

The Committee has the power to delegate its authority and duties to a subcommittee or individual members of the Committee, as it deems appropriate, provided that the subcommittee is composed entirely of unrelated directors.

5.2 Advisors

The Committee may retain, and determine the fees of, independent counsel and other advisors, in its sole discretion.

5.3 Access to Records and Personnel

In discharging its oversight role, the Committee shall have full access to all Company books, records, facilities and personnel.

5.4 Clarification of Audit Committee's Role

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable law and regulations and of the Company's independent auditor to audit those financial statements. Therefore, each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from who he or she receives information, and the accuracy of the financial and other information provided to the Committee by such persons or organizations.