



MANAGEMENT INFORMATION CIRCULAR

**Annual and Special Meeting of Shareholders
Tuesday, March 24, 2009**

February 2, 2009

This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Baffinland Iron Mines Corporation (the “Company”) for use at the annual and special meeting of the holders (the “Shareholders”) of common shares of the Company (the “Common Shares”) or any postponements or adjournments thereof (the “Meeting”) to be held on Tuesday, March 24, 2009 at 4:15 p.m. (Toronto time) at the place and for the purposes set forth in the foregoing notice of meeting (the “Notice”).

Unless otherwise indicated, the information in this Circular is given as at February 2, 2009 and all references to “\$” or “dollars” in this Circular are to Canadian dollars.

SOLICITATION OF PROXIES

The enclosed proxy is being solicited by or on behalf of the management of the Company and the cost of such solicitation will be borne by the Company. The solicitation will be primarily by mail, but regular employees of the Company may also solicit proxies by telephone, facsimile, e-mail or in person.

To be effective, duly completed and executed proxies must be received by Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by the Secretary of the Company at 120 Adelaide Street West, Suite 1016, Toronto, Ontario, M5H 1T1 not later than 48 hours prior to the Meeting, or any adjournment thereof, unless the Chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

APPOINTMENT OF PROXYHOLDER

A Shareholder has the right to appoint as his or her proxyholder a person or company (who need not be a Shareholder), other than the persons designated in the form of proxy accompanying this Circular (who are officers of the Company), to attend and to act on the Shareholder’s behalf at the Meeting. A Shareholder may do so by inserting the name of such person in the blank space provided in the proxy and striking out the other names or by completing another proper form of proxy and delivering such proxy within the time limits specified above.

EXERCISE OF VOTE BY PROXY

The Common Shares represented by properly executed proxies will be voted, or withheld from voting, in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, Common Shares represented by properly executed proxies will be voted accordingly. **If no choice is specified with respect to any such matter, the persons designated in the accompanying form of proxy will vote in favour of the matter to be voted on.**

If any amendments or variations to matters identified in the Notice are proposed at the Meeting or if any other matters properly come before the Meeting, the enclosed form of proxy confers authority to vote on such amendments or variations according to the discretion of the person voting the proxy at the Meeting. At the date of this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

Registered Shareholders

If you are a registered Shareholder (a “Registered Shareholder”), there are two methods by which you can vote your Common Shares at the Meeting, namely in person at the Meeting or by proxy. If you wish to vote in person at the Meeting, do not complete or return the form of proxy included with this Circular. Your vote will be taken and counted at the Meeting. If you do not wish to attend the Meeting or do not wish to vote in person, properly complete and deliver a form of proxy at least 48 hours prior to the Meeting and the Common Shares represented by your proxy will be voted or withheld from voting, in accordance with your instructions as indicated in your form of proxy, on any ballot that may be called at the Meeting.

As a **Registered Shareholder**, you may vote by proxy by one of the following two methods: (i) mail; and (ii) facsimile. Instructions for voting using each of these methods are detailed in the enclosed form of proxy and should be followed carefully.

A proxy must be in writing and must be executed by you as Registered Shareholder or by your attorney authorized in writing or, if the Registered Shareholder is a Company or other legal entity, by an authorized officer or attorney.

If you complete and return a blank proxy, your Common Shares will be voted: (i) in favour of the persons the Company has nominated for directors; (ii) in favour of the reappointment of PricewaterhouseCoopers LLP as the Company's independent auditors; and (iii) in favour of the resolution confirming, ratifying and approving the Amended and Restated Shareholder Rights Plan Agreement dated January 27, 2009 between the Company and Computershare Investor Services Inc.

The person to whom you give your proxy will decide how to vote on amendments or variations to the matters of business described above and on any additional or different matters that may properly come up for a vote at the Meeting. Management of the Company is not aware of any such amendment, variation or additional or different matters at the date of this Circular.

For the purpose of voting by proxy, proxies marked as "WITHHOLD" will be treated as present for the purpose of determining a quorum but will not be counted as having been voted in respect of any matter to which the instruction to "WITHHOLD" is indicated.

Computershare Investor Services Inc., the Company's transfer agent and registrar, will deal with proxies received by it in a way that preserves the confidentiality of your individual votes. However, the Company will have access to proxies as necessary to meet applicable legal requirements, including in the event of a proxy contest, or in the event a Shareholder has made a written comment or submitted a question on the proxy.

Non-registered Shareholders

Your Common Shares may not be registered in your name but in the name of an intermediary (which is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates). If your Common Shares are registered in the name of an intermediary, you are a non-registered Shareholder (a "Non-registered Shareholder").

In accordance with National Instrument 54-101 of the Canadian Securities Administrators, the Company has distributed copies of the Notice and this Circular to intermediaries for distribution to Non-registered Shareholders. Unless you have waived your rights to receive these materials, intermediaries are required to deliver them to you as a Non-registered Shareholder of the Company and to seek your instructions as to how to vote your Common Shares. Often, intermediaries will use a service company to forward these meeting materials to Non-registered Shareholders.

Non-registered Shareholders who receive meeting materials will typically be given the ability to provide voting instructions in one of two ways.

Usually a **Non-registered Shareholder** will be given a voting instruction form which must be completed and signed by the Non-registered Shareholder in accordance with the instructions provided by the intermediary. In this case, you **cannot** use the mechanisms described above for Registered Shareholders and **must** follow the instructions provided by the intermediary (which in some cases may allow the completion of the voting instruction form by telephone or the Internet).

Occasionally, however, a Non-registered Shareholder may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the Non-registered Shareholder. In this case, you can complete the proxy and vote by mail or facsimile only, as described above.

The purpose of these procedures is to allow Non-registered Shareholders to direct the voting of the Common Shares that they own but that are not registered in their name. Should a Non-registered Shareholder who receives either a form of proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the Non-registered Shareholder should strike out the persons named in the form of proxy as the proxy holder and insert the Non-registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions provided by the intermediary. ***In either case, Non-registered Shareholders should carefully follow the instructions provided by the intermediary and should contact the intermediary promptly if they need assistance.***

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the Non-registered Shareholder with respect to the voting of certain Common Shares, or because under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Common Shares on one or more of

the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such broker “non-votes” will, however, be counted in determining whether there is a quorum.

REVOCAION OF PROXY

Registered Shareholders

A Registered Shareholder executing the enclosed form of proxy has the right to revoke it under section 110(4) of the Business Corporations Act (*Ontario*) (the “Act”). A Registered Shareholder may revoke a proxy by depositing an instrument in writing, including another proxy bearing a later date, executed by the Shareholder or by an attorney authorized in writing, at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting prior to being voted at the Meeting or in any other manner permitted by law. A Registered Shareholder attending the Meeting has the right to vote in person and, if he or she does so, his or her proxy is nullified with respect to the matters he or she votes upon and any subsequent matters thereafter to be voted on at the Meeting.

Non-registered Shareholders

A Non-registered Shareholder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to such an intermediary. Non-registered Shareholders should follow the instructions of their intermediaries who may set deadlines at least seven days prior to the Meeting, and possibly earlier, for the receipt of voting instruction forms or proxies. An intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the intermediary prior to the deadlines that such intermediary sets. As such, Non-registered Shareholders who wish to revoke their voting instruction form or proxy should contact their intermediary as soon as possible and well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares. The Common Shares are the only class of shares entitled to vote at the Meeting. As at February 2, 2009, 233,129,899 Common Shares were issued and outstanding, each carrying the right to one vote per Common Share at the Meeting. Shareholders present at the Meeting in person or by proxy representing not less than 10% of the Common Shares entitled to vote, and at least two persons entitled to vote present in person at the Meeting will constitute a quorum.

The Board of Directors of the Company (the “Board of Directors” or the “Board”) has fixed the close of business on February 10, 2009 as the record date for the purpose of determining Shareholders entitled to receive notice of the Meeting, but the failure of any Shareholder to receive notice of the Meeting does not deprive the Shareholder of the right to vote at the Meeting. If a person has acquired Common Shares after the record date, that person is entitled to vote those shares at the Meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and requesting the inclusion of his or her name in the list of Shareholders not later than ten days before the date of the Meeting.

To the knowledge of the directors and officers of the Company, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares except as follows:

Name of Holder	Number of Common Shares beneficially owned, or controlled or directed, directly or indirectly as of February 2, 2009	Approximate percentage of outstanding Common Shares
Resource Capital Fund III L.P., and Resource Capital Fund IV L.P.	35,181,706	15.09% ⁽¹⁾
Goodman and Company Investment Counsel Ltd.	43,763,003	18.77% ⁽²⁾

- (1) Resource Capital Fund III L.P. also holds 1,818,182 warrants to purchase Common Shares and Resource Capital Fund IV L.P. ("Resource LP") also holds 22,176,564 subscription receipts (each, a "Subscription Receipt"). Each Subscription Receipt entitles Resource LP to acquire one Common Share for no additional consideration at any time prior to June 1, 2009 on notice being given that the Company and the Shareholders have approved the Amended Rights Plan (as defined below under the heading "Special Business") and any other escrow release conditions described below have been met. See "Special Business – Renewal of and Amendment to Shareholder Rights Plan" and "Interest of Certain Persons in Matters to be Acted Upon".
- (2) Goodman & Company Investment Counsel Ltd. currently holds an interest in approximately 18.77% of the Common Shares on behalf of certain non-beneficially owned funds under its discretionary management, for investment purposes only and not with the purpose of influencing the control or direction of Baffinland, and such investments may be reviewed by Goodman & Company Investment Counsel Ltd. on a continuing basis and such holdings may be increased or decreased in the future.

As at February 2, 2009, CDS & Co., the nominee of CDS Clearing and Depository Services Inc. ("CDS") is the registered owner of 113,034,416 Common Shares which represents approximately 48.49% of the issued and outstanding Common Shares. The directors and officers of the Company understand that CDS holds these Common Shares as a nominee on behalf of various intermediaries and other parties but are not aware whether any person on whose behalf such Common Shares are held beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares. The names of the beneficial owners holding their Common Shares through CDS are not all known to the Company and its directors and officers.

ANNUAL REPORT AND FINANCIAL STATEMENTS

The audited financial statements of the Company for the fiscal year ended December 31, 2008 and the report of the auditors thereon will be placed before the Meeting. These audited financial statements form part of the Annual Report of the Company which accompanies the Notice and this Circular. Receipt at the Meeting of the audited financial statements of the Company for the fiscal year ended December 31, 2008 will not constitute approval or disapproval of any matters referred to therein.

Pursuant to National Instruments 51-102 and 54-101, a person or Company who in the future wishes to receive annual and interim financial statements from the Company must deliver a written request for such material to the Company. Shareholders who wish to receive annual and interim financial statements are encouraged to send the enclosed supplemental mailing list request form to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2X1.

ELECTION OF DIRECTORS

The articles of the Company (the "Articles") provide for a minimum of one and a maximum of twelve directors. The Board of Directors currently consists of nine directors who are elected annually. Each director is appointed to hold such office until the next annual meeting of Shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company.

The Board of Directors' mandate, which is set out in its Charter of Expectations of Directors, is to formulate the policies and procedures under which the Company operates, to oversee the conduct of the business and to monitor management of the Company. In discharging its duty of stewardship of the Company, the Board has expressly assumed responsibility for the following matters: (i) satisfying itself as to integrity of the Chief Executive Officer and other executives; (ii) developing, reviewing and, where prudent, modifying the corporate strategy of the Company; (iii) identifying, and developing a strategy to manage the principal risks facing the Company; (iv) recruiting, training, monitoring, and succession planning for directors and senior management; (v) ensuring timely and effective communication between the Company and its Shareholders and other stakeholders; (vi) ensuring the integrity of the internal control systems and assessment processes for the Company, its directors, management and employees; (vii) developing the Company's approach to corporate governance issues and establishing and implementing the Company's governance system; (viii) reviewing and approving material transactions not in the ordinary course of business and setting a grant of authority for the Chief Executive Officer for matters outside the approved annual budget; (ix) issuing the Company's equity securities; (x) assessing its own effectiveness in fulfilling its responsibilities; and (xi) performing such other functions as prescribed by law or assigned to the Board in the Company's governing documents. The Charter of Expectations of Directors can be found on the Company's website at www.baffinland.com. The Board of Directors may, from time to time, permit departures from the terms of this charter, either prospectively or retrospectively, and no provision contained in any charter is intended to give rise to civil liability to securityholders of the Company (or any other party) or to any other liability whatsoever.

The Board of Directors currently has four committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee (the “Governance Committee”) and the Environmental, Health and Safety Committee (the “EHS Committee”). The members of each committee are indicated in the table below. The Charter of the Audit Committee can be found on the Company’s website at www.baffinland.com under the “Company-Governance” section. For further disclosure with respect to the Audit Committee, as required under Multilateral Instrument 52-110 and Form 52-110F1, please refer to the Company’s Annual Information Form dated March 10, 2008, under the section entitled “Audit Committee Disclosure”. The charters for the Compensation, Governance and EHS Committees can be found on the Company’s website at www.baffinland.com under the “Company-Governance” section. The Board of Directors may, from time to time, permit departures from the terms of these charters, either prospectively or retrospectively, and no provision contained in any charter is intended to give rise to civil liability to securityholders of the Company (or any other party) or to any other liability whatsoever.

It is proposed to nominate the nine persons listed below for election as directors of the Company. All such proposed nominees are now directors of the Company and have been since the dates indicated. **Unless authority to do so is withheld, proxies given pursuant to this solicitation by the management of the Company will be voted for the election of the proposed nominees listed below.** If any of the proposed nominees should for any reason be unable to serve as a director of the Company, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion.

A statement of the current principal occupation and a biography for each person nominated for election as a director of the Company is set forth below. There are no contracts, arrangements or understandings between any director, any executive officer or any other person pursuant to which any of the nominees has been nominated.

Name, Place of Residence, Office and Year first became a Director	Current Principal Occupation Biography and Directorships	Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as at February 2, 2009 ⁽¹⁾
Brian L. Acton ⁽³⁾⁽⁷⁾ West Palm Beach, Florida Director 2004	<p>President and Chief Operating Officer of Oxbow Carbon and Minerals LLC since 1995.</p> <p>Since 1995, Mr. Acton has been President and Chief Operating Officer of Oxbow Carbon and Minerals LLC, a private U.S. based company with annual revenues approaching US\$4 billion. Oxbow owns and operates a six million tonne per year thermal coal mine in Colorado and from approximately 30 offices globally supplies a number of bulk commodities to the power generation, cement, steel and aluminum industries. Oxbow charters approximately 400 bulk carriers annually and as such Mr. Acton is very knowledgeable about global freight issues for bulk commodities.</p> <p>Mr. Acton has over 30 years experience in the mining industry with the last 25 years focused on the marketing of coal, coke, and other bulk raw materials and fuels.</p> <p>Mr. Acton is a Professional Engineering and is a graduate of Queen’s University, Kingston, Ontario with both a Bachelor of Science in Mining Engineering in 1973 and a Masters in Business Administration in 1977.</p>	96,550

Donald K. Charter ⁽³⁾⁽⁴⁾⁽⁸⁾ Etobicoke, Ontario Director 2007	<p>President of 3C's Corporation since 2006.</p> <p>Prior to 2006, Mr. Charter was an Executive Vice President of Dundee Corporation and Dundee Wealth Management and the Chairman, President and Chief Executive Officer of Dundee Securities Corporation and Dundee Private Investors.</p> <p>Mr. Charter is a senior executive with over 20 years experience in the capital markets and mining industry. He practiced securities law for 13 years with a major Toronto law firm and was Executive Vice President of Dundee Corporation for 10 years as well as Chairman and CEO of Dundee Securities Corporation.</p> <p>A graduate of McGill University, Mr. Charter holds a B.A. (Honours, Economics) and an LL.B.</p> <p>Mr. Charter has considerable public company board experience and currently sits on the boards of a number of public companies including: IAMGOLD Corporation, Lundin Mining Corporation, Dundee Real Estate Investment Trust, Great Plains Exploration Inc. and HudBay Minerals Inc.</p>	154,700
Graham G. Clow ⁽³⁾⁽⁵⁾⁽⁹⁾⁽¹⁰⁾ Toronto, Ontario Director 2004	<p>Managing Director of Scott Wilson Mining Group ("Scott Wilson") and Roscoe Postle Associates (its predecessor company) since May 2002.</p> <p>Mr. Clow is a senior mining consultant with more than 35 years' experience ranging from the high arctic to the tropics, in base and precious metals and industrial metals. His experience includes financing, development and management of open pit and underground mines on three continents, start-ups, preparation and implementation of feasibility studies, mergers and acquisitions, due diligence, troubleshooting and management consulting for mines.</p> <p>Within Scott Wilson, Mr. Clow is responsible for all aspects of Scott Wilson's worldwide mining consulting practice from offices in Canada, the UK, China and Zambia. Prior to joining Scott Wilson, Mr. Clow held progressive positions from shift boss to the senior executive level, including CEO and operating responsibility for several publicly listed mining companies.</p> <p>Mr. Clow is Past Chairman of the Metal Mining Division of the Canadian Institute of Mining, Metallurgy, and Petroleum ("CIM"), and was a Member of the Committee on Ore Reserve Definitions. He currently chairs the Committee on Production Cost Reporting Standards, a joint effort of CIM and the Canadian Securities Administrators. Mr. Clow is a Fellow of CIM.</p> <p>Mr. Clow is a Professional Engineer and has a B.Sc. in Mining Engineering and a B.Sc. in Geology from Queens University.</p>	69,000

Russell L. Cranswick ⁽¹¹⁾ Denver, Colorado Director 2008	Partner of Resource Capital Funds (“RCF”) since 2000. Mr. Cranswick is a Professional Geologist with over 20 years of experience, primarily in the areas of mining-oriented investment. Since 2000, Mr. Cranswick has held escalating positions with RCF, a resource focused private equity group with offices in the United States and Australia and is currently a partner of RCF. From 1995 to 1999, Mr. Cranswick served as a mining analyst with Brink, Hudson & Lefever Ltd. and Research Capital Corporation, both Canadian investment management firms. From 1987 to 1995, Mr. Cranswick was a mineral exploration geologist with Kennecott Canada Inc., Freeport-McMoRan Gold Company and Canamax Resources Inc. where he spent most of his time on northern Canadian projects. Mr. Cranswick holds a Bachelor of Science degree with a major in Geology from the University of British Columbia. He served on the Geoscience Committee of the Association of Professional Engineers and Geoscientists of British Columbia from 1998 to 2000. In addition to being a director of the Company, Mr. Cranswick has considerable public company board experience, having served on the boards of Defiance Mining Corporation, Lithic Resources Ltd., Minera IRL Limited and Southern Cross Resources Inc. He is currently a director of Meliadine Resources Ltd., a private Canadian corporation, and Selwyn Resources Ltd., a TSX Venture Exchange listed company.	0 ⁽¹¹⁾
Grant Edey ⁽²⁾⁽⁶⁾ Mississauga, Ontario Director 2008	Director of the Company since 2008. Mr. Edey retired from IAMGOLD Corporation where he was Chief Financial Officer from 2003 to 2007. From 1996 until 2002 Mr. Edey was the Vice President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation. 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 Queen’s University. In addition to being a director of the Company, Mr. Edey is a director of Breakwater Resources Ltd. and Khan Resources Inc.	205,400
John Lydall ⁽²⁾⁽⁴⁾ Oakville, Ontario Director 2004	Director of the Company since 2004 and of Dundee Precious Metals Inc. since 2003 and Lead Director of FNX Mining Company Inc. since 2003. Mr. Lydall was Managing Director of National Bank Financial (“NBF”) and its predecessor, First Marathon Securities Limited from January 1981 to October 2003. In 2003, Mr. Lydall retired as head of Mining Investment Banking at NBF in Toronto and since that time has become an independent director of three Canadian based and listed mining companies: FNX Mining Company Inc. where he is lead director, Dundee Precious Metals Inc. and the Company. Mr. Lydall was a key member of the team that developed First Marathon Securities from a small institutional broker into a diversified and internationally recognized brokerage firm. From 1982 to 2000 Mr. Lydall was responsible for all of First Marathon’s investment research in the mining sector.	1,475,165

For twenty years, Mr. Lydall wrote the monthly “Metals and Mining Digest”, which became a widely quoted investment research publication. He received numerous citations as a top-ranked mining analyst during that period. Following the merger of First Marathon and NBF in 1999 he was responsible for the integration and co-ordination of mining industry research for NBF. In January 2000, he moved to NBF’s Investment Banking group as Managing Director and, until retirement from the group in October 2003, was head of mining investment banking. During that period, he was involved in all of the firm’s investment and corporate banking activities in the mining sector, including equity and debt underwriting, mergers and acquisitions and advisory assignments.

Mr. Lydall graduated with a B.Sc. (Honours), Mining Engineering, Nottingham University, UK in 1966 and in 1974 with an MBA from Cranfield School of Management, UK.

Richard D. McCloskey⁽¹²⁾
Toronto, Ontario
Director and
Chairman of the Board
1997

Chairman of the Company since June 2005 and President of McChip Resources Inc. since 1990.

8,141,150

Mr. McCloskey is a Mining Engineer with a Masters in Business Administration, and a third generation mining executive from a family involved in the mining industry continuously from 1906.

In the 1970’s Mr. McCloskey was directly involved in negotiations with the Canadian Government to implement the Canadian Gold Maple Leaf Coin program. Over the last 30 years he has been a director and/or officer of numerous TSX and TSX Venture Exchange listed companies involved at a senior level in the financing, exploration and development of mining properties in North and South America, Europe and Africa. Most notably, he served as a director and member of the Independent Committee of Sutton Resources Ltd., which was purchased by Barrick Gold Company in 1999 (for approximately \$525 million) and Canico Resource Corp which was recently purchased by Companhia Vale do Rio Doce (for approximately \$940 million). Mr. McCloskey was President and director of Baffinland Iron Mines Limited, the predecessor public company that became the Company, and served on the board for over two decades representing the second largest shareholder, McChip Resources Inc. He was appointed Chairman of the Board of Baffinland at the Annual and General Meeting of the Company on June 16, 2005.

In addition to being a director of the Company, Mr. McCloskey is a director of McChip Resources Inc., Matachewan Consolidated Mines, Limited and Taranis Resources Inc.

Gordon A. McCreary
Oakville, Ontario
Director, President and
Chief Executive
Officer
2004

President of the Company since June 2005 and Chief Executive Officer of the Company since May 2004.

2,213,340

Mr. McCreary was appointed Chairman of the Company in January 2004 and subsequently in May 2004 was also appointed Chief Executive Officer. In order to adhere to the best practice 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 and Mr. McCreary became President and Chief Executive Officer of the Company.

From June 1993 to May 2004, Mr. McCreary was Vice President of Kinross Gold Company with responsibility for investor relations and corporate development. Before joining Kinross upon its formation in mid-1993, he

was Vice President of Dundee Bancorp Inc. and Investment Analyst with affiliate International Corona Corporation from 1989. Prior to this, he worked as a mining analyst in the brokerage industry and at various staff and line functions in the mining industry as a mining engineer.

Until his appointment as the Chief Executive Officer of Baffinland, Mr. McCreary had worked almost exclusively in the gold business for over 20 years with prior experience in base metals, coal and industrial minerals. In 1978, he completed his MBA thesis entitled "A Preliminary Discussion of Factors Relating to the Transportation of Iron Ore from the Arctic Archipelago". The focus of this thesis was the iron ore properties at Mary River on Baffin Island.

Mr. McCreary has a B.Sc. degree in Mining Engineering (1974) and an MBA (1978), both from Queen's University, Kingston, Ontario.

Mr. McCreary has been a member of the board of directors of several publicly traded junior mining companies and is currently a director of the Company, McChip Resources Inc. and Asia Now Resources Inc.

Gordon Watts⁽²⁾⁽⁴⁾⁽⁵⁾
Toronto, Ontario
Director
2004

Consulting Engineer since 1977.

303,574

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. His varied mining background also includes underground operations, exploration, mine design and feasibility studies.

Mr. Watts has prepared over 250 financial models in the mineral industry during the last 28 years. He is skilled in tax modeling, risk analysis and Monte Carlo simulations. Mr. Watts has prepared models for all of the mining provinces in Canada, the majority of the mining states in the United States, Mexico, most of South America, a number of countries in Africa, Saudi Arabia, Yemen, the CIS, South East Asia and Australia. Clients have included mining companies and consultants, charitable foundations, arbitration commissions, and aboriginal companies.

In addition to being a director of the Company, Mr. Watts is a director of Cuervo Resources Inc.

(1) The information with respect to the Common Shares beneficially owned, or controlled or directed, directly or indirectly, by the above nominees has been furnished by the respective nominees individually, 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 Governance Committee.

(5) Member of the EHS Committee

(6) Chairman of the Audit Committee.

(7) Chairman of the Compensation Committee.

(8) Chairman of the Governance Committee.

- (9) Chairman of the EHS Committee.
- (10) On June 30, 2005, the Superior Court of Quebec (Commercial Division) granted an initial order to Campbell Resources Inc. under the Companies Creditors Arrangement Act, at which time Mr. Clow was serving as a director. On February 23, 2007, the Monitor presented a Certificate of Execution with respect to the Plan of Arrangement confirming that Campbell Resources Inc. had executed all of its obligations pursuant to the Plan of Arrangement with its creditors.
- (11) Resource Capital Fund III L.P. and Resource LP (collectively, the "Resource Funds") are joint actors and are both current securityholders of the Company. Mr. Cranswick is currently a director of the Company and a partner and a member of the Investment Committee of RCF, which beneficially owns, controls or directs, directly or indirectly, 35,181,706 Common Shares representing approximately 15.09% of the issued and outstanding Common Shares as at February 2, 2009.
- (12) A temporary cease trading order was issued by the Ontario Securities Commission 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 Ontario Securities Commission extended the cease trading order. The order was rescinded by the Ontario Securities Commission on May 26, 2003.

Attendance at Board and Committee Meetings

During the fiscal year ended December 31, 2008, the Board of Directors held 19 meetings, the Audit Committee held six meetings, the Compensation Committee held three meetings, the Governance Committee held three meetings, and the EHS Committee held two meeting. The following table provides information as to the record of attendance of the current directors of the Company at these meetings.

	Committees				
	Board	Audit	Compensation	Governance	EHS
Total Number of Meetings in 2008	19	6	3	3	2
Brian Acton	14	n/a	3	n/a	n/a
Donald Charter	15	n/a	2	3	n/a
Graham Clow	13	n/a	3	n/a	2
Russell Cranswick ⁽¹⁾	5	n/a	n/a	n/a	n/a
Grant Edey ⁽²⁾⁽³⁾	12	4	n/a	n/a	n/a
John Lydall	18	6	n/a	3	n/a
Richard McCloskey	18	n/a	n/a	n/a	n/a
Gordon McCreary	19	n/a	n/a	n/a	n/a
Gordon Watts	18	6	n/a	3	2

Note: "n/a" indicates that the director is not a member of that particular committee or they were not a director at the time.

- (1) Mr. Cranswick was elected to the Board on September 22, 2008. Since his election to the Board there were seven Board meetings, two of which he recused himself from attending due to his associates' interest in the business of the meeting.
- (2) Mr. Edey was elected to the Board on March 31, 2008. Since his election to the Board there were twelve Board meetings.
- (3) Mr. Edey was elected to the Audit Committee on March 31, 2008. Since his election to the Audit Committee there were four meetings.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Objectives and Components

The Compensation Committee believes that the Company's overall compensation should enable the Company to attract and retain qualified and experienced senior management, who are motivated to achieve the Company's business plans, strategies and goals. The Compensation Committee's general compensation philosophy is that the compensation of its executive officers (including the Named Executive Officers) should be in the top quartile in comparison to an appropriate peer group.

Individual executive compensation includes three components: base salary, an annual bonus and stock option grants. Each component has a specific role with respect to supporting the concept of pay for performance and is structured to reinforce specific job and organizational requirements. Compensation guidelines with respect to these three components are established for particular positions based on job responsibilities and a periodic review of compensation practices for comparable positions at comparable companies. While the Chief Executive Officer is requested to provide to the Compensation Committee his recommendation on the Named Executive Officers' compensation, the Compensation Committee and the Board make the final determination on executive compensation.

Each component of compensation and the decisions of the Compensation Committee about each component have an affect on their decisions regarding the other compensation components. For example, if a Named Executive Officer far exceeded his individual goals and objectives, this may affect the amount of salary, cash bonus paid and/or options granted, or if the Compensation Committee determines to not pay cash bonuses due to the Company's cash position at the time, this may affect the decision on the number of options to grant. In 2007, the Named Executive Officers met, and in some cases far exceeded, their goals, however, due to the Company's cash position at the time, the Compensation Committee decided not to pay cash bonuses and the Named Executive Officers received a larger option grant award in 2008. All of the compensation components together are intended to, and do, meet the Compensation Committee's compensation objectives, which have allowed the Company to attract and retain qualified and experienced senior management who are motivated to achieve the Company's business plans, strategies and goals.

Base Salary Component

A Named Executive Officer's base salary is intended to remunerate the Named Executive Officer for discharging job responsibilities and reflects the executive's performance over time. Each Named Executive Officer has a detailed job description setting out the individual's specific duties and responsibilities. Individual salary adjustments take into account performance contributions in connection with their specific duties. The base salaries for the Named Executive Officers are set out in their employment agreements, the terms of which are described below. The base salary levels set out in the Named Executive Officers' employment agreements were determined based on the recommendation of Mercer Human Resources Consulting ("Mercer"), an independent human resource consulting firm. While the Chief Executive Officer is requested to provide to the Compensation Committee his recommendation on the Named Executive Officers' annual base salaries, the Compensation Committee and the Board make the final determination on the annual base salaries of the Named Executive Officers.

Mercer was engaged by the Compensation Committee in 2007 to conduct a competitive compensation review for the Named Executive Officers, among other members of senior management. Mercer analysis consisted of (i) reviewing the then current compensation programs for the Named Executive Officers; (ii) developing a comparator group of companies; (iii) market analysis of the Company's pay levels (including base salary, bonus and long-term incentives) relative to (a) Comparator group companies' publicly disclosed compensation data; and (b) PricewaterhouseCoopers and Coopers Consulting 2006 Mining Industry Salary Survey; (iv) reviewing general market practices regarding compensation philosophy; and (v) providing commentary on pension and benefit programs for companies in a similar stage of development as the Company.

Mercer benchmarked the Named Executive Officers' base salary, total cash compensation and total direct compensation to similar positions or responsibility within comparator companies. Mercer used two sources to collect compensation data including comparator group data and the 2006 Canadian Mining Industry Salary Survey. The comparator group consisted of 16 companies that were similar in size and scope to the Company and included: Ashton Mining of Canada Inc.; Birch Mountain Resources Ltd.; Claude Resources Inc.; Cumberland Resources Ltd.; Dynatec Corp.; Equinox Minerals Ltd.; Gabriel Resources Ltd.; Glencairn Gold; NovaGold Resources Inc.; Pacific Rim Mining Corp.; Southernera Diamonds Inc.; Southwestern Gold Corp.; Stornoway Diamond Corp.; Tahera Diamond Corp.; Western Goldfield; and Wolfden Resources Inc. The above companies were included in the comparator group as they were comparable to the Company in regards to stage of production as well as market capitalization.

Following are the significant terms of each of the Company's Named Executive Officers' employment agreements, except for Mr. Chausse who resigned on December 31, 2008 and was replaced by Ms. Gareau:

Gordon McCreary

Mr. McCreary's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which is currently \$295,500 per annum and which is reviewed annually by the Board. Mr. McCreary's annual base salary for 2008 was \$310,500 and in January 2009, the Compensation Committee determined it appropriate to reduce the annual base salaries of all Named Executive Officers due to the current financial position of the Company as well as the global volatile market conditions. The CEO's, Executive Vice President's and the COO's annual base salaries were reduced by \$15,000 and the VP, Sustainable Development's annual base salary was reduced by \$5,000. Mr. McCreary's employment agreement also provides that Mr. McCreary is entitled to participate in any bonus plan formally adopted by the Board. Currently, no formal bonus plan has been adopted and as such, his employment agreement provides that until such time as a formal bonus plan is adopted by the Board, any bonus paid to Mr. McCreary is at the discretion of the Compensation Committee and the Board. For 2008, the Compensation Committee and the Board did not approve a bonus payment due to the Company's cash position at the end of 2008. Mr. McCreary is also entitled to participate in the Company's Stock Option Plan. Mr. McCreary's employment agreement includes provisions, in the event of termination and in the event of termination following a change of control, requiring the payment of an amount equal to 104 weeks of his annual base salary as at the date of termination, an amount equal to the value of any annual bonus Mr. McCreary would have earned had he been employed during the 104 weeks but in any event not to exceed 30% of his annual base salary, the continuation of health and benefit plans for 104 weeks and the continuation of option entitlements for 104 weeks.

Gwen Gareau

Ms. Gareau replaced Mr. Chausse as Chief Financial Officer on December 31, 2008. Ms. Gareau's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which is currently \$150,000 per annum and which is reviewed annually by the Board. Ms. Gareau's employment agreement also provides that Ms. Gareau is entitled to participate in any bonus plan formally adopted by the Board. Currently, no formal bonus plan has been adopted and as such, her employment agreement provides that until such time as a formal bonus plan is adopted by the Board, any bonus paid to Ms. Gareau is at the discretion of the Compensation Committee and the Board. For 2008, the Compensation Committee and the Board did not approve a bonus payment due to the Company's cash position at the end of 2008. Ms. Gareau is also entitled to participate in the Company's Stock Option Plan. Ms. Gareau's employment agreement includes provisions, in the event of termination and in the event of termination following a change of control, requiring the payment of an amount equal to 104 weeks of her annual base salary as at the date of termination, an amount equal to the value of any annual bonus Ms. Gareau would have earned had she been employed during the 104 weeks but in any event not to exceed 30% of her annual base salary, the continuation of health and benefit plans for 104 weeks and the continuation of option entitlements for 104 weeks.

Michael Zurowski

Mr. Zurowski's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which is currently \$233,400 per annum and which is reviewed annually by the Board. Mr. Zurowski's annual base salary for 2008 was \$248,400 and in January 2009, the Compensation Committee determined it appropriate to reduce the annual base salaries of all Named Executive Officers due to the current financial position of the Company as well as the global volatile market conditions. The CEO's, Executive Vice President's and the COO's annual base salaries were reduced by \$15,000 and the VP, Sustainable Development's annual base salary was reduced by \$5,000. Mr. Zurowski's employment agreement also provides that Mr. Zurowski is entitled to participate in any bonus plan formally adopted by the Board. Currently, no formal bonus plan has been adopted and as such, his employment agreement provides that until such time as a formal bonus plan is adopted by the Board, any bonus paid to Mr. Zurowski is at the discretion of the Compensation Committee and the Board. For 2008, the Compensation Committee and the Board did not approve a bonus payment due to the Company's cash position at the end of 2008. Mr. Zurowski is also entitled to participate in the Company's Stock Option Plan. Mr. Zurowski's employment agreement includes provisions, in the event of termination and in the event of termination following a change of control, requiring the payment of an amount equal to 104 weeks of his annual base salary as at the date of termination, an amount equal to the value of any annual bonus Mr. Zurowski would have earned had he been employed during the 104 weeks but in any event not to exceed 30% of his annual base salary, the continuation of health and benefit plans for 104 weeks and the continuation of option entitlements for 104 weeks.

Rodney Cooper

Mr. Cooper's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which is currently \$269,625 per annum and which is reviewed annually by the Board. Mr. Cooper's annual base salary for 2008 was \$284,625 and in January 2009, the Compensation Committee determined it appropriate to reduce the annual base salaries of all Named Executive Officers due to the current financial position of the Company as well as the global volatile market conditions. The CEO's, Executive Vice President's and the COO's annual base salaries were reduced by \$15,000 and the VP, Sustainable Development's annual base salary was reduced by \$5,000. Mr. Cooper's employment agreement also provides that Mr. Cooper is entitled to participate in any bonus plan formally adopted by the Board. Currently, no formal bonus plan has been adopted and as such, his employment agreement provides that until such time as a formal bonus plan is adopted by the Board, any bonus paid to Mr. Cooper is at the discretion of the Compensation Committee and the Board. For 2008, the Compensation Committee and the Board did not approve a bonus payment due to the Company's cash position at the end of 2008. Mr. Cooper is also entitled to participate in the Company's Stock Option Plan. Mr. Cooper's employment agreement includes provisions, in the event of termination and in the event of termination following a change of control, requiring the payment of an amount equal to 104 weeks of his annual base salary as at the date of termination, an amount equal to the value of any annual bonus Mr. Cooper would have earned had he been employed during the 104 weeks but in any event not to exceed 30% of his annual base salary, the continuation of health and benefit plans for 104 weeks and the continuation of option entitlements for 104 weeks.

Derek Chubb

Mr. Chubb's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which is currently \$195,000 per annum and which is reviewed annually by the Board. Mr. Chubb's annual base salary for 2008 was \$200,000 and in January 2009, the Compensation Committee determined it appropriate to reduce the annual base salaries of all Named Executive Officers due to the current financial position of the Company as well as the global volatile market conditions. The CEO's, Executive Vice President's and the COO's annual base salaries were reduced by \$15,000 and the VP, Sustainable Development's annual base salary was reduced by \$5,000. Mr. Chubb's employment agreement also provides that Mr. Chubb is entitled to participate in any bonus plan formally adopted by the Board. Currently, no formal bonus plan has been adopted and as such, his employment agreement provides that until such time as a formal bonus plan is adopted by the Board, any bonus paid to Mr. Chubb is at the discretion of the Compensation Committee and the Board. For 2008, the Compensation Committee and the Board did not approve a bonus payment due to the Company's cash position at the end of 2008. Mr. Chubb is also entitled to participate in the Company's Stock Option Plan. Mr. Chubb's employment agreement includes provisions, in the event of termination and in the event of termination following a change of control, requiring the payment of an amount equal to 104 weeks of his annual base salary as at the date of termination, an amount equal to the value of any annual bonus Mr. Chubb would have earned had he been employed during the 104 weeks but in any event not to exceed 30% of his annual base salary, the continuation of health and benefit plans for 104 weeks and the continuation of option entitlements for 104 weeks.

Bonus Component

The bonus component is intended to recognize and reward accomplishments in a given year measured against specific personal achievements and quantitative goals of the Company. The designation of these objectives is intended to create strong alignment across the management group with the direction of the Company.

Currently, no formal written bonus plan has been adopted by the Company and as such, the bonus component of the Named Executive Officers' compensation is at the discretion of the Compensation Committee and the Board. Bonus target levels are calculated according to the specific level of responsibility of the particular executive, as determined by the Compensation Committee. The Compensation Committee determines the appropriate bonus target level through discussion. Bonus awards are determined based upon the achievement of specific goals and objectives for each Named Executive Officer but are subject to the Compensation Committee determining whether or not it is appropriate to pay a cash bonus at the time depending on the Company's cash position.

The specific goals and objectives for each Named Executive Officer are approved by the Compensation Committee at the end of the year prior to the year applicable to the bonus and the performance of each Named Executive Officer is measured against such goals and objectives at the end of the applicable year.

Following were the key/material goals for each Named Executive Officer for 2008:

Gordon McCreary

1. Completion of a major financing.
2. Completion of an expanded definitive feasibility study and of a strategic scoping study.
3. Operating within 2008 budget.
4. Significant advancement in the shipping strategy.
5. Completion of the bulk sample program.

Robert Chausse

1. Strengthen finance group.
2. Evaluate the effectiveness of the Company's internal controls.
3. Develop banking relationships.
4. Monitor asset-backed commercial paper situation.
5. Develop implementation plan for IFRS.

Gwen Gareau

As Ms. Gareau was the Company's Controller until December 31, 2008, at which time she replaced Mr. Chausse as Chief Financial Officer, her goals were aligned with Mr. Chausse's goals, as described above.

Michael Zurowski

1. Market development of Mary River Iron Ore.
2. Quality control and quality assurance of bulk sample trial cargos.
3. General management and quality control and quality assurance of drill program, exploration and continued analytical, physical and metallurgical testwork of drill core and surface sampling.
4. Key involvement in Inuit Impact Benefit Agreement negotiations.
5. Key involvement in commercial shipping strategy.

Rodney Cooper

1. Delivery of Bulk Sample Program.
2. Engage Engineering, Procurement and Construction Management firm.
3. Develop human resources, health and safety and community programs.
4. Basic engineering and develop site infrastructure.
5. Operating within 2008 budget.

Derek Chubb

1. Progress towards regulatory approval of the Mary River Project.
2. Develop Sustainable Development policy.
3. Involvement in Inuit Impact Benefit Agreement negotiations.
4. Strengthen Sustainable Development team.
5. Develop environmental programs.

Although the Named Executive Officers met substantially all of their goals and objectives for 2008, other than the bulk sample output (originally planned for 250,000 tonnes and final output was 113,000 tonnes which was sufficient for the metallurgical testing targets) and the Company's spending was over budget (due to changes in scope of work and unforeseen operating conditions), which could have provided bonus amounts between 20% and 30% of annual base salary, given the Company's cash position at the end of 2008, the Compensation Committee did not approve any bonus payments.

Stock Option Component

The stock option component is intended to reinforce an ownership perspective and encourage the loyalty of key executives. Grants under the Company's Incentive Stock Option Plan dated January 19, 2004, as amended and restated October 25, 2007 (the "Stock Option Plan") are intended to provide long-term rewards linked directly to the market value performance of the Common Shares. The grant of stock options serves to align the long-term interests of critical employees of the Company with those of its Shareholders. Stock options are granted according to the specific level of responsibility of the particular executive and the number of options for each level of responsibility is determined by the

Compensation Committee. The number of outstanding options is also considered by the Compensation Committee when determining the number of new options to be granted in any particular year due to the limited number of options which are available for grant under the Stock Option Plan. The terms of the Stock Option Plan are described below.

Stock Option Plan

Under the terms of the Stock Option Plan directors, executive officers, employees and consultants of the Company (and their permitted assigns) are eligible to participate and options may be granted in respect of up to a maximum of a rolling 10% of the outstanding Common Shares of the Company at the time of the grant.

The maximum number of Common Shares that may be reserved for issuance to insiders under the Stock Option Plan is 10% of the Common Shares issued and outstanding at the time of grant (on a non-diluted basis), and the maximum number of Common Shares which may be issued to insiders under the Stock Option Plan within a 12 month period is 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued under the Stock Option Plan over the preceding 12 month period. The maximum number of Common Shares which may be issued to any one insider and such insider's associates under the Stock Option Plan within a 12 month period shall be 5% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued to such insider under the Stock Option Plan over the preceding 12 month period. The maximum number of Common Shares which may be reserved for issuance to any one person under the Stock Option Plan shall be 5% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of Common Shares reserved for issuance to such person under any other security based compensation arrangements of the Company.

The exercise price of options granted under the Stock Option Plan is determined by the Board, but cannot be less than closing price of the Common Shares on the date preceding the date of grant. The Stock Option Plan includes a provision to allow for an automatic extension of the expiry date of any option outstanding under the Stock Option Plan that expired during or within three days following the expiry of a blackout period, to a period of 10 business days following the expiry of such blackout period. The Stock Option Plan also includes a provision to allow for a cashless exercise of options. The cashless exercise provision allows option holders exercising options granted to them under the Stock Option Plan to request, in lieu of exercising all or part of an option, to receive from the Company a payment equal to the amount, if any, by which the aggregate fair market value of the Common Shares at the date upon which the option is exercised exceeds the aggregate exercise price therefore (the "Value Increase"). If the Company so agrees to any such request, the Company may deliver to the optionholder Common Shares having an aggregate fair market value on the date of exercise equal to the Value Increase. Upon receipt of such Common Shares, the options to which the payment relates will be deemed to be surrendered by the optionholder and will not be exercisable thereafter.

The Stock Option Plan includes a provision that, in the event of a proposed change of control, provides the Board with the discretion to accelerate the vesting of all outstanding unvested options, including permitting optionholders to exercise their options on a cashless basis. In such event, all options so vested would be exercisable, conditionally or otherwise, from such date until their respective expiry dates so as to permit the optionholder to participate in such change of control. Additionally, the Board will have the discretion to terminate any options not exercised prior to the effective time of any change of control and/or to modify the terms of the options as it sees fit.

The Board has the authority to determine the terms, limitations, restrictions and conditions of any option granted under the Stock Option Plan, including without limitation the vesting conditions attached thereto, subject to the limit that the maximum terms of any option so granted is five years. Specifically, the Board has the authority to amend the plan without Shareholder approval in respect of matters relating to (a) the exercise of options, including the inclusion of a cashless exercise feature whereby payment may be made in cash or Common Shares or otherwise; (b) the expiry of outstanding options; (c) amendments deemed by the Board to be necessary or advisable because of any change in applicable securities laws or other laws; (d) the transferability of options; (e) the definitions in the plan; (f) the change of control provisions; (g) the administration of the plan; (h) vesting provisions; and (i) any other amendments, fundamental or otherwise, not requiring shareholder approval under applicable laws or the rules of the TSX, including amendments of a "clerical" or "housekeeping" nature.

The Board does not have the authority to amend the Stock Option Plan without Shareholder approval in respect of matters relating to (a) increasing the maximum number of Common Shares issuable under the plan or increasing insider participation limits; (b) amending provisions of the Stock Option Plan so as to increase the ability of the Board to amend the Stock Option Plan without shareholder approval; (c) definition of eligible persons; (d) the exercise price of any options issued under the plan to an insider where such amendment reduces the exercise price of such option; (e) extending the term of any option issued under the Stock Option Plan to an insider.

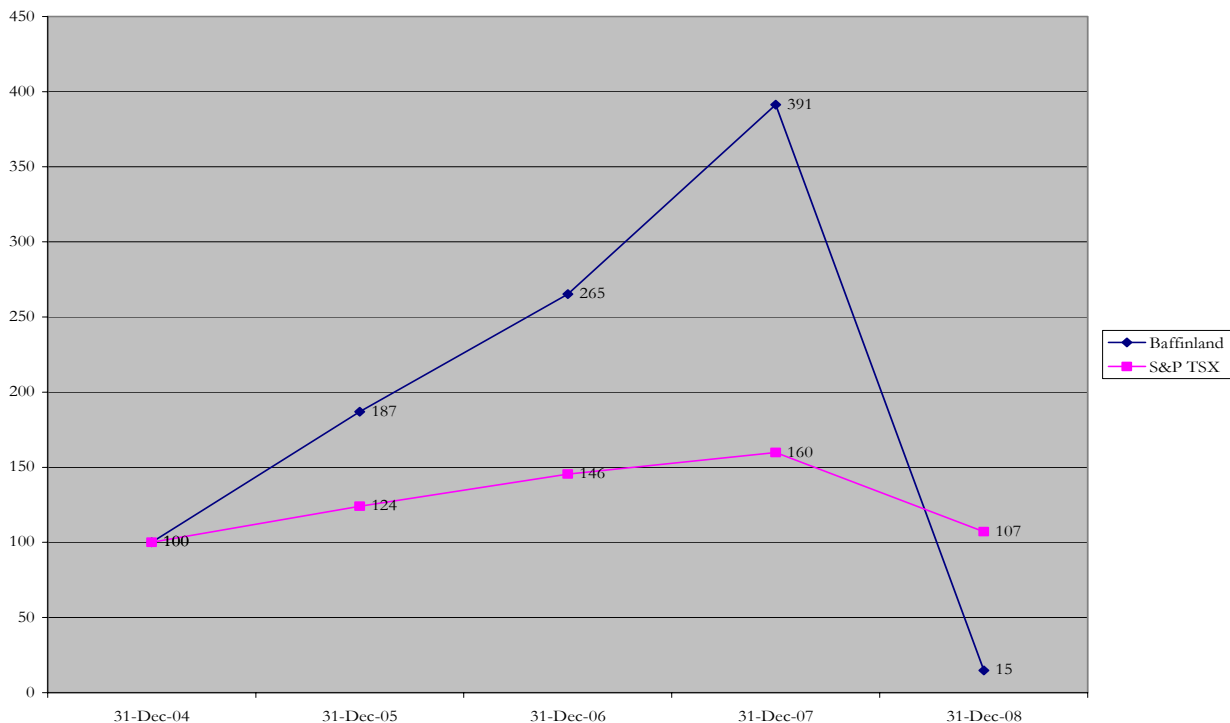
Currently, the term of each option is a period of five years commencing on the date such option is granted and all options granted under the Stock Option Plan become unconditionally exercisable as to one quarter immediately on the date of the grant of such options, an additional one quarter six months after the date of grant, an additional one quarter twelve months after the date of grant and an additional one quarter eighteen months after the date of grant. Except as otherwise determined by the Board, if a participant in the Stock Option Plan ceases to be eligible to receive options for any reason whatsoever other than death or termination for cause, each option held by that participant will cease to be exercisable 90 days after such date. If a participant ceases to be eligible to receive options because his or her relationship with the Company (or an affiliate) is terminated for cause, his or her option(s) shall cease to be exercisable immediately. Options granted under the Stock Option Plan are non-assignable and non-transferable, otherwise than by will or the laws of descent and distribution. The full text of the Stock Option Plan was attached to the Circular dated April 21, 2008 as Schedule “6”.

Performance Graph

Cumulative Total Return

The following graph compares the Company’s cumulative total return (assuming an investment of \$100, purchased on December 31, 2004) on the Common Shares during the period December 31, 2004 to December 31, 2008, with the cumulative return of the Toronto Stock Exchange’s (the “TSX”) S&P/TSX Index (the “S&P/TSX Index”), formerly the TSE 300 Index, over the same period.

On February 6, 2004, the Company acquired pursuant to a reverse takeover transaction all of the outstanding shares of Baffinland Iron Mines Limited (“Baffin Limited”). Prior to the acquisition of Baffin Limited, the Company had no producing properties, income or cash flow and the Company’s shares traded infrequently. Trading was halted in 2001 and was reinstated in February 2004, following the reverse takeover transaction. The first fiscal year end following the resumption of trading, being December 31, 2004, was used as the beginning of the measurement period. The Company’s Common Shares have been listed and posted for trading on the TSX since June 29, 2006. Prior to June 29, 2006, the Company’s Common Shares were listed and posted for trading on the TSX Venture Exchange. The Company’s Shares have traded under the symbol “BIM” since February 6, 2004 and prior to that under the symbol GME.H.



Trend

The above graph shows an increase of 391% in the Company's cumulative total return over the three year period from 2004 to 2007. The significant decrease in cumulative total return from 2007 to 2008 was primarily as a result of the volatile market conditions experienced in 2008 and continuing in early 2009.

During the period from 2004 to 2007, the Company's cumulative total return increased 391% compared to the S&P/TSX Index increase of 160%. During this same period, the annual base salaries of the Named Executive Officers increased on average by 210%. This increase in the annual base salaries of the Named Executive Officers occurred primarily in 2007. Prior to 2007, the compensation of the Named Executive Officers was significantly below market for comparable positions in comparable companies and remained static until 2007. The Compensation Committee had determined that until the Company reached a certain stage of development, the compensation of its Named Executive Officers should remain at lower than market levels. In 2007 and 2008, the Company reached various milestones, including the completion of a definitive feasibility study with respect to the Mary River property, securing of a shipping partner, and raising of additional capital, and therefore, the Compensation Committee determined that it was appropriate to increase the annual base salaries of its Named Executive Officers to market levels. Therefore, in 2007, the Company engaged Mercer to conduct a compensation review after which the annual base salaries of the Named Executive Officers were increased to market level based on the comparator group listed on page 12. The base salaries of the Named Executive Officers for 2008 were based on the levels determined by Mercer and the Compensation Committee in 2007. The Company and the Board of Directors considers the decrease in the market price of the Common Shares in 2008 to be a result of general market volatility, and that the Compensation paid to the Named Executive Officers is appropriate given such circumstances and the compensation paid to the comparator group.

Option-Based Awards

All full time employees of the Company and certain consultants are currently participants in the Stock Option Plan. Upon hire or retention, employees and certain consultants are eligible to receive an initial grant of options (the "Initial Grant"). Once per year, following the annual performance reviews, employees and certain consultants are eligible to receive an annual grant of options (the "Annual Grant"). The Initial Grant is a larger grant of options than the Annual Grant. All options are granted under the terms of the Stock Option Plan, which terms are described on pages 16 and 17 of this Circular. The Stock Option Plan is reviewed periodically by senior management, the Compensation Committee and the Board of Directors. The process for amending the Stock Option Plan is a collaborative process which involves senior management (inclusive of the CEO), the Compensation Committee and the Board. Depending on the nature of the amendments, shareholder approval may also be required.

The process for granting options is a collaborative process which involves the senior management team, the Chief Executive Officer, the Compensation Committee and the Board of Directors. Each year, following the performance reviews of employees, senior management report the results of the reviews of their direct reports to the Chief Executive Officer and the recommended Annual Grant. The Chief Executive Officer, in consultation with his senior management team, discusses the appropriate number of options for each employee recommended to receive an Annual Grant including the Named Executive Officers. The Chief Executive Officer and the senior management team determine the appropriate number of options for each level of responsibility through discussion, and, employees having a similar level of responsibility receive the same number of options for their Annual Grant. The Black-Scholes valuation method is used to assist in the determination of the number of options to be granted, however, the recommended number is not determined solely by such method. Once the Chief Executive Officer and senior management team have determined the appropriate Annual Grants, the Chief Executive Officer presents his recommendation to the Compensation Committee for consideration. The Compensation Committee reviews the Chief Executive Officer's recommendations and reports its decision to the Board of Directors. The Board of Directors then considers the Compensation Committee's recommendations.

Summary Compensation Table

The following table sets forth compensation information for the fiscal years ended December 31, 2006, December 31, 2007 and December 31, 2008, for the (a) President and Chief Executive Officer of the Company, (b) the former Vice President, Finance and Chief Financial Officer of the Company; (c) the current Vice President, Finance and Chief Financial Officer; and (d) for the three other most highly compensated executive officers of the Company, who were serving as executive officers of the Company at the end of the fiscal year ended December 31, 2008 and whose total salary and bonus exceeds \$150,000 (collectively the "Named Executive Officers").

Name and Principal Position	Year	Salary (\$)	Option Based Awards⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation Annual (\$)	Total Compensation (\$)
Gordon McCreary President and Chief Executive Officer	2008	310,500	427,500	nil	738,000
	2007	238,472	nil	nil	238,472
	2006	150,000	335,700	20,000	505,700
Robert Chausse ⁽²⁾ Vice President, Finance and Chief Financial Officer	2008	248,400	313,500	nil	561,900
	2007	203,472	nil	nil	203,472
	2006	125,000	596,000	nil	721,000
Gwen Gareau ⁽³⁾ Vice President, Finance and Chief Financial Officer	2008	\$90,277	104,000	nil	194,277
	2007	n/a	n/a	n/a	n/a
	2006	n/a	n/a	n/a	n/a
Michael Zurowski Executive Vice President	2008	248,400	356,250	nil	604,650
	2007	202,782	nil	nil	202,782
	2006	150,000	200,700	20,000	370,700
Rodney Cooper ⁽⁴⁾ Vice President, Operations and Chief Operating Officer	2008	284,625	356,250	nil	640,875
	2007	223,889	nil	nil	223,889
	2006	125,000	768,000	nil	893,000
Derek Chubb ⁽⁵⁾ Vice President, Sustainable Development	2008	200,000	285,000	nil	485,000
	2007	131,878	346,000	nil	477,878
	2006	n/a	n/a	n/a	n/a

(1) Based on the fair value of stock options granted, estimated using the Black Scholes fair value option-pricing model in compliance with Canadian generally accepted accounting principles ("Canadian GAAP"). The key assumptions used are determined at each grant date, and a life of five years is assumed. This method is used to comply with Canadian GAAP. For all grants, no dividend yield and a life of five years is assumed. Risk-free rates and expected volatility rates used for individual grants were as follows:

Name	Grant Date	Number of Options Granted	Risk-free rate	Expected Stock Volatility
Gordon McCreary	January 7, 2008	150,000	5%	75%
	December 15, 2006	150,000	6%	82%
	January 3, 2006	45,000	5%	81%
Robert Chausse	January 7, 2008	110,000	5%	75%
	December 15, 2006	100,000	6%	82%
	January 3, 2006	250,000	5%	81%
Gwen Gareau	March 31, 2008	50,000	5%	74%
Michael Zurowski	January 7, 2008	125,000	5%	75%
	December 15, 2006	75,000	6%	82%
	January 3, 2006	45,000	5%	81%
Rodney Cooper	January 7, 2008	125,000	5%	75%
	December 15, 2006	125,000	6%	82%
	January 27, 2006	300,000	5%	77%
Derek Chubb	January 7, 2008	100,000	5%	75%
	February 6, 2007	200,000	5%	81%

(2) Mr. Chausse commenced employment with the Company on March 1, 2006 and resigned his position as Vice President, Finance and Chief Financial Officer on December 31, 2008. The compensation amounts disclosed above for fiscal year 2006 are for the period from March 1, 2006 to December 31, 2006.

- (3) Ms. Gareau commenced employment with the Company on April 21, 2008 as Controller and was appointed Vice President, Finance and Chief Financial Officer on December 31, 2008. The compensation amounts disclosed above are for the period April 21, 2008 to December 31, 2008 in her capacity as Controller.
- (4) Mr. Cooper commenced employment with the Company on March 1, 2006. The compensation amounts disclosed above for fiscal year 2006 are for the period from March 1, 2006 to December 31, 2006.
- (5) Mr. Chubb commenced employment with the Company on March 21, 2007. The compensation amounts disclosed above for fiscal year 2007 are for the period from March 21, 2007 to December 31, 2007.

Incentive Plan Awards

Option-Based Awards - Outstanding at Year End

The following table sets forth for each Named Executive Officer, the number of options that were outstanding as at December 31, 2008 and includes the exercise price, expiration date and the value of such options as at December 31, 2008.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options⁽¹⁾ (\$)
Gordon McCreary	200,000	1.15	26-Feb-2009	0
	150,000	1.15	01-Jun-2009	0
	70,000	2.30	11-Mar-2010	0
	45,000	2.15	03-Jan-2011	0
	150,000	2.60	15-Dec-2011	0
	150,000	4.40	07-Jan-2013	0
Robert Chausse	250,000	2.15	03-Jan-2011	0
	100,000	2.60	15-Dec-2011	0
	110,000	4.40	07-Jan-2013	0
Gwen Gareau	50,000	3.24	31-Mar-2013	0
Michael Zurowski	250,000	1.15	26-Feb-2009	0
	70,000	2.30	11-Mar-2010	0
	45,000	2.15	03-Jan-2011	0
	75,000	2.60	15-Dec-2011	0
	125,000	4.40	07-Jan-2013	0
Rodney Cooper	300,000	2.75	27-Jan-2011	0
	125,000	2.60	15-Dec-2011	0
	125,000	4.40	07-Jan-2013	0
Derek Chubb	200,000	2.55	06-Feb-2012	0
	100,000	4.40	07-Jan-2013	0

(1) This amount is based on the difference between the market value of the Common Shares underlying the options at the end of the most recently completed financial year, and the exercise price of the option.

Incentive Plan Awards – Value Vested during the Year

The following table sets forth for each Named Executive Officer the aggregate dollar value that such Named Executive Officer would have realized had he exercised all options that vested during 2008, on the date such options vested. The following table does not include any options that were already vested prior to 2008 or any options that remained unvested as at December 31, 2008. The following table also sets forth the dollar value of the cash bonus that such Named Executive Officer earned during 2008 but, due to the cash position of the Company, was not paid.

Name	Option-based Awards ⁽¹⁾ Value Vested during the Year (\$)	Non-equity Incentive Plan Compensation ⁽²⁾ Value Earned during the Year (\$)
Gordon McCreary	16,125	0
Robert Chausse	10,750	0
Gwen Gareau	0	0
Michael Zurowski	8,062	0
Rodney Cooper	13,438	0
Derek Chubb	37,000	0

(1) All option-based awards are derived from options granted under the Stock Option Plan. A description of the Stock Option Plan and its terms is included on pages 16 and 17 of this Circular.

(2) All non-equity incentive plan compensation is derived from the annual bonus component of the Named Executive's compensation. A description of the annual bonus and how it is calculated is included on pages 14 and 15 of this Circular.

The number of options vesting to Named Executive Officers under the Stock Option Plan during the most recently completed financial year is 542,500, of which no options were exercised by the Named Executive Officers during the most recently completed financial year. If exercised, the Named Executive Officers may choose, upon the approval of the Company, to take the underlying security or to take, in cash, the difference between the market price of the underlying Common Share at exercise and the exercise price of the option on the vesting date, subject to applicable taxes.

Termination and Change of Control Benefits

Each of the Named Executive Officers have termination and change of control benefits provided for in their employment agreements. The terms of each of the Named Executive Officer's employment agreements are included on pages 13 and 14 of this Circular.

Termination Circumstances

The provisions relating to termination in each of the Named Executive Officer's employment agreements provide that the employment agreement and the Named Executive Officer's employment may be terminated, at any time, in the following manner and in the following circumstances:

- (a) by the Named Executive Officer, by providing four weeks written notice of resignation to the Company (the "Notice of Resignation Period"), in which case, subject to subsection (b) below, the employment agreement and the Named Executive Officer's employment will terminate at the end of the Notice of Resignation Period;
- (b) during the Notice of Resignation Period, the Company may waive such Notice of Resignation Period, in whole or in part, in which case the employment agreement and the Named Executive Officer's employment will terminate immediately;
- (c) by the Company, for cause;
- (d) automatically without further notice, upon the death of the Named Executive Officer;
- (e) by the Company in the event of a material violation of the employment agreement (other than one constituting cause) by the Named Executive Officer where such violation has not been cured within seven business days following receipt of written notice thereof by the Named Executive Officer from the Company;

- (f) by the Company, without cause and other than for the circumstances in paragraphs (b), (d) or (e) above apply, in which case the employment agreement and the Named Executive Officer's employment will terminate upon receipt by the Named Executive Officer of a written notice of termination from the Company; and
- (g) by the Named Executive Officer, within 30 days of the occurrence of any event constituting Good Reason. "Good Reason" means any of the following:
 - (i) without the express written consent of the Named Executive Officer, any change or series of changes in the responsibilities, authority, status or reporting relationship of the Named Executive Officer with the Company such that immediately after such change or series of changes, the responsibilities, authority, status or reporting relationship of the Named Executive Officer, taken as a whole, are not at least substantially equivalent to those assigned to the Named Executive Officer immediately prior to such change or series of changes, excluding for this purpose an isolated and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Named Executive Officer;
 - (ii) a reduction by the Company in the Named Executive Officer's annual base salary except: (i) as part of a general reduction in the base salary of all or substantially all of the senior executives of the Company which affects the Named Executive Officer in substantially the same manner as the other senior executives who are also affected by such general reduction; or (ii) which does not constitute more than ten percent (10%) of his base salary;
 - (iii) the taking of any action by the Company which would materially adversely affect the Named Executive Officer's participation in or materially reduce the Named Executive Officer's incentive compensation, stock option, health, accident, disability benefits or other benefit plans in which the Named Executive Officer is participating, except in any such cases as part of the general reduction in benefits of all or substantially all of the senior executives of the Corporation which affects the Named Executive Officer in substantially the same manner as the other senior executives who are also affected by such reduction;
 - (iv) any material breach or non-observance by the Company of any material provision of the employment agreement which is not cured by the Company within seven days following written notice from the Named Executive Officer; or
 - (v) any requirement by the Company that the Named Executive Officer's principal office be relocated, without his consent, to a location which is more than 40 kilometres from his then current location.

Payments upon Termination

In the event the Named Executive Officer's employment is terminated pursuant to the provisions set out above under Termination Circumstances, the Named Executive Officer will only be entitled to the following compensation and benefits upon termination, as follows:

- (a) Should the employment agreement be terminated pursuant to the paragraph (b) set out above under Termination Circumstances, the Named Executive Officer will only be entitled to:
 - (i) payment of the Named Executive Officer's base salary until the end of the Notice of Resignation Period;
 - (ii) continued health and welfare benefits coverage (excluding life insurance and disability benefits coverage which will cease on the date of termination) in which the Named Executive Officer was participating at the date of termination by the Company for the period ending the last day of the Notice of Resignation Period;

- (iii) the value of the pro-rated vacation leave with pay for that portion of the calendar year up to the end of the Notice of Resignation Period, to the extent the Named Executive Officer's accrued vacation entitlement has not been used by him at the time of termination; and
 - (iv) any accrued but unpaid business expenses at the date of termination by the Company required to be reimbursed under the employment agreement.
- (b) Should the employment agreement be terminated pursuant to the paragraph (a), (c), (d), or (e) set out above under Termination Circumstances, the Named Executive Officer will only be entitled to payment of the Named Executive Officer's base salary earned up to the date of termination plus an amount equal to the sum of: (i) the value of the pro-rated vacation leave with pay for that portion of the calendar year in which the employment of the Named Executive Officer hereunder is terminated that the Named Executive Officer was actively employed, to the extent the Named Executive Officer's accrued vacation entitlement has not been used by him or her at the time of termination; and (ii) any accrued but unpaid business expenses at the date of termination required to be reimbursed under the employment agreement.
- (c) Should the Agreement be terminated pursuant to the paragraph (f) or (g) set out above under Termination Circumstances, the Company's only obligations will be to:
- (i) pay to the Named Executive Officer (a) any accrued but unpaid base salary for services rendered to the date of termination; (b) any accrued but unpaid expenses at the date of termination required to be reimbursed under the employment agreement; and (c) the value of the pro-rated vacation leave with pay for that portion of the calendar year in which the employment of the Named Executive Officer hereunder is terminated that the Named Executive Officer was actively employed, to the extent the Named Executive Officer's accrued vacation entitlement has not been used by him or her at the time of termination;
 - (ii) pay to the Named Executive Officer an amount equal to 104 weeks of his or her base salary as at the date of termination;
 - (iii) pay to the Named Executive Officer an amount in lieu of the value of any annual bonus the Named Executive Officer would have earned had he or she been employed in the 104 weeks following termination (the "Notice Period"). Such amount will be paid at the end of the Notice Period and will be calculated as the product of (A) the average fiscal year end bonus (excluding any retention bonus) paid to the Named Executive Officer for the previous fiscal year prior to the fiscal year in which his employment is terminated (which amount will not exceed 30% of the Named Executive Officer's annual Base Salary) divided by 12, and (B) the number of months in the Notice Period;
 - (iv) continue the Named Executive Officer's participation in the health and welfare benefit plans (excluding short-term disability and long-term disability benefits which will cease on the date of termination) in which the Named Executive Officer was participating at the date of termination, until the earlier of (a) the end of the Notice Period; or (b) the date the Named Executive Officer becomes covered under the benefit plans of another employer. The Company's obligation hereunder is conditional on the Named Executive Officer continuing to pay his share of the premiums; and
 - (v) continue the Named Executive Officer's entitlements in accordance with the terms of any stock option plans in which he or she participated at the date of termination.

Change of Control

In lieu of and not in addition to the termination payments and benefits set out above, if within 52 weeks following a Change of Control, the Named Executive Officer's employment with the Company is terminated for any reason whatsoever other than as a result of a termination pursuant to paragraphs (a), (b), (c), (d), or (e) set out above under Termination Circumstances, the Company's only obligations will be to:

- (a) pay to the Named Executive Officer:
 - (i) any accrued but unpaid base salary for services rendered to the date of termination;

- (ii) a bonus for that portion of the year in which the Named Executive Officer was actively employed (excluding the Notice Period);
 - (iii) any accrued but unpaid expenses at the date of termination required to be reimbursed under the employment agreement, and
 - (iv) the value of the pro-rated vacation leave with pay for that portion of the calendar year in which the employment of the Named Executive Officer hereunder is terminated that the Named Executive Officer was actively employed, to the extent the Named Executive Officer's accrued vacation entitlement has not been used by him or her at the time of termination. The amount of the bonus payable under (ii) above will be calculated as follows: the product of (A) the average bonus paid to the Named Executive Officer for the previous fiscal year prior to the fiscal year in which his employment is terminated divided by 12, and (B) the number of months the Named Executive Officer was actively employed (excluding the Change of Control Notice Period, as defined below) in the fiscal year in which his employment is terminated;
- (b) pay to the Named Executive Officer those amounts and provide the benefits referenced in provisions (c)(ii), (iii), (iv) and (v) set out above under Payments upon Termination, calculated as if the Notice Period was 104 weeks (the "Change of Control Notice Period").

Other Terms

The Named Executive Officer is not required to mitigate the amount of any payments or the entitlement to any benefits provided for above by seeking other employment nor will any payment or benefit provided for above be reduced by any compensation or remuneration and/or benefits earned by the Named Executive Officer as a result of employment by another employer or the rendering of services after the date of termination.

Estimated Payments Assuming Termination Triggered on December 31, 2008

Pursuant to section (b) under "Termination Circumstance" above, in the event that a Named Executive Officer resigned and gave four weeks notice of his resignation, and in the event that the Company chose to immediately waive his Resignation Period, the maximum the Company could be obligated to pay the Named Executive Officer is set out below for each Named Executive Officer. The Company would also be obligated to pay the Named Executive Officer's actual accrued expenses and to continue the Named Executive Officer's health benefits and option entitlement for the Resignation Period.

Pursuant to sections (f) and (g) under "Termination Circumstances" above, in the event that the Company terminated the Named Executive Officer's employment for any reason other than Cause or for any reason other than as described under sections (b), (d) and (e) above under "Termination Circumstances"; or in the event that the Named Executive Officer terminates his employment for "Good Reason" as defined in section (g) above under "Termination Circumstances", the maximum the Company could be obligated to pay to the Named Executive Officer is set out below for each Named Executive Officer. The Company would also be obligated to pay the Named Executive Officer's actual accrued based salary and expenses up to the time of termination and to continue the Named Executive Officer's health benefits and option entitlements for the Notice Period.

The amounts payable by the Company to the Named Executive Officers in respect of such circumstances are listed in the following table:

Named Executive Officer	Base Salary ⁽¹⁾		Bonus ⁽²⁾		Vacation Pay ⁽³⁾		Total Gross Payment to the NEO	
	Waiver	Termination	Waiver	Termination	Waiver	Termination	Waiver	Termination
Gordon McCreary	23,885	621,000	nil	186,300	23,885	23,885	47,770	831,185
Gwen Gareau	11,538	300,000	nil	90,000	11,538	11,538	23,077	401,538
Michael Zurowski	19,108	496,800	nil	149,040	19,108	19,108	38,216	664,948
Rodney Cooper	21,894	569,250	nil	170,775	21,894	21,894	43,788	761,919
Derek Chubb	15,385	400,000	nil	120,000	15,385	15,385	30,770	535,385

- (1) Base salary is calculated by dividing the Named Executive Officer's annual base salary for 2008 by 52 weeks and multiplying by: a) four weeks in respect of a Waiver; or b) 104 weeks in respect of a Termination.
- (2) In respect of a Waiver, there is no bonus payment. In respect of a Termination, bonus is calculated by assuming that a bonus was earned the prior year, as per the term of the Named Executive Officer's employment agreement and that the maximum bonus was earned, being 30% of the Named Executive Officer's base salary. The 30% of annual base salary is multiplied by two.
- (3) Vacation pay is calculated by first assuming that the Named Executive Officer has not taken any vacation and is therefore entitled to vacation pay and assumes that the Named Executive Officer is entitled to his maximum of four weeks of vacation.

Director Compensation

Director Compensation Table

The following table sets out the amounts or value of compensation provided to the non-management directors for the Company's most recently completed financial year.

Name	Fees Earned (\$)	Option-based Awards⁽¹⁾ (\$)	Total (\$)
Richard McCloskey	77,625	285,000	360,000
Brian Acton	nil	230,850	230,850
Donald Charter	Nil	242,250	242,250
Graham Clow	nil	242,250	242,250
Russell Cranswick	nil	72,000	72,000
Grant Edey	nil	316,160	316,160
John Lydall	nil	236,550	236,550
Gordon Watts	nil	247,950	247,950

- (1) Based on the fair value of stock options granted, estimated using the Black Scholes fair value option-pricing model in compliance with Canadian GAAP. The key assumptions used are determined at each grant date, and a life of five years is assumed. This method is used to comply with Canadian GAAP. For all grants, no dividend yield and a life of five years is assumed. Risk-free rates and expected volatility rates used for individual grants were as follows:

Name	Grant Date	Number of Options Granted	Risk-free rate	Expected Stock Volatility
Richard McCloskey	January 7, 2008	100,000	5%	75%
Brian Acton	January 7, 2008	81,000	5%	75%
Donald Charter	January 7, 2008	85,000	5%	75%
Graham Clow	January 7, 2008	85,000	5%	75%
Russell Cranswick	September 22, 2008	100,000	3%	73%
Grant Edey	March 31, 2008	152,000	5%	74%
John Lydall	January 7, 2008	83,000	5%	75%
Gordon Watts	January 7, 2008	87,000	5%	75%

- (2) On January 6, 2009, the Compensation Committee determined it appropriate to reduce the Chairman's annual cash compensation by \$5,000 to \$72,625 due to the current financial position of the Company as well as the global volatile market conditions.

The Company does not pay cash fees to any of its directors, except for the Chairman of the Board. The Chairman of the Board receives an annual retainer of \$75,000. Directors are reimbursed for travel and other out-of-pocket expenses related to attending board and committee meetings of the Company.

The Company compensates its directors through options grants. Directors are granted an initial option grant of 150,000 options upon appointment and an additional initial option grant of 2,000 options for each committee on which the director sits and an additional initial option grant of 1,000 options for each committee the director chairs. Directors are also granted an annual option grant of 75,000 options, plus an additional annual grant of 4,000 options for each committee members (except members of the Audit Committee), plus an additional annual grant of 2,000 options for each committee chairman (except members of the Audit Committee). The additional annual grants for members of the Audit Committee are 8,000 options for each Audit Committee member and 6,000 options for the Audit Committee Chairman.

The Compensation Committee determined that Audit Committee members should receive increased compensation over other directors as their responsibilities require a greater amount of time commitment than other committees.

Option-Based Awards - Outstanding at Year End

The following table sets forth for each non-management director, the number of options that were outstanding as at December 31, 2008 and includes the exercise price, expiration date and the value of such options as at December 31, 2008.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)
Richard McCloskey	150,000	1.15	26-Feb-2009	0
	52,000	2.30	11-Mar-2010	0
	100,000	1.18	5-Jul-2010	0
	27,000	2.15	3-Jan-2011	0
	50,000	2.60	15-Dec-2011	0
	100,000	4.40	7-Jan-2013	0
Brian Acton	100,000	1.15	26-Feb-2009	0
	53,000	2.30	11-Mar-2010	0
	28,000	2.15	3-Jan-2011	0
	28,000	2.60	15-Dec-2011	0
	81,000	4.40	7-Jan-2013	0
Donald Charter	155,000	2.70	31-May-2012	0
	85,000	4.40	7-Jan-2013	0
Graham Clow	100,000	1.15	26-Feb-2009	0
	52,000	2.30	11-Mar-2010	0
	27,000	2.15	3-Jan-2011	0
	30,000	2.60	15-Dec-2011	0
	85,000	4.40	7-Jan-2013	0
Russell Cranswick	100,000	1.16	22-Sep-2013	0
Grant Edey	152,000	3.24	31-Mar-2013	0
John Lydall	100,000	1.15	26-Feb-2009	0
	54,000	2.30	11-Mar-2010	0
	30,000	2.15	3-Jan-2011	0
	30,000	2.60	15-Dec-2011	0
	83,000	4.40	7-Jan-2013	0

Option-Based Awards - Outstanding at Year End continued...

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)
Gordon Watts	100,000	1.15	26-Feb-2009	0
	54,000	2.30	11-Mar-2010	0
	29,000	2.15	3-Jan-2011	0
	31,000	2.60	15-Dec-2011	0
	87,000	4.40	7-Jan-2013	0

Incentive Plan Awards – Value Vested during the Year

The following table sets forth for each non-management director the aggregate dollar value that such director would have realized had he exercised all options that vested during 2008, on the date such options vested. The following table does not include any options that were already vested prior to 2008 or any options that remained unvested as at December 31, 2008.

Name	Option-based Awards ⁽¹⁾ Value Vested during the Year (\$)	Non-equity Incentive Plan Compensation ⁽²⁾ Value Earned during the Year
Richard McCloskey	5,375	n/a
Brian Acton	3,010	n/a
Donald Charter	27,125	n/a
Graham Clow	3,225	n/a
Russell Cranswick	0	n/a
Grant Edey	0	n/a
John Lydall	3,225	n/a
Gordon Watts	3,333	n/a

(1) All option-based awards are derived from options granted under the Stock Option Plan. A description of the Stock Option Plan and its terms is included on pages 16 and 17 of this Circular.

(2) Board members do not participate in any non-equity incentive plan compensation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information as at December 31, 2008

Plan Category	# of Common Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	# of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column of this table)
<u>Equity Compensation plans approved by securityholders</u>			
Stock Option Plan	7,382,000	\$2.59	15,900,990
<u>Equity compensation plans not approved by securityholders.</u>	n/a	n/a	n/a

DIRECTORS' AND OFFICERS' INSURANCE

The Company has purchased a policy of insurance for the benefit of its directors and officers against liability incurred by them in the performance of their duties as directors and officers of the Company, and also purchased excess directors and officers liability insurance. The amount of the premiums paid in respect of these policies for the financial year ended December 31, 2008 was \$31,900 and \$38,300, respectively. The policy does not specify that any part of the premium is paid in respect of either directors as a group or officers as a group. The entire premium is paid by the Company. The current annual policy limit is \$10 million per claim per policy period, subject to a corporate deductible of \$25,000 per claim and the excess insurance policy limit is \$15 million per claim and annual aggregate.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors has adopted certain corporate governance policies to reflect the Company's commitment to good corporate governance, and to comply with the TSX's and the provincial Securities Commissions' corporate governance guidelines and requirements. The Governance Committee periodically reviews these policies and proposes modifications to the Board for consideration as appropriate. The Company considers good corporate governance to be central to the effective and efficient management and operation of the Company, and the Governance Committee is directly responsible for developing the Company's approach to corporate governance issues.

Under the rules of National Instrument 58-101, the Company is required to disclose information relating to its system of corporate governance with reference to National Instrument Form 58-101FI – Corporate Governance Disclosure. The Company's disclosure relating to its corporate governance practices is set out in tabular form in Schedule "1" to this Circular. This disclosure has been prepared by the Governance Committee and has been approved by the Company's Board of Directors.

APPOINTMENT AND REMUNERATION OF AUDITORS

The Company proposes that PricewaterhouseCoopers LLP, Chartered Accountants, of Toronto, Ontario, be re-appointed as auditors of the Company to hold office until the next annual meeting of the Shareholders and proposes that the directors of the Company be authorized to fix the remuneration of such auditors. PricewaterhouseCoopers LLP have been the auditors of the Company since June 2006.

For the fiscal year ended December 31, 2008, the following fees were paid to the auditors:

Audit Fees	\$ 90,433
Audit Related Fees	\$ 7,350
Non-audit fees	\$ 37,283
Tax fees	\$ 14,490
Total Fees	\$149,556

In accordance with the applicable regulatory requirements and with the Company's 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 services prior to the engagement of the Company's independent auditor.

The Board of Directors recommends the re-appointment of PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Company. Unless authority to do so is withheld, proxies given pursuant to this solicitation by management of the Company will be voted in favour of the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company to hold office until the next annual meeting of Shareholders and the authorization of the directors to fix the auditors' remuneration.

SPECIAL BUSINESS

Renewal of and Amendment to Shareholder Rights Plan

On January 13, 2006 the Company entered into a Shareholder Rights Plan Agreement (the "Rights Plan") with Computershare Investor Services Inc. (the "Rights Agent"), which was confirmed, ratified and approved by Shareholders at the annual and special meeting of the Company on June 22, 2006. The Rights Plan was approved for a term of up to three years, and the Rights Plan will terminate, among of things, on the date immediately after the date of the Meeting. On January 27, 2009 the Company entered into an amendment to the Rights Plan (the "Amended Rights Plan") with the Rights Agent, which extended the term of the Rights Plan on for a further three years and made certain amendments thereto, as described below. Shareholders will be asked at the Meeting to consider and, if thought advisable, pass a resolution (the "Rights Plan Resolution") to approve the Amended Rights Plan, the terms of which are substantially similar to the Rights Plan, except for the amendments thereto as described below.

The purpose of the Amended Rights Plan is to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing Shareholder value if a take-over bid is made for the Company, and to provide every Shareholder with an equal opportunity to participate in such bid. The Amended Rights Plan encourages a potential acquirer to proceed either by way of a Permitted Bid (as defined in the Amended Rights Plan), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. The adoption of the Amended Rights Plan does not affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Company and the Shareholders.

The issuance of the Rights (as defined in the Amended Rights Plan) will not in any way alter the financial condition of the Company. The issuance is not of itself dilutive, will not affect reported earnings or loss per share and will not change the way in which Shareholders would otherwise trade Common Shares. By permitting holders of Rights other than an Acquiring Person (as defined in the Amended Rights Plan) to acquire Common Shares of the Company at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the Common Shares of the Company other than by way of a Permitted Bid (as defined in the Amended Rights Plan) or other than in circumstances where the Rights are redeemed or the Board waives the application of the Amended Rights Plan.

A large number of publicly-held corporations in Canada have adopted substantially similar shareholder rights plans.

The Rights Plan included a definition of the term "Exempt Acquisition" that restricts, among other things, the acquisition by any person of more than 25% of the number of issued and outstanding Common Shares immediately prior to the offering by way of private placement. The Rights Plan does not currently provide the Board with the flexibility to exceed this 25% limitation except in very limited circumstances. Given the nature of the Company as a development stage mining Company, this definition of Exempt Acquisition has the effect of unduly restricting the ability of the Company to complete private placement financings in circumstances where the issuance of Common Shares does not materially affect control of the Company.

The Amended Rights Plan has been amended to remove the restriction that not more than 25% can be issued to any person without triggering the operative provisions of the plan. Accordingly, the definition of “Exempt Acquisition” provides that, among other things, a Board sanctioned prospectus, private placement or other distribution of securities that complies with all applicable stock exchange requirements, including the issuance of Common Shares to RCF pursuant to the exchange or deemed exchange of the Subscription Receipts, will not trigger the Rights Plan. The full text of the Amended Rights Plan is attached to this Circular as Schedule 2, and a blackline document showing all of the changes to the Rights Plan is attached to this Circular as Schedule 3.

If Shareholder approval of the Amended Rights Plan pursuant to the Rights Plan Resolution is not received at the Meeting, the Amended Rights Plan will cease to be effective at the close of business (Toronto time) on the day immediately following the Meeting. Furthermore, in the event that the Shareholders do not approve the Amended Rights Plan by March 31, 2009 any amounts held in escrow in respect of the Subscription Receipts will be returned to Resource LP along with any interest earned thereon at the rate of 8% from the date of closing the RCF Private Placement.

The text of the resolution which Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, is set out below. In order to be effective, the resolution must receive the affirmative vote of a majority of the votes cast by shareholders present in person or represented by proxy at the Meeting. To the knowledge of the Company, after reasonable enquiry, votes attached to the 35,181,706 Common Shares held by the Resource Funds will be excluded in determining whether approval is obtained.

RESOLVED THAT:

- 1. The Amended and Restated Shareholder Rights Plan Agreement between the Company and Computershare Investor Services Inc. dated January 27, 2009 be and the same is hereby confirmed, ratified and approved; and**
- 2. Any one director or officer of the Company be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution.**

The Board of Directors unanimously recommends that Shareholders vote in favour of the resolution confirming, ratifying and approving the Amended Rights Plan. Proxies received in favour of management will be voted in favour of such resolutions unless the Shareholder submitting the proxy has specified that the Common Shares represented by such proxy are to be voted against the foregoing.

Summary of the Principal Terms of the Amended Rights Plan

This summary is qualified in its entirety by reference to the text of the Amended Rights Plan which is available upon request from the Company at Suite 1016, 120 Adelaide Street West, Toronto, ON M5H 1T1, Tel: (416) 364 8820 / Fax: (416) 364-0193. A copy of the Amended Rights Plan may also be obtained from the Company’s public disclosure documents found at www.sedar.com. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Amended Rights Plan.

Issue of Rights

The Company issued one right (a “Right”) in respect of each Common Share outstanding at the close of business on January 13, 2006 (the “Record Time”). The Company will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

Rights Certificates and Transferability

Before the Separation Time, each Right will be evidenced by certificates for the Common Shares and are not transferable separate from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Common Shares.

Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one Common Share for the Exercise Price of \$50 (subject to certain anti-dilution adjustments). Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time, each Right (other than any Right held by an Acquiring Person (defined below), which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of Common Shares which have an aggregate Market Price equal to twice the Exercise Price of the Rights for a price equal to the Exercise Price. Effectively, this means a Shareholder (other than the Acquiring Person) can acquire additional Common Shares from treasury at half their Market Price.

Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (defined below) of 20% or more of the outstanding Voting Shares (defined below).

Definition of "Voting Shares"

Voting Shares are the Common Shares and any other shares of capital stock or voting interests of the Company entitled to vote generally in the election of all directors.

Definition of "Beneficial Ownership"

A person is a Beneficial Owner of securities if such person or its affiliates or associates or any other person acting jointly or in concert with such person:

- (a) owns the securities in law or equity; or
- (b) has the right to acquire (immediately or within 60 days, and whether or not on conditions) the securities upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner of securities as a result of the existence of any one or more of the following circumstances:

- (a) the security has been deposited or tendered pursuant to a Take-over Bid (defined below), made by such person or made by any affiliate or associate of such person or made by any other person acting jointly or in concert with such person unless such security has been taken up or paid for;
- (b) by reason of the holder of such security having agreed to deposit or tender such security to a take-over bid made by such person or any of such person's affiliates or associates or any other person acting jointly or in concert with such person pursuant to a Permitted Lock-Up Agreement, but only until such time as the deposited or tendered security has been taken up or paid for, whichever occurs first:
 - a. the ordinary business of such person includes the management of mutual funds or investment funds for others and/or includes the acquisition or holding of securities for a non-discretionary account of a client by a dealer or broker registered under applicable securities laws to the extent required, and such security is held by such person in the ordinary course of such business in the performance of such person's duties for the account of any other person;
 - b. such person is licensed to carry on the business of a trust company under applicable law and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent persons and holds such security in the ordinary course of such duties;
 - c. the person is an independent person established by statute for purposes that include, and the ordinary business or activity of such person includes, the management of investment funds for employee benefit plans, pension plans, insurance plans for various public bodies and such person holds such security for the purposes of its activities as such;
 - d. the ordinary business of such person includes acting as an agent of the Crown in the management of public assets; or
 - e. the person is the administrator or the trustee of one or more pension funds or plans registered under the laws of Canada or any province thereof or the United Kingdom or the United States or any state thereof, or is a pension fund and hold such securities for the purposes of its activities as an independent person or as a pension fund, and further provided that such pension fund or independent person does not hold more than 30% of the Voting Shares of the Company;

provided that in any of the foregoing cases such person does not make or announce an intention to make a Take-over Bid in respect of the securities of the Company alone or by acting jointly or in concert with a person who is making a Take-over Bid;

- (c) such person is the client of the same fund manager as another person on whose account the fund manager holds such security, or such person is an estate or other account of the same trust company as another person on whose account the trust company holds such security or is a pension fund with the same independent person as another pension fund;

- (d) such person is the client of a fund manager, an estate or other account of a trust company, or is a pension fund and the security is owned at law or at equity by the fund manager, trust company or independent person; or
- (e) such person is a registered holder of securities as a result of carrying on the business of, or acting as a nominee of, a security depository.

Definition of "Separation Time"

Separation Time occurs on the tenth trading day after the earlier of:

- (a) the first date of public announcement by the Company, an Offeror or an Acquiring Person of facts indicating that a person has become an Acquiring Person;
- (b) the date of the commencement or announcement of the intent of a person (other than the Company or a Subsidiary of the Company) to commence a Take-over Bid (other than a Permitted Bid or Competing Bid) or such later date as determined by the Board; and
- (c) the date on which a Permitted Bid or Competing Bid ceases to qualify as such or such later date as determined by the board,

provided that:

- (d) if any Take-over Bid, Permitted Bid or Competing Bid is cancelled, terminated, or otherwise withdrawn prior to the Separation Time, such bid will be deemed never to have been made; and
- (e) if the Board waives a Flip-in Event, the Separation Time in respect of such event will be deemed never to have occurred.

Definition of "Expiration Time"

Expiration Time occurs on the date being the earlier of:

- (a) the time at which the right to exercise Rights is terminated under the terms of the Amended Rights Plan; and
- (b) the date immediately after the annual meeting of Shareholders to be held in 2012.

Definition of a "Flip-In Event"

A Flip-In Event occurs when a person becomes an Acquiring Person. Upon the occurrence of any Flip-in Event, any Rights that are Beneficially Owned by (i) an Acquiring Person, or any affiliate or associate of an Acquiring Person, or any person acting jointly or in concert with an Acquiring Person or any affiliate or associate of such Acquiring Person, or any affiliate or associate of such person so acting jointly or in concert, or (ii) a transferee or other successor in title of Rights, directly or indirectly, of an Acquiring Person (or of any affiliate or associate of an Acquiring Person) or of any person acting jointly or in concert with an Acquiring Person or any associate or affiliate of an Acquiring Person (or of any affiliate or associate of such Person so acting jointly or in concert) who becomes a transferee or successor in title concurrently with or subsequent to the Acquiring Person becoming such, will become null and void as a result of which the Acquiring Person's investment in the Company will be greatly diluted if a substantial portion of the Rights are exercised after a Flip-In Event occurs.

Definition of "Permitted Bid"

A Permitted Bid is a Take-over Bid made by a person (the "Offeror") pursuant to a Take-over Bid circular that complies with the following conditions:

- (a) the bid is made to all registered holders of Voting Shares (other than Voting Shares held by the Offeror);
- (b) the bid is subject to an irrevocable and unqualified condition that no Voting Shares will be taken up or paid for under the bid for at least 60 days following the commencement of the bid and that no Voting Shares will be taken up or paid for unless at such date more than 50% of the outstanding Voting Shares held by Shareholders other than the Offeror, its associates, affiliates and persons acting jointly or in concert therewith, and various plans or trusts for the benefit of employees (unless the beneficiaries direct the manner in which their Common Shares will be voted or tendered) have been deposited pursuant to the bid and not withdrawn;
- (c) the bid contains an irrevocable and unqualified condition that the Voting Shares may be deposited to and withdrawn from the Take-over Bid at any time during the 60-day period following the commencement of the Take-over Bid and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time until taken up and paid for; and
- (d) if the condition in paragraph (b) above is satisfied, the Offeror will make a public announcement of that fact and the bid will remain open for an additional period of at least 10 business days from the date it would otherwise expire.

Definition of "Competing Bid"

A Competing Bid is a Take-over Bid that:

- (a) is made while another Permitted Bid is in existence; and
- (b) satisfies all the requirements of a Permitted Bid except that the Voting Shares under a Competing Bid may be taken up on the later of 35 days after the date the Competing Bid was made and 60 days after the earliest date on which any other Permitted Bid or Competing Bid that was then in existence was made, and only if at such date more than 50% of the outstanding Voting Shares held by Shareholders other than the Offeror, its associates, affiliates and persons acting jointly or in concert therewith, and various plans or trusts for the benefit of employees (unless the beneficiaries direct the manner in which their Common Shares will be voted or tendered) have been deposited pursuant to the bid and not withdrawn.

Definition of "Permitted Lock-Up Agreement"

A Permitted Lock-Up Agreement is an agreement between a person making a Take-over Bid and one or more holders of Voting Shares or Convertible Securities (each, a "Locked-up Person"), the terms of which are publicly disclosed and a copy of which is made available to the public, including the Company, under which the Locked-up Persons agree to deposit or tender their Voting Shares or Convertible Securities to such Take-over Bid (the "Lock-up Bid") and which:

- (a) either:
 - a. provides no limit on the right of the Locked-up Persons to withdraw their Voting Shares or Convertible Securities in order to deposit them to another Take-over Bid (or terminate the agreement in order to support another transaction) where the price or value represented under the Take-over Bid (or other transaction) exceeds the price or value represented under the Lock-Up Bid; or
 - b. limits such right to withdraw its Voting Shares or Convertible Securities in order to deposit them to another Take-over Bid (or terminate the agreement in order to support another transaction) unless the price or value represented under the Take-over Bid (or other transaction) exceeds the price or value represented under the Lock-Up Bid by as much as or more than an amount specified, and the specified amount is not more than 7% of the price or value represented under the Lock-Up Bid; and
- (b) provides for no "break-up" fee, "top-up" fees or penalties, payments, expenses or other amounts in excess of the greater of: (i) 2.5% of the price or value payable under the Lock-Up Bid to Locked-up Persons; and (ii) 50% of the amount by which the price or value payable to Locked-up Persons under another Take-over bid (or other transaction) exceeds the price or value payable to Locked-up Persons under the Lock-Up Bid, to be payable by such Locked-up Person if any Locked-up Person fails to tender their Voting Shares or Convertible Securities under the Lock-Up Bid or withdraws Voting Shares or Convertible Securities previously tendered under the Lock-Up Bid in order to tender such Voting Shares or Convertible Securities under another Take-over Bid (or to support another transaction).

Such agreement may contain a right of first refusal or require a period of delay to give the Offeror an opportunity to at least match the higher consideration in another Take-over Bid or competing transaction so long as the limitation does not preclude a Locked-up Person from withdrawing Voting Shares or Convertible Securities in sufficient time to tender to the other Take-over Bid or to support the other transaction.

Definition of Exempt Acquisition

The definition of "Exempt Acquisition" has been amended in the Amended Rights Plan to provide that, among other things, a Board sanctioned prospectus, private placement or other distribution of securities that complies with all applicable stock exchange requirements, including the issuance of Common Shares to RCF pursuant to the exchange or deemed exchange of the Subscription Receipts, will not trigger the Rights Plan.

Accordingly, in the Amended Rights Plan an "Exempt Acquisition" is, among other things, an acquisition:

- (a) in respect of which the Board of Directors has waived the application of the Flip-In Event in respect where prior consent of the Shareholders has been obtained, in respect of a Take-over Bid made to all Shareholders, or where the Flip-In Event may have been triggered as a result of inadvertence;
- (b) pursuant to a distribution to the public by the Corporation of Voting Shares or Convertible Securities made pursuant to a prospectus on a *pro rata* basis; or
- (c) made at any time after January 13, 2006 pursuant to or in connection with an issuance and sale by the Corporation of Voting Shares or Convertible Securities by way of a private placement by the Corporation, provided that all necessary stock exchange approvals for such private placement have been obtained and such private placement complies with the terms and conditions of such approvals.

Such amendment removes the requirement that any purchase under a private placement not become the Beneficial Owner of more than 25% of the Common Shares outstanding immediately prior to the private placement.

Redemption of Rights

All but not less than all of the Rights may be redeemed by the Board at its option with the prior approval of the holders of the Voting Shares or Rights at any time before a Flip-In Event occurs at a redemption price of \$0.00001 per Right (subject to certain anti-dilution adjustments). In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Bid or a bid for which the Board has waived the operation of the Amended Rights Plan. The Board may redeem all outstanding Rights where a Take-over Bid that is not a Permitted Bid or a Competing Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event.

Waiver

Before a Flip-In Event occurs, the Board may waive the application of the Flip-In provisions of the Amended Rights Plan to any prospective Flip-In Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Voting Shares. However, if the Board waives the Amended Rights Plan with respect to a particular bid, it will be deemed to have waived the Amended Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Voting Shares before the expiry of any Take-over Bid in respect of which a waiver is granted. Other waivers of the “Flip-In” provisions of the Amended Rights Plan will require prior approval of the holders of the Voting Shares. The Board may also waive the “Flip-In” provisions of the Amended Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership (or contractually agreed with the Company to do so within thirty (30) days) to such a level that it is no longer an Acquiring Person.

Term of the Amended Rights Plan

Unless otherwise terminated, the Amended Rights Plan will expire on the close of business on the date immediately following the date of the Company’s annual meeting of Shareholders to be held in 2012.

Amending Power

Until the Amended Rights Plan is approved at the Meeting, the Company can make amendments to the Amended Rights Plan without the approval of any holder of Voting Shares or Rights. Following approval of the Amended Rights Plan at the Meeting, except for minor amendments to correct clerical or typographical errors, approval of the holders of Voting Shares or Rights is required for amendments to the Amended Rights Plan. Where amendments are required to maintain the validity of the Amended Rights Plan as a result of a change of law, the Company may make required changes subject to the later approval of the Shareholders or the holders of the Rights.

Rights Agent

Computershare Investor Services Inc.

Rightsholder not a Shareholder

Until a Right is exercised, the holders thereof as such, will have no rights as a shareholder of the Company.

The text of the Shareholder Amended Rights Plan can be found at www.sedar.com.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

On December 11, 2008 the Company completed two concurrent private placement transactions, being (i) a private placement of \$7 million of Common Shares and subscription receipts to Resource LP (the “RCF Private Placement”) and (ii) a private placement of flow-through Common Shares for aggregate gross proceeds of approximately \$14.8 million offered for sale on a best efforts basis by a syndicate led by CIBC World Markets Inc.

Under the RCF Private Placement, Resource LP subscribed for an aggregate of 14,665,541 Common Shares and 22,176,564 subscription receipts (each a “Subscription Receipt”) at a subscription price of \$0.19 per share or Subscription Receipt, as applicable, for gross proceeds to the Company of \$7 million. Each Subscription Receipt entitles Resource LP to acquire one Common Share for no additional consideration at any time prior to June 1, 2009 on notice being given that the Company and the Shareholders have approved the Amended Rights Plan. The proceeds from the issue of the Subscription Receipts pursuant to the RCF Private Placement are being held in escrow and will not be released, and the Subscription Receipts are not exercisable until after Shareholder approval of the Amended Rights Plan has been obtained. 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. In the event that the Shareholders do not approve the Amended Rights Plan by March 31, 2009 any amounts held in escrow in respect of the

Subscription Receipts will be returned to Resource LP along with any interest earned thereon at the rate of 8% from the date of closing the RCF Private Placement.

The Resource Funds are joint actors and are both current securityholders of the Company. Mr. Russell Cranswick is currently a director of the Company and a partner of RCF, which has an interest in the Resource Funds. The RCF Private Placement has been negotiated on an arm's length basis between the Company, CIBC World Markets and Resource LP. On closing of the Private Placements, the Resource Funds beneficially own or control approximately 15.09% of the outstanding Common Shares (22.47% on a fully diluted basis).

Except as otherwise disclosed in this Circular, no insider of the Company or proposed nominee for election as a director of the Company, nor any of their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

Except as otherwise disclosed in this Circular, no person who has been a director or senior officer of the Company since the commencement of the Company's last financial year, nor any proposed nominee for election as a director of the Company, nor any of their respective associates or affiliates, has any material interest, direct or indirect, in any matter to be acted upon at the Meeting.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com. The Company's financial information can be found in the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year, which is included in the fiscal 2008 Annual Report. Copies of the Company's Annual Information Form, Annual Report and interim quarterly reports may be obtained, without charge, by writing to the Corporate Secretary of the Company, at its head office at 120 Adelaide Street West, Suite 1016, Toronto, Ontario, M5H 1T1. Additional copies of this Circular are also available upon request. All of the above documents can be found on the Company's website at www.baffinland.com or on SEDAR at www.sedar.com.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management of the Company knows of no matters to come before the Meeting other than as set forth in the Notice and as described in this Circular. **However, if other matters which are not now known to management on the date hereof should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting all proxies returned.**

The undersigned hereby certifies that the contents and the mailing of this Circular have been approved by the Board of Directors.

DATED at Toronto this day 2nd day of February, 2009.

BY ORDER OF THE BOARD



Sonya Stark
Vice President, Corporate Affairs and
Corporate Secretary

SCHEDULE 1

COMPLIANCE BY BAFFINLAND IRON MINES CORPORATION WITH FORM 58-101FI CORPORATE GOVERNANCE DISCLOSURE REQUIREMENTS

NI58-101 Disclosure Requirement	Disclosure
<p>1. <i>Board of directors</i></p> <p>(a) <i>Disclose the identity of directors who are independent.</i></p>	<p>The Board of Directors is comprised of nine directors, of which Mr. Acton, Mr. Charter, Mr. Clow, Mr. Cranswick, Mr. Edey, Mr. Lydall, and Mr. Watts are “independent”, as such term is defined in Multilateral Instrument 52-110 (“MI 52-110”). Pursuant to MI 52-110 an independent director is one who is free from any direct or indirect relationship with the issuer which could, in the view of the issuer’s Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgement.</p> <p>Mr. McCreary is not independent under these standards as Mr. McCreary is the President and Chief Executive Officer of the Company.</p> <p>In addition, Subsection 1.4(3) of MI-52-110 deems an individual who is an executive officer of an entity to have a material relationship with an issuer if any of the issuer’s current executive officers serves or has served on the entity’s compensation committee within the last three years. Mr. McCloskey is technically not independent under these standards because Mr. McCloskey is an officer of McChip Resources Inc. (“McChip”), a TSX-V listed company of which Mr. McCloskey beneficially owns, directly or indirectly, approximately 35% of the issued and outstanding shares, and Mr. McCreary was a member of McChip’s compensation committee prior to his resignation in June 2006. Mr. McCreary has not served on the compensation committee of McChip since this time, and in any event, Mr. McCloskey is the substantial shareholder of McChip. As a result, the Board of Directors is of the view that, but for the deeming requirement in Subsection 1.4(3) of MI52-110, Mr. McCloskey is otherwise independent and that Mr. McCloskey provides valuable contribution and leadership as a director and the Chairman of the Board.</p>
<p>(b) <i>Disclose the identity of directors who are not independent, and describe the basis for that determination.</i></p>	<p>See (a) above.</p>
<p>(c) <i>Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.</i></p>	<p>A majority of directors are independent.</p>
<p>(d) <i>If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</i></p>	<p>The directorships of each director are included in the directors’ biographies which are outlined on pages 6 through 10 of this Circular.</p>

<p>(e) <i>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</i></p>	<p>At each regularly scheduled Board meeting and at each regularly scheduled committee meeting the independent directors and the Chairman meet. Members of management do not participate in such meetings.</p> <p>The number of independent meetings held during fiscal 2008, was 18, of which 11 were held during Board meetings and 7 were held during Committee meetings.</p>
<p>(f) <i>Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board had neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</i></p>	<p>The Chairman of the Board, Mr. Richard McCloskey, is a non-executive Chairman. For the reasons noted above, Mr. McCloskey is technically deemed not to be "independent" within the meaning of MI 52-110. The Board is of the view, however, that for all practical purposes Mr. McCloskey is free from any relationship that could be reasonably expected to interfere with the exercise of his independent judgement, and thinks that Mr. McCloskey's extensive background with the Company and general knowledge of the mining industry are a valuable resource, particularly given the Company's current stage of development. The head of the Company's Governance Committee, Mr. Donald Charter, is independent. At each Board meeting, the independent directors and the Chairman meet without members of management present. In addition, each committee of the Board is composed of only independent directors.</p> <p>The Chairman is responsible for leading and directing the Board of Directors to ensure the Board is fulfilling all of its duties and responsibilities appropriately, efficiently and in accordance with applicable laws and Company policies. The Chairman's responsibilities include: providing leadership and direction to the Board; ensuring that the Board is properly organized, effectively functioning and meeting its obligations and responsibilities; leading the Board with respect to the Board's responsibilities; acting as Chairman at all Board meetings; ensuring a consensus is reached at meetings, to the extent possible; establishing the frequency of Board meetings and reviewing such frequency from time to time; coordinating with the Corporate Secretary, and in consultation with the CEO, setting the agenda and the preparation and distribution of meeting materials and related matters for board meetings; representing the Board at official functions and meetings with major shareholder groups and other stakeholder groups; ensuring effective communication between board members, management, shareholders, other stakeholders and the public; ensuring that corporate strategies, plans and performance are appropriately presented to the Board and any other duties as may from time to time be required, as determined by the Board of Directors.</p>
<p>(g) <i>Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</i></p>	<p>The attendance record of each director for all board and committee meetings held during fiscal 2008 is included on page 11 of this Circular.</p>
<p>2. <i>Board Mandate – Disclose the text of the board's written mandate. If the Board does not have a written mandate, describe how the board delineates its role and</i></p>	<p>The Board has a Charter of Expectations of Directors which was attached to the Management Information Circular dated April 21, 2008 as Schedule "2". The Board's written mandate is included in its Charter of Expectations and has been set out on page 5 of</p>

<p><i>responsibilities.</i></p>	<p>this Circular.</p>
<p>3. <i>Position Descriptions</i></p> <p>(a) <i>Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</i></p>	<p>The Board has a written position description for its Chairman and written Charters for each committee of the Board.</p>
<p>(b) <i>Disclose whether or not the board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</i></p>	<p>The Board has a written position description for the CEO. The CEO's responsibilities were described in the Management Information Circular dated April 21, 2008 on page 20.</p>
<p>4. <i>Orientation and Continuing Education</i></p> <p>(a) <i>Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.</i></p>	<p>The Governance Committee is responsible for providing orientation or information to new directors of the Company and for the continuing education of existing board members. New directors are provided detailed information concerning the Company's existing mineral project and strategic plan.</p>
<p>(b) <i>Briefly describe what measures, if any the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</i></p>	<p>Existing board members are encouraged to undertake such continuing education activities as they may desire.</p>
<p>5. <i>Ethical Business Conduct</i></p> <p>(a) <i>Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</i></p>	<p>The Board has adopted a written code for the directors, officers and employees. The Code is provided to every director, officer and employee of the Company and has been posted at every office and site location. A copy of the code may be found on the Company's website.</p> <p>The Company does not currently have a large complement of staff outside of its senior management. Given the familiarity and regular communication between members of senior management and the Board, the Board believes that at this stage the most efficient and effective means of encouraging and promoting a culture of ethical business conduct lies in the regular reporting by senior management to the Board on the Company's activities. No reports of non-compliance of the code have been received.</p> <p>Directors, officers, employees and certain consultants are required to certify at least annually their compliance with the Code.</p> <p>In addition, during 2008, an independent firm was retained to review the Company's internal and disclosure controls and procedures and reported no material issues relating to compliance with the Code.</p> <p>The Board meets annually to assess the effectiveness of the code.</p>

<p><i>(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</i></p>	<p>The steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest, include those procedures as required by law and as recommended in applicable regulatory policies, including: (a) the interested director and/or officer promptly disclosing his/her interest; (b) the interested director and/or officer not participating in any discussions concerning the material transaction or agreement; and (c) the interested director and/or officer abstaining from voting on any such transactions or agreements. In addition, if necessary or deemed appropriate, a special committee is formed to consider such material transaction or agreement; and outside advisors or consultants are retained to assist the Board and/or the special committee in considering such transaction or agreement.</p>
<p><i>(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</i></p>	<p>The Company actively promotes ethical behaviour in all its business activities. Employees are encouraged to speak to their managers or other appropriate personnel at any time if there is any doubt about the right course of action in a particular situation.</p>
<p>6. <i>Nomination of Directors</i></p> <p><i>(a) Describe the process by which the board identifies new candidates for board nomination.</i></p>	<p>The Governance Committee is responsible for identifying and presenting to the Board any new candidates for board nomination. The Governance Committee is authorized to retain any search firm or advisor it deems appropriate to identify director candidates.</p> <p>The Governance Committee reviews periodically the composition and size of the Board in light of the characteristics of independence, diversity, age, skills, experience and availability of service of its members and the Board as a whole and of anticipated needs, as well as that of the Board nominees.</p>
<p><i>(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</i></p>	<p>The Governance Committee is composed entirely of independent directors.</p>
<p><i>(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</i></p>	<p>Among other responsibilities, the Governance Committee is responsible for identifying and presenting to the Board any new candidates for board nomination, and also reviews periodically the composition and size of the Board in light of the characteristics of independence, diversity, age, skills, experience and availability of service of its members and the Board as a whole and of anticipated needs, as well as that of the board nominees. The Board has adopted a written charter for the Governance Committee.</p>

<p>7. <i>Compensation</i></p> <p>(a) <i>Describe the process by which the board determines the compensation for the issuer's directors and officers.</i></p>	<p>The Compensation Committee is responsible for determining the compensation of the Company's directors and officers.</p> <p>The Compensation Committee is authorized to retain any advisory firm it deems appropriate to assist in the determination of appropriate compensation.</p>
<p>(b) <i>Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</i></p>	<p>The Compensation Committee is composed entirely of independent directors.</p>
<p>(c) <i>If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</i></p>	<p>The Compensation Committee is responsible for, among other things, determining the compensation of the Company's directors and officers, and in connection therewith has the authority to retain any advisory firm it deems appropriate. The Board has developed a written charter for the Compensation Committee.</p>
<p>(d) <i>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</i></p>	<p>Mercer and Associates ("Mercer") was retained during 2007 to review executive compensation. The Compensation Committee implemented Mercer's recommendations with respect to officers' compensation in 2007 and 2008.</p> <p>Mercer was retained again during 2007 to review director compensation. The Compensation Committee implemented Mercer's recommendations with respect to director compensation in 2008.</p>
<p>8. <i>Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</i></p>	<p>Other than the Audit Committee and the Compensation Committee, the Company has a Governance Committee and an EHS Committee.</p> <p>The Governance Committee's function is to monitor significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public company; lead the Board in its annual performance self-evaluation; oversee compliance with the Company's Code of Business Conduct and Ethics (once adopted); and to develop and recommend to the Board and administer the corporate governance procedures and policies of the Company. The Board has adopted a written charter for the Governance Committee.</p> <p>The EHS Committee's function is to oversee the development and implementation of policies and management systems of the Company relating to environmental and health and safety issues in order to ensure compliance with applicable laws and best management practices. The Board has adopted a written charter for the EHS Committee.</p>

<p>9. <i>Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</i></p>	<p>The Board has adopted a formalized method by which the directors are assessed annually, both as a whole board, individually and each committee of the Board.</p> <p>The assessment considers, in the case of the Board or a committee, its mandate and/or charter, and in the case of an individual director, the applicable position descriptions (if any) and/or the Charter of the Board, as well as the competencies and skills each director is expected to bring to the Board.</p> <p>The process in place to assess directors includes the completion by each director of an annual evaluation questionnaire. After the questionnaires are completed and returned for the purposes of compiling the results, the consolidated results are provided to the Chairman of the Governance Committee. The Chairman of the Governance Committee then discusses the results with the Board. If deemed appropriate, the Chairman of the Governance Committee will discuss individual results with the relevant director.</p>
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SCHEDULE 2

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS AGREEMENT dated January 27, 2009 between Baffinland Iron Mines Corporation (the “**Corporation**”), a corporation incorporated under the laws of Ontario, and Computershare Investor Services Inc., a company incorporated under the laws of Canada, as Rights Agent (the “**Rights Agent**”, which term shall include any successor Rights Agent hereunder).

WHEREAS:

- (1) The Corporation and the Rights Agent entered into a Shareholder Rights Plan Agreement dated January 13, 2006 (the “**Original Agreement**”), which agreement will expire, among other times, on the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2009;
- (2) The Board of Directors has determined that it is advisable and in the best interests of the Corporation to amend and restate the Original Agreement pursuant to this Agreement;
- (3) In order to implement the adoption of this Agreement, the Board of Directors has authorized the issuance of one Right;
 - (i) effective at the Record Time in respect of each Common Share outstanding at the Record Time; and
 - (ii) in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time;
- (4) Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth in this Agreement; and
- (5) The Corporation desires to appoint the Rights Agent to act on behalf of the Corporation, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the respective covenants and agreements set forth herein, the parties hereby agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Certain Definitions

For purposes of the Agreement, the following terms have the meanings indicated:

- (a) “**Acquiring Person**” means, any Person who is the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation; provided, however, that the term “**Acquiring Person**” shall not include:
 - (i) the Corporation or any Subsidiary of the Corporation;
 - (ii) any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation as a result of one or any combination of: (A) Corporate Acquisitions, (B) Permitted Bid Acquisitions, (C) Corporate Distributions, (D) Exempt Acquisitions, or (E) Convertible Security Acquisitions; provided, however, that if a Person shall become the Beneficial Owner of twenty percent (20%) or more of the Voting Shares of the Corporation then outstanding by reason of one or more or any combination of the operation of a Corporate Acquisition, Permitted Bid Acquisition and, after such Corporate Acquisition, Permitted Bid Acquisition, Corporate Distribution, Exempt Acquisition or Convertible Security Acquisition, becomes the Beneficial Owner of an additional one percent (1%) or more of the

outstanding Voting Shares of the Corporation other than pursuant to Corporate Acquisition, Permitted Bid Acquisitions, Corporate Distributions, Exempt Acquisitions or Convertible Security Acquisitions, then as of the date of such acquisition, such Person shall become an Acquiring Person;

- (iii) for a period of ten (10) days after the Disqualification Date (as hereinafter defined), any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation as a result of such Person becoming disqualified from relying on Clause 1.1(e)(3) hereof solely because such Person makes or proposes to make a Take-over Bid in respect of securities of the Corporation alone or by acting jointly or in concert with any other Person (the first date of public announcement (which, for the purposes of this definition, shall include, without limitation, a report filed pursuant to section 101 of the Securities Act (Ontario)) by such Person or the Corporation of a current intent to commence such a Take-over Bid being herein referred to as the “**Disqualification Date**”); and
 - (iv) an underwriter or member of a banking or selling group that acquires Voting Shares of the Corporation from the Corporation in connection with a distribution of securities (including, for greater certainty, by way of private placement of such securities) to the public.
- (b) “**Affiliate**” when used to indicate a relationship with a specified Person, means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person.
 - (c) “**Agreement**” means this agreement as amended, modified, or supplemented from time to time.
 - (d) “**Associate**” when used to indicate a relationship with a specified Person, means any relative of such Specified Person who has the same home as such specified Person, or any Person to whom such Specified Person is married or with whom such Specified Person is living in a conjugal relationship outside marriage, or any relative of such spouse or other Person who has the same home as such specified Person.
 - (e) A Person shall be deemed the “**Beneficial Owner**”, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
 - (i) any securities of which such Person or any Affiliate or Associate of such Person is the owner in law or equity;
 - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to acquire (A) upon the exercise of any Convertible Securities, or (B) pursuant to any agreement, arrangement or understanding, in each case if such right is exercisable immediately or within a period of 60 days thereafter whether or not on condition or the happening of any contingency (other than customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities or pursuant to a pledge of securities in the ordinary course of business); and
 - (iii) any securities that are Beneficially Owned within the meaning of Clause 1.1(e)(i) or (ii) hereof by any other Person with whom such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**”, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security as a result of the existence of any one or more of the following circumstances:

- (1) such security has been deposited or tendered, pursuant to a Take-over Bid made by such Person or made by any Affiliate or Associate of such Person or made by any other Person acting jointly or in concert with such Person, unless such deposited or tendered security has been taken up or paid for, whichever shall first occur;
- (2) by reason of the holder of such security having agreed to deposit or tender such security to a Take-over Bid made by such Person or any of such Person’s Affiliates or Associates or any other Person referred to in Clause (iii) of this definition pursuant to a Permitted Lock-Up Agreement, but only until such time as the deposited or tendered security has been taken up or paid for, whichever shall first occur;

- (3) such Person or any Affiliate or Associate of such Person or any other Person acting jointly or in concert with such Person, holds such security; provided that (i) the ordinary business of any such Person (the “**Fund Manager**”) includes the management of mutual funds or investment funds for others (which others may include or be limited to one or more employee benefit plans or pension plans) and/or includes the acquisition or holding of securities for a non-discretionary account of a Client (as defined below) by a dealer or broker registered under applicable securities laws to the extent required, and such security is held by the Fund Manager in the ordinary course of such business in the performance of such Fund Manager’s duties for the account of any other Person (a “**Client**”), (ii) such Person (the “**Trust Company**”) is licensed to carry on the business of a trust company under applicable law and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons or in relation to other accounts and holds such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person (each an “**Estate Account**”) or for such other accounts (each an “**Other Account**”), (iii) the Person (the “**Statutory Body**”) is an independent Person established by statute for purposes that include, and the ordinary business or activity of such person includes, the management of investment funds for employee benefits plans, pension plans, insurance plans of various public bodies and the Statutory Body holds such security for the purposes of its activities as such, (iv) the ordinary business of any such Person includes acting as an agent of the Crown in the management of public assets (the “**Crown Agent**”), or (v) the Person is the administrator or the trustee of one or more pension funds or plans (each a “**Pension Fund**”) registered under the laws of Canada or any province thereof or the United Kingdom or the United States or any state thereof (the “**Independent Person**”), or is a Pension Fund and holds such securities for the purposes of its activities as an Independent Person or as a Pension Fund, and further provided that such Pension Fund or Independent Person does not hold more than thirty percent (30%) of the Voting Shares of the Corporation;

provided, however, that in any of the foregoing cases no one of the Fund Manager, the Trust Company, the Statutory Body, the Crown Agent, the Independent Person or the Pension Fund makes or announces a current intention to make a Take-over Bid in respect of securities of the Corporation alone or by acting jointly or in concert with any other Person (other than pursuant to a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades entered in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market);

- (4) such Person is a Client of the same Fund Manager as another Person on whose account the Fund Manager holds such security, or such Person is an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security, or such Person is a Pension Fund with the same Independent Person as another Pension Fund;
- (5) such Person is a Client of a Fund Manager and such security is owned at law or in equity by the Fund Manager, or such Person is an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company, or such Person is a Pension Fund and such security is owned at law or in equity by the Independent Person; or
- (6) such Person is a registered holder of securities as a result of carrying on the business of, or acting as a nominee of, a securities depository.

For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person, shall be and be deemed to be the product of one hundred (100) and the number of which the numerator is the number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person and the denominator of which is the number of votes for the election of all directors generally attaching to all outstanding Voting Shares. Where any Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be issued and outstanding for the purpose of calculating the percentage of Voting Shares Beneficially Owned by such Person.

- (f) “**Board of Directors**” means, at any time, the duly constituted board of directors of the Corporation.
- (g) “**Business Day**” means any day other than Saturday, Sunday or a day on which banking institutions in Toronto are authorized or obligated by law to close.

- (h) “**close of business**” on any given date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the office of the transfer agent for the Common Shares in the City of Toronto (or, after the Separation Time, the office of the Rights Agent in the City of Toronto) is closed to the public.
- (i) “**Common Shares**”, when used with reference to the Corporation, means the common shares in the capital of the Corporation.
- (j) “**Competing Bid**” means a Take-over Bid that: (i) is made while another Permitted Bid is in existence, and (ii) satisfies all the components of the definition of a Permitted Bid, except that the requirements set out in Clause (ii) of the definition of a Permitted Bid shall be satisfied if the Take-over Bid shall contain, and the take up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no Voting Shares shall be taken up or paid for pursuant to the Competing Bid prior to the close of business on the date that is no earlier than the date which is the later of thirty-five (35) days after the Competing Bid is made or sixty (60) days after the earliest date on which any other Permitted Bid or Competing Bid that is then in existence was made and only if at that date, more than fifty percent (50%) of the then outstanding Voting Shares held by Independent Shareholders have been deposited or tendered to the Competing Bid and not withdrawn.
- (k) “**controlled**”: a corporate is “**controlled**” by another Person if:
- (i) securities entitled to vote in the election of directors carrying more than fifty percent (50%) of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other Person; and
 - (ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such corporation;
- and “**controls**”, “**controlling**” and “**under common control with**” shall be interpreted accordingly.
- (l) “**Convertible Security**” means at any time:
- (i) any right (regardless of whether such right constitutes a security) to acquire Voting Shares from the Corporation; and
 - (ii) any securities issued by the Corporation from time to time (other than the Rights) carrying any exercise, conversion or exchange right;
- in each case pursuant to which the holder thereof may acquire Voting Shares or other securities which are convertible into or exercisable or exchangeable for Voting Shares.
- (m) “**Convertible Security Acquisition**” means the acquisition of Voting Shares upon the exercise, conversion or exchange of Convertible Securities received by a Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Corporate Distribution.
- (n) “**Corporate Acquisition**” means an acquisition by the Corporation or a Subsidiary of the Corporation or the redemption by the Corporation of Voting Shares of the Corporation which by reducing the number of Voting Shares of the Corporation outstanding increases the proportionate number of Voting Shares Beneficially Owned by any Person.
- (o) “**Corporate Distribution**” means an acquisition as a result of:
- (i) a stock dividend or a stock split or other event pursuant to which a Person receives or acquires Voting Shares on the same pro rata basis as all other holders of Voting Shares of the same class; or
 - (ii) any other event pursuant to which all holders of Voting Shares of the Corporation are entitled to receive Voting Shares or Convertible Securities on a pro rata basis, including, without limiting the generality of the foregoing, pursuant to the receipt or exercise of rights issued by the Corporation and distributed to all the holders of a class of Voting Shares to subscribe for or purchase Voting Shares or Convertible Securities of the Corporation, provided that such rights are acquired directly from the Corporation and not from any other Person and provided further that the Person in question does

not thereby acquire a greater percentage of Voting Shares, or Convertible Securities representing the right to acquire Voting Shares of such class, than the percentage of Voting Shares of the class Beneficially Owned immediately prior to such acquisition.

- (p) “**Disqualification Date**” has the meaning ascribed thereto in Section 1.1(a)(iii) hereof.
- (q) “**Effective Date**” has the meaning ascribed thereto in Section 5.13 hereof.
- (r) “**Election to Exercise**” has the meaning ascribed thereto in Section 2.2(4) hereof.
- (s) “**Exempt Acquisition**” means an acquisition made at anytime after the Effective Date:
 - (i) in respect of which the Board of Directors has waived the application of Section 3.1 hereof pursuant to the provisions of Section 5.1(2), 5.1(3) or 5.1(4) hereof;
 - (ii) which was made on or prior to the Record Time;
 - (iii) which was made pursuant to a dividend reinvestment plan of the Corporation or other similar share purchase plan made available to the holders of shares of the Corporation generally; or
 - (iv) pursuant to or in connection with an issuance and sale by the Corporation of Voting Shares or Convertible Securities pursuant to a prospectus, private placement or other distribution by the Corporation, provided that all necessary stock exchange approvals for such issuance, sale or distribution have been obtained and such issuance, sale or distribution complies with the terms and conditions of such approvals.
- (t) “**Exercise Price**” means, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right. Until adjustment thereof in accordance with the terms hereof, the Exercise Price shall be \$50.
- (u) “**Expiration Time**” means the earlier of: (i) the Termination Time, and (ii) the close of business on the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2012.
- (v) “**Flip-in Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person.
- (w) “**Independent Shareholders**” means holders of Voting Shares of the Corporation, but shall not include (i) any Acquiring Person or any Offeror, or any Affiliate or Associate of such Acquiring Person or such Offeror, or any Person acting jointly or in concert with such Acquiring Person or such Offeror, or (ii) any employee benefit plan, stock purchase plan, deferred profit sharing plan or any similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of any such plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid; and for greater certainty shall include any Person referred to in Clause 1.1(e)(3) hereof (other than any Person who pursuant to Clause 1.1(e)(3) is deemed to Beneficially Own the Voting Shares).
- (x) “**Market Price**” per share of any securities on any date of determination means the average of the daily closing prices per share of such securities (determined as described below) on each of the twenty (20) consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share on any securities on any date shall be (i) the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each share as reported by The Toronto Stock Exchange, or (ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on The Toronto Stock Exchange, the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each share as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading

on the securities exchange on which the securities are primarily traded, or (iii) if not so listed, the last quoted price, or if not so quoted, the average of the high bid and low asked prices for each share of such securities in the over-the-counter market, or (iv) if on any such date the securities are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors; provided, however, that if on any such date the securities are not traded in the over-the-counter market, the closing price per share of such securities on such date shall mean the fair value per share of such securities on such date as determined in good faith by a nationally or internationally recognized investment dealer or investment banker.

- (y) “**OBCA**” means the Business Corporations Act (Ontario), and the regulations thereunder, and any comparable or successor law or regulation thereto.
- (z) “**Offer to Acquire**” shall include:
- (i) an offer to purchase, a public announcement of an intention to make an offer to purchase, or a solicitation of an offer to sell; and
 - (ii) an acceptance of an offer to sell, whether or not such offer to sell has been solicited;
- or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.
- (aa) “**Offeror**” means a Person who has announced a current intention to make, or who makes and has outstanding, a Take-over Bid.
- (bb) “**Offeror’s Securities**” means Voting Shares of the Corporation Beneficially Owned by an Offeror, any Affiliate or Associate of such Offeror or any Person acting jointly or in concert with the Offeror.
- (cc) “**Permitted Bid**” means a Take-over Bid that is made by means of a Take-over Bid circular and which also complies with the following additional provisions:
- (i) the Take-over Bid shall be made to all registered holders of Voting Shares (other than the Voting Shares held by the Offeror);
 - (ii) the Take-over Bid shall contain, and the take up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date which is not less than sixty (60) days following the date of the Take-over Bid and that no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid unless, at such date, more than fifty percent (50%) of the then outstanding Voting Shares held by Independent Shareholders have been deposited to the Take-over Bid and not withdrawn;
 - (iii) the Take-over Bid shall contain an irrevocable and unqualified provision that, unless the Take-over Bid is withdrawn, Voting Shares of the Corporation may be deposited pursuant to such Take-over Bid at any time during the period of time described in Clause (ii) of this Section 1.1(cc) and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time until taken up and paid for; and
 - (iv) the Take-over Bid shall contain an irrevocable and unqualified provision that should the condition referred to in Clause (ii) of this Section 1.1(bb) be met: (A) the Offeror will make a public announcement of that fact on the date the Take-over Bid would otherwise expire; and (B) the Take-over Bid will be extended for a period of not less than ten (10) Business Days from the date it would otherwise expire.
- (dd) “**Permitted Bid Acquisitions**” means share acquisitions made pursuant to a Permitted Bid or a Competing Bid.
- (ee) “**Permitted Lock-Up Agreement**” means an agreement between a Person and one or more holders (each a “**Locked-up Person**”) of Voting Shares or Convertible Securities (the terms of which are publicly disclosed and a copy of which is made available to the public (including the Corporation) not later than the date the Lock-up Bid (as defined below) is publicly announced or, if the agreement was entered into

after the date of the Lock-up Bid, as soon as possible after it is entered into and in any event not later than the date following the date of such agreement), pursuant to which such Locked-up Persons agree to deposit or tender Voting Shares or Convertible Securities to a Take-over Bid (the “**Lock-up Bid**”) made by the Person or any of such Person’s Affiliates or Associates or any other Person referred to in Clause (iii) of the definition of Beneficial Owner and where the agreement:

- (i) (A) permits the Locked-up Person to withdraw Voting Shares or Convertible Securities in order to tender or deposit Voting Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Voting Share or Convertible Security that exceeds, or provides a value for each Voting Share or Convertible Security that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or

(B) permits the Locked-up Person to withdraw Voting Shares or Convertible Securities in order to tender or deposit the Voting Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Voting Share or Convertible Security that exceeds, or provides a value for each Voting Share or Convertible Security that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount (the “**Specified Amount**”) and the Specified Amount is not greater than 7% of the offering price or value that is represented by the Lock-up Bid; and
- (ii) Provides for no “**break-up**” fees, “**top-up**” fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (A) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (B) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Voting Shares or Convertible Securities pursuant thereto or withdraws Voting Shares or Convertible Securities previously tendered thereto in order to tender such Voting Shares or Convertible Securities to another Take-over Bid or support another transaction;

and, for greater certainty, the agreement may contain a right of first refusal or require a period of delay to give the Offeror an opportunity to at least match a higher consideration in another Take-over Bid or transaction or contain any other similar limitation on a Locked-up Person’s right to withdraw Voting Shares or Convertible Securities from the agreement, so long as any such limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares or Convertible Securities in sufficient time to tender to the other Take-over Bid or to support the other transaction.

- (ff) “**Person**” means any individual, firm, partnership, limited partnership, limited liability company or partnership, association, trust, trustee, executor, administrator, legal or personal representative, government, governmental body, entity or authority, group, body corporate, corporation, unincorporated organization or association, syndicate, joint venture or any other entity, whether or not having legal personality, and any of the foregoing in any derivative, representative or fiduciary capacity and pronouns have a similar extended meaning.
- (gg) “**Record Time**” means the close of business on January 13, 2006.
- (hh) “**Redemption Price**” has the meaning ascribed thereto in Section 5.1(1) hereof.
- (ii) “**regular periodic cash dividends**” means cash dividends paid at regular intervals in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
 - (i) two hundred percent (200%) of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year; and
 - (ii) one hundred percent (100%) of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year.
- (jj) “**Right**” means a right issued pursuant to this Agreement.

- (kk) “**Rights Certificate**” has the meaning ascribed thereto in Section 2.2(3) hereof.
- (ll) “**Rights Register**” has the meaning ascribed thereto in Section 2.6(1) hereof.
- (mm) “**Securities Act (Ontario)**” means the Securities Act (Ontario), and the regulations and rules thereunder, and any comparable or successor laws, regulations and rules thereto.
- (nn) “**Separation Time**” means the close of business on the tenth (10th) Trading Day after the earlier of (i) the Stock Acquisition Date, (ii) the date of the commencement of, or first public announcement of the intent of any person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid or Competing Bid) or such later date as may be determined by the Board of Directors and (iii) the date on which a Permitted Bid or Competing Bid ceases to qualify as such or such later date as may be determined by the Board of Directors provided that, if any Take-over Bid referred to in Clause (ii) of this Section 1.1(nn) or any Permitted Bid or Competing Bid referred to in Clause (iii) of this Section 1.1(nn) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid, Permitted Bid or Competing Bid, as the case may be, shall be deemed, for the purposes of this Section 1.1(nn), never to have been made and provided further that if the Board of Directors determines pursuant to Sections 5.1(2), (3) or (4) hereof to waive the application of Section 3.1 hereof to a Flip-in Event, the Separation Time in respect of such Flip-in Event shall be deemed never to have occurred.
- (oo) “**Stock Acquisition Date**” means the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to section 101 of the Securities Act (Ontario)) by the Corporation or an Offeror or Acquiring Person of facts indicating that a Person has become an Acquiring Person.
- (pp) “**Subsidiary**”: a corporation shall be deemed to be a Subsidiary of another corporation if:
 - (i) it is controlled by:
 - (A) that other;
 - (B) that other and one or more corporations each of which is controlled by that other; or
 - (C) two or more corporations each of which is controlled by that other; or
 - (ii) it is a Subsidiary of a corporation that is that other’s Subsidiary.
- (qq) “**Take-over Bid**” means an Offer to Acquire Voting Shares of the Corporation or securities convertible into or exchangeable for or carrying a right to purchase Voting Shares of the Corporation where the Voting Shares of the Corporation subject to the Offer to Acquire, together with the Voting Shares of the Corporation into which the securities subject to the Offer to Acquire are convertible, exchangeable or exercisable, and the Offeror’s Securities, constitute in the aggregate twenty percent (20%) or more of the outstanding Voting Shares of the Corporation at the date of the Offer to Acquire.
- (rr) “**Termination Time**” means the time at which the right to exercise Rights shall terminate pursuant to sections 5.1(1) or (5) hereof.
- (ss) “**Trading Day**”, when used with respect to any securities, means a day on which the principal stock exchange or market on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any stock exchange or market, a Business Day.
- (tt) “**Voting Shares**” means the Common Shares and any other shares of capital stock or voting interests of the Corporation entitled to vote generally in the election of all directors.

Section 1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

Section 1.3 Headings

The division of this Agreement into Articles, Sections and Clauses and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

Section 1.4 Number and Gender

Wherever the context so requires, terms used herein importing the singular number only shall include the plural and vice-versa and words importing only one gender shall include all others.

Section 1.5 Acting Jointly or in Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment or understanding, whether formal or informal, with the first Person or any Associate or Affiliate of the first Person to acquire or make an Offer to Acquire Voting Shares of the Corporation (other than customary agreements with and between underwriters or banking group members or selling group members with respect to a distribution of securities or to a pledge of securities in the ordinary course of business).

Section 1.6 Statutory References

Unless the context otherwise requires or except as expressly provided herein, any reference herein to a specific part, section, clause or Rule of any statute or regulation shall be deemed to refer to the same as it may be amended, re-enacted or replaced or, if repealed and there shall be no replacement therefore, to the same as it is in effect on the date of this Agreement.

ARTICLE 2 THE RIGHTS

Section 2.1 Legend on Common Share Certificates

- (1) Certificates issued for Common Shares after the Record Time but prior to the close of business on the earlier of the Separation Time and the Expiration Time shall evidence one Right for each Common Share represented thereby and, commencing as soon as reasonably practicable after the effective date of this Agreement, shall have impressed on, printed on, written on or otherwise affixed to them, a legend in substantially the following form:

Until the Separation Time (defined in the Rights Agreement referred to below), this certificate also evidences rights of the holder described in an Amended and Restated Shareholder Rights Plan Agreement, dated January 27, 2009, as amended and restated from time to time (the "**Rights Agreement**"), between Baffinland Iron Mines Corporation (the "**Corporation**") and Computershare Investor Services Inc., a copy of which is on file at the principal executive offices of the Corporation and are available upon written request. Under certain circumstances set out in the Rights Agreement, the rights may be redeemed, may expire, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate.

- (2) Until the earlier of the Separation Time and the Expiration Time, certificates representing Common Shares that are issued and outstanding at the Record Time shall evidence one Right for each Common Share evidenced thereby notwithstanding the absence of the foregoing legend. Following the Separation Time, Rights will be evidenced by Rights Certificates issued pursuant to Section 2.2 hereof.

Section 2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (1) **Right to entitle holder to purchase one Common Share prior to adjustment.** Subject to adjustment as herein set forth and subject to Section 3.1(1) hereof, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase, for the Exercise Price as at the Business Day immediately preceding the date of exercise of the Right, one Common Share (which price and number of Common Shares are subject to adjustment as set forth below and are subject to Section 3.1(1) hereof). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.

- (2) **Rights not exercisable until Separation Time.** Until the Separation Time, (i) the Rights shall not be exercisable and no Right may be exercised, and (ii) for administrative purposes each Right will be evidenced by the certificates for the associated Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Rights Certificates) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Shares.
- (3) **Delivery of Rights Certificate and disclosure statement.** From and after the Separation Time and prior to the Expiration Time, (i) the Rights shall be exercisable, and (ii) the registration and transfer of the Rights shall be separate from, and independent of, Common Shares. Promptly following the Separation Time, the Corporation will prepare and the Rights Agent will mail to each holder of record of Rights as of the Separation Time (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a “**Nominee**”)) at such holder’s address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purposes), (A) a certificate (a “**Rights Certificate**”) in substantially the form of Schedule 2.2(3) hereto appropriately completed, representing the number of Rights held by such holder at the Separation Time, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule, regulation or judicial or administrative order or with any rule or regulation made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to confirm to usage, and (B) a disclosure statement describing the Rights, provided that a Nominee shall be sent the materials provided for in (A) and (B) in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require such first mentioned Person to furnish it with such information and documentation as the Corporation considers advisable.
- (4) **Exercise of Rights.** Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent (at the office of the Rights Agent in the City of Toronto or any other office of the Rights Agent in the cities designated from time to time for that purpose by the Corporation) the Rights Certificate evidencing such Rights together with an election to exercise such Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate duly completed and executed, accompanied by payment by certified cheque, banker’s draft or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in the name other than that of the holder of the Rights being exercised, all of the above to be received before the Expiration Time by the Rights Agent at its principal office in any of the cities listed on the Rights Certificate.
- (5) **Duties of Rights Agent upon receipt of Election to Exercise.** Upon receipt of a Rights Certificate, which is accompanied by (i) a completed and duly executed Election to Exercise, and (ii) payment as set forth in Section 2.2(4) above, the Rights Agent (unless otherwise instructed by the Corporation) will thereupon promptly:
- (A) requisition from the transfer agent for the Common Shares certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
 - (B) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares;
 - (C) after receipt of such certificates, deliver the same to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such registered holder;
 - (D) when appropriate, after receipt, deliver such cash (less any amounts required to be withheld) to or to the order of the registered holder of the Rights Certificate; and
 - (E) tender to the Corporation all payments received on exercise of the Rights.

- (6) **Partial Exercise of Rights.** In case the holder of any Rights shall exercise less than all of the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (7) **Duties of the Corporation.** The Corporation covenants and agrees that it will:
- (a) take all such action as may be necessary and within its power to ensure that all Common Shares or other securities delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
 - (b) take all such action as may be necessary and within its power to ensure compliance with the provisions of Section 3.1 hereof including, without limitation, all such action to comply with any applicable requirements of the OBCA, the Securities Act (Ontario) and any applicable comparable securities legislation of each of the provinces of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares or other securities upon exercise of Rights;
 - (c) use reasonable efforts to cause, from and after such time as the Rights become exercisable, all Common Shares issued upon exercise of Rights to be listed upon issuance on the principal stock exchange on which the Common Shares were traded prior to the Stock Acquisition Date;
 - (d) cause to be reserved and kept available out of its authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (e) pay when due and payable any and all Canadian federal and provincial transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for shares or other securities in a name other than that of the registered holder of the Rights being transferred or exercised; and
 - (f) after the Separation Time, except as permitted by Sections 5.1 or 5.4 hereof, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

Section 2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of Common Shares or other securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3:

- (a) **Adjustment to Exercise Price upon changes to share capital.** In the event the Corporation shall at any time after the Record Time:
 - (i) declare or pay a dividend on the Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities) other than the issue of Common Shares or such exchangeable or convertible securities to holders of Common Shares in lieu of but not in an amount which exceeds the value of regular periodic cash dividends;
 - (ii) subdivide or change the outstanding Common Shares into a greater number of Common Shares;
 - (iii) combine or change the outstanding Common Shares into a smaller number of Common Shares; or

- (iv) issue any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities) in respect of, in lieu of or in exchange for existing Common Shares, except as otherwise provided in this Section 2.3;

the Exercise Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of Common Shares, or other securities, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Exercise Price then in effect, the aggregate number and kind of Common Shares or other securities, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Common Share transfer books of the Corporation were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1 hereof, the adjustment provided for in this Section 2.3 shall be in addition to and, shall be made prior to, any adjustment required pursuant to Section 3.1 hereof.

- (b) **Adjustment to Exercise Price upon issue of rights, options and warrants.** In case the Corporation shall at any time after the Record Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within forty-five (45) calendar days after such record date) to subscribe for or purchase Common Shares (or shares having the same rights, privileges and preferences as Common Shares (“**equivalent common shares**”)) or securities convertible into or exchangeable for or carrying a right to purchase Common Shares or equivalent common shares at a price per Common Share or per equivalent common share (or having a conversion price or exchange price or exercise price per share, if a security convertible into or exchangeable for or carrying a right to purchase Common Shares or equivalent common shares) less than ninety percent (90%) of the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares and/or equivalent common shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights so to be offered) would purchase at such Market Price per Common Share, and the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares and/or equivalent common shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities are initially convertible, exchangeable or exercisable). In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a certificate filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Such adjustment shall be made successively whenever such a record date is fixed and, in the event that such rights or warrants are not so issued, the Exercise Price shall be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

For purposes of this Agreement, the granting of the right to purchase Common Shares (or equivalent common shares) (whether from treasury shares or otherwise) pursuant to any dividend or interest reinvestment plan and/or any Common Share purchase plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and/or the investment of periodic optional payments and/or employee benefit, stock option or similar plans (so long as such right to purchase is in no case evidenced by the delivery of rights or warrants) shall not be deemed to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in the case of any dividend or interest reinvestment plan, the right to purchase Common Shares (or equivalent common shares) is at a price per share of not less than ninety percent (90%) of the current market price per share (determined as provided in such plans) of the Common Shares.

- (c) **Adjustment to Exercise Price upon Corporate Distributions.** In case the Corporation shall at anytime after the Record Time fix a record date for a distribution to all holders of Common Shares (including any such distribution made in connection with a merger, amalgamation, arrangement, plan, compromise or reorganization in which the Corporation is the continuing or successor corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend or a regular periodic

cash dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or subscription rights, options or warrants (excluding those referred to in Section 2.3(b) above), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights, options or warrants applicable to a Common Share and the denominator of which shall be such Market Price per Common Share. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

- (d) **De minimis threshold for adjustment to Exercise Price.** Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Exercise Price; provided, however, that any adjustments which by reason of this Section 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest one-hundredth of a Common Share or other share, as the case may be. Notwithstanding the first sentence of this Section 2.3(d), any adjustment required by this Section 2.3 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment or (ii) the Expiration Time.
- (e) **Corporation may provide for alternate means of adjustment.** Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.4(2) or (3) hereof, as applicable, in the event the Corporation shall at any time after the Record Time issue any shares of capital stock (other than Common Shares), or rights or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Section 2.3(a)(i) or (iv) or 2.3(b) or (c) above, if the Board of Directors acting in good faith determines that the adjustments contemplated by Sections 2.3(a), (b) and (c) above in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Corporation shall be entitled to determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Sections 2.3(a), (b) and (c) above, such adjustments, rather than the adjustments contemplated by Sections 2.3(a), (b) and (c) above, shall be made. The Corporation and the Rights Agent shall amend this Agreement as appropriate to provide for such adjustments.
- (f) **Adjustment to Rights exercisable into shares other than Common Shares.** If as a result of an adjustment made pursuant to Section 3.1 hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the Exercise Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Shares contained in Sections 2.3(a), (b), (c), (d), (e), (g), (h), (i), (j), (k) and (l) above and below, as the case may be, and the provisions of this Agreement with respect to the Common Shares shall apply on like terms to any such other shares.
- (g) **Rights to evidence right to purchase Common Shares at adjusted Exercise Price.** Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of such Right, all subject to further adjustment as provided herein.
- (h) **Adjustment to number of Common Shares purchasable upon adjustment to Exercise Price.** Unless the Corporation shall have exercised its election as provided in Section 2.3(i) below, upon each adjustment of the Exercise Price as a result of the calculations made in Sections 2.3(b) and (c) above, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares (calculated to the nearest one ten-thousandth) obtained by (A) multiplying (x) the number of shares purchasable upon exercise of a Right immediately prior to this adjustment by (y) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price, and (B) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

- (i) **Election to adjust number of Rights upon adjustment to Exercise Price.** The Corporation shall be entitled to elect on or after the date of any adjustment of the Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Exercise Price in effect immediately prior to adjustment of the Exercise Price by the Exercise Price in effect immediately after adjustment of the Exercise Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Exercise Price is adjusted or any day thereafter but, if Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment, of the number of Rights pursuant to this Section 2.3(i), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 5.5 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the adjusted Exercise Price and shall be registered in the names of the holders of record of Rights Certificates on the record date for the adjustment specified in the public announcement.
- (j) **Rights Certificates may contain Exercise Price before adjustment.** Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per share and the number of shares which were expressed in the initial Rights Certificates issued hereunder.
- (k) **Corporation may in certain cases defer issues of securities.** In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.
- (l) **Corporation has discretion to reduce Exercise Price for tax reasons.** Notwithstanding anything in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment, the Board of Directors shall determine to be advisable in order that any (A) consolidation or subdivision of the Common Shares, (B) issuance of any Common Shares at less than the Market Price, (C) issuance of securities convertible into or exchangeable for Common Shares, (D) stock dividends or (E) issuance of rights, options or warrants, referred to in this Section 2.3 hereafter made by the Corporation to holders of its Common Shares, shall not be taxable to such shareholders.

Section 2.4 Date on Which Exercise is Effective

Each person in whose name any certificate for Common Shares is issued upon the exercise of Rights, shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer

books of the Corporation are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

Section 2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (1) The Rights Certificates shall be executed on behalf of the Corporation by its Chairman, Chief Executive Officer, Chief Operating Officer or Chief Financial Officer. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.
- (2) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature and a disclosure statement as described in Section 2.2(3), and the Rights Agent shall manually or by facsimile signature countersign and send such Rights Certificates and disclosure statement to the holders of the Rights pursuant to Section 2.2(3) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (3) Each Rights Certificate shall be dated the date of countersignature thereof.

Section 2.6 Registration, Registration of Transfer and Exchange

- (1) The Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed “**Rights Registrar**” for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate and subject to the provisions of Section 2.6(3) below and the other provisions of this Agreement, the Corporation will execute and the Rights Agent will countersign, register and deliver, in the name of the holder or the designated transferee or transferees as required pursuant to the holder’s instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (2) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (3) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the registered holder thereof or such holder’s attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and the Corporation may require payment of a sum sufficient to cover any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.

Section 2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (1) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (2) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate, and (ii) such indemnity or other security as may be required by them to save each of them and any of their agents harmless then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and upon its request the Rights Agent shall countersign and

deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (3) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and the Corporation may require payment of a sum sufficient to cover any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.
- (4) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Corporation, whether or not the destroyed lost or stolen Rights Certificate shall be at any time enforceable by anyone, and the holder thereof shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other holders of Rights duly issued by the Corporation.

Section 2.8 Persons Deemed Owners

Prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent shall be entitled to deem and treat the person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term “**holder**” of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated Common Shares).

Section 2.9 Delivery and Cancellation of Right Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9 except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

Section 2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended, amended and restated, or supplemented from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time each Right will be transferable only together with, and will be transferred by a transfer of, the Common Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;
- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent shall be entitled to deem and treat the person in whose name the Rights Certificate (or prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares upon exercise of Right;

- (f) that, in accordance with Section 5.4 hereof, without the approval of any holder of Rights and upon the sole authority of the Board of Directors acting in good faith this Agreement may be supplemented, amended, or amended and restated from time to time pursuant to and as provided herein; and
- (g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation, or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

Section 2.11 Rights Certificate Holder not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed to confer upon the holder of any Right or Rights Certificate, as such, any of the rights, titles, benefits or privileges of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to holders of shares of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares or securities of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3 ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS

Section 3.1 Flip-in Event

- (1) Subject to Section 3.1(2) below, and Sections 5.1(2), (3) and (4) hereof, in the event that prior to the Expiration Time a Flip-in Event shall occur, the Corporation shall take such action as may be necessary to ensure and provide within eight (8) Business Days of such occurrence, or such longer period as may be required to satisfy all applicable requirements of the Securities Act (Ontario), and the securities legislation of each other province of Canada that, except as provided below, each Right shall thereafter constitute the right to purchase from the Corporation upon exercise thereof in accordance with the terms hereof that number of Common Shares of the Corporation having an aggregate Market Price on the date of the occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such Right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that after such date of occurrence an event of a type analogous to any of the events described in Section 2.3 hereof shall have occurred with respect to such Common Shares).
- (2) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are Beneficially Owned by (i) an Acquiring Person, or any Affiliate or Associate of an Acquiring Person, or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such Acquiring Person, or any Affiliate or Associate of such Person so acting jointly or in concert, or (ii) a transferee or other successor in title of Rights, directly or indirectly, of an Acquiring Person (or of any Affiliate or Associate of an Acquiring Person) or of any Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person (or of any Affiliate or Associate of such Person so acting jointly or in concert) who becomes a transferee or successor in title concurrently with or subsequent to the Acquiring Person becoming such, shall become null and void without any further action, and any holder of such Rights (including transferees or successors in title) shall not have any rights whatsoever to exercise such Rights under any provision of this Agreement and shall not have thereafter any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

ARTICLE 4 THE RIGHTS AGENT

Section 4.1 General

- (1) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, subject to the prior approval of the Rights Agent. In the event the Corporation appoints one or more co-Rights Agents, the respective duties of the Rights Agents and co-Rights Agents shall be as the Corporation may determine, with the approval of the Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses (including reasonable counsel fees and disbursements) incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Corporation also agrees to indemnify the Rights Agent, its officers, directors and employees for, and to hold such persons harmless against, any loss, liability, cost, claim, action, suit, damage, or expense incurred (that is not the result of negligence, bad faith or willful misconduct on the part of any one or all of the rights Agent, its officers, directors or employees) for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent.
- (2) The Rights Agent shall be protected from and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares or any Rights Certificate or certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (3) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and at any time, upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.

Section 4.2 Merger or Amalgamation or Change of Name of Rights Agent

- (1) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
- (2) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, to all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent may retain and consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted to be taken by it in good faith and in accordance with such opinion. Subject to the prior written consent of the Corporation, which consent shall not be unreasonably withheld, the Rights Agent may also consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement (at the expense of the Corporation) and the Rights Agent shall be entitled to act and rely in good faith on the advice of any such expert.
- (b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proven and established by a certificate signed by a person believed by the Rights Agent to be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer or the Chief Financial Officer of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.
- (c) The Rights Agent will be liable hereunder only for events which are the result of its own negligence, bad faith or willful misconduct and that of its officers, directors and employees.
- (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only.
- (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1(2) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 hereof describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered or fully paid and non-assessable.
- (f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provision of this Agreement.
- (g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer or the Chief Financial Officer of the Corporation and to apply to such persons for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such person. It is understood that instructions to the Rights Agent shall, except where circumstances make it impracticable or the Rights Agent otherwise agrees, be given in writing and, where not in writing,

such instructions shall be confirmed in writing as soon as reasonably possible after the giving of such instructions.

- (h) The Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested or contact with or lend money to the Corporation or otherwise act as fully and freely a though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or, with the prior written consent of the Corporation, by or through its attorneys or agents. The Rights Agent will not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided the prior written consent of the Corporation was obtained and reasonable care was exercised in the selection and continued employment thereof.

Section 4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon sixty (60) days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Voting Shares of the Corporation by registered or certified mail, and to the holders of the Rights in accordance with Section 5.8 hereof (all of which shall be at the expense of the Corporation). The Corporation may remove the Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Voting Shares of the Corporation by registered or certified mail and to the holders of the Rights in accordance with Section 5.8 hereof. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of sixty (60) days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agents or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection by the Corporation), then the Rights Agent or the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent at the Corporation's expense. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof. After appointment, the success Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon receiving from the Corporation payment in full of all amounts outstanding under this Agreement, shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Voting Shares of the Corporation, and mail a notice thereof in writing to the holders of the Rights. The cost of giving any notice required under this Section 4.4 shall be borne solely by the Corporation. Failure to give any notice provided for in this Section 4.4 however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Redemption and Waiver

- (1) Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.4(2) or Section 5.4(3) hereof, as applicable, the Board of Directors acting in good faith may, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that an event of the type described in Section 2.3 hereof shall have occurred (such redemption price being herein referred to as the "**Redemption Price**").
- (2) Subject to the prior consent of the holders of Voting Shares obtained as set forth in Section 5.4(2) hereof, the Board of Directors may, at any time prior to the occurrence of a Flip-in Event as to which the application of Section 3.1 hereof has not been waived pursuant to this Section 5.1, if such Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a

Take-over Bid circular to all registered holders of Voting Shares and otherwise than in the circumstances set forth in Section 5.1(4) hereof, waive the application of Section 3.1 hereof to such Flip-in Event. In such event, the Board of Directors shall extend the Separation Time to a date at least ten (10) Business Days subsequent to the meeting of shareholders called to approve such waiver.

- (3) The Board of Directors acting in good faith, may, prior to the occurrence of a Flip-in Event, and upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 hereof to a Flip-in Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all registered holders of Voting Shares; provided that if the Board of Directors waives the application of Section 3.1 hereof to a particular Flip-in Event pursuant to this Section 5.1(3), the Board of Directors shall be deemed to have waived the application of Section 3.1 hereof to any other Flip-in Event occurring by reason of any Take-over Bid made by means of a Take-over Bid circular to all registered holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been granted, pursuant to this Section 5.1(3).
- (4) The Board of Directors, may, prior to the close of business on the tenth (10th) day following the Stock Acquisition Date, determine, upon prior written notice delivered to the Rights Agent, to waive or to agree to waive the application of Section 3.1 hereof to a Flip-in Event, provided that both of the following conditions are satisfied:
 - (a) the Board of Directors has determined that a Person becoming an Acquiring Person by inadvertence and without any intention to become, or knowledge that Person would become, an Acquiring Person; and
 - (b) such Acquiring Person has reduced its Beneficial Ownership of Voting Shares (or has entered into a contractual arrangement with the Corporation, acceptable to the Board of Directors, to do so within thirty (30) days of the date on which such contractual arrangement is entered into) such that at the time the waiver becomes effective pursuant to this Section 5.1(4) it is no longer an Acquiring Person;

and in the event of such a waiver, for the purposes of this Agreement, the Flip-in Event shall be deemed never to have occurred.

- (5) Where a Person acquires pursuant to a Permitted Bid, a Competing Bid or an Exempt Acquisition under Section 5.1(3) above, outstanding Voting Shares, then the Corporation shall immediately upon the consummation of such acquisition redeem the Rights at the Redemption Price.
- (6) If the Corporation is obligated under Section 5.1(5) above to redeem the Rights, or if the Board of Directors elects under Section 5.1(1) above or Section 5.1(8) below to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and each Right will after redemption be null and void and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (7) Within ten (10) days after the Corporation is obligated under Section 5.1(5) above to redeem the Rights, or the Board of Directors elects under Section 5.1(1) above or Section 5.1(8) below to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to all such holders at their last address as they appear upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Corporation may not redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 5.1 and other than in connection with the purchase of Common Shares prior to the Separation Time.
- (8) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all outstanding Rights at the Redemption Price.
- (9) Notwithstanding the Rights being redeemed pursuant to Section 5.1(8) above, all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred and the Rights shall remain attached to outstanding Voting Shares, subject to and in accordance with the provisions of this Agreement.

Section 5.2 Expiration

No person shall have any rights whatsoever pursuant to or arising out of this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Section 4.1(1) hereof.

Section 5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the number or kind or class of shares purchasable upon exercise of Rights made in accordance with the provision of this Agreement.

Section 5.4 Supplements and Amendments

- (1) The Corporation may, prior to any shareholders' meeting called to approve this Agreement, supplement, amend, or amend and restate this Agreement without the approval of any holder of Rights or Voting Shares. Thereafter, the Corporation may from time to time supplement, amend, or amend and restate this Agreement without the approval of any holders of Rights or Voting Shares to correct any clerical or typographical error or to maintain the validity of the Agreement as a result of a change in any applicable legislation or regulations or rules thereunder.

Notwithstanding anything in this Section 5.4 to the contrary, no supplement, amendment, or amendment and restatements shall be made to the provisions of Article 4 hereof except with the written concurrence of the Rights Agent to such supplement, amendment, or amendment and restatement.

- (2) Subject to Section 5.4(1) above, the Corporation may, with the prior consent of the holders of the Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if provided by the holders of Voting Shares at a meeting of the holders of Voting Shares, which meeting shall be called and held in compliance with applicable laws and regulatory requirements and the requirements in the articles and by-laws of the Corporation. Subject to compliance with any requirements imposed by the foregoing, consent shall be deemed to have been given if the proposed amendment, variation or revision is approved by the affirmative vote of a majority of the votes cast by all holders of Voting Shares (other than any holder of Voting Shares who is an Offeror pursuant to a Take-over Bid that is not a Permitted Bid or Competing Bid with respect to all Voting Shares Beneficially Owned by such Person), represented in person or by proxy at the meeting.
- (3) The Corporation may, with the prior consent of the holders of Rights, at any time after the Separation Time and before the Expiration Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally).
- (4) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the OBCA with respect to a meeting of shareholders of the Corporation.
- (5) The Corporation shall be required to provide the Rights Agent with notice in writing of any such amendment, variation or deletion to this Agreement as referred to in this Section 5.4 within 5 days of effecting such amendment, variation or deletion.
- (6) Any supplements, amendments, or amendments and restatements made by the Corporation to this Agreement pursuant to Section 5.4(1) above which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder shall:

- (a) if made before the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Section 5.4(2) above confirm or reject such amendment; and
- (b) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Section 5.4(4) above, confirm or reject such amendment.

A supplement, amendment, or amendment and restatement of the nature referred to in this Section 5.4(6) shall be effective from the date of the resolution of the Board of Directors adopting such supplement, amendment, or amendment and restatement until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such supplement, amendment, or amendment and restatement is confirmed, it continues in effect in the form so confirmed. If such supplement, amendment, or amendment and restatement is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such supplement, amendment, or amendment and restatement shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend, vary or delete any provision of this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights, as the case may be.

Section 5.5 Fractional Rights and Fractional Shares

- (1) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. Any such fractional Right shall be null and void and the Corporation will not have any obligation or liability in respect thereof.
- (2) The Corporation shall not be required to issue fractions of Common Shares or other securities upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares or other securities. In lieu of issuing fractional Common Shares or other securities, the Corporation shall pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share. The Rights Agent shall have no obligation to make any payments in lieu of fractional Common Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Section 2.2(5).

Section 5.6 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective registered holders of the Rights; and any registered holder of any Rights, without the consent of the Rights Agent or of the registered holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 5.7 Notice of Proposed Actions

In case the Corporation shall propose after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding-up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.8 hereof, a notice of such proposed action, which shall specify the date on which such liquidation, dissolution, winding up, or sale is to take place, and such notice shall be so given at least twenty (20) Business Days prior to the date of taking of such proposed action.

Section 5.8 Notices

- (1) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Baffinland Iron Mines Corporation
120 Adelaide Street West, Suite 1016
Toronto, Ontario
M5H 1T1

Attention: Chief Executive Officer
Facsimile Number: (416) 364-0193

- (2) Any notice or demand authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Corporation) as follows:

Computershare Investor Services Inc.
9th Floor, North Tower
100 University Avenue
Toronto, Ontario M5J 2Y1

Attention: Manager, Client Services
Facsimile Number: (416) 981-9800

- (3) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

Section 5.9 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of the respective successors and assigns hereunder.

Section 5.10 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

Section 5.11 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be governed by and construed in accordance with the laws of such province.

Section 5.12 Severability

If any Section, Clause, term or provision hereof or the application thereof to any circumstances or any right hereunder shall, in any jurisdiction and to any extent, be invalid or unenforceable, such Section, Clause, term or provision or such right shall be ineffective only in such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining Sections, Clauses, terms and provisions hereof or rights hereunder in such jurisdiction or the application of such Section, Clause, term or provision or rights hereunder in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

Section 5.13 Effective Date

This Agreement is effective and in full force and effect in accordance with its terms and conditions as of and from January 13, 2006 (the “**Effective Date**”). If this Agreement is not confirmed by a majority of the votes cast by holders of Voting Shares permitted to vote on a resolution under Section 5.4 or the confirmation of this Agreement, at a meeting to be held no later than 6 months from the date of this Agreement then this Agreement and any then outstanding Rights will be of no further force and effect from the earlier of the close of business on the date immediately following the date of the meeting and the close of business on the date which is 6 months from the date of this Agreement.

Section 5.14 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors, in good faith, in relation to or in connection with this Agreement, shall not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

Section 5.15 Fiduciary Duties of Directors

Nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares and/or Convertible Securities reject or accept any Take-over Bid or take any other action including the commencement, prosecution, defence or settlement of any litigation and the solicitation of additional or alternative Take-over Bids or other proposals to shareholders that the directors believe are necessary or appropriate in the exercise of their fiduciary duties.

Section 5.16 Rights of Board, Corporation and Offeror

Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of Voting Shares reject or accept any Take-over Bid or take any other action (including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the holders of Voting Shares of the Corporation) with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

Section 5.17 Compliance with Anti-Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days prior written notice to the Corporation, provided: (i) that the Rights Agent’s written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent’s satisfaction within such 10 day period, then such resignation shall not be effective.

Section 5.18 Privacy Legislation

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual’s personal information (collectively, “**Privacy Laws**”) applies to obligations and activities under this Agreement. Despite any other provision of this Agreement; neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

Section 5.19 Regulatory Approvals

This Agreement shall be subject in any jurisdiction to the receipt of any required prior or subsequent approval or consent from any governmental or regulatory authority in such jurisdiction including any securities regulatory authority or stock exchange.

Section 5.20 Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes, or (until such notice is given as required by law) without advance notice to any regulatory or self-regulatory body.

Section 5.21 Time of the Essence

Time shall be of the essence in this Agreement.

Section 5.22 Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SCHEDULE 2.2(3) TO THE AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN

FORM OF RIGHTS CERTIFICATE

Certificate No. _____ **Rights** _____

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SECTION 3.1(2) OF THE RIGHTS AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON, ANY PERSON ACTING JOINTLY OR IN CONCERT WITH AN ACQUIRING PERSON OR THEIR RESPECTIVE ASSOCIATES AND AFFILIATES (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND THEIR RESPECTIVE TRANSFEREES SHALL BECOME VOID WITHOUT ANY FURTHER ACTION.

RIGHTS CERTIFICATE

This certifies that _____ or registered assigns, is the registered holder of the number of Rights set forth above each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement dated January 27, 2009, as amended and restated from time to time (the "**Rights Agreement**"), between Baffinland Iron Mines Corporation, a corporation incorporated under the laws of Ontario (the "**Corporation**"), and Computershare Investor Services Inc., a company incorporated under the laws of Canada, as rights agent (the "**Rights Agent**", which term shall include any successor Rights Agent under the Rights Agreement) to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Rights Agreement) and prior to the Expiration Time (as such term is defined in the Rights Agreement) (or such earlier expiration time as is provided in the Rights Agreement) one fully paid and non-assessable Common Share of the Corporation (a "**Common Share**") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate together with the Form of Election to Exercise duly executed and submitted to the Rights Agent at its principal offices in the City of Toronto. The Exercise Price shall initially be \$50.00 (Canadian) per Right and shall be subject to adjustment in certain events as provided in the Rights Agreement.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase or receive assets, debt securities or other equity securities of the Corporation (or a combination thereof) all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights. Copies of the Rights Agreement are on file at the principal executive offices of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights entitling the holder to purchase a like aggregate number of Common Shares as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Rights Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of \$0.00001 per Right.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby.

No holder of this Rights Certificate, as such, shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities of the Corporation which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders of the Corporation at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders of the Corporation (except as expressly provided in the Rights Agreement), or to receive dividends, distributions or subscription rights, or otherwise until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

The Rights Certificate shall not be valid or obligatory for any purpose until it shall have been manually countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation.

Dated ●

BAFFINLAND IRON MINES CORPORATION

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

COMPUTERSHARE INVESTOR SERVICES INC.

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

(To be attached to each Rights Certificate)

FORM OF ELECTION TO EXERCISE

TO: BAFFINLAND IRON MINES CORPORATION

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Shares be issued to:

(NAME)

(ADDRESS)

(CITY AND STATE OR PROVINCE)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of an delivered to:

(NAME)

(ADDRESS)

(CITY AND STATE OR PROVINCE)

SOCIAL INSURANCE, SOCIAL SECURITY OR OTHER TAXPAYER NUMBER

Dated _____

Signature Guaranteed

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank, a Canadian trust company or a member of a recognized stock exchange or a member of the Securities Transfer Association Medallion Program (Stamp).

To be completed if true

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or any Person acting jointly or in consent with any of the foregoing or any Affiliate or Associate of such Person (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth in the Form of Election to Exercise is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and accordingly such Rights shall be null and void.

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate)

FOR VALUE RECEIVED _____ hereby sells,

assigns and transfers unto _____

(Please print name and address of transferee)

the Rights represented by this Rights Certificate, together with all right, title and interest therein and does hereby irrevocably constitute and appoint _____ as attorney to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated _____

Signature Guaranteed

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank, or Medallion guaranteed by a Canadian trust company or a member of a recognized stock exchange or a member of the Transfer Association Medallion (Stamp) Program.

To be completed if true

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or any Person acting jointly or in consent with any of the foregoing (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth in the Form of Assignment is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and accordingly such Rights shall be null and void.

SCHEDULE 3

BLACKLINED **AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT**

THIS AGREEMENT dated January ~~13, 2006~~27, 2009 between Baffinland Iron Mines Corporation (the “**Corporation**”), a corporation incorporated under the laws of Ontario, and Computershare Investor Services Inc., a company incorporated under the laws of Canada, as Rights Agent (the “**Rights Agent**”, which term shall include any successor Rights Agent hereunder).

WHEREAS:

- (1) The Corporation and the Rights Agent entered into a Shareholder Rights Plan Agreement dated January 13, 2006 (the “**Original Agreement**”), which agreement will expire, among other times, on the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2009;
- (2) ~~(1)~~ The Board of Directors has determined that it is advisable and in the best interests of the Corporation to ~~adopt and maintain~~amend and restate the Original Agreement pursuant to this Agreement;
- (3) ~~(2)~~ In order to implement the adoption of this Agreement, the Board of Directors has authorized the issuance of one Right;
 - (i) effective at the Record Time in respect of each Common Share outstanding at the Record Time; and
 - (ii) in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time;
- (4) ~~(3)~~ Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth in this Agreement; and
- (5) ~~(4)~~ The Corporation desires to appoint the Rights Agent to act on behalf of the Corporation, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and the respective covenants and agreements set forth herein, the parties hereby agree as follows:

ARTICLE 1 **INTERPRETATION**

Section 1.1 Certain Definitions

For purposes of the Agreement, the following terms have the meanings indicated:

- (a) “**Acquiring Person**” means, any Person who is the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation; provided, however, that the term “**Acquiring Person**” shall not include:
 - (i) the Corporation or any Subsidiary of the Corporation;
 - (ii) any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation as a result of one or any combination of: (A) Corporate Acquisitions, (B) Permitted Bid Acquisitions, (C) Corporate Distributions, (D) Exempt Acquisitions, or (E) Convertible Security Acquisitions; provided, however, that if a Person shall become the Beneficial Owner of twenty percent (20%) or more of the Voting Shares of the Corporation then outstanding by reason of one or more or any combination of the operation of a Corporate Acquisition, Permitted Bid Acquisition and, after such Corporate Acquisition, Permitted Bid Acquisition, Corporate Distribution, Exempt Acquisition or Convertible Security Acquisition, becomes the Beneficial Owner of an additional one percent (1%) or more of the outstanding Voting Shares of the Corporation other than pursuant to

Corporate Acquisition, Permitted Bid Acquisitions, Corporate Distributions, Exempt Acquisitions or Convertible Security Acquisitions, then as of the date of such acquisition, such Person shall become an Acquiring Person;

- (iii) for a period of ten (10) days after the Disqualification Date (as hereinafter defined), any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the outstanding Voting Shares of the Corporation as a result of such Person becoming disqualified from relying on Clause 1.1(e)(3) hereof solely because such Person makes or proposes to make a Take-over Bid in respect of securities of the Corporation alone or by acting jointly or in concert with any other Person (the first date of public announcement (which, for the purposes of this definition, shall include, without limitation, a report filed pursuant to section 101 of the Securities Act (Ontario)) by such Person or the Corporation of a current intent to commence such a Take-over Bid being herein referred to as the “**Disqualification Date**”); and
 - (iv) an underwriter or member of a banking or selling group that acquires Voting Shares of the Corporation from the Corporation in connection with a distribution of securities (including, for greater certainty, by way of private placement of such securities) to the public.
- (b) “**Affiliate**” when used to indicate a relationship with a specified Person, means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person.
 - (c) “**Agreement**” means this agreement as amended, modified, or supplemented from time to time.
 - (d) “**Associate**” when used to indicate a relationship with a specified Person, means any relative of such Specified Person who has the same home as such specified Person, or any Person to whom such Specified Person is married or with whom such Specified Person is living in a conjugal relationship outside marriage, or any relative of such spouse or other Person who has the same home as such specified Person.
 - (e) A Person shall be deemed the “**Beneficial Owner**”, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
 - (i) any securities of which such Person or any Affiliate or Associate of such Person is the owner in law or equity;
 - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to acquire (A) upon the exercise of any Convertible Securities, or (B) pursuant to any agreement, arrangement or understanding, in each case if such right is exercisable immediately or within a period of 60 days thereafter whether or not on condition or the happening of any contingency (other than customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities or pursuant to a pledge of securities in the ordinary course of business); and
 - (iii) any securities that are Beneficially Owned within the meaning of Clause 1.1(e)(i) or (ii) hereof by any other Person with whom such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**”, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security as a result of the existence of any one or more of the following circumstances:

- (1) such security has been deposited or tendered, pursuant to a Take-over Bid made by such Person or made by any Affiliate or Associate of such Person or made by any other Person acting jointly or in concert with such Person, unless such deposited or tendered security has been taken up or paid for, whichever shall first occur;
- (2) by reason of the holder of such security having agreed to deposit or tender such security to a Take-over Bid made by such Person or any of such Person’s Affiliates or Associates or any other Person referred to in Clause (iii) of this definition pursuant to a Permitted Lock-Up Agreement, but only until such time as the deposited or tendered security has been taken up or paid for, whichever shall first occur;

- (3) such Person or any Affiliate or Associate of such Person or any other Person acting jointly or in concert with such Person, holds such security; provided that (i) the ordinary business of any such Person (the “**Fund Manager**”) includes the management of mutual funds or investment funds for others (which others may include or be limited to one or more employee benefit plans or pension plans) and/or includes the acquisition or holding of securities for a non-discretionary account of a Client (as defined below) by a dealer or broker registered under applicable securities laws to the extent required, and such security is held by the Fund Manager in the ordinary course of such business in the performance of such Fund Manager’s duties for the account of any other Person (a “**Client**”), (ii) such Person (the “**Trust Company**”) is licensed to carry on the business of a trust company under applicable law and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons or in relation to other accounts and holds such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person (each an “**Estate Account**”) or for such other accounts (each an “**Other Account**”), (iii) the Person (the “**Statutory Body**”) is an independent Person established by statute for purposes that include, and the ordinary business or activity of such person includes, the management of investment funds for employee benefits plans, pension plans, insurance plans of various public bodies and the Statutory Body holds such security for the purposes of its activities as such, (iv) the ordinary business of any such Person includes acting as an agent of the Crown in the management of public assets (the “**Crown Agent**”), or (v) the Person is the administrator or the trustee of one or more pension funds or plans (each a “**Pension Fund**”) registered under the laws of Canada or any province thereof or the United Kingdom or the United States or any state thereof (the “**Independent Person**”), or is a Pension Fund and holds such securities for the purposes of its activities as an Independent Person or as a Pension Fund, and further provided that such Pension Fund or Independent Person does not hold more than thirty percent (30%) of the Voting Shares of the Corporation;

provided, however, that in any of the foregoing cases no one of the Fund Manager, the Trust Company, the Statutory Body, the Crown Agent, the Independent Person or the Pension Fund makes or announces a current intention to make a Take-over Bid in respect of securities of the Corporation alone or by acting jointly or in concert with any other Person (other than pursuant to a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades entered in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market);

- (4) such Person is a Client of the same Fund Manager as another Person on whose account the Fund Manager holds such security, or such Person is an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security, or such Person is a Pension Fund with the same Independent Person as another Pension Fund;
- (5) such Person is a Client of a Fund Manager and such security is owned at law or in equity by the Fund Manager, or such Person is an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company, or such Person is a Pension Fund and such security is owned at law or in equity by the Independent Person; or
- (6) such Person is a registered holder of securities as a result of carrying on the business of, or acting as a nominee of, a securities depository.

For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person, shall be and be deemed to be the product of one hundred (100) and the number of which the numerator is the number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person and the denominator of which is the number of votes for the election of all directors generally attaching to all outstanding Voting Shares. Where any Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be issued and outstanding for the purpose of calculating the percentage of Voting Shares Beneficially Owned by such Person.

- (f) “**Board of Directors**” means, at any time, the duly constituted board of directors of the Corporation.
- (g) “**Business Day**” means any day other than Saturday, Sunday or a day on which banking institutions in Toronto are authorized or obligated by law to close.

- (h) “**close of business**” on any given date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the office of the transfer agent for the Common Shares in the City of Toronto (or, after the Separation Time, the office of the Rights Agent in the City of Toronto) is closed to the public.
- (i) “**Common Shares**”, when used with reference to the Corporation, means the common shares in the capital of the Corporation.
- (j) “**Competing Bid**” means a Take-over Bid that: (i) is made while another Permitted Bid is in existence, and (ii) satisfies all the components of the definition of a Permitted Bid, except that the requirements set out in Clause (ii) of the definition of a Permitted Bid shall be satisfied if the Take-over Bid shall contain, and the take up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no Voting Shares shall be taken up or paid for pursuant to the Competing Bid prior to the close of business on the date that is no earlier than the date which is the later of thirty-five (35) days after the Competing Bid is made or sixty (60) days after the earliest date on which any other Permitted Bid or Competing Bid that is then in existence was made and only if at that date, more than fifty percent (50%) of the then outstanding Voting Shares held by Independent Shareholders have been deposited or tendered to the Competing Bid and not withdrawn.
- (k) “**controlled**”: a corporate is “**controlled**” by another Person if:
- (i) securities entitled to vote in the election of directors carrying more than fifty percent (50%) of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other Person; and
 - (ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such corporation;
- and “**controls**”, “**controlling**” and “**under common control with**” shall be interpreted accordingly.
- (l) “**Convertible Security**” means at any time:
- (i) any right (regardless of whether such right constitutes a security) to acquire Voting Shares from the Corporation; and
 - (iii) any securities issued by the Corporation from time to time (other than the Rights) carrying any exercise, conversion or exchange right;
- in each case pursuant to which the holder thereof may acquire Voting Shares or other securities which are convertible into or exercisable or exchangeable for Voting Shares.
- (m) “**Convertible Security Acquisition**” means the acquisition of Voting Shares upon the exercise, conversion or exchange of Convertible Securities received by a Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Corporate Distribution.
- (n) “**Corporate Acquisition**” means an acquisition by the Corporation or a Subsidiary of the Corporation or the redemption by the Corporation of Voting Shares of the Corporation which by reducing the number of Voting Shares of the Corporation outstanding increases the proportionate number of Voting Shares Beneficially Owned by any Person.
- (o) “**Corporate Distribution**” means an acquisition as a result of:
- (i) a stock dividend or a stock split or other event pursuant to which a Person receives or acquires Voting Shares on the same pro rata basis as all other holders of Voting Shares of the same class; or
 - (ii) any other event pursuant to which all holders of Voting Shares of the Corporation are entitled to receive Voting Shares or Convertible Securities on a pro rata basis, including, without limiting the generality of the foregoing, pursuant to the receipt or exercise of rights issued by the Corporation and distributed to all the holders of a class of Voting Shares to subscribe for or purchase Voting Shares or Convertible Securities of the Corporation, provided that such rights are acquired directly from the Corporation and not from any other Person and provided further that the Person in question does not thereby acquire a greater percentage of Voting Shares, or Convertible Securities

representing the right to acquire Voting Shares of such class, than the percentage of Voting Shares of the class Beneficially Owned immediately prior to such acquisition.

- (p) “**Disqualification Date**” has the meaning ascribed thereto in Section 1.1(a)(iii) hereof.
- (q) “**Effective Date**” has the meaning ascribed thereto in Section 5.13 hereof.
- (r) “**Election to Exercise**” has the meaning ascribed thereto in Section 2.2(4) hereof.
- (s) “**Exempt Acquisition**” means an acquisition made at any time after the Effective Date:
 - (i) in respect of which the Board of Directors has waived the application of Section 3.1 hereof pursuant to the provisions of Section 5.1(2), 5.1(3) or 5.1(4) hereof;
 - (ii) which was made on or prior to the Record Time;
 - (iii) which was made pursuant to a dividend reinvestment plan of the Corporation or other similar share purchase plan made available to the holders of shares of the Corporation generally; or
 - ~~(iv) pursuant to a distribution to the public by the Corporation of Voting Shares or Convertible Securities made pursuant to a prospectus provided that the Person in question does not thereby acquire a greater class percentage of Voting Shares, or Convertible Securities representing the right to acquire Voting Shares of such class, than the percentage of Voting Shares of the class Beneficially Owned immediately prior to such acquisition; or~~
 - (iv) ~~(s)~~ pursuant to or in connection with an issuance and sale by the Corporation of Voting Shares or Convertible Securities by way of a prospectus, private placement or other distribution by the Corporation, provided that ~~(s)~~ all necessary stock exchange approvals for such issuance, sale or distribution ~~private placement~~ have been obtained and such issuance, sale or distribution ~~private placement~~ complies with the terms and conditions of such approvals; ~~and (y) the purchaser does not become the Beneficial Owner of more than 25% of the Voting Shares outstanding immediately prior to the private placement (and in making this determination, the securities to be issued to such purchaser on the private placement shall be deemed to be held by such purchaser but shall not be included in the aggregate number of outstanding Voting Shares immediately prior to the private placement)~~
- (t) “**Exercise Price**” means, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right. Until adjustment thereof in accordance with the terms hereof, the Exercise Price shall be \$50.
- (u) “**Expiration Time**” means the earlier of: (i) the Termination Time, and (ii) the close of business on the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in ~~2009~~2012.
- (v) “**Flip-in Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person.
- (w) “**Independent Shareholders**” means holders of Voting Shares of the Corporation, but shall not include (i) any Acquiring Person or any Offeror, or any Affiliate or Associate of such Acquiring Person or such Offeror, or any Person acting jointly or in concert with such Acquiring Person or such Offeror, or (ii) any employee benefit plan, stock purchase plan, deferred profit sharing plan or any similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of any such plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid; and for greater certainty shall include any Person referred to in Clause 1.1(e)(3) hereof (other than any Person who pursuant to Clause 1.1(e)(3) is deemed to Beneficially Own the Voting Shares).
- (x) “**Market Price**” per share of any securities on any date of determination means the average of the daily closing prices per share of such securities (determined as described below) on each of the twenty (20) consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is

not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share on any securities on any date shall be (i) the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each share as reported by The Toronto Stock Exchange, or (ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on The Toronto Stock Exchange, the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each share as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the securities exchange on which the securities are primarily traded, or (iii) if not so listed, the last quoted price, or if not so quoted, the average of the high bid and low asked prices for each share of such securities in the over-the-counter market, or (iv) if on any such date the securities are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors; provided, however, that if on any such date the securities are not traded in the over-the-counter market, the closing price per share of such securities on such date shall mean the fair value per share of such securities on such date as determined in good faith by a nationally or internationally recognized investment dealer or investment banker.

(y) “**OBCA**” means the Business Corporations Act (Ontario), and the regulations thereunder, and any comparable or successor law or regulation thereto.

(z) “**Offer to Acquire**” shall include:

- (i) an offer to purchase, a public announcement of an intention to make an offer to purchase, or a solicitation of an offer to sell; and
- (ii) an acceptance of an offer to sell, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.

(aa) “**Offeror**” means a Person who has announced a current intention to make, or who makes and has outstanding, a Take-over Bid.

(bb) “**Offeror’s Securities**” means Voting Shares of the Corporation Beneficially Owned by an Offeror, any Affiliate or Associate of such Offeror or any Person acting jointly or in concert with the Offeror.

(cc) “**Permitted Bid**” means a Take-over Bid that is made by means of a Take-over Bid circular and which also complies with the following additional provisions:

- (i) the Take-over Bid shall be made to all registered holders of Voting Shares (other than the Voting Shares held by the Offeror);
- (ii) the Take-over Bid shall contain, and the take up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date which is not less than sixty (60) days following the date of the Take-over Bid and that no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid unless, at such date, more than fifty percent (50%) of the then outstanding Voting Shares held by Independent Shareholders have been deposited to the Take-over Bid and not withdrawn;
- (iii) the Take-over Bid shall contain an irrevocable and unqualified provision that, unless the Take-over Bid is withdrawn, Voting Shares of the Corporation may be deposited pursuant to such Take-over Bid at any time during the period of time described in Clause (ii) of this Section 1.1(cc) and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time until taken up and paid for; and
- (iv) the Take-over Bid shall contain an irrevocable and unqualified provision that should the condition referred to in Clause (ii) of this Section 1.1(bb) be met: (A) the Offeror will make a public announcement of that fact on the date the Take-over Bid would otherwise expire; and (B) the Take-

over Bid will be extended for a period of not less than ten (10) Business Days from the date it would otherwise expire.

- (dd) “**Permitted Bid Acquisitions**” means share acquisitions made pursuant to a Permitted Bid or a Competing Bid.
- (ee) “**Permitted Lock-Up Agreement**” means an agreement between a Person and one or more holders (each a “**Locked-up Person**”) of Voting Shares or Convertible Securities (the terms of which are publicly disclosed and a copy of which is made available to the public (including the Corporation) not later than the date the Lock-up Bid (as defined below) is publicly announced or, if the agreement was entered into after the date of the Lock-up Bid, as soon as possible after it is entered into and in any event not later than the date following the date of such agreement), pursuant to which such Locked-up Persons agree to deposit or tender Voting Shares or Convertible Securities to a Take-over Bid (the “**Lock-up Bid**”) made by the Person or any of such Person’s Affiliates or Associates or any other Person referred to in Clause (iii) of the definition of Beneficial Owner and where the agreement:
- (i) (A) permits the Locked-up Person to withdraw Voting Shares or Convertible Securities in order to tender or deposit Voting Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Voting Share or Convertible Security that exceeds, or provides a value for each Voting Share or Convertible Security that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or
- (B) permits the Locked-up Person to withdraw Voting Shares or Convertible Securities in order to tender or deposit the Voting Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Voting Share or Convertible Security that exceeds, or provides a value for each Voting Share or Convertible Security that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount (the “**Specified Amount**”) and the Specified Amount is not greater than 7% of the offering price or value that is represented by the Lock-up Bid; and
- (ii) Provides for no “**break-up**” fees, “**top-up**” fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (A) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (B) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Voting Shares or Convertible Securities pursuant thereto or withdraws Voting Shares or Convertible Securities previously tendered thereto in order to tender such Voting Shares or Convertible Securities to another Take-over Bid or support another transaction;
- and, for greater certainty, the agreement may contain a right of first refusal or require a period of delay to give the Offeror an opportunity to at least match a higher consideration in another Take-over Bid or transaction or contain any other similar limitation on a Locked-up Person’s right to withdraw Voting Shares or Convertible Securities from the agreement, so long as any such limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares or Convertible Securities in sufficient time to tender to the other Take-over Bid or to support the other transaction.
- (ff) “**Person**” means any individual, firm, partnership, limited partnership, limited liability company or partnership, association, trust, trustee, executor, administrator, legal or personal representative, government, governmental body, entity or authority, group, body corporate, corporation, unincorporated organization or association, syndicate, joint venture or any other entity, whether or not having legal personality, and any of the foregoing in any derivative, representative or fiduciary capacity and pronouns have a similar extended meaning.
- (gg) “**Record Time**” means the close of business on January 13, 2006.
- (hh) “**Redemption Price**” has the meaning ascribed thereto in Section 5.1(1) hereof.

- (ii) “**regular periodic cash dividends**” means cash dividends paid at regular intervals in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
 - (i) two hundred percent (200%) of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year; and
 - (ii) one hundred percent (100%) of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year.
- (jj) “**Right**” means a right issued pursuant to this Agreement.
- (kk) “**Rights Certificate**” has the meaning ascribed thereto in Section 2.2(3) hereof.
- (ll) “**Rights Register**” has the meaning ascribed thereto in Section 2.6(1) hereof.
- (mm) “**Securities Act (Ontario)**” means the Securities Act (Ontario), and the regulations and rules thereunder, and any comparable or successor laws, regulations and rules thereto.
- (nn) “**Separation Time**” means the close of business on the tenth (10th) Trading Day after the earlier of (i) the Stock Acquisition Date, (ii) the date of the commencement of, or first public announcement of the intent of any person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid or Competing Bid) or such later date as may be determined by the Board of Directors and (iii) the date on which a Permitted Bid or Competing Bid ceases to qualify as such or such later date as may be determined by the Board of Directors provided that, if any Take-over Bid referred to in Clause (ii) of this Section 1.1(nn) or any Permitted Bid or Competing Bid referred to in Clause (iii) of this Section 1.1(nn) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid, Permitted Bid or Competing Bid, as the case may be, shall be deemed, for the purposes of this Section 1.1(nn), never to have been made and provided further that if the Board of Directors determines pursuant to Sections 5.1(2), (3) or (4) hereof to waive the application of Section 3.1 hereof to a Flip-in Event, the Separation Time in respect of such Flip-in Event shall be deemed never to have occurred.
- (oo) “**Stock Acquisition Date**” means the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to section 101 of the Securities Act (Ontario)) by the Corporation or an Offeror or Acquiring Person of facts indicating that a Person has become an Acquiring Person.
- (pp) “**Subsidiary**”: a corporation shall be deemed to be a Subsidiary of another corporation if:
 - (i) it is controlled by:
 - (A) that other;
 - (B) that other and one or more corporations each of which is controlled by that other; or
 - (C) two or more corporations each of which is controlled by that other; or
 - (iii) it is a Subsidiary of a corporation that is that other’s Subsidiary.
- (qq) “**Take-over Bid**” means an Offer to Acquire Voting Shares of the Corporation or securities convertible into or exchangeable for or carrying a right to purchase Voting Shares of the Corporation where the Voting Shares of the Corporation subject to the Offer to Acquire, together with the Voting Shares of the Corporation into which the securities subject to the Offer to Acquire are convertible, exchangeable or exercisable, and the Offeror’s Securities, constitute in the aggregate twenty percent (20%) or more of the outstanding Voting Shares of the Corporation at the date of the Offer to Acquire.
- (rr) “**Termination Time**” means the time at which the right to exercise Rights shall terminate pursuant to sections 5.1(1) or (5) hereof.
- (ss) “**Trading Day**”, when used with respect to any securities, means a day on which the principal stock exchange or market on which such securities are listed or admitted to trading is open for the transaction

of business or, if the securities are not listed or admitted to trading on any stock exchange or market, a Business Day.

- (tt) “**Voting Shares**” means the Common Shares and any other shares of capital stock or voting interests of the Corporation entitled to vote generally in the election of all directors.

Section 1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

Section 1.3 Headings

The division of this Agreement into Articles, Sections and Clauses and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

Section 1.4 Number and Gender

Wherever the context so requires, terms used herein importing the singular number only shall include the plural and vice-versa and words importing only one gender shall include all others.

Section 1.5 Acting Jointly or in Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment or understanding, whether formal or informal, with the first Person or any Associate or Affiliate of the first Person to acquire or make an Offer to Acquire Voting Shares of the Corporation (other than customary agreements with and between underwriters or banking group members or selling group members with respect to a distribution of securities or to a pledge of securities in the ordinary course of business).

Section 1.6 Statutory References

Unless the context otherwise requires or except as expressly provided herein, any reference herein to a specific part, section, clause or Rule of any statute or regulation shall be deemed to refer to the same as it may be amended, re-enacted or replaced or, if repealed and there shall be no replacement therefore, to the same as it is in effect on the date of this Agreement.

ARTICLE 2 THE RIGHTS

Section 2.1 Legend on Common Share Certificates

- (1) Certificates issued for Common Shares after the Record Time but prior to the close of business on the earlier of the Separation Time and the Expiration Time shall evidence one Right for each Common Share represented thereby and, commencing as soon as reasonably practicable after the effective date of this Agreement, shall have impressed on, printed on, written on or otherwise affixed to them, a legend in substantially the following form:

Until the Separation Time (defined in the Rights Agreement referred to below), this certificate also evidences rights of the holder described in an [Amended and Restated Shareholder Rights Plan Agreement](#), dated January ~~13, 2006~~ 27, 2009, as amended and restated from time to time (the “**Rights Agreement**”), between [Baffinland Iron Mines Corporation](#) (the “**Corporation**”) and Computershare Investor Services Inc., a copy of which is on file at the principal executive offices of the Corporation and are available upon written request. Under certain circumstances set out in the Rights Agreement, the rights may be redeemed, may expire, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate.

- (2) Until the earlier of the Separation Time and the Expiration Time, certificates representing Common Shares that are issued and outstanding at the Record Time shall evidence one Right for each Common Share evidenced thereby notwithstanding the absence of the foregoing legend. Following the Separation Time, Rights will be evidenced by Rights Certificates issued pursuant to Section 2.2 hereof.

Section 2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (1) **Right to entitle holder to purchase one Common Share prior to adjustment.** Subject to adjustment as herein set forth and subject to Section 3.1(1) hereof, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase, for the Exercise Price as at the Business Day immediately preceding the date of exercise of the Right, one Common Share (which price and number of Common Shares are subject to adjustment as set forth below and are subject to Section 3.1(1) hereof). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.
- (2) **Rights not exercisable until Separation Time.** Until the Separation Time, (i) the Rights shall not be exercisable and no Right may be exercised, and (ii) for administrative purposes each Right will be evidenced by the certificates for the associated Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Rights Certificates) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Shares.
- (3) **Delivery of Rights Certificate and disclosure statement.** From and after the Separation Time and prior to the Expiration Time, (i) the Rights shall be exercisable, and (ii) the registration and transfer of the Rights shall be separate from, and independent of, Common Shares. Promptly following the Separation Time, the Corporation will prepare and the Rights Agent will mail to each holder of record of Rights as of the Separation Time (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a “**Nominee**”)) at such holder’s address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purposes), (A) a certificate (a “**Rights Certificate**”) in substantially the form of Schedule 2.2(3) hereto appropriately completed, representing the number of Rights held by such holder at the Separation Time, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule, regulation or judicial or administrative order or with any rule or regulation made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to confirm to usage, and (B) a disclosure statement describing the Rights, provided that a Nominee shall be sent the materials provided for in (A) and (B) in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require such first mentioned Person to furnish it with such information and documentation as the Corporation considers advisable.
- (4) **Exercise of Rights.** Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent (at the office of the Rights Agent in the City of Toronto or any other office of the Rights Agent in the cities designated from time to time for that purpose by the Corporation) the Rights Certificate evidencing such Rights together with an election to exercise such Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate duly completed and executed, accompanied by payment by certified cheque, banker’s draft or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in the name other than that of the holder of the Rights being exercised, all of the above to be received before the Expiration Time by the Rights Agent at its principal office in any of the cities listed on the Rights Certificate.
- (5) **Duties of Rights Agent upon receipt of Election to Exercise.** Upon receipt of a Rights Certificate, which is accompanied by (i) a completed and duly executed Election to Exercise, and (ii) payment as set forth in Section 2.2(4) above, the Rights Agent (unless otherwise instructed by the Corporation) will thereupon promptly:
 - (A) requisition from the transfer agent for the Common Shares certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
 - (B) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares;

- (C) after receipt of such certificates, deliver the same to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such registered holder;
 - (D) when appropriate, after receipt, deliver such cash (less any amounts required to be withheld) to or to the order of the registered holder of the Rights Certificate; and
 - (E) tender to the Corporation all payments received on exercise of the Rights.
- (6) **Partial Exercise of Rights.** In case the holder of any Rights shall exercise less than all of the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (7) **Duties of the Corporation.** The Corporation covenants and agrees that it will:
- (a) take all such action as may be necessary and within its power to ensure that all Common Shares or other securities delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
 - (b) take all such action as may be necessary and within its power to ensure compliance with the provisions of Section 3.1 hereof including, without limitation, all such action to comply with any applicable requirements of the OBCA, the Securities Act (Ontario) and any applicable comparable securities legislation of each of the provinces of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares or other securities upon exercise of Rights;
 - (c) use reasonable efforts to cause, from and after such time as the Rights become exercisable, all Common Shares issued upon exercise of Rights to be listed upon issuance on the principal stock exchange on which the Common Shares were traded prior to the Stock Acquisition Date;
 - (d) cause to be reserved and kept available out of its authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (e) pay when due and payable any and all Canadian federal and provincial transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for shares or other securities in a name other than that of the registered holder of the Rights being transferred or exercised; and
 - (f) after the Separation Time, except as permitted by Sections 5.1 or 5.4 hereof, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

Section 2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of Common Shares or other securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3:

- (a) **Adjustment to Exercise Price upon changes to share capital.** In the event the Corporation shall at any time after the Record Time:
 - (i) declare or pay a dividend on the Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities) other than the issue of Common Shares or such exchangeable or

convertible securities to holders of Common Shares in lieu of but not in an amount which exceeds the value of regular periodic cash dividends;

- (ii) subdivide or change the outstanding Common Shares into a greater number of Common Shares;
- (iii) combine or change the outstanding Common Shares into a smaller number of Common Shares; or
- (v) issue any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities) in respect of, in lieu of or in exchange for existing Common Shares, except as otherwise provided in this Section 2.3;

the Exercise Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of Common Shares, or other securities, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Exercise Price then in effect, the aggregate number and kind of Common Shares or other securities, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Common Share transfer books of the Corporation were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1 hereof, the adjustment provided for in this Section 2.3 shall be in addition to and, shall be made prior to, any adjustment required pursuant to Section 3.1 hereof.

- (b) **Adjustment to Exercise Price upon issue of rights, options and warrants.** In case the Corporation shall at any time after the Record Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within forty-five (45) calendar days after such record date) to subscribe for or purchase Common Shares (or shares having the same rights, privileges and preferences as Common Shares (“**equivalent common shares**”)) or securities convertible into or exchangeable for or carrying a right to purchase Common Shares or equivalent common shares at a price per Common Share or per equivalent common share (or having a conversion price or exchange price or exercise price per share, if a security convertible into or exchangeable for or carrying a right to purchase Common Shares or equivalent common shares) less than ninety percent (90%) of the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares and/or equivalent common shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights so to be offered) would purchase at such Market Price per Common Share, and the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares and/or equivalent common shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities are initially convertible, exchangeable or exercisable). In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a certificate filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Such adjustment shall be made successively whenever such a record date is fixed and, in the event that such rights or warrants are not so issued, the Exercise Price shall be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

For purposes of this Agreement, the granting of the right to purchase Common Shares (or equivalent common shares) (whether from treasury shares or otherwise) pursuant to any dividend or interest reinvestment plan and/or any Common Share purchase plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and/or the investment of periodic optional payments and/or employee benefit, stock option or similar plans (so long as such right to purchase is in no case evidenced by the delivery of rights or warrants) shall not be deemed to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in the

case of any dividend or interest reinvestment plan, the right to purchase Common Shares (or equivalent common shares) is at a price per share of not less than ninety percent (90%) of the current market price per share (determined as provided in such plans) of the Common Shares.

- (c) **Adjustment to Exercise Price upon Corporate Distributions.** In case the Corporation shall at anytime after the Record Time fix a record date for a distribution to all holders of Common Shares (including any such distribution made in connection with a merger, amalgamation, arrangement, plan, compromise or reorganization in which the Corporation is the continuing or successor corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend or a regular periodic cash dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or subscription rights, options or warrants (excluding those referred to in Section 2.3(b) above), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights, options or warrants applicable to a Common Share and the denominator of which shall be such Market Price per Common Share. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not be fixed.
- (d) **De minimis threshold for adjustment to Exercise Price.** Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Exercise Price; provided, however, that any adjustments which by reason of this Section 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest one-hundredth of a Common Share or other share, as the case may be. Notwithstanding the first sentence of this Section 2.3(d), any adjustment required by this Section 2.3 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment or (ii) the Expiration Time.
- (e) **Corporation may provide for alternate means of adjustment.** Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.4(2) or (3) hereof, as applicable, in the event the Corporation shall at any time after the Record Time issue any shares of capital stock (other than Common Shares), or rights or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Section 2.3(a)(i) or (iv) or 2.3(b) or (c) above, if the Board of Directors acting in good faith determines that the adjustments contemplated by Sections 2.3(a), (b) and (c) above in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Corporation shall be entitled to determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Sections 2.3(a), (b) and (c) above, such adjustments, rather than the adjustments contemplated by Sections 2.3(a), (b) and (c) above, shall be made. The Corporation and the Rights Agent shall amend this Agreement as appropriate to provide for such adjustments.
- (f) **Adjustment to Rights exercisable into shares other than Common Shares.** If as a result of an adjustment made pursuant to Section 3.1 hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the Exercise Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Shares contained in Sections 2.3(a), (b), (c), (d), (e), (g), (h), (i), (j), (k) and (l) above and below, as the case may be, and the provisions of this Agreement with respect to the Common Shares shall apply on like terms to any such other shares.
- (g) **Rights to evidence right to purchase Common Shares at adjusted Exercise Price.** Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of such Right, all subject to further adjustment as provided herein.

- (h) **Adjustment to number of Common Shares purchasable upon adjustment to Exercise Price.** Unless the Corporation shall have exercised its election as provided in Section 2.3(i) below, upon each adjustment of the Exercise Price as a result of the calculations made in Sections 2.3(b) and (c) above, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares (calculated to the nearest one ten-thousandth) obtained by (A) multiplying (x) the number of shares purchasable upon exercise of a Right immediately prior to this adjustment by (y) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price, and (B) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.
- (i) **Election to adjust number of Rights upon adjustment to Exercise Price.** The Corporation shall be entitled to elect on or after the date of any adjustment of the Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Exercise Price in effect immediately prior to adjustment of the Exercise Price by the Exercise Price in effect immediately after adjustment of the Exercise Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Exercise Price is adjusted or any day thereafter but, if Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment, of the number of Rights pursuant to this Section 2.3(i), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 5.5 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the adjusted Exercise Price and shall be registered in the names of the holders of record of Rights Certificates on the record date for the adjustment specified in the public announcement.
- (j) **Rights Certificates may contain Exercise Price before adjustment.** Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per share and the number of shares which were expressed in the initial Rights Certificates issued hereunder.
- (k) **Corporation may in certain cases defer issues of securities.** In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.
- (l) **Corporation has discretion to reduce Exercise Price for tax reasons.** Notwithstanding anything in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment, the Board of Directors shall determine to be advisable in order that any (A) consolidation or subdivision of the Common Shares, (B) issuance of any Common Shares at less than the Market Price, (C) issuance of securities convertible into or exchangeable for Common Shares, (D) stock dividends or (E) issuance of rights, options or warrants, referred to in this Section 2.3 hereafter made by the Corporation to holders of its Common Shares, shall not be taxable to such shareholders.

Section 2.4 Date on Which Exercise is Effective

Each person in whose name any certificate for Common Shares is issued upon the exercise of Rights, shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

Section 2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (1) The Rights Certificates shall be executed on behalf of the Corporation by its Chairman, Chief Executive Officer, Chief Operating Officer or Chief Financial Officer. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.
- (2) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature and a disclosure statement as described in Section 2.2(3), and the Rights Agent shall manually or by facsimile signature countersign and send such Rights Certificates and disclosure statement to the holders of the Rights pursuant to Section 2.2(3) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (3) Each Rights Certificate shall be dated the date of countersignature thereof.

Section 2.6 Registration, Registration of Transfer and Exchange

- (1) The Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed “**Rights Registrar**” for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate and subject to the provisions of Section 2.6(3) below and the other provisions of this Agreement, the Corporation will execute and the Rights Agent will countersign, register and deliver, in the name of the holder or the designated transferee or transferees as required pursuant to the holder’s instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (2) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (3) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the registered holder thereof or such holder’s attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and the Corporation may require payment of a sum sufficient to cover any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.

Section 2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (1) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (2) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate, and (ii) such indemnity or other security as may be required by them to save each of them and any of their agents harmless then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and upon its request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.
- (3) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and the Corporation may require payment of a sum sufficient to cover any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.
- (4) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Corporation, whether or not the destroyed lost or stolen Rights Certificate shall be at any time enforceable by anyone, and the holder thereof shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other holders of Rights duly issued by the Corporation.

Section 2.8 Persons Deemed Owners

Prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent shall be entitled to deem and treat the person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term “holder” of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated Common Shares).

Section 2.9 Delivery and Cancellation of Right Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9 except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

Section 2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended, amended and restated, or supplemented from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time each Right will be transferable only together with, and will be transferred by a transfer of, the Common Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;

- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent shall be entitled to deem and treat the person in whose name the Rights Certificate (or prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares upon exercise of Right;
- (f) that, in accordance with Section 5.4 hereof, without the approval of any holder of Rights and upon the sole authority of the Board of Directors acting in good faith this Agreement may be supplemented, amended, or amended and restated from time to time pursuant to and as provided herein; and
- (g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation, or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

Section 2.11 Rights Certificate Holder not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed to confer upon the holder of any Right or Rights Certificate, as such, any of the rights, titles, benefits or privileges of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to holders of shares of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares or securities of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3 ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS

Section 3.1 Flip-in Event

- (1) Subject to Section 3.1(2) below, and Sections 5.1(2), (3) and (4) hereof, in the event that prior to the Expiration Time a Flip-in Event shall occur, the Corporation shall take such action as may be necessary to ensure and provide within eight (8) Business Days of such occurrence, or such longer period as may be required to satisfy all applicable requirements of the Securities Act (Ontario), and the securities legislation of each other province of Canada that, except as provided below, each Right shall thereafter constitute the right to purchase from the Corporation upon exercise thereof in accordance with the terms hereof that number of Common Shares of the Corporation having an aggregate Market Price on the date of the occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such Right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that after such date of occurrence an event of a type analogous to any of the events described in Section 2.3 hereof shall have occurred with respect to such Common Shares).
- (2) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are Beneficially Owned by (i) an Acquiring Person, or any Affiliate or Associate of an Acquiring Person, or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such Acquiring Person, or any Affiliate or Associate of such Person so acting jointly or in concert, or (ii) a

transferee or other successor in title of Rights, directly or indirectly, of an Acquiring Person (or of any Affiliate or Associate of an Acquiring Person) or of any Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person (or of any Affiliate or Associate of such Person so acting jointly or in concert) who becomes a transferee or successor in title concurrently with or subsequent to the Acquiring Person becoming such, shall become null and void without any further action, and any holder of such Rights (including transferees or successors in title) shall not have any rights whatsoever to exercise such Rights under any provision of this Agreement and shall not have thereafter any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

ARTICLE 4 THE RIGHTS AGENT

Section 4.1 General

- (1) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, subject to the prior approval of the Rights Agent. In the event the Corporation appoints one or more co-Rights Agents, the respective duties of the Rights Agents and co-Rights Agents shall be as the Corporation may determine, with the approval of the Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses (including reasonable counsel fees and disbursements) incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Corporation also agrees to indemnify the Rights Agent, its officers, directors and employees for, and to hold such persons harmless against, any loss, liability, cost, claim, action, suit, damage, or expense incurred (that is not the result of negligence, bad faith or willful misconduct on the part of any one or all of the rights Agent, its officers, directors or employees) for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent.
- (2) The Rights Agent shall be protected from and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares or any Rights Certificate or certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (3) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and at any time, upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.

Section 4.2 Merger or Amalgamation or Change of Name of Rights Agent

- (1) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
- (2) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights

Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, to all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent may retain and consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted to be taken by it in good faith and in accordance with such opinion. Subject to the prior written consent of the Corporation, which consent shall not be unreasonably withheld, the Rights Agent may also consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement (at the expense of the Corporation) and the Rights Agent shall be entitled to act and rely in good faith on the advice of any such expert.
- (b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proven and established by a certificate signed by a person believed by the Rights Agent to be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer or the Chief Financial Officer of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.
- (c) The Rights Agent will be liable hereunder only for events which are the result of its own negligence, bad faith or willful misconduct and that of its officers, directors and employees.
- (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only.
- (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1(2) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 hereof describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered or fully paid and non-assessable.
- (f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provision of this Agreement.
- (g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer or the Chief Financial Officer of the Corporation and to apply to such persons for advice or instructions in

connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such person. It is understood that instructions to the Rights Agent shall, except where circumstances make it impracticable or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably possible after the giving of such instructions.

- (h) The Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested or contact with or lend money to the Corporation or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or, with the prior written consent of the Corporation, by or through its attorneys or agents. The Rights Agent will not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided the prior written consent of the Corporation was obtained and reasonable care was exercised in the selection and continued employment thereof.

Section 4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon sixty (60) days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Voting Shares of the Corporation by registered or certified mail, and to the holders of the Rights in accordance with Section 5.8 hereof (all of which shall be at the expense of the Corporation). The Corporation may remove the Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Voting Shares of the Corporation by registered or certified mail and to the holders of the Rights in accordance with Section 5.8 hereof. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of sixty (60) days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agents or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection by the Corporation), then the Rights Agent or the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent at the Corporation's expense. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon receiving from the Corporation payment in full of all amounts outstanding under this Agreement, shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Voting Shares of the Corporation, and mail a notice thereof in writing to the holders of the Rights. The cost of giving any notice required under this Section 4.4 shall be borne solely by the Corporation. Failure to give any notice provided for in this Section 4.4 however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Redemption and Waiver

- (1) Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.4(2) or Section 5.4(3) hereof, as applicable, the Board of Directors acting in good faith may, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that an event of the type described in Section 2.3 hereof shall have occurred (such redemption price being herein referred to as the "**Redemption Price**").
- (2) Subject to the prior consent of the holders of Voting Shares obtained as set forth in Section 5.4(2) hereof, the Board of Directors may, at any time prior to the occurrence of a Flip-in Event as to which the application of

Section 3.1 hereof has not been waived pursuant to this Section 5.1, if such Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to all registered holders of Voting Shares and otherwise than in the circumstances set forth in Section 5.1(4) hereof, waive the application of Section 3.1 hereof to such Flip-in Event. In such event, the Board of Directors shall extend the Separation Time to a date at least ten (10) Business Days subsequent to the meeting of shareholders called to approve such waiver.

- (3) The Board of Directors acting in good faith, may, prior to the occurrence of a Flip-in Event, and upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 hereof to a Flip-in Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all registered holders of Voting Shares; provided that if the Board of Directors waives the application of Section 3.1 hereof to a particular Flip-in Event pursuant to this Section 5.1(3), the Board of Directors shall be deemed to have waived the application of Section 3.1 hereof to any other Flip-in Event occurring by reason of any Take-over Bid made by means of a Take-over Bid circular to all registered holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been granted, pursuant to this Section 5.1(3).
- (4) The Board of Directors, may, prior to the close of business on the tenth (10th) day following the Stock Acquisition Date, determine, upon prior written notice delivered to the Rights Agent, to waive or to agree to waive the application of Section 3.1 hereof to a Flip-in Event, provided that both of the following conditions are satisfied:
 - (a) the Board of Directors has determined that a Person becoming an Acquiring Person by inadvertence and without any intention to become, or knowledge that Person would become, an Acquiring Person; and
 - (b) such Acquiring Person has reduced its Beneficial Ownership of Voting Shares (or has entered into a contractual arrangement with the Corporation, acceptable to the Board of Directors, to do so within thirty (30) days of the date on which such contractual arrangement is entered into) such that at the time the waiver becomes effective pursuant to this Section 5.1(4) it is no longer an Acquiring Person;

and in the event of such a waiver, for the purposes of this Agreement, the Flip-in Event shall be deemed never to have occurred.

- (5) Where a Person acquires pursuant to a Permitted Bid, a Competing Bid or an Exempt Acquisition under Section 5.1(3) above, outstanding Voting Shares, then the Corporation shall immediately upon the consummation of such acquisition redeem the Rights at the Redemption Price.
- (6) If the Corporation is obligated under Section 5.1(5) above to redeem the Rights, or if the Board of Directors elects under Section 5.1(1) above or Section 5.1(8) below to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and each Right will after redemption be null and void and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (7) Within ten (10) days after the Corporation is obligated under Section 5.1(5) above to redeem the Rights, or the Board of Directors elects under Section 5.1(1) above or Section 5.1(8) below to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to all such holders at their last address as they appear upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Corporation may not redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 5.1 and other than in connection with the purchase of Common Shares prior to the Separation Time.
- (8) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all outstanding Rights at the Redemption Price.
- (9) Notwithstanding the Rights being redeemed pursuant to Section 5.1(8) above, all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be

deemed not to have occurred and the Rights shall remain attached to outstanding Voting Shares, subject to and in accordance with the provisions of this Agreement.

Section 5.2 Expiration

No person shall have any rights whatsoever pursuant to or arising out of this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Section 4.1(1) hereof.

Section 5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the number or kind or class of shares purchasable upon exercise of Rights made in accordance with the provision of this Agreement.

Section 5.4 Supplements and Amendments

- (1) The Corporation may, prior to any shareholders' meeting called to approve this Agreement, supplement, amend, or amend and restate this Agreement without the approval of any holder of Rights or Voting Shares. Thereafter, the Corporation may from time to time supplement, amend, or amend and restate this Agreement without the approval of any holders of Rights or Voting Shares to correct any clerical or typographical error or to maintain the validity of the Agreement as a result of a change in any applicable legislation or regulations or rules thereunder.

Notwithstanding anything in this Section 5.4 to the contrary, no supplement, amendment, or amendment and restatements shall be made to the provisions of Article 4 hereof except with the written concurrence of the Rights Agent to such supplement, amendment, or amendment and restatement.

- (2) Subject to Section 5.4(1) above, the Corporation may, with the prior consent of the holders of the Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if provided by the holders of Voting Shares at a meeting of the holders of Voting Shares, which meeting shall be called and held in compliance with applicable laws and regulatory requirements and the requirements in the articles and by-laws of the Corporation. Subject to compliance with any requirements imposed by the foregoing, consent shall be deemed to have been given if the proposed amendment, variation or revision is approved by the affirmative vote of a majority of the votes cast by all holders of Voting Shares (other than any holder of Voting Shares who is an Offeror pursuant to a Take-over Bid that is not a Permitted Bid or Competing Bid with respect to all Voting Shares Beneficially Owned by such Person), represented in person or by proxy at the meeting.
- (3) The Corporation may, with the prior consent of the holders of Rights, at any time after the Separation Time and before the Expiration Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally).
- (4) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the OBCA with respect to a meeting of shareholders of the Corporation.
- (5) The Corporation shall be required to provide the Rights Agent with notice in writing of any such amendment, variation or deletion to this Agreement as referred to in this Section 5.4 within 5 days of effecting such amendment, variation or deletion.
- (6) Any supplements, amendments, or amendments and restatements made by the Corporation to this Agreement pursuant to Section 5.4(1) above which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder shall:

- (a) if made before the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Section 5.4(2) above confirm or reject such amendment; and
- (b) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Section 5.4(4) above, confirm or reject such amendment.

A supplement, amendment, or amendment and restatement of the nature referred to in this Section 5.4(6) shall be effective from the date of the resolution of the Board of Directors adopting such supplement, amendment, or amendment and restatement until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such supplement, amendment, or amendment and restatement is confirmed, it continues in effect in the form so confirmed. If such supplement, amendment, or amendment and restatement is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such supplement, amendment, or amendment and restatement shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend, vary or delete any provision of this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights, as the case may be.

Section 5.5 Fractional Rights and Fractional Shares

- (1) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. Any such fractional Right shall be null and void and the Corporation will not have any obligation or liability in respect thereof.
- (2) The Corporation shall not be required to issue fractions of Common Shares or other securities upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares or other securities. In lieu of issuing fractional Common Shares or other securities, the Corporation shall pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share. The Rights Agent shall have no obligation to make any payments in lieu of fractional Common Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Section 2.2(5).

Section 5.6 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective registered holders of the Rights; and any registered holder of any Rights, without the consent of the Rights Agent or of the registered holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 5.7 Notice of Proposed Actions

In case the Corporation shall propose after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding-up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.8 hereof, a notice of such proposed action, which shall specify the date on which such liquidation, dissolution, winding up, or sale is to take place, and such notice shall be so given at least twenty (20) Business Days prior to the date of taking of such proposed action.

Section 5.8 Notices

- (1) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Baffinland Iron Mines Corporation
120 Adelaide Street West, Suite 1016
Toronto, Ontario
M5H 1T1

Attention: Chief Executive Officer
Facsimile Number: (416) 364-0193

- (2) Any notice or demand authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Corporation) as follows:

Computershare Investor Services Inc.
9th Floor, North Tower
100 University Avenue
Toronto, Ontario M5J 2Y1

Attention: Manager, Client Services
Facsimile Number: (416) 981-9800

- (3) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

Section 5.9 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of the respective successors and assigns hereunder.

Section 5.10 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

Section 5.11 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be governed by and construed in accordance with the laws of such province.

Section 5.12 Severability

If any Section, Clause, term or provision hereof or the application thereof to any circumstances or any right hereunder shall, in any jurisdiction and to any extent, be invalid or unenforceable, such Section, Clause, term or provision or such right shall be ineffective only in such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining Sections, Clauses, terms and provisions hereof or rights hereunder in such jurisdiction or the application of such Section, Clause, term or provision or rights hereunder in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

Section 5.13 Effective Date

This Agreement is effective and in full force and effect in accordance with its terms and conditions as of and from ~~the date of this Agreement~~ January 13, 2006 (the “**Effective Date**”). If this Agreement is not confirmed by a majority of the votes cast by holders of Voting Shares permitted to vote on a resolution under Section 5.4 or the confirmation of this Agreement, at a meeting to be held no later than 6 months from the date of this Agreement then this Agreement and any then outstanding Rights will be of no further force and effect from the earlier of the close of business on the date immediately following the date of the meeting and the close of business on the date which is 6 months from the date of this Agreement.

Section 5.14 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors, in good faith, in relation to or in connection with this Agreement, shall not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

Section 5.15 Fiduciary Duties of Directors

Nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares and/or Convertible Securities reject or accept any Take-over Bid or take any other action including the commencement, prosecution, defence or settlement of any litigation and the solicitation of additional or alternative Take-over Bids or other proposals to shareholders that the directors believe are necessary or appropriate in the exercise of their fiduciary duties.

Section 5.16~~5~~ Rights of Board, Corporation and Offeror

Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of Voting Shares reject or accept any Take-over Bid or take any other action (including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the holders of Voting Shares of the Corporation) with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

Section 5.17 Compliance with Anti-Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days prior written notice to the Corporation, provided: (i) that the Rights Agent’s written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent’s satisfaction within such 10 day period, then such resignation shall not be effective.

Section 5.18 Privacy Legislation

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual’s personal information (collectively, “**Privacy Laws**”) applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

Section 5.19~~6~~ Regulatory Approvals

This Agreement shall be subject in any jurisdiction to the receipt of any required prior or subsequent approval or consent from any governmental or regulatory authority in such jurisdiction including any securities regulatory authority or stock exchange.

Section 5.17~~20~~ Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes, or (until such notice is given as required by law) without advance notice to any regulatory or self-regulatory body.

Section 5.18~~21~~ Time of the Essence

Time shall be of the essence in this Agreement.

Section 5.19~~22~~ Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SCHEDULE 2.2(3) TO THE AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN

FORM OF RIGHTS CERTIFICATE

Certificate No. _____ **Rights** _____

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SECTION 3.1(2) OF THE RIGHTS AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON, ANY PERSON ACTING JOINTLY OR IN CONCERT WITH AN ACQUIRING PERSON OR THEIR RESPECTIVE ASSOCIATES AND AFFILIATES (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND THEIR RESPECTIVE TRANSFEREES SHALL BECOME VOID WITHOUT ANY FURTHER ACTION.

RIGHTS CERTIFICATE

This certifies that _____ or registered assigns, is the registered holder of the number of Rights set forth above each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement dated January ~~13, 2006~~ 27, 2009, as amended and restated from time to time (the "**Rights Agreement**"), between Baffinland Iron Mines Corporation, a corporation incorporated under the laws of Ontario (the "**Corporation**"), and Computershare Investor Services Inc., a company incorporated under the laws of Canada, as rights agent (the "**Rights Agent**", which term shall include any successor Rights Agent under the Rights Agreement) to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Rights Agreement) and prior to the Expiration Time (as such term is defined in the Rights Agreement) (or such earlier expiration time as is provided in the Rights Agreement) one fully paid and non-assessable Common Share of the Corporation (a "**Common Share**") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate together with the Form of Election to Exercise duly executed and submitted to the Rights Agent at its principal offices in the City of Toronto. The Exercise Price shall initially be \$50.00 (Canadian) per Right and shall be subject to adjustment in certain events as provided in the Rights Agreement.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase or receive assets, debt securities or other equity securities of the Corporation (or a combination thereof) all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights. Copies of the Rights Agreement are on file at the principal executive offices of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights entitling the holder to purchase a like aggregate number of Common Shares as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Rights Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of \$0.00001 per Right.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby.

No holder of this Rights Certificate, as such, shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities of the Corporation which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders of the Corporation at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders of the Corporation (except as expressly provided in the Rights Agreement), or to receive dividends, distributions or subscription rights, or otherwise until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

The Rights Certificate shall not be valid or obligatory for any purpose until it shall have been manually countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation.

Dated ●

BAFFINLAND IRON MINES CORPORATION

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

COMPUTERSHARE INVESTOR SERVICES INC.

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

(To be attached to each Rights Certificate)

FORM OF ELECTION TO EXERCISE

TO: BAFFINLAND IRON MINES CORPORATION

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Shares be issued to:

(NAME)

(ADDRESS)

(CITY AND STATE OR PROVINCE)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of an delivered to:

(NAME)

(ADDRESS)

(CITY AND STATE OR PROVINCE)

SOCIAL INSURANCE, SOCIAL SECURITY OR OTHER TAXPAYER NUMBER

Dated _____

Signature Guaranteed

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank, a Canadian trust company or a member of a recognized stock exchange or a member of the Securities Transfer Association Medallion Program (Stamp).

To be completed if true

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or any Person acting jointly or in consent with any of the foregoing or any Affiliate or Associate of such Person (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth in the Form of Election to Exercise is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and accordingly such Rights shall be null and void.

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate)

FOR VALUE RECEIVED _____ hereby sells,

assigns and transfers unto _____

(Please print name and address of transferee)

the Rights represented by this Rights Certificate, together with all right, title and interest therein and does hereby irrevocably constitute and appoint _____ as attorney to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated _____

Signature Guaranteed

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank, or Medallion guaranteed by a Canadian trust company or a member of a recognized stock exchange or a member of the Transfer Association Medallion (Stamp) Program.

To be completed if true

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or any Person acting jointly or in consent with any of the foregoing (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth in the Form of Assignment is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and accordingly such Rights shall be null and void.