

CHARTER OF THE COMPENSATION COMMITTEE

1.0 PURPOSE

The Compensation Committee (the “Committee”) of Baffinland Iron Mines Corporation (the “Company”) has been established by the Board of Directors of the Company (the “Board”) for the purposes of assisting the Board in determining the Company’s overall compensation and shall assume responsibility for:

1.1 Compensation

Developing a compensation philosophy and policies and evaluating and making recommendations to the Board regarding cash, equity-based and incentive compensation of the Company’s directors and officers.

1.2 Performance Evaluation

Reviewing and approving goals and objectives relative to compensation for the Company’s Chief Executive Officer (the “CEO”) and evaluating the performance of the CEO in light of those goals.

1.3 Disclosure

Reviewing and approving compensation disclosure before the Company publicly discloses this information.

2.0 COMPOSITION

2.1 Members

The Committee shall consist of as many members as the Board shall determine, but in any event, not fewer than two (2) members. The Board shall appoint the members of the Committee annually.

2.2 Qualifications

Each member of the Committee shall be an independent director of the Company within the meaning of the Canadian Securities Administrators’ Multilateral Instrument 52-110.

2.3 Chair

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

2.4 Removal and Replacement

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

3.0 OPERATIONS

3.1 Meetings

The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least two (2) times per year.

3.2 Independent Meetings

The Committee members shall meet independently, with only members of the Committee, following every meeting of the Committee, or more frequently, if necessary.

3.3 Quorum

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

3.4 Notice

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

3.5 Agenda

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

3.6 Report to Board

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

3.7 Assessment of Charter

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

4.0 RESPONSIBILITIES

The Committee is responsible for making all determinations and taking all actions that are reasonably appropriate or necessary in the course of establishing the compensation of the Company's executives, including:

4.1 Compensation

4.1.1 Reviewing and making recommendations to the Board and overseeing the total compensation for the CEO and reviewing the CEO's recommendations for his direct reports, including among other things, their base salaries, annual incentives, deferred compensation, stock option and other equity-based compensation, incentive compensation, special benefits, perquisites, and incidental benefits.

4.1.2 Reviewing and making recommendations to the Board with respect to the compensation of the Company's directors, including without limitation, equity and equity-based compensation.

- 4.1.3 Adopting and periodically reviewing a comprehensive statement of executive compensation philosophy, strategy and principles that has the support of management and the Board, and administering the Company's compensation program in accordance with these principles.
- 4.1.4 Reviewing and making recommendations to the Board regarding all new employment, consulting, retirement and severance agreements and arrangements proposed for the Company's executives and periodically evaluating existing agreement with the Company's executives for continuing appropriateness.
- 4.1.5 Selecting a peer group of companies that is used for purposes of determining competitive compensation packages.
- 4.1.6 Reviewing periodically and making recommendations to the Board regarding any long-term incentive compensation or equity plans, programs or similar arrangements that the Company establishes for, or makes available to, its directors and employees (collectively the "Plans"), the appropriateness of the allocation of benefits under the Plans and the extent to which the Plans are meeting their intended objectives.
- 4.1.7 Administering the Plans in accordance with their terms, construing all terms, provisions, conditions and limitations of the Plans and making factual determinations required for the administration of the Plans.

4.2 Performance Evaluation

- 4.2.1 Reviewing and approving corporate goals and objectives relevant to the compensation of the CEO, evaluating the performance of the CEO in light of those goals and objectives, and setting the compensation level of the CEO based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider, among other things, the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years.
- 4.2.2 Reviewing the results of, and procedures for, the evaluation of the performance of other executive officers by the CEO.

4.3 Disclosure

- 4.3.1 Preparing an annual Committee report on the Company's executive compensation policies and programs and the relationship of corporate performance to executive compensation, including the factors and criteria on which the CEO's compensation for the previous fiscal year was based and the relationship of the Company's performance to the CEO's compensation, for inclusion in the Company's management information circular.

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

5.0 AUTHORITY

5.1 Delegation

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

5.2 Advisors

The Committee has the authority to retain, and determine the fees of, independent legal counsel, compensation consultants and other advisors in its sole discretion that it determines to be necessary to permit it to carry out its duties.