

This document is important and requires your immediate attention. If you are in doubt as to how to respond to the offers described in this Notice of Change, you should consult with your investment dealer, stockbroker, bank manager, lawyer or other professional advisor.



NOTICE OF CHANGE TO DIRECTORS' CIRCULAR

Relating to the Amended Offer by ARCELORMITTAL S.A.

to purchase 100% of the outstanding common shares and 2007 common share purchase warrants of

BAFFINLAND IRON MINES CORPORATION

FOR \$1.25 IN CASH PER COMMON SHARE

AND \$0.10 IN CASH PER 2007 WARRANT

AND

NOTICE OF CHANGE TO DIRECTORS' CIRCULAR

Relating to the Amended Partial Offer by NUNAVUT IRON ORE ACQUISITION INC.,

a corporation wholly owned by IRON ORE HOLDINGS, LP,

to purchase 50.1% of the common shares of

BAFFINLAND IRON MINES CORPORATION

FOR \$1.35 IN CASH PER COMMON SHARE

The Baffinland Board of Directors recommends that you

ACCEPT the Amended ArcelorMittal Offer
and TENDER your Baffinland Common Shares and 2007 Warrants
to the Amended ArcelorMittal Offer

and

REJECT the Amended Nunavut Offer
and DO NOT TENDER your Baffinland Common Shares
to the Amended Nunavut Offer.

Information contained in this Notice of Change varies and updates certain information contained in the Directors' Circular dated November 12, 2010 issued by the Board of Directors of Baffinland Iron Mines Corporation with respect to the original offer made by ArcelorMittal S.A. dated November 12, 2010 and should be read in conjunction therewith. This Notice of Change also varies and updates certain information contained in the Directors' Circular dated October 7, 2010 issued by the Board of Directors of Baffinland Iron Mines Corporation with respect to the original offer made by Nunavut Iron Ore Acquisition Inc. dated September 22, 2010 and should be read in conjunction therewith.

December 20, 2010

Notice to United States Securityholders: *The offers to which this Notice of Change relate are made for the securities of a Canadian issuer. The enforcement by investors of civil liabilities under United States federal securities law may be affected adversely by the fact that the issuer is located in a foreign country and that some of its officers and directors are residents of a foreign country.*

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

Certain statements in this Notice of Change may constitute forward looking information within the meaning of securities laws. These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. In some cases, forward looking information can be identified by the use of terms such as “may”, “will”, “should”, “project”, “expect”, “believe”, “plan”, “scheduled”, “intend”, “estimate”, “forecast”, “predict”, “potential”, “continue”, “anticipate” or other similar expressions concerning matters that are not historical facts. Forward looking information may relate to management’s future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of Baffinland.

Forward looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources and the realization of such estimates, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing to develop the Mary River property in the short and long-term, the progress of construction and development activities, the receipt of necessary regulatory approvals, iron ore prices, the feasibility of constructing and operating a direct shipping iron ore mine at the Mary River Project, assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters.

Several factors could cause actual results to differ materially from those expressed in the forward looking statements, including, but not limited to: actions taken by ArcelorMittal or Nunavut; actions taken by Shareholders of Baffinland in respect of the Amended ArcelorMittal Offer or the Amended Nunavut Offer; the possible effect of the Amended ArcelorMittal Offer or the Amended Nunavut Offer on Baffinland’s business; risks inherent in the exploration for and development of mineral deposits; financing, capitalization and liquidity risks, including the risk that the financing alternatives necessary to fund the exploration and development activities at the Mary River Property may not be available on satisfactory terms, or at all; regulatory risks, including risks relating to the acquisition of the necessary licenses and permits; uncertainties inherent in the estimation of mineral reserves and resources; risks that production estimates may be inaccurate; construction and operational risks inherent in the conduct of mining activities, including the risk of increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the construction and development process; risks relating to changes in iron ore prices and the worldwide demand for and supply of iron ore; risks relating to the remoteness of the Mary River Property including access and supply risks and reliance on key personnel; environmental risks, including risks relating to climate change and the potential impact of global warming on Mary River Project timelines and on construction and operating costs; the risk of fluctuations in the Canadian/U.S. dollar exchange rate; and insurance risks. Additional risks and uncertainties can be found in Baffinland’s Annual Information Form for the financial year ended December 31, 2009 under the captions “Cautionary Statement on Forward Looking Information” and “Risk Factors” and in Baffinland’s other filings with Canadian provincial securities commissions.

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

CURRENCY

All dollar references in this Notice of Change are in Canadian dollars, unless otherwise indicated.

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NOTICE OF CHANGE TO DIRECTORS' CIRCULAR

Amended ArcelorMittal Offer

This Notice of Change (this “**Notice of Change**”) relating to the directors’ circular dated November 12, 2010 (the “**ArcelorMittal Directors’ Circular**”) is issued by the board of directors (the “**Board of Directors**” or “**Board**”) of Baffinland Iron Mines Corporation (“**Baffinland**” or the “**Corporation**”) in connection with the offer by ArcelorMittal S.A. (“**ArcelorMittal**”) to purchase all of the issued and outstanding common shares (the “**Common Shares**”) of Baffinland including Common Shares that may become issued and outstanding upon the exercise, exchange or conversion of any securities that are exercisable or exchangeable for or convertible into Common Shares, together with the associated rights outstanding under the Shareholder Rights Plan, for \$1.10 in cash per Common Share and all of the outstanding common share purchase warrants issued by Baffinland on January 31, 2007 (the “**2007 Warrants**”) for \$0.10 in cash per 2007 Warrant, upon the terms and subject to the conditions set forth in ArcelorMittal’s Offer and accompanying take-over bid circular dated November 12, 2010, as amended and supplemented by a notice of variation and extension dated December 18, 2010 (as amended and supplemented, the “**ArcelorMittal Offer and Circular**”) (the “**Amended ArcelorMittal Offer**”). Defined terms used but not defined in this Notice of Change have the meanings given to them in the ArcelorMittal Directors’ Circular. This values the original ArcelorMittal Offer at approximately \$433 million and the Amended ArcelorMittal Offer at approximately \$492 million.

The Amended ArcelorMittal Offer is being made pursuant to the terms and conditions of a support agreement dated November 8, 2010 between Baffinland and ArcelorMittal, as amended pursuant to a supplement to the Support Agreement dated December 18, 2010 (as amended, the “**Support Agreement**”).

ArcelorMittal has agreed to increase the consideration payable under the Amended ArcelorMittal Offer to \$1.25 in cash for each Common Share. The Amended ArcelorMittal Offer remains subject to substantially the same conditions except that the minimum tender condition has been decreased from 66 $\frac{2}{3}$ % to 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share. No change was made to the consideration payable for 2007 Warrants.

The Amended ArcelorMittal Offer is open for acceptance until 11:59 p.m. (Toronto time) on December 29, 2010, unless extended or withdrawn.

Amended Nunavut Offer

This Notice of Change also relates to the directors’ circular dated October 7, 2010 (the “**Nunavut Directors’ Circular**”) in connection with the unsolicited offer by Nunavut Iron Ore Acquisition Inc. (“**Nunavut**”), a corporation wholly owned by Iron Ore Holdings, LP, to purchase 50.1% of the Common Shares together with the associated rights outstanding under the Shareholder Rights Plan, including Common Shares that may become issued and outstanding after September 22, 2010 but before the expiry time of the offer upon the conversion, exchange or exercise of options issued under the Option Plan, the issued and outstanding warrants of Baffinland, or other securities of Baffinland that are convertible into or exchangeable or exercisable for Common Shares, upon the terms and subject to the conditions set forth in the Offer and Circular dated September 22, 2010, as amended and supplemented by notices of variation and extension dated October 28, 2010, November 8, 2010, November 22, 2010, December 2, 2010, December 13, 2010 and December 15, 2010 (as amended and supplemented, the “**Nunavut Offer and Circular**”) (the “**Amended Nunavut Offer**”).

Nunavut has amended the consideration payable under the Amended Nunavut Offer to \$1.35 in cash for each Common Share but has decreased the maximum number of Common Shares to be taken up and paid for under the Amended Nunavut Offer to the number of Common Shares which, together with any Common Shares owned by Nunavut and its affiliates, constitutes 50.1% of the Common Shares outstanding on an in-the-money fully diluted basis. As of December 20, 2010, this number would be 156,504,656 Common Shares, based on 393,664,783 in-the-money fully diluted Common Shares outstanding and the 40,721,400 Common Shares currently owned by Nunavut and its affiliates. This values the original Nunavut Offer at approximately \$294 million, which excludes the Common Shares already owned by Nunavut at the time, and the Amended Nunavut Offer at approximately \$211 million.

The Amended Nunavut Offer remains subject to substantially the same conditions other than (i) the addition of a new condition that Baffinland deliver to Nunavut, on or before December 24, 2010, a favourable title opinion from Lawson Lundell LLP, acceptable to Nunavut, addressing the matters described in section 2.12 of the Support

Agreement, in respect of the title and ownership interest of Baffinland in the mining leases and mineral claims forming part of the Mary River property, or Nunavut is otherwise satisfied in respect of such title and ownership interest, and (ii) Nunavut has waived the failure of condition (b) under Section 4 of the Original Nunavut Offer which occurred as a result of the entering into of the Support Agreement; however, such waiver is limited solely to the entering into of the Support Agreement, as constituted on the date thereof.

The Amended Nunavut Offer is open for acceptance until 7:00 p.m. (Toronto time) on December 30, 2010, unless extended or withdrawn.

RECENT DEVELOPMENTS

Support Agreement and Offer by ArcelorMittal S.A.

On November 8, 2010, Baffinland entered into the Support Agreement pursuant to which it agreed to support the offer by ArcelorMittal to acquire all of the Common Shares and 2007 Warrants of Baffinland for \$1.10 and \$0.10 in cash, respectively. The directors and officers of Baffinland and Baffinland's largest shareholder, Resource Capital Fund III L.P. and Resource Capital Fund IV L.P. (together, "**Resource Capital Funds**") entered into lock-up agreements with ArcelorMittal pursuant to which they agreed to tender all of their Baffinland securities to the Amended ArcelorMittal Offer. The Support Agreement and lock-up agreements were filed with the Canadian securities regulatory authorities and are available at www.sedar.com. Baffinland's material change report which describes the proposed transaction with ArcelorMittal has been filed with the Canadian securities regulatory authorities.

On November 13, 2010, ArcelorMittal mailed a take-over bid circular to Baffinland's securityholders in connection with the ArcelorMittal Offer. Baffinland's directors' circular was mailed along with the take-over bid circular.

On November 18, 2010, ArcelorMittal received confirmation from Industry Canada pursuant to subsection 13(1) of the *Investment Canada Act* advising that the proposed acquisition of Baffinland by ArcelorMittal is not reviewable under Part IV of the *Investment Canada Act*.

On December 13, 2010, the Commissioner of Competition under the *Competition Act* (Canada) issued a "no action" letter to ArcelorMittal confirming that the Commissioner of Competition does not intend to challenge ArcelorMittal's acquisition of Baffinland and waiving the notification requirement with respect to the transaction.

On December 18, 2010, Baffinland and ArcelorMittal entered into a supplement to the Support Agreement (the "**Support Agreement Supplement**") and ArcelorMittal announced the Amended ArcelorMittal Offer, and subsequently filed and mailed a notice of variation and extension to Baffinland Shareholders. The material terms of the Support Agreement Supplement are: (i) an increase in the price offered to Shareholders under the Amended ArcelorMittal Offer from \$1.10 to \$1.25 in cash per Common Share; (ii) an extension of the expiry time of the Amended ArcelorMittal Offer from 11:59 p.m. (Toronto time) on December 20, 2010 to 11:59 p.m. (Toronto time) on December 29, 2010, (iii) a reduction in the minimum tender condition from 66 $\frac{2}{3}$ % to 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share; (iv) an increase in the termination fee payable to ArcelorMittal under the Support Agreement from \$11,000,000 to \$15,500,000 to reflect an increase in the value of the Amended ArcelorMittal Offer; and (v) the requirement that Baffinland adopt a new shareholder rights plan with similar effect to the shareholder rights plan in existence immediately prior to November 19, 2010, and which new shareholder rights plan shall not be waived until immediately prior to the time ArcelorMittal is first permitted to take-up securities deposited to the Amended ArcelorMittal Offer, or such earlier time if so requested by ArcelorMittal.

Recent Developments Concerning the Nunavut Offer

On October 28, 2010, Nunavut announced that it had extended the expiry date of the Nunavut Offer to 7:00 p.m. (Toronto time) on November 8, 2010, and subsequently filed and mailed a notice of extension to Baffinland Shareholders to that effect.

On October 28, 2010, Nunavut announced that it had obtained the approval required under the Competition Act and the Canada Transportation Act with respect to Nunavut's proposed acquisition of Baffinland.

On November 8, 2010, Nunavut announced that it had extended the expiry date of the Nunavut Offer to 7:00 p.m. (Toronto time) on November 22, 2010, and subsequently filed and mailed a notice of extension to Baffinland Shareholders to that effect.

On November 9, 2010, the Ontario Securities Commission (“OSC”) issued a Notice of Hearing to consider an application by Nunavut for an order to cease trade and, in effect, invalidate Baffinland’s amended and restated shareholder rights plan (the “**Original Shareholder Rights Plan**”). On November 19, 2010, the OSC issued an order that the Original Shareholder Rights Plan and the rights issued thereunder be immediately cease traded.

On November 22, 2010, Nunavut announced that it had extended the expiry date of the Nunavut Offer to 7:00 p.m. (Toronto time) on December 2, 2010, and subsequently filed and mailed a notice of extension to Baffinland Shareholders to that effect.

On December 2, 2010, Nunavut announced that it had extended the expiry date of the Nunavut Offer to 7:00 p.m. (Toronto time) on December 13, 2010, and subsequently filed and mailed a notice of extension to Baffinland Shareholders to that effect.

On December 13, 2010, Nunavut announced that it had extended the expiry date of the Nunavut Offer to 7:00 p.m. (Toronto time) on December 23, 2010, and subsequently filed and mailed a notice of extension to Baffinland Shareholders to that effect.

On December 15, 2010, Nunavut announced the Amended Nunavut Offer, and subsequently filed and mailed a notice of variation and extension to Baffinland Shareholders in respect of the terms of the Amended Nunavut Offer and the extension of the Amended Nunavut Offer to 7:00 p.m. (Toronto time) on December 30, 2010.

DIRECTORS’ RECOMMENDATION

After careful consideration, in consultation with its financial and legal advisors, of the terms and conditions of both the Amended ArcelorMittal Offer and the Amended Nunavut Offer, the Board of Directors, at a meeting held on December 17, 2010 determined that the Amended ArcelorMittal Offer is in the best interests of Baffinland, its Shareholders and 2007 Warrantholders.

The Board of Directors recommends that Securityholders:

ACCEPT the Amended ArcelorMittal Offer and TENDER their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer.

AND

REJECT the Amended Nunavut Offer and NOT TENDER their Common Shares to the Amended Nunavut Offer.

If you have tendered your Common Shares to the Amended Nunavut Offer, you can withdraw them. For assistance in withdrawing your Common Shares, you should contact your broker or Baffinland’s information agent, Phoenix Advisory Partners (“**Phoenix**”) at the address or phone number on the back page of this Notice of Change.

ANALYSIS AND REASONS FOR THE BOARD’S CONCLUSION AND RECOMMENDATION TO ACCEPT THE AMENDED ARCELORMITTAL OFFER AND REJECT THE AMENDED NUNAVUT OFFER

The following are the principal reasons for the recommendation of the Board to Securityholders to **ACCEPT** the Amended ArcelorMittal Offer and **TENDER** their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer and to **REJECT** the Amended Nunavut Offer and **NOT TENDER** their Common Shares to the Amended Nunavut Offer.

- 1. The Amended ArcelorMittal Offer is for 100% of the Common Shares and 2007 Warrants and represents a 13.6% premium to the original ArcelorMittal Offer.*

The Amended ArcelorMittal Offer is being made for 100% of the Common Shares and 2007 Warrants of Baffinland. The price being offered under the Amended ArcelorMittal Offer represents a 13.6% increase over the price offered under the original ArcelorMittal Offer and a 56.3% premium over the original Nunavut Offer, which

was initially made for all of the Common Shares. Detailed reasons for the Board of Directors' prior recommendation of the offer by ArcelorMittal can be found in the ArcelorMittal Directors' Circular.

2. *The Amended Nunavut Offer is structurally coercive and its value is highly uncertain.*

The Amended Nunavut Offer is a "partial bid," which means that it is an offer to acquire less than all of the Common Shares, in this case only up to 156,504,656 Common Shares, which represents approximately 50.1% of the outstanding Common Shares (inclusive of the approximately 10.3% of the Common Shares Nunavut has already purchased). Thus, the maximum percentage of the Common Shares that Nunavut is offering to acquire under the Amended Nunavut Offer is effectively 39.8%. If more than this maximum number of Common Shares are tendered, the Common Shares to be purchased under the Amended Nunavut Offer would be determined on a pro rata basis (based on the number of Common Shares tendered by each holder). If all Shareholders tendered all of their Common Shares into the Amended Nunavut Offer, they would only be able to sell approximately 44.3% of their Common Shares and would be required to retain the remaining 55.7% of their Common Shares, the value of which is highly uncertain.

This "partial bid" structure is inherently coercive because it forces Shareholders to decide whether or not to accept the Amended Nunavut Offer (and in respect of how many Common Shares), and rely on an uncertain market value for the balance of their remaining Common Shares without knowing (i) whether and to what extent other Shareholders would accept the Amended Nunavut Offer, (ii) the price at which the Common Shares will trade after the Amended Nunavut Offer, and (iii) the role that Nunavut would play at Baffinland following the Amended Nunavut Offer and the impact of that role on the value of the Common Shares. Nunavut has not disclosed its development plans for the Mary River Project and the financing thereof or provided any indication of its financial capacity as controlling shareholder to assist in such financing and the extent to which Shareholders generally will suffer potential dilution as a result of the required financing to develop the Mary River Project. A Shareholder may feel compelled to tender Common Shares in a partial bid out of concern that in failing to do so, if the partial bid is completed, the Shareholder may suffer adverse consequences, including the following:

- (a) uncertainty resulting from lack of any disclosure of financing arrangements for Nunavut or for Baffinland to execute the ambitious plans outlined in the Amended Nunavut Offer, the terms of and/or absence of which could materially and adversely affect the value of the Common Shares following Nunavut acquiring control;
- (b) holding an investment in a company that is under the influence of a shareholder with actual or effective control that has articulated no clear plans or direction for Baffinland; and
- (c) a potentially reduced price reflecting a minority discount resulting from control of Baffinland being in the hands of Nunavut.

Furthermore, Nunavut can waive its minimum tender condition and proceed to seek to exercise effective control over Baffinland with less than a majority interest and against the wishes of the majority of Baffinland Shareholders.

3. *The Value of the 2% Royalty Offered to Remaining Shareholders as part of the Amended Nunavut Offer is Vague and Subject to Numerous Unstated Assumptions.*

The Amended Nunavut Offer indicates that Nunavut will use commercially reasonable efforts to provide the Shareholders of Baffinland, other than Nunavut and its affiliates, with a gross revenue royalty aggregating 2% of the revenues derived from 365 million tonnes of proved and probable reserves identified in the Technical Report of the Definitive Feasibility Study in 2008 or an approximate financial equivalent thereof (the "**Royalty Unit**"). Such reserves are only a part of the resources identified by Baffinland at the Mary River property.

There is no contractual obligation for Nunavut to deliver the Royalty Unit to shareholders of Baffinland. It is merely an expressed intention subject to determining an appropriate structure after reviewing the tax and other implications of making this available to shareholders. Furthermore, under the Amended Nunavut Offer, Nunavut is entitled to waive its minimum tender condition such that it may not become the majority shareholder in Baffinland following completion of its offer and thus not be in any position to cause Baffinland to issue the Royalty Unit referred to in the Amended Nunavut Offer and deliver it to shareholders.

As indicated above, Nunavut has not disclosed any details of its plans or ability to finance the development of the Mary River Project and apart from the dilution that may result from any necessary equity financing, the existence of the Royalty Unit will reduce the value otherwise inherent in the Common Shares of Baffinland.

4. *If successful, the Amended Nunavut Offer will have an adverse effect on the liquidity of the Common Shares.*

If successful, the Amended Nunavut Offer would impair the liquidity of the Common Shares. If the Amended Nunavut Offer is successful, Nunavut will exercise control or direction over up to 50.1% of the issued and outstanding Common Shares. The Board believes that the liquidity of the Common Shares after completion of the Amended Nunavut Offer will be adversely affected, which may in turn have a negative impact on the trading price of the Common Shares. Should the Amended Nunavut Offer succeed and the Resource Capital Funds, Baffinland's largest shareholder, not tender its Common Shares to the Amended Nunavut Offer, then the public float would be less than 100 million Common Shares representing less than 25% of the outstanding Common Shares assuming the exercise of all outstanding securities exercisable for or convertible into Common Shares.

5. *The Amended Nunavut Offer is Highly Conditional.*

The Amended Nunavut Offer is highly conditional for the benefit of Nunavut, resulting in substantial uncertainty for Shareholders as to whether Nunavut will acquire any Shares under the Amended Nunavut Offer. In total, there are 14 conditions. Each of these conditions must be satisfied or waived before Nunavut will be obligated to take up any Shares deposited under the Amended Nunavut Offer.

Several of the conditions provide Nunavut with broad discretion to determine whether the conditions have been satisfied. Other conditions are not subject to customary materiality thresholds or other objective criteria, but rather provide Nunavut with a broad range of grounds upon which it may decline to proceed with the Amended Nunavut Offer. For example, Nunavut can decide not to proceed with the Amended Nunavut Offer if Baffinland does not provide it with a favourable title opinion, even though doing so would require Baffinland to breach the Support Agreement and to become potentially liable for payment of the termination fee due to such breach. This is a new condition added by Nunavut in the Amended Nunavut Offer with full knowledge of the terms of the Support Agreement and the non-solicitation covenants found therein, which are publicly disclosed on SEDAR. There is no need for Shareholders to make a decision with respect to the Amended Nunavut Offer until Nunavut has confirmed the waiver or satisfaction of these conditions.

By contrast, the Amended ArcelorMittal Offer affords greater certainty as ArcelorMittal has confirmed (i) it has received a title opinion in a form acceptable to ArcelorMittal pursuant to Section 2.12 of the Support Agreement; (ii) on December 13, 2010 the Commissioner issued a "no action" letter to ArcelorMittal confirming that the Commissioner does not intend to challenge the Amended ArcelorMittal Offer which, provided such letter is not rescinded or amended, satisfies the condition to obtain Competition Act Approval under the Amended ArcelorMittal Offer; and (iii) ArcelorMittal has received Investment Canada Act Approval.

6. *Abusive Acquisitions of Common Shares by Nunavut.*

A significant portion of the existing 10.3% stake in Baffinland held by Nunavut has been acquired in a manner which the Board views as discriminatory and abusive. Nunavut has reported that it has purchased for cash on the Toronto Stock Exchange (the "TSX") approximately 9.3 million Common Shares on an all cash basis on December 15, 2010 with the highest price paid being \$1.25 and the average price being \$1.1886, immediately prior to announcing the Amended Nunavut Offer after markets had closed on December 15, 2010. On December 16, 2010, following the announcement of the Amended Nunavut Offer, Nunavut acquired an additional 6,027,700 Common Shares with the highest price paid being \$1.29 and the average price being \$1.2542. Unless Nunavut has made private arrangements not disclosed in the Amended Nunavut Offer, these selling Shareholders have received cash for all of their Common Shares purchased over the TSX (based on the assumption that the sellers sold all of their Common Shares in such transactions).

7. *All of the directors and officers of Baffinland and Baffinland's largest shareholder, Resource Capital Funds, have entered into Lock-Up Agreements with ArcelorMittal and tendered their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer.*

All of the directors and officers of Baffinland, along with Baffinland's largest shareholder, Resource Capital Funds, who collectively hold 93,651,325 Common Shares and 4,560,000 in-the-money Options representing an

aggregate of approximately 25.4% of the issued and outstanding Common Shares (on a fully-diluted basis) and 1,853,182 2007 Warrants, have entered into lock-up agreements pursuant to which they have deposited their Common Shares and 2007 Warrants, subject to the terms and conditions of such agreements, to the ArcelorMittal Offer. In addition, the Resource Capital Funds and all directors and officers (i) holding 2009 Warrants have exercised such 2009 Warrants and tendered the underlying Common Shares issuable therefrom, and (ii) holding stock options have conditionally tendered the underlying Common Shares issuable therefrom.

8. *The Board of Directors has preserved the ability to respond to unsolicited Superior Proposals.*

Under the Support Agreement, the Board of Directors maintains the ability to consider and respond, in accordance with its fiduciary duties, to unsolicited bona fide written proposals that are, or would reasonably be expected to lead to a proposal that is more favourable than the Amended ArcelorMittal Offer. The terms of the Support Agreement, including the termination fee payable to ArcelorMittal in connection with a termination of the Support Agreement (in certain specified circumstances), are reasonable in the circumstances and not preclusive of other proposals. In addition, (i) the \$15.5 million termination fee potentially payable to ArcelorMittal in certain circumstances represents approximately 3.1% of the aggregate value of the Amended ArcelorMittal Offer, which is consistent with termination fees payable in similar acquisition transactions; and (ii) the increase in the termination payment of \$4.5 million was agreed to in the context of an increase in the value of Amended ArcelorMittal Offer of \$59.0 million. The Amended Nunavut Offer is not a Superior Proposal under the terms of the Support Agreement and because it is not an offer for all Common Shares of Baffinland, it is not capable of becoming a Superior Proposal, as defined in the Support Agreement.

CONCLUSION AND RECOMMENDATION

For the principal reasons outlined above, and after receiving the advice of its financial and legal advisors, the Board believes that the Amended ArcelorMittal Offer is superior to the Amended Nunavut Offer and recommends that Securityholders **ACCEPT** the Amended ArcelorMittal Offer and **TENDER** their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer and **REJECT** the Amended Nunavut Offer and **NOT TENDER** their Common Shares to the Amended Nunavut Offer.

The Board of Directors recommends that Securityholders:

**ACCEPT the Amended ArcelorMittal Offer and TENDER their Common Shares
and 2007 Warrants to the Amended ArcelorMittal Offer**

AND

**REJECT the Amended Nunavut Offer and NOT TENDER their Common Shares
to the Amended Nunavut Offer.**

The foregoing summary of the information and factors considered by the Board in reaching its conclusion and recommendation is not intended to be exhaustive. The members of the Board evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Baffinland, and based upon the advice of the Board's financial and legal advisors. In view of the numerous factors considered in connection with the evaluation of the Amended ArcelorMittal Offer and the Amended Nunavut Offer, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its conclusion and recommendation. In addition, individual members of the Board may have given different weight to different factors. The conclusion and recommendation of the Board was made after considering all of the information and factors involved.

INTENTION OF DIRECTORS AND OFFICERS WITH RESPECT TO THE OFFERS

The Board has made reasonable enquiries of each director and officer of Baffinland, and their respective associates. Each of the directors and officers of Baffinland have indicated that they have accepted the Amended ArcelorMittal Offer and rejected the Amended Nunavut Offer and have tendered their Common Shares (including Common Shares underlying Options and warrants held immediately prior to the expiry time of the Amended ArcelorMittal Offer) to the Amended ArcelorMittal Offer.

ARRANGEMENTS BETWEEN BAFFINLAND AND ITS DIRECTORS AND OFFICERS

Other than as described in the ArcelorMittal Directors' Circular, the Nunavut Directors' Circular or in Baffinland's management information circular dated May 6, 2010, no agreement, commitment or understanding has been made, or is proposed to be made, between Baffinland and any of its directors or officers pursuant to which a payment or other benefit is to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the Amended ArcelorMittal Offer or the Amended Nunavut Offer is successful.

As disclosed in the Nunavut Directors' Circular, Baffinland accelerated the vesting of options of all participants under Baffinland's stock option plan. In the event that such accelerated vesting of Options may be considered to be a benefit of the Amended ArcelorMittal Offer to those directors and senior officers and other related parties of Baffinland whose vesting of Options has been accelerated, such benefit (i) was not conferred for the purpose, in whole or in part, of increasing the amount of the consideration paid to such persons for their Common Shares and 2007 Warrants to be deposited under the Amended ArcelorMittal Offer, (ii) the conferring of such benefits was not conditional on any such person supporting the Amended ArcelorMittal Offer in any manner, and (iii) each of the directors and senior officers of Baffinland and their respective associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding Common Shares other than Mr. Richard D. McCloskey. Mr McCloskey, as of November 12, 2010 together with affiliates and associates exercised control or direction 8,347,066 Common Shares.

The Special Committee reviewed the benefit of such acceleration to Mr. McCloskey and determined the value of such acceleration to Mr. McCloskey, net of any offsetting costs, to be less than 5% of the amount of the consideration that Mr. McCloskey expected to receive under the terms of the Amended ArcelorMittal Offer in exchange for the Common Shares beneficially owned by him.

MATERIAL CHANGES IN THE AFFAIRS OF BAFFINLAND

Except as publicly disclosed, the directors and officers of Baffinland are not aware of any information that indicates any material change in the affairs, activities, financial position or prospects of Baffinland since the date of its last published financial statements, being its unaudited financial statements for the quarter ended September 30, 2010.

OTHER TRANSACTIONS

Other than as described or referred to in the ArcelorMittal Directors' Circular, the Nunavut Directors' Circular or in this Notice of Change, no negotiations are underway in response to the Amended ArcelorMittal Offer or the Amended Nunavut Offer which relate to or would result in: (a) an extraordinary transaction such as a merger, reorganization or liquidation involving Baffinland; (b) the purchase, sale or transfer of a material amount of assets by Baffinland; (c) a take-over bid or other acquisition of securities of Baffinland by any person; (d) a bid by Baffinland for its own securities or for those of another issuer; or (e) any material change in the present capitalization or dividend policy of Baffinland.

Other than as described or referred to in this Notice of Change under the heading "*Recent Developments — Support Agreement and Offer by ArcelorMittal S.A.*", there is no transaction, Board resolution, agreement in principle or signed contract of Baffinland which has occurred in response to the Amended ArcelorMittal Offer or the Amended Nunavut Offer and that related to one of the matters set forth in the preceding paragraph.

The Support Agreement allows the Board of Directors to engage in discussions or negotiations with respect to an unsolicited bona fide written competing acquisition proposal at any time after the Board of Directors determines, in good faith based on information then available and after consultation with its financial advisors, that such acquisition proposal constitutes a "superior proposal" or could reasonably be expected to result in a "superior proposal" as such terms are defined in the Support Agreement.

SHAREHOLDER RIGHTS PLAN

Prior to the announcement of the Nunavut Offer on September 22, 2010, Baffinland had the Original Shareholder Rights Plan in place that had been ratified, confirmed and approved at an annual and special meeting of the Shareholders held on March 24, 2009. On November 9, 2010, the OSC issued a Notice of Hearing to consider an application by Nunavut for an order to cease trade and, in effect, invalidate the Original Shareholder Rights Plan. On November 19, 2010, the OSC issued an order that the Original Shareholder Rights Plan and the rights issued thereunder be immediately cease traded. In its reasons, the OSC stated: “We are not prepared to take actions or speculate or assume that Nunavut will take actions in the future that would be coercive of or abusive to Baffinland Shareholders. If Nunavut did so, we would intervene to protect the interest of Shareholders”.

On December 20, 2010, the Board adopted a shareholder rights plan (the “**2010 Shareholder Rights Plan**”), subject to TSX approval, and declared an issuance of one right for each Common Share to the Shareholders of record at the close of business on December 20, 2010. The 2010 Shareholder Rights Plan is substantially similar to the Original Shareholder Rights Plan that was in place prior to November 19, 2010. A copy of the 2010 Shareholder Rights Plan is available on SEDAR.

In adopting the 2010 Shareholder Rights Plan, as required by the terms of the Support Agreement Supplement, the Board considered, among other things, the OSC’s reasons for ordering that the Original Shareholder Rights Plan be cease traded. The Board came to the view that the changes made to the Amended Nunavut Offer are structurally coercive and, in any case, inadequate time has been allowed to the Shareholders to properly consider the Amended Nunavut Offer and that adopting the 2010 Shareholder Rights Plan was appropriate.

On December 20, 2010, the Board resolved to defer the “Separation Time” (as defined in the 2010 Shareholder Rights Plan) under the 2010 Shareholder Rights Plan with respect to the Amended ArcelorMittal Offer and the Amended Nunavut Offer to a later date to be determined by the Board.

OTHER MATERIAL INFORMATION

Except as noted below or as otherwise described or referred to in this Notice of Change, or otherwise publicly disclosed, no other information is known to the directors or officers of Baffinland that would reasonably be expected to affect the decision of the Shareholders to accept or reject the Amended ArcelorMittal Offer or the Amended Nunavut Offer.

Baffinland expects to release the results of a definitive feasibility study for a road haulage option that would result in early stage iron ore production, currently being prepared by an independent and internationally recognized engineering firm, and file its Draft Environmental Impact Statement in mid January 2011.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides security holders of Baffinland with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

APPROVAL OF NOTICE OF CHANGE

The content of this Notice of Change has been approved and the delivery thereof has been authorized by the Board.

CERTIFICATE

Dated: December 20, 2010

The foregoing, together with the ArcelorMittal Directors' Circular and the Nunavut Directors' Circular, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors

(Signed) DANIELLA DIMITROV
Director and Vice-Chair

(Signed) JOHN LYDALL
Chairman of the Special Committee and Director



**THE BOARD OF DIRECTORS
RECOMMENDS THAT BAFFINLAND
SHAREHOLDERS**

**ACCEPT THE AMENDED ARCELORMITTAL OFFER
AND TENDER THEIR COMMON SHARES AND 2007 WARRANTS TO
THE AMENDED ARCELORMITTAL OFFER**

AND

**REJECT THE AMENDED NUNAVUT OFFER
AND NOT TENDER THEIR COMMON SHARES TO
THE AMENDED NUNAVUT OFFER**

Any questions and requests for assistance may be directed to Baffinland's Information Agent:



North American Toll Free Phone:

1-800-503-9445

Email: contactus@phoenixadvisorypartners.com

Outside North America, Banks and Brokers Call Collect: 416-385-6020