

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



DIRECTORS' CIRCULAR

RECOMMENDING

ACCEPTANCE

of the offer by

ARCELORMITTAL

**to purchase all of the outstanding common shares
and 2007 common share purchase warrants of**

BAFFINLAND IRON MINES CORPORATION

**FOR C\$1.10 IN CASH PER COMMON SHARE
AND C\$0.10 IN CASH PER 2007 WARRANT**

The Board of Directors UNANIMOUSLY recommends that you

ACCEPT the ArcelorMittal Offer and TENDER

your Baffinland Common Shares and 2007 Warrants to the ArcelorMittal Offer.

The Board of Directors reconfirms its recommendation that you reject the Nunavut Offer.

November 12, 2010

Notice to United States Securityholders:

The ArcelorMittal Offer to which this Directors' Circular relates is 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.

QUESTIONS AND ANSWERS ABOUT THE ARCELORMITTAL OFFER

Capitalized terms used but not defined herein have the meanings ascribed thereto in the Directors' Circular.

1. What is ArcelorMittal Offering?

ArcelorMittal has offered to acquire all of Baffinland's outstanding Common Shares and 2007 Warrants for \$1.10 in cash per Common Share and \$0.10 in cash per 2007 Warrant. The ArcelorMittal Offer represents a premium of 86.4% to the volume weighted average price of the Common Shares of \$0.59 on the TSX for the 20 trading days ending prior to the announcement of the Nunavut Offer, and approximately a 37.5% premium to the unsolicited \$0.80 in cash per Common Share offered under the Nunavut Offer. The ArcelorMittal Offer is open for acceptance by Shareholders and 2007 Warrantholders until 11:59 p.m. (Toronto time) on December 20, 2010 and is conditional upon, among other things, acceptance by holders of at least 66 $\frac{2}{3}$ % of the outstanding Common Shares on a fully-diluted basis. Full details concerning the conditions to the ArcelorMittal Offer are set out in the ArcelorMittal Offer and Circular.

2. Should I accept the ArcelorMittal Offer?

The Board of Directors, on recommendation of the Special Committee, UNANIMOUSLY recommends that Shareholders and 2007 Warrantholders ACCEPT the ArcelorMittal Offer and TENDER their Common Shares and 2007 Warrants to the ArcelorMittal Offer. The reasons for the recommendation of the Board of Directors are set out on pages 9 to 10 of this Directors' Circular under the section entitled "Recommendation of the Board of Directors".

All of the directors and officers of Baffinland and Baffinland's largest shareholder, Resource Capital Funds, who collectively hold 98,011,324 Common Shares, representing an aggregate of approximately 25% of the issued and outstanding Common Shares (on a fully-diluted basis), have entered into lock-up agreements with ArcelorMittal pursuant to which they have agreed, subject to the terms of those agreements, to tender their Common Shares and 2007 Warrants to the ArcelorMittal Offer.

The Board of Directors reconfirms its recommendation that you reject the Nunavut Offer.

3. How do I accept the ArcelorMittal Offer?

ArcelorMittal has indicated that if you are a registered Shareholder or 2007 Warrantholder, you can accept the ArcelorMittal Offer by, among other things, delivering to ArcelorMittal's depositary, Computershare Investor Services Inc., before the Expiry Date of the ArcelorMittal Offer: (a) the certificate(s) representing your Common Shares or your 2007 Warrants, as applicable; (b) a letter of transmittal (printed on yellow paper) accompanying the ArcelorMittal Offer and Circular (or a manually signed photocopy thereof) properly completed and executed in accordance with the instructions set out in the letter of transmittal accompanying the ArcelorMittal Offer and Circular; and (c) all other documents required by the instructions set out in the letter of transmittal accompanying the ArcelorMittal Offer and Circular. In addition, ArcelorMittal has indicated that if you cannot deliver all of the necessary documents to ArcelorMittal's depositary in time, you may be able to complete and deliver to ArcelorMittal's depositary the notice of guaranteed delivery (printed on green paper) accompanying the ArcelorMittal Offer and Circular (or a manually signed photocopy thereof), provided you are able to comply fully with its terms. See the ArcelorMittal Offer for additional instructions on accepting the ArcelorMittal Offer.

If your Common Shares or 2007 Warrants are held with an investment dealer, stockbroker, bank, trust company, intermediary or other nominee, please contact such investment dealer, stockbroker, bank, trust company, intermediary or other nominee to instruct them to tender your Common Shares or 2007 Warrants to the ArcelorMittal Offer.

4. How do I withdraw my Common Shares tendered to the Nunavut Offer?

If you have already tendered your Common Shares to the Nunavut Offer and you decide to withdraw these Common Shares from the Nunavut Offer and tender them to the ArcelorMittal Offer, you must allow sufficient time to complete the withdrawal process prior to the expiry of the Nunavut Offer and properly deposit those Common Shares to the ArcelorMittal Offer in accordance with the instructions for depositing such Common

Shares prior to the Expiry Time of the ArcelorMittal Offer. Shareholders who hold Common Shares through a brokerage firm should contact their broker to withdraw Common Shares on their behalf. If the Common Shares have been deposited pursuant to the procedures for book-entry transfer, as set out in Section 3 of the Nunavut Offer and Circular, "Manner of Acceptance", any notice of withdrawal must specify the name and number of the account at CDS Clearing and Depository Services Inc. ("CDS") or the Depository Trust Company ("DTC"), as applicable, to be credited with the withdrawn Common Shares and otherwise comply with the procedures of CDS or DTC, as applicable.

For assistance in withdrawing your Common Shares or more information regarding how to withdraw your Common Shares, you should contact your broker, dealer or other nominee, or contact Phoenix Advisory Partners, the information agent retained by Baffinland, at the number listed at the end of this Q&A.

5. Why does the Baffinland Board believe that the ArcelorMittal Offer should be accepted?

The Board of Directors has unanimously determined that the ArcelorMittal Offer is in the best interests of Baffinland, its Shareholders and 2007 Warrantholders. The Board has extensively considered the various alternatives and has determined that the ArcelorMittal Offer is in the best interests of Baffinland and is the most attractive option for its Shareholders and 2007 Warrantholders. The Board of Directors took into account numerous factors in reaching the recommendation that Shareholders and 2007 Warrantholders ACCEPT the ArcelorMittal Offer and TENDER their Common Shares and 2007 Warrants to the ArcelorMittal Offer, including:

- The ArcelorMittal Offer provides improved value to Shareholders and 2007 Warrantholders and represents a significant premium over the consideration offered under the Nunavut Offer;
- Baffinland's financial advisor, CIBC World Markets Inc., has delivered a written opinion to the Board of Directors to the effect that, as of the date thereof and subject to the assumptions, limitations and qualifications contained therein, the consideration offered for the Common Shares pursuant to the ArcelorMittal Offer is fair, from a financial point of view, to Shareholders;
- The Special Committee and the Board of Directors have considered a variety of strategic alternatives and the ArcelorMittal Offer is the most attractive and best alternative available;
- All of the directors and officers of Baffinland have entered into lock-up agreements with ArcelorMittal pursuant to which they have agreed, subject to the terms of those agreements, to deposit their Common Shares and 2007 Warrants to the ArcelorMittal Offer;
- The Board of Directors has preserved the ability to respond to unsolicited Superior Proposals; and
- The ArcelorMittal Offer contains a 66⅓% Minimum Tender Condition that cannot be lowered to less than 50% of the outstanding Common Shares plus one Common Share.

A more detailed discussion of all of the reasons for the unanimous recommendation of the Board of Directors is included on pages 9 to 10 of this Directors' Circular under the section entitled "Recommendation of the Board of Directors".

The Board recommends that you read the information contained in this Directors' Circular carefully. You should contact Phoenix Advisory Partners, the information agent retained by Baffinland, with any questions or requests for assistance that you might have.



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CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

Certain statements in this Directors' Circular 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. While Baffinland considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and there can be no assurance that such developments can be completed on satisfactory terms or at all.

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; actions taken by shareholders of Baffinland (the "**Shareholders**") and holders of 2007 Warrants ("**2007 Warrantholders**") in respect of the ArcelorMittal Offer; the possible effect of the ArcelorMittal 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 Directors' Circular. 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.

ACCOUNTING PRINCIPLES & FINANCIAL CALCULATIONS

Baffinland prepares its financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). Calculations of percentage amounts or amounts per Common Share set forth in this Directors' Circular are based on either (a) 343,608,249 Common Shares outstanding as of November 12, 2010, or (b) 393,389,284 Common Shares outstanding, calculated on a fully-diluted basis (excluding the 2007 Warrants and the out-of-the-money Options ("**fully-diluted basis**")) as of November 12, 2010, as applicable.

CURRENCY

All dollar references in this Directors' Circular are in Canadian dollars, unless otherwise indicated.

AVAILABILITY OF DISCLOSURE DOCUMENTS

Baffinland is a reporting issuer in all provinces and territories of Canada and files its continuous disclosure documents and other documents with the Canadian securities regulatory authorities in each such province. Continuous disclosure documents are available at www.sedar.com.

NOTICE REGARDING INFORMATION

Information contained in this Directors' Circular regarding ArcelorMittal is based solely upon, and the Board of Directors has relied, without independent verification, exclusively upon the information contained in the ArcelorMittal Offer and Circular, provided to Baffinland by ArcelorMittal, or that is otherwise publicly available. Information contained in this Directors' Circular concerning Nunavut Iron Ore Acquisition Inc. is based solely upon, and the Board of Directors has relied, without independent verification, exclusively upon information contained in the Nunavut Offer and Circular, provided to Baffinland by Nunavut Iron Ore Acquisition Inc., or that is otherwise publicly available. Neither Baffinland nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by ArcelorMittal or Nunavut Iron Ore Acquisition Inc. to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information.

DIRECTORS' CIRCULAR

This Directors' Circular is issued by the Board of Directors of Baffinland Iron Mines Corporation (“**Baffinland**” or the “**Company**”) in connection with the offer dated November 12, 2010 (the “**ArcelorMittal Offer**”) by ArcelorMittal to purchase all of the outstanding common shares of Baffinland (the “**Common Shares**”), 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 (the “**Circular**”, and, together with the ArcelorMittal Offer, the “**ArcelorMittal Offer and Circular**”).

The ArcelorMittal Offer is being made pursuant to the terms and conditions of a support agreement dated November 8, 2010 between Baffinland and ArcelorMittal (the “**Support Agreement**”). The ArcelorMittal Offer is subject to the condition, among others, that at least 66⅔% of the Common Shares, calculated on a fully-diluted basis, be tendered to the ArcelorMittal Offer (the “**Minimum Tender Condition**”). The ArcelorMittal Offer will be open for acceptance until 11:59 p.m. (Toronto time) on December 20, 2010 (the “**Expiry Time**”), unless extended or withdrawn.

The ArcelorMittal Offer is only for Common Shares and 2007 Warrants and is not made for the common share purchase warrants issued by Baffinland on December 10, 2009 (the “**2009 Warrants**”), the stock options (the “**Options**”) issued pursuant to Baffinland's amended and restated stock option plan dated February 18, 2010 (the “**Stock Option Plan**”) or any securities or other rights to acquire Common Shares. Any holder of 2009 Warrants or Options who wishes to accept the ArcelorMittal Offer should exercise such 2009 Warrants or Options in order to obtain certificates representing Common Shares and deposit the Common Shares in accordance with the ArcelorMittal Offer.

For a more complete description of the terms and conditions of the ArcelorMittal Offer, the method of acceptance of the ArcelorMittal Offer and other information relating to the ArcelorMittal Offer and ArcelorMittal, reference should be made to the ArcelorMittal Offer and Circular, the letter of transmittal and the notice of guaranteed delivery that accompany the ArcelorMittal Offer and Circular.

BOARD OF DIRECTORS' RECOMMENDATION

THE BOARD OF DIRECTORS OF BAFFINLAND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS AND 2007 WARRANTHOLDERS ACCEPT THE ARCELORMITTAL OFFER AND TENDER THEIR COMMON SHARES AND 2007 WARRANTS TO THE ARCELORMITTAL OFFER.

BACKGROUND TO THE ARCELORMITTAL OFFER

Commencing in March 30, 2006, on occasion representatives of Baffinland contacted ArcelorMittal (or its corporate predecessors) to discuss a potential strategic investment by ArcelorMittal in Baffinland.

On July 14, 2006, Mittal Steel Company Limited (“**Mittal**”, a predecessor to ArcelorMittal) and Baffinland entered into a confidentiality agreement regarding a potential strategic investment by Mittal in Baffinland and/or its Mary River property. However, Mittal determined not to pursue a potential transaction and the confidentiality agreement expired on July 14, 2008.

In early 2008, the Board of Directors retained CIBC World Markets Inc. and another financial advisor to assist it in seeking one or more joint venture partners for the development of Baffinland's Mary River property. A number of parties (including ArcelorMittal) entered into confidentiality agreements with the Company and were granted access to a data room established by the Company. Certain of these parties (including ArcelorMittal) also attended management sessions and conducted site tours of the Mary River property. The Company received certain expressions of interest in mid-2008. However, the global financial crisis and deteriorating economic conditions which commenced in 2008 and continued into 2009 adversely affected both large and small companies. As a result, Baffinland suspended its efforts to seek a strategic partner in the second half of 2008.

Baffinland subsequently renewed its strategic partnering initiative in the second half of 2009 by re-engaging CIBC World Markets Inc. In late 2009, the Board appointed a Strategic Committee comprised of, among others, John Lydall (the Chair of the Special Committee), Richard McCloskey (the Chairman of the Board and now the Acting President and Chief Executive Officer) and Russ Cranswick (the representative of the Resource Capital Funds on the Board). Ronald S. Simkus (a member of the Special Committee) also joined the Strategic Committee in May 2010.

The Company received a proposal from ArcelorMittal in late 2009 and subsequently entered into negotiations in respect of a potential transaction. The negotiations continued through 2010 and had reached an advanced stage at the time that Nunavut Iron Ore Acquisition Inc.'s unsolicited offer (the "**Nunavut Offer**") to acquire all of the issued and outstanding Common Shares for \$0.80 in cash per Common Share was announced. Negotiations that had been proceeding on an exclusive basis at that time were interrupted by the Nunavut Offer.

Late in the afternoon on September 21, 2010, the Chairman and the Vice-Chair of the Board of Directors were advised by representatives of Nunavut Iron Ore Acquisition Inc. of its intention to make the Nunavut Offer directly to Shareholders and that the Nunavut Offer would be formally commenced the following day.

On September 22, 2010, Nunavut Iron Ore Acquisition Inc.'s unsolicited offer to acquire all of the issued and outstanding Common Shares for \$0.80 in cash per Common Share was formally commenced by advertisement and the Nunavut Offer and accompanying take-over bid circular were filed on SEDAR.

Following the announcement of the Nunavut Offer on September 22, 2010, the Board formed a special committee of independent directors (the "**Special Committee**") comprised of John Lydall (Chair), Grant Edey and Ronald S. Simkus to review the Nunavut Offer and make recommendations to the Board regarding the Nunavut Offer and other alternatives available to Baffinland. At this meeting, the Board also resolved to amend and extend CIBC World Market Inc.'s existing engagement to include providing advice to the Board of Directors and the Special Committee in connection with the Nunavut Offer and soliciting alternatives thereto, including buyers for the entire Company or a joint venture partner.

On October 7, 2010, the Board of Directors issued and mailed to the Shareholders its formal directors' circular unanimously recommending that Shareholders reject the Nunavut Offer (the "**Nunavut Rejection Circular**"). The detailed reasons for rejection, as well as the detailed background to the Nunavut Offer and the response of the Special Committee and the Board of Directors thereto, is set out in the Nunavut Rejection Circular and summarized in Baffinland's related press release dated October 7, 2010, copies of which are available on Baffinland's website at www.baffinland.com and on SEDAR at www.sedar.com.

As noted in the Nunavut Rejection Circular, since the announcement of the Nunavut Offer, the Special Committee, together with its financial advisor, CIBC World Markets Inc., and its legal advisor, Stikeman Elliott LLP, spent a considerable amount of time and effort exploring and discussing alternative value enhancing transactions that would be in the best interests of Baffinland and its Shareholders. CIBC World Markets Inc. contacted forty-five potential buyers or joint venture partners, ten of whom entered into a confidentiality and standstill agreement to facilitate the exchange of information and/or engaged in an active dialogue with CIBC World Markets Inc. and Baffinland.

The Special Committee continued to explore other possible value-enhancing strategic transactions, including the possibility of a transaction with ArcelorMittal. On October 29, 2010, ArcelorMittal's representatives approached Baffinland's representatives to request a meeting to explore the possibility of a potential proposal by ArcelorMittal. After executing a non-disclosure agreement dated November 1, 2010 between Baffinland and ArcelorMittal, a meeting of the representatives of ArcelorMittal and Baffinland was held that day at which ArcelorMittal's potential willingness to make a supported all cash offer to acquire all of the outstanding Common Shares and 2007 Warrants was discussed. ArcelorMittal's representatives indicated ArcelorMittal's interest in proceeding with further discussions on the basis that ArcelorMittal was granted a limited period of exclusivity in which to seek to negotiate a transaction.

On November 1 and November 2, 2010, the Special Committee met to consider the draft proposal from ArcelorMittal, to receive updates on the status of the discussions involving all third parties and to receive advice from its financial and legal advisors.

Following the Special Committee meeting, the Board of Directors met on November 2, 2010 to receive an update from the Special Committee and to discuss the draft ArcelorMittal proposal. After an analysis of the alternatives available to it, the Board authorized the Special Committee to continue the discussions and negotiations with ArcelorMittal on an exclusive basis.

Following further discussions and negotiations regarding the terms of the proposal, the parties entered into an exclusivity agreement on November 3, 2010 providing for a period of exclusivity initially expiring on November 5, 2010, and subsequently extended to November 8, 2010.

Between November 3, 2010 and November 5, 2010, Baffinland and ArcelorMittal, together with their legal and financial advisors, negotiated a support agreement that set out the terms of the proposed transaction, including representations, warranties, conditions and transaction protection measures.

On November 5, 2010, the Special Committee met to consider the ArcelorMittal Offer, the draft support agreement and receive the financial advice of CIBC World Markets Inc. and the legal advice of Stikeman Elliott LLP. CIBC World Markets Inc. provided the Special Committee with its oral opinion (subsequently confirmed in writing to the Board of Directors) that, as of that date and subject to the assumptions, qualifications and limitations set forth therein, the consideration offered for the Common Shares under the ArcelorMittal Offer was fair, from a financial point of view, to the Shareholders. After a further discussion, the Special Committee concluded that the ArcelorMittal Offer is in the best interests of Baffinland, its Shareholders and 2007 Warrantheolders. Subject to satisfactory resolution of the issues that remained outstanding at the time of the meeting, the Special Committee resolved to recommend to the Board of Directors that it support the ArcelorMittal Offer and recommend to Shareholders and 2007 Warrantheolders that they accept the ArcelorMittal Offer and deposit their Common Shares and 2007 Warrants under the ArcelorMittal Offer.

The parties continued to negotiate the terms of the draft support agreement late into the evening of November 5, 2010 and agreed to extend the exclusivity period until November 8, 2010.

On November 6, 2010, the Board of Directors met to consider the ArcelorMittal Offer, the draft support agreement and to receive the report and the recommendations of the Special Committee and to receive the financial advice of CIBC World Markets Inc. and the legal advice of Stikeman Elliott LLP and to consider other factors relevant to the proposed transaction. CIBC World Markets Inc. made a presentation to the Board of Directors in respect of the proposed transaction and provided the Board of Directors with its oral opinion (subsequently confirmed in writing) that, based upon certain assumptions, qualifications and limitations set forth therein, the consideration offered for the Common Shares under the ArcelorMittal Offer was fair, from a financial point of view, to the Shareholders. After further discussion, the Board of Directors unanimously resolved and determined that: (i) the ArcelorMittal Offer is in the best interests of Baffinland and its Shareholders and 2007 Warrantheolders; (ii) it recommends that Shareholders and 2007 Warrantheolders accept the ArcelorMittal Offer and deposit their Common Shares and 2007 Warrants under the ArcelorMittal Offer; and (iii) that Baffinland enter into the Support Agreement and perform its obligations thereunder.

Following the Board meeting on November 6, 2010, Baffinland executed the Support Agreement and provided an executed copy of the Support Agreement to ArcelorMittal which was open for their acceptance until 7:00 a.m. (Toronto time) on November 8, 2010 after which time it would no longer be capable of acceptance.

Baffinland understands that following the receipt by ArcelorMittal of the Support Agreement, ArcelorMittal contacted a representative of Baffinland's largest shareholder, Resource Capital Fund III L.P. and Resource Capital Fund IV L.P. (together, "**Resource Capital Funds**") on the afternoon of November 6, 2010 to request that Resource Capital Funds enter into a lock-up agreement to support the ArcelorMittal Offer. Baffinland further understands that discussions regarding the proposed lock-up agreement with Resource Capital Funds continued until early in the morning on November 8, 2010. As a result of such negotiations, ArcelorMittal agreed to reduce the termination fee under the Support Agreement from \$16 million to \$11 million and Resource Capital Funds agreed to enter into a lock-up agreement.

The Support Agreement was signed by ArcelorMittal on the morning of November 8, 2010. The directors and officers of Baffinland also entered into the Lock-Up Agreements with ArcelorMittal on the morning of November 8, 2010. In addition, Resource Capital Funds, who hold 78,761,679 Common Shares, 9,963,284 2009 Warrants and 1,818,182 2007 Warrants representing an aggregate of approximately 23% of the issued and

outstanding Common Shares (on a fully-diluted basis), also entered into a lock-up agreement with ArcelorMittal on the morning of November 8, 2010.

On November 8, 2010, Nunavut Iron Ore Acquisition Inc. announced that it was extending the Nunavut Offer until 7:00 p.m. (Toronto time) on November 22, 2010, and subsequently filed a notice of extension.

RECOMMENDATION OF THE BOARD OF DIRECTORS

After careful consideration, the Board of Directors has unanimously determined that the ArcelorMittal Offer is in the best interests of Baffinland and its Shareholders and 2007 Warrantholders and, accordingly, the Board of Directors unanimously recommends that Shareholders and 2007 Warrantholders accept the ArcelorMittal Offer and tender their Common Shares and 2007 Warrants to the ArcelorMittal Offer. The Board of Directors reconfirms its recommendation that you reject the Nunavut Offer.

In making its recommendation, the Board received the unanimous recommendation of the Special Committee consulted with its legal and financial advisors and carefully reviewed, considered and deliberated all aspects of the ArcelorMittal Offer. The Board of Directors identified a number of factors set out below as being the principal reasons for the UNANIMOUS recommendation of the Board that Shareholders and 2007 Warrantholders ACCEPT the ArcelorMittal Offer and TENDER their Common Shares and 2007 Warrants to the ArcelorMittal Offer.

1. The ArcelorMittal Offer provides improved value to Shareholders and 2007 Warrantholders and represents a significant premium over the consideration under the Nunavut Offer.

On September 22, 2010, the Nunavut Offer was formally commenced by advertisement and the Nunavut Offer and accompanying take-over bid circular were filed on SEDAR. The consideration offered under the ArcelorMittal Offer represents a premium of 86.4% to the volume weighted average price of the Common Shares of \$0.59 on the TSX for the 20 trading days ending prior to the announcement of the Nunavut Offer, and a 37.5% premium to the unsolicited \$0.80 in cash per Common Share offered under the Nunavut Offer.

The exercise price of the 2007 Warrants of \$5.50 is significantly higher than the consideration to be paid for the Common Shares under the ArcelorMittal Offer and, therefore, the 2007 Warrants are out-of-the-money. The ArcelorMittal Offer provides 2007 Warrantholders with cash consideration for such out-of-the-money 2007 Warrants.

2. CIBC World Markets Inc. has delivered a written opinion stating that the consideration offered for the Common Shares under the ArcelorMittal Offer is fair, from a financial point of view, to Shareholders.

The Board has received a written opinion dated November 5, 2010 from CIBC World Markets Inc., to the effect that, as of that date and subject to the assumptions, limitations and qualifications contained therein, the consideration offered for the Common Shares under the ArcelorMittal Offer was fair, from a financial point of view, to Shareholders. The full text of the fairness opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection therewith, is attached as Schedule "A" to this Directors' Circular. The summary of the fairness opinion in this Directors' Circular is qualified in its entirety by reference to the full text of the fairness opinion.

3. The Board of Directors and the Special Committee have considered a variety of strategic alternatives and the ArcelorMittal Offer is currently the most attractive.

Since the announcement of the Nunavut Offer to acquire all of the outstanding Common Shares, the Board and the Special Committee, with the assistance of their financial and legal advisors, have pursued a variety of strategic alternatives, with a view to the best interests of Baffinland and its Shareholders. The Special Committee and the Board of Directors carefully considered the outcome of this process, and the likelihood of any offers emerging from other bidders exceeding the value of the ArcelorMittal Offer and concluded that the ArcelorMittal Offer represents the best alternative currently available to Baffinland and its Shareholders and 2007 Warrantholders.

4. All of the directors and officers of Baffinland have entered into Lock-Up Agreements with ArcelorMittal.

All of the directors and officers of Baffinland, who collectively hold 4,508,656 Common Shares, 417,705 2009 Warrants and 4,360,000 in-the-money Options representing an aggregate of approximately 2.4% of the issued and outstanding Common Shares (on a fully-diluted basis) and 17,500 2007 Warrants, have entered into lock-up agreements pursuant to which they have agreed to deposit their Common Shares and 2007 Warrants, subject to the terms and conditions of such agreements, to the ArcelorMittal Offer.

5. 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 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.

6. The ArcelorMittal Offer contains a 66 $\frac{2}{3}$ % Minimum Tender Condition that cannot be lowered to less than 50% of the outstanding Common Shares plus one Common Share.

Under the Support Agreement, the ArcelorMittal Offer includes a minimum tender condition of 66 $\frac{2}{3}$ % of the outstanding Common Shares which condition cannot be waived or amended to less than 50.01% of the outstanding Common Shares. In addition, if less than 66 $\frac{2}{3}$ % of the outstanding Common Shares are deposited to the ArcelorMittal Offer and ArcelorMittal decides to amend the Minimum Tender Condition to 50% of the outstanding Common Shares plus one Common Share, it has agreed in the Support Agreement, if the Shareholder Rights Plan has not been terminated, to extend the Expiry Time by 10 days from the day that ArcelorMittal first takes up any Common Shares to allow other Shareholders to tender to the ArcelorMittal Offer so that Shareholders are not left as minority Shareholders in a majority controlled company.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS AND 2007 WARRANTHOLDERS ACCEPT THE ARCELORMITTAL OFFER AND TENDER THEIR COMMON SHARES AND 2007 WARRANTS TO THE ARCELORMITTAL OFFER.

The foregoing summary of the information and factors considered by the Special Committee and the Board of Directors is not intended to be exhaustive of the information and factors considered by them in reaching their conclusion and making a recommendation that Shareholders and 2007 Warrantholders accept the ArcelorMittal Offer, but includes the material information, factors and analysis considered by each of the Special Committee and the Board of Directors in reaching its conclusion and recommendation. The members of the Board of Directors evaluated various factors summarized above in light of their own knowledge of the business, properties, financial condition and prospects of Baffinland and the circumstances in which Baffinland operates, and based upon the advice of its financial and legal advisors and the unanimous recommendation of the Special Committee. In view of the numerous factors and developments considered in connection with its evaluation of the ArcelorMittal Offer, the Board of Directors 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 of Directors may have given different weight to different factors. The conclusion and unanimous recommendation of the Board of Directors was made after careful consideration, evaluation and deliberation of all of the information and factors involved.

Shareholders and 2007 Warrantholders should consider the terms of the ArcelorMittal Offer carefully and should come to their own decision as to whether to accept the ArcelorMittal Offer. Shareholders and 2007 Warrantholders who are in doubt as to how to respond to the ArcelorMittal Offer should consult their own investment dealer, stockbroker, bank manager, lawyer or other professional advisor. Shareholders and 2007 Warrantholders are advised that acceptance of the ArcelorMittal Offer may have tax consequences and they should consult their own professional tax advisors.

BAFFINLAND IRON MINES CORPORATION

Baffinland is a Canadian junior mining company focused on the exploration and development of the iron ore deposits located on its 100% owned Mary River property. Baffinland acquired the Mary River property in 2004 and has, since then, laid the foundation to continue to advance the Mary River property to development.

Baffinland is organized under the laws of Ontario with its principal executive offices located at 120 Adelaide Street West, Suite 1016, Toronto, Ontario, Canada M5H 1T1. Baffinland's authorized share capital consists of an unlimited number of Common Shares, of which 343,608,249 Common Shares were issued and outstanding as at November 12, 2010. As at November 12, 2010, there were outstanding Options to purchase an aggregate of 10,972,000 Common Shares and outstanding 2007 Warrants and 2009 Warrants exercisable for an aggregate of 48,307,023 Common Shares. The Common Shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "BIM", the 2007 Warrants are traded on the TSX under the symbol "BIM.WT" and the 2009 Warrants are traded on the TSX under the symbol "BIM.WT.A".

THE FAIRNESS OPINION

On November 5, 2010, CIBC World Markets Inc. provided an oral fairness opinion (subsequently confirmed in writing) to the Special Committee, and subsequently to the Board of Directors, to the effect that, as of that date and subject to the assumptions, limitations and qualifications contained therein, the consideration offered for the Common Shares pursuant to the ArcelorMittal Offer was fair, from a financial point of view, to the Shareholders. A copy of the written fairness opinion is included in Schedule "A" to this Directors' Circular.

The full text of the fairness opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection therewith, is attached as Schedule "A" to this Directors' Circular. The summary of the fairness opinion in this Directors' Circular is qualified in its entirety by reference to the full text of the fairness opinion. The fairness opinion was provided to the Board of Directors for their exclusive use in considering the ArcelorMittal Offer and may not be relied upon by any other person. The fairness opinion is not a recommendation as to whether or not Shareholders should accept the ArcelorMittal Offer. Pursuant to the terms of its engagement letter with Baffinland, CIBC World Markets Inc. is to be paid a fee for its services as financial advisor, including a fee for the fairness opinion and fees that are contingent on a change of control of Baffinland or certain other events. Baffinland has also agreed to indemnify CIBC World Markets Inc. against certain liabilities.

The fairness opinion was one of a number of factors taken into consideration by the Special Committee and the Board in making its determination to approve the ArcelorMittal Offer. The Board urges Shareholders to read the fairness opinion in its entirety. See Schedule "A" to this Directors' Circular.

ARRANGEMENTS RELATING TO THE ARCELORMITTAL OFFER

Except as described below or as otherwise described or referred to in this Directors' Circular, to the knowledge of the directors and officers of Baffinland, there are no agreements, commitments or understandings made, or proposed to be made, between ArcelorMittal and, either: (i) any of the directors or officers of Baffinland, including any agreement, commitment or understanding pursuant to which a payment or other benefit is proposed to be made or given by way of compensation for loss of office or as to any such person remaining in or retiring from office if the ArcelorMittal Offer is successful; or (ii) any Shareholders or 2007 Warrant holders, relating to the ArcelorMittal Offer.

Support Agreement

On November 8, 2010, ArcelorMittal and Baffinland entered into the Support Agreement, which sets out, among other things, the terms and conditions upon which Baffinland agreed to recommend that Shareholders and 2007 Warrant holders accept the ArcelorMittal Offer. The following is a summary of certain provisions of the Support Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Support Agreement. The Support Agreement has been filed by Baffinland with the applicable Canadian securities regulatory authorities and is available at www.sedar.com.

The ArcelorMittal Offer and Support for the ArcelorMittal Offer

ArcelorMittal agreed to make the ArcelorMittal Offer on the terms and subject to the conditions set forth in the Support Agreement. Baffinland has confirmed in the Support Agreement that the Board of Directors has, following consultation with its financial and legal advisors and on receipt of a unanimous recommendation of the Special Committee, unanimously determined that the ArcelorMittal Offer is in the best interests of Baffinland and its Shareholders and 2007 Warrantholders and accordingly, unanimously recommends that Shareholders and 2007 Warrantholders accept the ArcelorMittal Offer. In addition, all of Baffinland's directors and officers have entered into the Lock-Up Agreements, pursuant to which they have agreed to support the ArcelorMittal Offer.

Conditions

The Support Agreement provides that the ArcelorMittal Offer is subject to certain conditions including, among other things, the Minimum Tender Condition. ArcelorMittal may, under the terms of the Support Agreement, waive any condition of the ArcelorMittal Offer, in whole or in part at any time and from time to time, provided that ArcelorMittal may not amend or modify the Minimum Tender Condition to less than 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share and may not waive such amended or modified Minimum Tender Condition unless ArcelorMittal can at such time take-up and pay for a number of Common Shares equal to not less than 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share, without the prior written consent of Baffinland. If the shareholder rights plan of Baffinland dated January 27, 2009 (the "**Shareholder Rights Plan**") is in effect and has not been waived, ceased traded, invalidated or otherwise terminated, and ArcelorMittal notifies Baffinland that it intends to waive, modify or amend the Minimum Tender Condition to 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share, ArcelorMittal shall, prior to taking-up any Common Shares, following the waiver of the Shareholder Rights Plan in accordance with the Support Agreement, extend the Expiry Time by 10 days from the day that ArcelorMittal first takes up any Common Shares.

Covenants Regarding Non-Solicitation

The Support Agreement contains certain "non-solicitation" provisions pursuant to which Baffinland has agreed that it will not directly or indirectly:

- (a) solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) any inquiries, offers or proposals regarding any written proposal or offer made to Baffinland or any securityholders of Baffinland after the date of the Support Agreement, including any modification after the date of the Support Agreement of any written proposal or offer made prior to the date of the Support Agreement (including any take-over bid initiated by advertisement or circular), that would have the effect of preventing or frustrating the completion of any of the transactions contemplated under the Support Agreement, including without limitation, any: (i) issuance, sale or acquisition of securities of Baffinland (including convertible securities) or any rights or interests therein; or (ii) any merger, amalgamation, take-over bid, tender offer, arrangement, share exchange, joint venture, partnership, dissolution, liquidation, recapitalization or other business combination or transaction that, in either case, if consummated would result in any person or group of persons (other than ArcelorMittal and its affiliates) beneficially owning 20% or more of the voting rights attached to any class of securities of Baffinland or beneficially owning assets representing 20% or more of the book value or the fair market value of the assets of Baffinland (on a consolidated basis) (an "**Acquisition Proposal**") or otherwise co-operate in any way with, or assist with or participate in any way in any effort or attempt by any person to make an Acquisition Proposal;
- (b) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal;
- (c) withdraw, modify or qualify (or propose to do so) in a manner adverse to ArcelorMittal, the approval or recommendation of the Board of Directors or any committee thereof of the ArcelorMittal Offer or the Support Agreement;
- (d) approve or recommend or propose publicly to approve or recommend any Acquisition Proposal; or

- (e) accept, recommend, approve or enter into any letter of intent, agreement in principle, agreement, understanding or arrangement in respect of an Acquisition Proposal or providing for the payment of any break, termination or other fees or expenses to any person in the event that Baffinland completes the transactions contemplated in the Support Agreement or any other transaction with ArcelorMittal or any of its affiliates agreed to prior to any termination of the Support Agreement, whether formal or informal.

The Support Agreement provides that, notwithstanding the foregoing restrictions, nothing contained in the Support Agreement shall prevent the Board of Directors from entering into an agreement, or engaging in discussions or negotiations with or furnishing information to any person who has made a *bona fide* written Acquisition Proposal that the Board of Directors has determined is, or could reasonably be expected to lead to, a Superior Proposal.

For the purposes of the Support Agreement, a “**Superior Proposal**” means an unsolicited *bona fide* written Acquisition Proposal made by a third party to Baffinland that: (a) did not result from a breach of the non-solicitation provisions of the Support Agreement; (b) is made for all Common Shares (on a fully-diluted basis); (c) is not subject to any financing condition and in respect of which the Board of Directors has determined in good faith is either funded or in respect of which the Board of Directors is satisfied that adequate arrangements have been made to ensure that the required funds will be available to effect payment in full for all of the Common Shares (on a fully-diluted basis); (d) would not be subject to any due diligence condition; and (e) the Board of Directors has determined in good faith (after consultation with its financial advisors and outside legal counsel, as applicable): (i) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory and other aspects of such transaction and the person making such proposal; and (ii) would, if consummated in accordance with its terms (but not assuming away any risk of non completion), result in a transaction more favourable from a financial point of view to the Shareholders (considered on a fully-diluted basis) than the ArcelorMittal Offer (including any adjustment to the terms and conditions of the ArcelorMittal Offer proposed by ArcelorMittal in connection with its opportunity to match, as described below).

Baffinland has also agreed to immediately terminate any existing discussions or negotiations with any parties (other than ArcelorMittal or its representatives) with respect to any proposal that constitutes, or which could reasonably be expected to constitute, an Acquisition Proposal, whether or not initiated by Baffinland, and request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Baffinland (other than confidentiality agreements that by their terms have lapsed and were entered into prior to the convening of the Special Committee) relating to any potential Acquisition Proposal. Baffinland has agreed not to amend, modify or waive any of the standstill provisions of the confidentiality agreements entered into by Baffinland with other parties relating to a potential Acquisition Proposal.

Baffinland has also agreed that from and after the date of the Support Agreement, to notify ArcelorMittal as soon as practicable and in any event within 24 hours following receipt of any inquiry, proposal or offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, any request for discussions or negotiations, and/or any request for non-public information relating to Baffinland or for access to properties, books and records or a list of the Shareholders of Baffinland or other Baffinland securityholders of which Baffinland’s representatives, are or become aware, or any amendments to the foregoing. Such notice shall include the terms and conditions of, and the identity of the person making, any inquiry, proposal or offer (including any amendment thereto), and shall include, in the case of a proposal or offer, copies of any such proposal or offer or any amendment to any of the foregoing. Baffinland has also agreed to keep ArcelorMittal promptly and fully informed of the status, including any change to the material terms, of any such proposal or offer or any amendment to the foregoing, and will respond promptly to all inquiries by ArcelorMittal with respect thereto.

If Baffinland receives a request for material non-public information in relation to a potential Acquisition Proposal and who proposes a *bona fide* Acquisition Proposal (that was not solicited, encouraged or facilitated after the date of the Support Agreement in contravention of the Support Agreement), and (i) the Board of Directors determines in good faith consultation with its financial advisors and its legal counsel, that such Acquisition Proposal is, or could reasonably be expected to lead to, a Superior Proposal (notwithstanding that

such Acquisition Proposal may be subject to a due diligence condition at such time) and (ii) the failure to provide such party with access to such information regarding Baffinland would be inconsistent with the fiduciary duties of the Board of Directors, then, and only then, Baffinland may provide such person with access to information regarding Baffinland, subject to the execution of a confidentiality agreement providing for standstill provisions other than to effect a Superior Proposal, provided however that Baffinland sends a copy of any such confidentiality agreement to ArcelorMittal promptly upon its execution and ArcelorMittal is provided with a list of or copies of the information provided to such person and is immediately provided with access to similar information to which such person was provided.

ArcelorMittal Opportunity to Match

Baffinland has agreed that it will not accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by the Support Agreement) and/or withdraw, modify or qualify its approval or recommendation of the ArcelorMittal Offer and recommend or approve the Acquisition Proposal, unless:

- (a) the Board of Directors determines that the Acquisition Proposal constitutes a Superior Proposal;
- (b) Baffinland has complied with the non-solicitation provisions in the Support Agreement and has provided ArcelorMittal with a copy of the Acquisition Proposal;
- (c) a period (the “**Response Period**”) of five business days shall have elapsed from the later of (A) the date on which ArcelorMittal received written notice from the Board of Directors that the Board of Directors determined to accept, approve, recommend or enter into a binding agreement to proceed with the Superior Proposal and (B) the date ArcelorMittal received a copy of such Acquisition Proposal;
- (d) after the Response Period, the Board of Directors determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal continues to constitute a Superior Proposal; and
- (e) Baffinland concurrently terminates the Support Agreement and has paid or concurrently pays to ArcelorMittal the Termination Payment, as described below.

During the Response Period, ArcelorMittal will have the right, but not the obligation, to offer to amend in writing the terms of the Support Agreement and the ArcelorMittal Offer. Baffinland has agreed that, if requested by ArcelorMittal, it will negotiate with ArcelorMittal in good faith to amend the terms of the Support Agreement and the ArcelorMittal Offer. The Board of Directors will review any such written amendment to determine, in good faith in the exercise of its fiduciary duties, whether the Acquisition Proposal to which it is responding would be a Superior Proposal when assessed against the ArcelorMittal Offer as it is proposed by ArcelorMittal to be amended. If the Board of Directors does not so determine, the Board of Directors will cause Baffinland to enter into an amendment to the Support Agreement reflecting the offer by ArcelorMittal to amend the terms of the ArcelorMittal Offer and upon the execution by the parties of such amendment will reaffirm its recommendation of the ArcelorMittal Offer, as so amended. If the Board of Directors does so determine, Baffinland may approve, recommend, accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal.

Termination

The Support Agreement may be terminated prior to the time that ArcelorMittal shall have taken up the number of Common Shares sufficient to satisfy the Minimum Tender Condition (the “**Effective Time**”):

- (a) by mutual consent of ArcelorMittal and Baffinland;
- (b) by ArcelorMittal at any time if:
 - (i) Baffinland is in default of any of its non-solicitation covenants or obligations in the Support Agreement;

- (ii) Baffinland has intentionally materially breached any other covenant or obligation in the Support Agreement except for breaches that individually or in the aggregate, do not, and could not reasonably be expected to, result in a Material Adverse Change (as such term is defined in the Support Agreement); or
- (iii) any representation or warranty of Baffinland:
 - (A) that is qualified by reference to a Material Adverse Change or materiality shall be untrue or incorrect in any respect; or
 - (B) that is not qualified by reference to a Material Adverse Change or materiality shall be untrue or incorrect in all material respects unless the failure to be true or correct has not caused or would not reasonably be expected to cause, a Material Adverse Change (and, for this purpose, any reference to “material” or other concepts of materiality in such representations and warranties shall be ignored);

in each case as a result of an intentional action by Baffinland and provided that in each case, such right of termination shall not be available with respect to any breach or failure that is capable of being cured and such breach or failure has been cured by the earlier of the date which is five days from the date of written notice of such breach or failure and the business day prior to the Expiry Date;
- (c) by ArcelorMittal if the Board of Directors or any committee thereof withdraws, amends or modifies in any manner adverse to ArcelorMittal or fails to publicly recommend or reaffirm its approval of the ArcelorMittal Offer within five calendar days of the public announcement of any Acquisition Proposal which the Board of Directors has determined is not a Superior Proposal;
- (d) by Baffinland at any time if any representation or warranty of ArcelorMittal under the Support Agreement is materially untrue or incorrect, and such failure of a representation or warranty to be true and correct would prevent or materially delay consummation of the transactions contemplated by the Support Agreement;
- (e) by Baffinland, if the ArcelorMittal Offer has been terminated, withdrawn or expires without the Common Shares and 2007 Warrants being taken up thereunder;
- (f) by Baffinland in order to accept, approve, recommend or enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality agreement permitted by the Support Agreement, subject to compliance with the Support Agreement);
- (g) by either party if the Expiry Date does not occur on or prior to, subject to adjustment in accordance with the Support Agreement, 120 days after the date of the ArcelorMittal Offer (the “**Outside Date**”), provided that the failure of the Expiry Date to so occur is not the result of the breach of a representation, warranty or covenant by the party, either Baffinland or ArcelorMittal, terminating the Support Agreement;
- (h) by either ArcelorMittal or Baffinland, if the ArcelorMittal Offer terminates, expires or is withdrawn at the Expiry Time without ArcelorMittal taking up and paying for any of the Common Shares or 2007 Warrants as a result of the failure of any condition to the ArcelorMittal Offer to be satisfied or waived, unless the failure of such condition shall be due to the failure of the party seeking to terminate the Support Agreement to perform the obligations required to be performed by it under the Support Agreement; or
- (i) by either ArcelorMittal or Baffinland if any law in force in Canada makes the making or completion of the ArcelorMittal Offer or the transactions contemplated in the Support Agreement illegal or otherwise prohibited.

Termination Payment

ArcelorMittal shall be entitled to a cash termination payment in an amount equal to \$11 million (the “**Termination Payment**”) upon the occurrence of any of the following events, which shall be paid by Baffinland within the time specified in respect of any such events:

- (a) the Support Agreement is terminated in the circumstances set out in paragraphs (b) or (c) under “Termination” above, in which case the Termination Payment shall be paid by 1:00 p.m. (Toronto time) on the fifth business day after the Support Agreement is terminated;
- (b) the Support Agreement is terminated in the circumstances set out in paragraph (f) under “Termination” above, in which case the Termination Payment shall be paid prior to or concurrently with the earlier of accepting, recommendation or approval or entering into of any definitive agreement relating to, a Superior Proposal; or
- (c) if prior to the Expiry Time, an Acquisition Proposal is publicly announced or any person has publicly announced an intention to make an Acquisition Proposal, and such Acquisition Proposal has not expired, been withdrawn or been publicly abandoned, and (A) the ArcelorMittal Offer is not completed as a result of the Minimum Tender Condition not having been met, (B) ArcelorMittal terminates the Support Agreement, and (C) within 12 months of such termination such Acquisition Proposal is completed, in which case the Termination Payment shall be paid to ArcelorMittal concurrently with the consummation of such Acquisition Proposal.

Expenses

ArcelorMittal shall be entitled to expenses in an amount equal to \$4 million (the “**Expense Reimbursement**”) if the Support Agreement is terminated pursuant to paragraph (g), paragraph (h) (except where such termination under paragraph (h) results from the failure of the condition in paragraph (c) of Section 4 of the ArcelorMittal Offer to be waived or satisfied, in which case no expense reimbursement is payable, or if such termination results from the failure of the condition in paragraph (a) of Section 4 of the ArcelorMittal Offer to be satisfied and more than 50% of the outstanding Common Shares (on a fully-diluted basis) plus one Common Share have been deposited to the ArcelorMittal Offer as at the Expiry Time, the amount of the Expense Reimbursement shall be \$2 million) and paragraph (i) under “Termination” above. Subject to the preceding sentence, all fees, costs and expenses incurred in connection with the Support Agreement and the transactions contemplated therein shall be paid by the party incurring such fee, cost or expense, whether or not the ArcelorMittal Offer is consummated.

Representations and Warranties

The Support Agreement contains customary representations and warranties of Baffinland relating to matters that include, among other things, organization and qualification, no subsidiaries, authority relative to the Support Agreement, no violations, capitalization, business in the ordinary course, no material adverse change, brokerage fees, assets, reporting issuer and public record, disclosure, material contracts, litigation, business in compliance with laws, employment matters, tax matters, insurance, related party transactions and transferred information.

The Support Agreement also contains customary representations and warranties of ArcelorMittal relating to matters that include, among other things, organization and qualification, authority relative to the Support Agreement, no violations, funds available and Common Share ownership.

Conduct of the Business by Baffinland

Baffinland has covenanted and agreed in the Support Agreement that, during the period from the date of the Support Agreement until the Support Agreement is terminated by its terms, unless ArcelorMittal shall otherwise agree in writing, the business of Baffinland shall be conducted only in, and Baffinland shall not take any action except in, the ordinary course of business consistent with past practices. Baffinland shall use commercially reasonable efforts to maintain and preserve its business organization and goodwill and assets, to keep available the services of its directors, officers and employees, to maintain satisfactory relationships with suppliers, distributors, customers, employees and others having key business relationships with them; and shall not make

any change in the business, assets, liabilities, operations, capital or affairs of Baffinland other than changes in the ordinary course of business consistent with past practices.

Board Representation

Following the Effective Date, provided that ArcelorMittal has taken-up and paid for such number of Common Shares and 2007 Warrants which represent in excess of 50% of the outstanding Common Shares plus one Common Share on a fully-diluted basis and from time to time thereafter, ArcelorMittal shall be entitled to designate such number of directors of the Board of Directors, and any committees thereof, which would constitute a majority of the Board of Directors and any committee thereof, and Baffinland will not frustrate the attempts of ArcelorMittal to do so and covenants to co-operate with ArcelorMittal, subject to applicable laws, to enable the designees of ArcelorMittal to be elected or appointed to the Board of Directors, and any committees thereof and to constitute a majority of the Board of Directors, including, without limitation, at the request of ArcelorMittal, by using its best efforts to increase the size of the Board of Directors and reasonable commercial efforts to secure the resignations of such directors as ArcelorMittal may request.

Directors' and Officers' Insurance

ArcelorMittal has agreed that for the period from the Effective Time until six years after the Effective Time, ArcelorMittal will cause Baffinland or any successor to Baffinland (including the successor resulting from the winding-up or liquidation or dissolution of Baffinland) to maintain Baffinland's current directors' and officers' insurance policy or an equivalent policy, on a "trailing" or "run-off" basis, subject in either case to terms and conditions no less advantageous to the directors and officers of Baffinland than those contained in the policy in effect on the date of the Support Agreement, for all present and former directors and officers of Baffinland, covering claims made prior to or within six years after the Effective Time. ArcelorMittal shall, and shall cause Baffinland (or its successor) to, indemnify and hold harmless, to the fullest extent permitted under the applicable laws, each present and former director, officer and employee of Baffinland (each, an "**Indemnified Person**") against any costs or expenses (including reasonable legal fees), judgements, fines, losses, claims, damages or liabilities incurred in connection with any claim, inquiry, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Person's service as a director or officer of Baffinland, whether asserted or claimed prior to, at or after the Effective Time.

Shareholder Rights Plan

Baffinland and the Board of Directors have agreed to take all action necessary to waive the application of the Shareholder Rights Plan to the ArcelorMittal Offer and the transactions contemplated in the Support Agreement and to ensure that the Shareholder Rights Plan does not interfere with or impede the success of the ArcelorMittal Offer or the transactions contemplated in the Support Agreement. Baffinland has agreed to waive the application of the Shareholder Rights Plan to the ArcelorMittal Offer and the transactions contemplated in the Support Agreement immediately prior to the Expiry Time, or earlier if so requested in writing by ArcelorMittal.

Treatment of Outstanding Options

ArcelorMittal and Baffinland have agreed that, between the date of the Support Agreement and the date that ArcelorMittal first takes up Common Shares pursuant to the ArcelorMittal Offer (the "**Take-Up Date**"), subject to the terms of the Stock Option Plan and the receipt of any necessary approvals and to applicable securities laws, Baffinland may take such actions as may be necessary or desirable, including amending the terms of any Options and the Stock Option Plan to provide that all Options vest no later than immediately prior to the Take-Up Date and that each holder of vested Options shall be entitled to, at his or her option: (i) exercise such Options, in accordance with their terms, and thereby acquire Common Shares; (ii) effect a cashless exercise of their Options solely for purposes of tendering to the ArcelorMittal Offer all Common Shares issued in connection with such cashless exercise; or (iii) in lieu of exercising Options, surrender or cancel such Options to Baffinland, in exchange for a payment by Baffinland in the form of Common Shares having a fair market value equal to the Cash-Out Amount, in each case, for the purposes of tendering to the ArcelorMittal Offer all Common Shares issued in connection with such exercise, surrender or cancellation, where "**Cash-Out Amount**"

means an amount equal to the amount by which the ArcelorMittal Offer price of the Common Shares which could be acquired pursuant to the exercise of the Option exceeds the aggregate exercise price under such Option.

Baffinland has agreed that it will use commercially reasonable efforts to allow all outstanding Options to be either exercised, terminated, surrendered, cancelled or expire prior to the Take-Up Date. Baffinland has also agreed that it will use all reasonable commercial efforts to accelerate the vesting of all Options, such that all outstanding Options shall be fully vested and exercisable prior to the Take-Up Date and to satisfy all other obligations of Baffinland under the Options so that, upon the acquisition by ArcelorMittal of the Common Shares pursuant to the ArcelorMittal Offer, all entitlements under the Stock Option Plan shall terminate. ArcelorMittal has agreed to co-operate and make all such tendering or other arrangements with Baffinland to facilitate the exercise, conditional exercise, cancellation or surrender of Options and the deposit, pursuant to the ArcelorMittal Offer, of all Common Shares issued in connection therewith prior to the Expiry Time.

Lock-Up Agreements

On November 8, 2010, ArcelorMittal entered into lock-up agreements (each a “**Lock-Up Agreement**” and collectively, the “**Lock-Up Agreements**”) with all of the directors and officers of Baffinland and Baffinland’s largest shareholder, Resource Capital Funds (each a “**Locked-Up Shareholder**” and collectively, the “**Locked-Up Shareholders**”). Each Lock-Up Agreement sets forth, among other things, the terms and conditions upon which each Locked-Up Shareholder has agreed, among other things, to deposit under the ArcelorMittal Offer all of the Common Shares and 2007 Warrants owned or controlled by such Locked-Up Shareholder. The following is a summary of the principal terms of the Lock-Up Agreements. This summary is qualified in its entirety by the full text of the Lock-Up Agreements filed with the applicable Canadian securities regulatory authorities which are available at www.sedar.com.

Under the Lock-Up Agreements, each of the Locked-Up Shareholders has agreed, among other things, to deposit under the ArcelorMittal Offer all of the Common Shares and 2007 Warrants owned or controlled by such Locked-Up Shareholder, being an aggregate of 98,011,324 Common Shares and 1,835,682 2007 Warrants, representing in aggregate, approximately 25% of the outstanding Common Shares (on a fully-diluted basis). The Locked-Up Shareholders have agreed not to withdraw such Common Shares from the ArcelorMittal Offer unless the Lock-Up Agreements are terminated in accordance with their terms.

Each Lock-Up Agreement can be terminated:

- (a) at any time upon the written agreement of ArcelorMittal and the Locked-Up Shareholder;
- (b) by ArcelorMittal by written notice to the Locked-Up Shareholder if:
 - (i) the Support Agreement is terminated in accordance with its terms;
 - (ii) the Locked-Up Shareholder is in material breach of any representation, warranty or covenant of the Locked-Up Shareholder; or
- (c) by the Locked-Up Shareholder upon written notice to ArcelorMittal if:
 - (i) ArcelorMittal is in material breach of any representation, warranty or covenant of ArcelorMittal contained in the Lock-Up Agreement or in the Support Agreement;
 - (ii) if the Locked-Up Shareholder is permitted to support or vote in favour of, or tender or deposit the Locked-Up Shareholder’s securities to, an Acquisition Proposal in accordance with the terms of the Lock-Up Agreement;
 - (iii) if the Locked-Up Shareholder’s Common Shares have not been taken up and paid for by ArcelorMittal by the Outside Date; or
 - (iv) if the Support Agreement is terminated in accordance with its terms.

INTENTION OF DIRECTORS AND OFFICERS WITH RESPECT TO THE ARCELORMITTAL OFFER

Pursuant to the Lock-Up Agreements, each director and officer of Baffinland, holding in the aggregate approximately 2.4% of the outstanding Common Shares (on a fully-diluted basis), has agreed to accept the ArcelorMittal Offer and tender their respective Common Shares to the ArcelorMittal Offer as described under “Arrangements Relating to the ArcelorMittal Offer — Lock-Up Agreements”. The Lock-Up Agreements may only be terminated in limited circumstances as described under “Arrangements Relating to the ArcelorMittal Offer — Lock-Up Agreements”.

PRINCIPAL HOLDERS OF SECURITIES OF BAFFINLAND

To the knowledge of the directors and officers of Baffinland, after reasonable enquiry, as at November 12, 2010, no person owned, directly or indirectly, or exercised control or direction over 10% or more of any class of securities of Baffinland and no person acting jointly or in concert with Baffinland owned any securities of Baffinland other than:

<u>Name</u>	<u>Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly as at November 12, 2010</u>	<u>Approximate Percentage of Outstanding Common Shares</u>
Resource Capital Fund III L.P. and Resource Capital Fund IV L.P.	78,761,679 ⁽¹⁾	23%

Note:

- (1) Resource Capital Fund III L.P. also holds 1,818,182 2007 Warrants each exercisable for one Common Share at a price of \$5.50 per Common Share until January 31, 2012. Resource Capital Fund IV L.P. also holds 9,963,284 2009 Warrants each exercisable for one Common Share at a price of \$0.70 per Common Share until December 11, 2012. Mr. Russell L. Cranswick is currently a director of the Company and a partner and member of the Investment Committee of the Resource Capital Funds. Mr. Cranswick is not considered to be an associate or affiliate of the Resource Capital Funds.

OWNERSHIP OF SECURITIES OF BAFFINLAND

The following table sets out the names and positions of each director and officer of Baffinland and the number and percentage of Common Shares, Options, 2007 Warrants and 2009 Warrants of Baffinland beneficially owned, or over which control or direction is exercised by each such person and, where known after reasonable enquiry, by each associate and affiliate of any insider of Baffinland, each associate and affiliate of Baffinland, any insider of Baffinland other than a director or officer of Baffinland and each person acting jointly or in concert with Baffinland as of November 12, 2010.

<u>Name</u>	<u>Position</u>	<u>Number and Percentage of Common Shares Beneficially Owned or Controlled</u>	<u>Number and Percentage of Options Beneficially Owned or Controlled</u>	<u>Number and Percentage of 2007 Warrants Beneficially Owned or Controlled</u>	<u>Number and Percentage of 2009 Warrants Beneficially Owned or Controlled</u>
Russell L. Cranswick	Director	Nil ⁽¹⁾	316,000 ⁽²⁾ 2.88%	Nil	Nil
Daniella E. Dimitrov	Director and Vice-Chair	Nil	775,000 7.06%	Nil	Nil
Grant Edey	Director	296,310 0.09%	330,000 3.01%	Nil	45,455 0.11%
Gary C. Fietz	Director	Nil	200,000	Nil	Nil
Gwen M. Gareau	Vice President, Finance and Chief Financial Officer	18,182 0.01%	475,000 4.33%	Nil	9,091 0.02%
John Lydall	Director	2,111,484 0.62%	471,000 4.29%	17,500 0.3%	318,159 0.75%
Richard (Dick) Matthews	Vice President, Technical Services	100,000 0.03%	350,000 3.19%	Nil	25,000 0.06%
Richard D. McCloskey	Director, Chairman and Acting President and Chief Executive Officer	8,347,066 ⁽³⁾ 2.43%	633,000 5.77%	Nil	65,458 ⁽⁴⁾ 0.15%
Gregory Missal	Vice President, Corporate Affairs	Nil	250,000 2.28%	Nil	Nil
Ronald S. Simkus	Director	Nil	200,000 1.82%	Nil	Nil
Gordon Watts	Director	303,574 0.09%	479,000 4.37%	Nil	Nil
Michael T. Zurowski	Executive Vice President	102,500 ⁽⁵⁾ 0.03%	995,000 9.07%	Nil	10,000 0.02%
Resource Capital Fund III L.P. and Resource Capital Fund IV L.P.	10% Security Holder	78,761,679 22.92%	Nil	1,818,182 30.40%	9,963,284 23.54%

Note:

- (1) Mr. Russell L. Cranswick is currently a director of the Company and a partner and member of the Investment Committee of the Resource Capital Funds. Mr. Cranswick is not considered to be an associate or affiliate of the Resource Capital Funds.
- (2) Mr. Cranswick is the legal owner of the Options listed above. He holds the Options in trust for the beneficial owner, RCF Management LLC, which has sole authority to exercise the Options.
- (3) Mr. McCloskey is the registered holder of 1,576,606 Common Shares. The remaining Common Shares listed above are directly or indirectly owned by affiliates or associates of Mr. McCloskey.
- (4) Mr. McCloskey is the registered holder of 10,000 2009 Warrants. The remaining 2009 Warrants listed above are directly or indirectly owned by affiliates or associates of Mr. McCloskey.
- (5) Mr. Zurowski's wife, Mrs. Joan Zurowski, beneficially owns an additional 86,022 Common Shares.

TRADING IN SECURITIES OF BAFFINLAND

During the six months preceding the date hereof, none of Baffinland, the directors or officers or any other insider of Baffinland nor, to the knowledge of the directors and officers of Baffinland, after reasonable enquiry, any associate or affiliate of an insider of Baffinland, any associate or affiliate of Baffinland or any person or company acting jointly or in concert with Baffinland, has traded any securities of Baffinland.

ISSUANCES OF SECURITIES OF BAFFINLAND

Except as set out below, no Common Shares or securities convertible into Common Shares, including 2007 Warrants, have been issued to the directors, officers and any other insiders of Baffinland during the two years preceding the date of this Directors' Circular.

Common Shares

<u>Name</u>	<u>Nature of Issue</u>	<u>Common Shares Issued⁽¹⁾</u>	<u>Price per Common Share</u>	<u>Date Issued</u>
Grant Edey	Private placement	90,910	\$0.55 ⁽³⁾	December 10, 2009
	Prospectus offering	190,400	\$0.21	December 11, 2008
Gwen M. Gareau	Private placement	18,182	\$0.55 ⁽³⁾	December 10, 2009
John Lydall	Private placement	636,319	\$0.55 ⁽³⁾	December 10, 2009
Richard (Dick) Matthews	Private placement	50,000	\$0.55 ⁽³⁾	December 10, 2009
Richard D. McCloskey	Private placement	130,916	\$0.55 ⁽³⁾	December 10, 2009
	Prospectus offering	238,000	\$0.21	December 11, 2008
Michael T. Zurowski	Private placement	20,000	\$0.55 ⁽³⁾	December 10, 2009
Resource Capital Fund IV L.P. ⁽²⁾	Prospectus offering	20,596,282	\$0.48 ⁽³⁾	December 10, 2009
	Private Placement	807,127	\$0.46	September 30, 2009
	Private Placement	22,176,564	\$0.19	April 1, 2009
	Prospectus Offering	14,665,541	\$0.19	December 11, 2008

Notes:

- (1) Under the Shareholder Rights Plan, one right was issued in respect of each Common Share then outstanding, including those held by directors and officers of the Company, and have been issued with each Common Share issued subsequent to the adoption of the Shareholder Rights Plan.
- (2) Mr. Russell L. Cranswick is currently a director of the Company and a partner and member of the Investment Committee of the Resource Capital Funds. Mr. Cranswick is not considered to be an associate or affiliate of the Resource Capital Funds.
- (3) In the December 10, 2009 offering, conventional units were issued that consisted of one Common Share and one half common share purchase warrant.

Options

<u>Name</u>	<u>No. of Options Granted</u>	<u>Exercise Price</u>	<u>Date Granted</u>	<u>Expiry Date</u>
Russell L. Cranswick	87,000	\$0.56	February 23, 2010	February 23, 2015
	50,000	\$0.35	March 24, 2009	March 24, 2014
	79,000	\$0.25	January 6, 2009	January 6, 2014
Daniella Dimitrov	400,000	\$0.58	April 30, 2010	April 30, 2015
	175,000	\$0.56	February 23, 2010	February 23, 2015
	200,000	\$0.42	June 9, 2009	June 9, 2014
Grant Edey	89,000	\$0.56	February 23, 2010	February 23, 2015
	89,000	\$0.25	January 6, 2009	January 5, 2014

<u>Name</u>	<u>No. of Options Granted</u>	<u>Exercise Price</u>	<u>Date Granted</u>	<u>Expiry Date</u>
Gary C. Fietz	200,000	\$0.58	April 30, 2010	April 30, 2015
Gwen M. Gareau	175,000	\$0.56	February 23, 2010	February 23, 2015
	50,000	\$0.35	March 24, 2009	March 24, 2014
	200,000	\$0.25	January 6, 2009	January 6, 2014
John Lydall	91,000	\$0.56	February 23, 2010	February 23, 2015
	150,000	\$0.35	March 24, 2009	March 24, 2014
	87,000	\$0.25	January 6, 2009	January 6, 2014
Richard (Dick) Matthews . . .	200,000	\$0.56	February 23, 2010	February 23, 2015
	50,000	\$0.35	March 24, 2009	March 24, 2014
Richard D. McCloskey	106,000	\$0.56	February 23, 2010	February 23, 2015
	250,000	\$0.35	March 24, 2009	March 24, 2014
	100,000	\$0.25	January 6, 2009	January 5, 2014
Gregory Missal	125,000	\$0.56	February 23, 2010	February 23, 2015
	125,000	\$0.46	December 15, 2009	December 15, 2014
Ronald S. Simkus	200,000	\$0.58	April 30, 2010	April 30, 2015
Gordon Watts	91,000	\$0.56	February 23, 2010	February 23, 2015
	150,000	\$0.35	March 24, 2009	March 24, 2014
	91,000	\$0.25	January 6, 2009	January 6, 2014
Michael T. Zurowski	150,000	\$0.56	February 23, 2010	February 23, 2015
	350,000	\$0.35	March 24, 2009	March 24, 2014
	250,000	\$0.25	January 6, 2009	January 6, 2014

Warrants

<u>Name</u>	<u>No. of Warrants Acquired</u>	<u>Exercise Price</u>	<u>Date Issued</u>	<u>Expiry Date</u>
Grant Edey	45,455	\$0.70	December 10, 2009	December 10, 2012
Gwen M. Gareau	9,091	\$0.70	December 10, 2009	December 10, 2012
John Lydall	318,159	\$0.70	December 10, 2009	December 10, 2012
Richard (Dick) Matthews	25,000	\$0.70	December 10, 2009	December 10, 2012
Richard D. McCloskey	65,458	\$0.70	December 10, 2009	December 10, 2012
Michael T. Zurowski	10,000	\$0.70	December 10, 2009	December 10, 2012
Resource Capital Fund IV L.P. ⁽¹⁾ . .	9,963,284	\$0.70	December 10, 2009	December 10, 2012

Note:

- (1) Mr. Russell L. Cranswick is currently a director of the Company and a partner and member of the Investment Committee of the Resource Capital Funds. Mr. Cranswick is not considered to be an associate or affiliate of the Resource Capital Funds.

ARRANGEMENTS BETWEEN BAFFINLAND AND ITS DIRECTORS AND OFFICERS

Other than as described in this 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 ArcelorMittal Offer is successful.

Employment Agreements

Baffinland has previously entered into employment agreements containing change of control provisions (“**Change of Control Provisions**”) with Gwen Gareau, Michael Zurowski, Greg Missal and Richard Matthews. Under the Change of Control Provisions, a “change of control” includes an event that results in a party (including persons acting jointly or in concert with that party) owning 50% or more of the voting securities of Baffinland. Assuming the conditions in the ArcelorMittal Offer are satisfied and ArcelorMittal takes up and pays for Common Shares, the ArcelorMittal Offer would result in a “change of control” and certain “change of control” payments and other obligations and entitlements may be owed by Baffinland to such officers in certain circumstances, as further described below.

Benefits pursuant to the Change of Control Provisions require both a change of control and an involuntary termination of the executive’s employment (including constructive dismissal) within 52 weeks following a change of control. In the event of termination following a change of control, the Change of Control Provisions require: (i) in the case of Ms. Gareau and Mr. Zurowski, the payment of an amount equal to 104 weeks of the executive’s annual base salary, an amount equal to the value of any annual bonus the executive would have earned had he or she been employed during the 104 weeks but in any event not to exceed 30% of his or her annual base salary and the continuation of health and benefit plans for 104 weeks; and (ii) in the case of Mr. Missal and Mr. Matthews, an amount equal to 24 months of the executive’s current salary, an amount equal to the average of the cash bonus paid in the two fiscal years immediately preceding the year in which his employment is terminated divided by 52 and multiplied by the number of weeks in the 24 month deemed notice period but in any event not to exceed 30% of his annual base salary and the continuation of health and benefit plans for 24 months. In addition, the employment agreements with each of Ms. Gareau and Mr. Zurowski also provide that upon a change of control, any outstanding Options granted to Ms. Gareau and Mr. Zurowski not yet vested, immediately become fully vested, and the employment agreements with each of Mr. Missal and Mr. Matthews provide that upon a change of control, the executive’s entitlement in respect of Options held at the time of termination pursuant to the Stock Option Plan will be determined in accordance with the terms of the Stock Option Plan.

Personnel Retention Program

Following the announcement of the Nunavut Offer, Baffinland evaluated various matters relevant to its personnel retention programs in the context of a change of control to ensure that its ability to achieve the best outcome for Shareholders, Baffinland and any potential third party acquiror would not be damaged by the loss of key employees during the period of extreme uncertainty caused by the Nunavut Offer. Baffinland recognized the importance of retaining current key employees, in addition to Baffinland’s executive officers, without distraction to assist in the response to the Nunavut Offer, the consideration of potential alternatives and the execution of the business of Baffinland. In addition to the arrangements that were in place prior to the announcement of the Nunavut Offer, the Board, on the recommendation of the Compensation Committee, determined that it was in the best interests of Baffinland to put in place (i) arrangements for certain additional key non-executive management members to include a severance payment representing one year’s salary, payable in the event of termination without cause within the 52-week period following a change of control, (ii) arrangements for Baffinland’s remaining employees to include a severance payment equal to one month per year of service, with a minimum of three months severance, payable in the event of termination without cause within the 52-week period following a change of control, and (iii) payments to certain consultants of between \$100,000 and \$250,000 as retention payments payable on the achievement of certain milestones and a termination payment of \$250,000 payable to a consultant in the event of termination without cause within the 52-week period following a change of control.

Baffinland Stock Option Plan

Upon the occurrence of a change of control, the Stock Option Plan 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 has 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. For purposes of the Stock Option Plan, a “change of control” includes a reorganization, amalgamation, merger or other business combination (or a plan of arrangement in connection with any of the foregoing), other than solely involving Baffinland and any one or more of its affiliates, with respect to which all or substantially all of the persons who were the beneficial owners of the Common Shares and other securities of Baffinland immediately prior to such reorganization, amalgamation, merger, business combination or plan of arrangement do not, following the completion of such reorganization, amalgamation, merger, business combination or plan of arrangement, beneficially own, directly or indirectly, more than fifty percent (50%) of the resulting voting rights (on a fully-diluted basis) of Baffinland or its successor.

As of November 12, 2010, the directors and officers of Baffinland held, in aggregate 10,972,000 Options to acquire an aggregate of 10,972,000 Common Shares. The outstanding options held by directors and officers of Baffinland as of November 12, 2010 had exercise prices ranging from \$0.25 to \$4.40 and, accordingly, not all such Options are in-the-money.

Pursuant to the Support Agreement, ArcelorMittal and Baffinland have agreed that, between the date of the Support Agreement and the Take-Up Date, subject to the terms of the Stock Option Plan and the receipt of any necessary approvals and to applicable securities laws, Baffinland may take such actions as may be necessary or desirable, including amending the terms of any Options and the Stock Option Plan to provide that all Options vest no later than immediately prior to the Take-Up Date and that each holder of vested Options shall be entitled to, at his or her option: (i) exercise such Options, in accordance with their terms, and thereby acquire Common Shares; (ii) effect a cashless exercise of their Options solely for purposes of tendering to the ArcelorMittal Offer all Common Shares issued in connection with such cashless exercise; or (iii) in lieu of exercising Options, surrender to Baffinland or cancel such Options, in exchange for a payment by Baffinland in the form of Common Shares having a fair market value equal to the Cash-Out Amount, in each case, for the purposes of tendering to the ArcelorMittal Offer all Common Shares issued in connection with such exercise, surrender or cancellation. Subsequent to the Nunavut Offer, the Board of Directors accelerated the vesting of all outstanding Options and intends to use commercially reasonable efforts to allow all outstanding Options to be either exercised, terminated, surrendered, cancelled or expire prior to the Take-Up Date.

OWNERSHIP OF SECURITIES OF ARCELORMITTAL

None of Baffinland or the directors or officers of Baffinland or, to their knowledge after reasonable enquiry, any associate or affiliate of an insider of Baffinland, any affiliate or associate of Baffinland, any insider of Baffinland who is not a director or officer of Baffinland or any person acting jointly or in concert with Baffinland, beneficially owns, or exercises control or direction over, any securities of ArcelorMittal except for Mr. Russell Cranswick, who owns 246.4 shares of ArcelorMittal representing approximately 0.0000157% of ArcelorMittal’s outstanding shares.

INTEREST OF DIRECTORS AND OFFICERS IN MATERIAL TRANSACTIONS OF ARCELORMITTAL

None of the directors or officers of Baffinland and their associates and, to the knowledge of the directors and officers of Baffinland, after reasonable inquiry, no person who owns more than 10% of any class of equity securities of Baffinland for the time being outstanding has any interest in any material transaction to which ArcelorMittal is a party.

None of the directors or officers of Baffinland is a director or officer of ArcelorMittal or any of its subsidiaries.

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 third quarter ended September 30, 2010.

REGULATORY MATTERS

Canadian Competition Filings

Subject to certain limited exceptions, the *Competition Act* (Canada) (the “CA”) requires the Commissioner of Competition (the “**Commissioner**”) to be notified in advance of proposed transactions that exceed certain financial thresholds and, in the case of share acquisitions, that exceed an additional voting interest threshold. The ArcelorMittal Offer constitutes a notifiable transaction for the purposes of the CA. As such, prescribed information and documents must be submitted to the Commissioner by each party to the proposed transaction and a waiting period must expire or be terminated or waived by the Commissioner before the proposed transaction may be completed. Alternatively, as described below, in cases with limited competitive overlap between the parties, one or more of the parties may apply to the Commissioner for an “Advance Ruling Certificate” (“**ARC**”) (which if granted exempts the parties from the requirement to notify) or a so-called “no-action” letter and a waiver of the requirement to notify.

If notification materials are submitted, the waiting period is 30 calendar days after the day on which the parties to the transaction submit the required notification, provided that, before the expiry of this period, the Commissioner has not notified the parties that she requires additional information that is relevant to her assessment of the proposed transaction (a “**Supplementary Information Request**” or “**SIR**”). In the case of an offer such as the ArcelorMittal Offer, the waiting period commences with the filing of complete notification materials by the offeror, and the company whose shares it wishes to acquire is required to provide such materials within 10 calendar days after receiving notice from the Commissioner of the receipt of notification materials from the offeror. If a SIR is issued, the parties cannot complete the transaction until after 30 calendar days following their compliance with such SIR (again, in the case of an ArcelorMittal Offer such as the ArcelorMittal Offer, this additional 30 days would commence following ArcelorMittal’s compliance with the SIR, without reference to when Baffinland complies).

Alternatively, or in addition to filing the prescribed notification information, a party to a notifiable transaction may apply to the Commissioner for an ARC, which may be issued where she is satisfied that she would not have sufficient grounds on which to apply to the Competition Tribunal for an order under the merger provisions of the CA. If the Commissioner issues an ARC in respect of a proposed transaction, the transaction is exempt from the pre-merger notification provisions or, if notification was made, the waiting period is terminated; the Commissioner is also prevented from applying to the Competition Tribunal for an order under the merger provisions of the CA on the basis of substantially the same information as that on the basis of which the ARC was issued.

Where the Commissioner does not issue an ARC but nonetheless notifies the parties that she does not, at that time, intend to make an application under the merger provisions of the CA in respect of the proposed transaction (a “**no-action**” letter), any statutory waiting period terminates. If no notification materials were submitted, the Commissioner may also choose to waive the requirement to notify the transaction, on the basis of the information submitted in the request for an ARC. Issuance of a “no-action” letter as opposed to an ARC, however, preserves the Commissioner’s ability to challenge the transaction for a period of up to one year after closing.

Absent the issuance of an ARC, the Commissioner may apply to the Competition Tribunal for an order in respect of any proposed merger, or in respect of a completed merger for up to one year after closing, if she is of the view that the merger has substantially lessened or prevented competition, or is likely substantially to lessen or prevent competition. The Competition Tribunal may issue a variety of orders, including for the dissolution of a completed merger or for the divestiture of assets and shares, and it may prohibit the completion of a proposed merger or impose conditions thereon. Interim injunctions may also be issued in some circumstances.

Investment Canada Act

Subject to certain limited exceptions, the direct acquisition of control of a Canadian business by a non-Canadian that exceeds the financial threshold prescribed under Part IV of the Investment Canada Act (a “**Reviewable Transaction**”) is subject to review and cannot be implemented unless the transaction has been reviewed by the

Minister responsible for the Investment Canada Act (the “**Minister**”) and the Minister is satisfied or is deemed to be satisfied that the transaction is likely to be of net benefit to Canada (the “**net benefit ruling**”).

Accordingly, in the case of a Reviewable Transaction, a non-Canadian purchaser must submit an application to the Minister (an “**Application for Review**”) seeking approval of the Reviewable Transaction and cannot complete the transaction until it receives a net benefit ruling. The submission of the Application for Review triggers an initial review period of up to 45 days. If the Minister has not completed the review by that date, the Minister may unilaterally extend the review period for up to a further 30 days.

In determining whether to issue a net benefit ruling, the Minister is required to consider, among other things, the Application for Review and any written undertakings offered by the purchaser to Her Majesty in right of Canada. The prescribed factors that the Minister must consider when determining whether to issue a net benefit ruling include, among other things, the effect of the investment on the economic activity in Canada (including the effect on employment, resource processing, utilization of Canadian products and services and exports), the participation by Canadians in the acquired business, the effect of the investment on productivity, industrial efficiency, technological development, product innovation, product variety and competition in Canada, the compatibility of the investment with national and provincial industrial, economic and cultural policies, and the contribution of the investment to Canada’s ability to compete in world markets.

If, following his review, the Minister is not satisfied or deemed to be satisfied that the Reviewable Transaction is likely to be of net benefit to Canada, the Minister is required to send a notice to that effect to the purchaser, advising the purchaser of its right to make further representations and submit (additional) undertakings within 30 days from the date of such notice or any further period that may be agreed to by the purchaser and the Minister.

At any time, and in any event within a reasonable time after the expiry of the period for making representations and submitting undertakings described above, the Minister shall send a notice to the purchaser that either the Minister is satisfied that the investment is likely to be of net benefit to Canada (i.e., a net benefit ruling) or confirmation that the Minister is not satisfied that the investment is likely to be of net benefit to Canada. In the latter case, the Reviewable Transaction may not be implemented.

If an acquisition of control of a Canadian business by a non-Canadian does not exceed the financial threshold prescribed under Part IV of the Investment Canada Act, the transaction is not a Reviewable Transaction and is simply subject to the filing of a notification form which must be completed no later than 30 days after the implementation of the transaction (an “**ICA Notification**”).

In addition, under Part IV.1 of the Investment Canada Act, investments by non-Canadians to establish a new Canadian business, acquire control of a Canadian business, or acquire, in whole or in part, or to establish an entity carrying on all or any part of its operations in Canada, whether or not the transaction is a Reviewable Transaction, can be made subject to review and approval on grounds that the investment could be injurious to national security. In the case of a Reviewable Transaction, within 45 days of when the purchaser submits its Application for Review to the Minister, the Minister can either issue a notice to the purchaser, indicating that a review may be necessary on grounds that the transaction could be injurious to national security, in which case the Minister has 25 days thereafter to determine whether it will recommend to the Governor in Council (the federal Cabinet) that it order a review, or after consulting with the Minister of Public Safety and Emergency Preparedness, recommend to the Governor in Council that it order a review of the transaction on national security grounds. If the Minister issues a notice that it is considering making a recommendation for a review to the Governor in Council or that the Governor in Council has made an order requiring a review on national security grounds, the purchaser is thereafter precluded from completing the transaction until the process is completed, as described below.

If an order for a review is made by the Governor in Council, the Minister, after consulting with the Minister of Public Safety and Emergency Preparedness (and any other investigative body that is prescribed by National Security Review of Investments Regulations), is required to, within 45 days of such order, or any further period that is agreed on by the Minister and the purchaser, either: (a) refer the investment under review to the Governor in Council, together with a report of the Minister’s findings and recommendations on the review, if (i) the Minister is satisfied that the investment would be injurious to national security, or (ii) on the basis of the

information available, the Minister is not able to determine whether the investment would be injurious to national security; or (b) send to the purchaser a notice indicating that no further action will be taken in respect of the investment if the Minister is satisfied that the investment would not be injurious to national security. In the latter case, the Minister will continue its review of the purchaser's Application for Review and any proposed undertakings. If the Minister has referred the transaction to the Governor in Council, the Governor in Council may, by order, within 15 days of such referral, take any measures in respect of the investment that the Governor in Council considers advisable to protect national security, including: (a) directing the purchaser not to implement the investment; (b) authorizing the investment on condition that the non-Canadian (i) give any written undertakings to Her Majesty in right of Canada relating to the investment that the Governor in Council considers necessary in the circumstances, or (ii) implement the investment on the terms and conditions contained in the order, in which case the Minister will continue its review of the purchaser's Application for Review and any proposed undertakings; or (c) requiring the purchaser to divest itself of control of the Canadian business or of its investment in the entity.

If the transactions contemplated by the ArcelorMittal Offer are to close by December 31, 2010, based on Baffinland's financial statements for the year ended December 31, 2009, the transactions contemplated by the ArcelorMittal Offer do not constitute a Reviewable Transaction. The parties anticipate closing as soon as December 20, 2010. Accordingly, on November 12, 2010, ArcelorMittal filed its ICA Notification under the Investment Canada Act. If the transactions contemplated by the ArcelorMittal Offer are to close on or after January 1, 2011, as Baffinland's financial statements for the year ended December 31, 2010 are currently unavailable, it is unknown whether the transactions contemplated by the ArcelorMittal Offer will constitute a Reviewable Transaction.

OTHER TRANSACTIONS

Other than as described or referred to in the ArcelorMittal Offer and Circular or in this Directors' Circular, no negotiations are underway in response to the ArcelorMittal 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 Directors' Circular, there is no transaction, Board resolution, agreement in principle or signed contract of Baffinland which has occurred in response to the ArcelorMittal Offer and that is related to one of the matters set forth in the preceding paragraph.

OTHER MATERIAL INFORMATION

Except as disclosed in this Directors' Circular, 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 and 2007 Warrantholders to accept or reject the ArcelorMittal Offer.

PERSONS OR ASSETS EMPLOYED, COMPENSATED OR USED

CIBC World Market Inc.'s existing engagement with Baffinland was amended and extended on September 22, 2010 to include providing advice to the Board and the Special Committee, and soliciting alternatives to the Nunavut Offer, and if requested, preparing and delivering its opinion as to the adequacy or fairness of any proposed transaction. Baffinland will pay CIBC World Markets Inc. reasonable and customary compensation for its services, will reimburse CIBC World Markets Inc. for its reasonable out-of-pocket expenses, and will indemnify CIBC World Markets Inc. against certain liabilities arising out of or in connection with their engagement.

Baffinland has retained Drysdale Forstner Hamilton Public Affairs Ltd., to assist it in connection with its communications with Shareholders and 2007 Warrantholders with respect to the ArcelorMittal Offer. Drysdale Forstner Hamilton Public Affairs Ltd. will receive reasonable and customary compensation for its services and reimbursement for its reasonable out-of-pocket expenses.

Baffinland has also retained Phoenix Advisory Partners as its information agent in connection with the ArcelorMittal Offer and certain related matters. Phoenix Advisory Partners will receive reasonable and customary compensation for its services and reimbursement for its reasonable out-of-pocket expenses. Baffinland has agreed to indemnify Phoenix Advisory Partners against certain liabilities arising out of or in connection with the engagement.

Except as set forth above, neither Baffinland nor any person acting on its behalf has employed, retained or agreed to compensate any person making solicitations or recommendations to Shareholders or 2007 Warrantholders in connection with the ArcelorMittal Offer.

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 DIRECTORS' CIRCULAR

The content of this Directors' Circular has been approved and the delivery thereof has been authorized by the Board.

CONSENT OF CIBC WORLD MARKETS INC.

Dated: November 12, 2010

To the Board of Directors of Baffinland

We hereby consent to the references to our firm name and to the reference to our opinion dated November 5, 2010, contained under the headings “Questions and Answers about the ArcelorMittal Offer”, “Recommendation of the Board of Directors”, “Background to the ArcelorMittal Offer”, “Persons or Assets Employed, Compensated or Used” and “The Fairness Opinion” and the inclusion of the text of our opinion dated November 5, 2010 as Schedule “A” to the Directors’ Circular dated November 12, 2010. Our opinion was given as at November 5, 2010 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the directors of Baffinland shall be entitled to rely upon our opinion.

(Signed) CIBC WORLD MARKETS INC.

CERTIFICATE

Dated: November 12, 2010

The foregoing 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) RICHARD MCCLOSKEY
Chairman of the Board and Acting President
and Chief Executive Officer

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

(Signed) DANIELLA DIMITROV
Director and Vice-Chair

**SCHEDULE “A”
OPINION OF CIBC WORLD MARKETS INC.**



November 5, 2010

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

To the Board of Directors:

CIBC World Markets Inc. (“CIBC”, “we” or “us”) understands that Baffinland Iron Mines Corporation (“Baffinland” or the “Company”) is proposing to enter into a support agreement (the “Support Agreement”) with ArcelorMittal S.A. (the “Offeror”), pursuant to which the Offeror will make an offer (the “Offer”) to acquire all of the outstanding common shares of the Company (the “Baffinland Shares”) in consideration (the “Consideration”) for \$1.10 in cash per Baffinland Share.

We further understand that the Offeror is proposing to enter into agreements (the “Lock-up Agreements”) with certain Shareholders (the “Locked-up Shareholders”) pursuant to which, such Locked-up Shareholders have agreed, in certain circumstances, to tender all of the Baffinland Shares held by them to the Offer. We understand that the Locked-up Shareholders collectively own approximately 25% of the issued and outstanding Baffinland Shares.

We understand that the Offeror’s obligation to take up and pay for any Baffinland Shares tendered in acceptance of the Offer will be subject to certain conditions as set out in the Support Agreement, including that holders of not less than two-thirds of the outstanding Baffinland Shares shall have been tendered in acceptance of the Offer at or before its expiry time. We also understand that the terms and conditions of the Support Agreement and the Offer will be described in the Offeror’s offer and take-over bid circular (the “Take-over Bid Circular”).

We also understand that the Company’s board of directors (the “Board of Directors”) has appointed a special committee (the “Special Committee”) to consider the implications of the Offer and to make recommendations to the Board of Directors concerning the Offer and responses thereto, including considering potential transactions that might be pursued by the Company as an alternative to the Offer.

Engagement of CIBC

By letter agreement dated September 22, 2010, (the “Engagement Agreement”), the Company retained CIBC to act as financial advisor to the Company, its Board of Directors and the Special Committee in connection with the Offer and any alternative transaction. Pursuant to the Engagement Agreement, the Company has requested that we prepare and deliver to the Board of Directors our written opinion (the “Opinion”) as to the fairness, from a financial point of view, of the Consideration offered to holders of Baffinland Shares (“Shareholders”) pursuant to the Support Agreement.

CIBC will be paid a fee for rendering the Opinion and will be paid an additional fee that is contingent upon the completion of the Offer or any alternative transaction. The Company has also agreed to reimburse CIBC for its reasonable out-of-pocket expenses and to indemnify CIBC in respect of certain liabilities that might arise out of our engagement.

Credentials of CIBC

CIBC is one of Canada’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment

research. The Opinion expressed herein is the opinion of CIBC and the form and content herein have been approved for release by a committee of its managing directors and internal counsel, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

In connection with rendering our Opinion, we have reviewed and relied upon, among other things, the following:

- i) a draft dated November 4, 2010 of the Support Agreement;
- ii) a draft dated November 4, 2010 of the Lock-up Agreements;
- iii) the annual reports, including the comparative audited financial statements and management's discussion and analysis, of the Company for the fiscal years ended 2007, 2008 and 2009;
- iv) the interim reports, including the comparative unaudited financial statements and management's discussion and analysis, of the Company for the three months ended March 31, 2010, June 30, 2010, and September 30, 2010;
- v) the annual information forms of the Company for the fiscal years ended December 31, 2008 and 2009;
- vi) the management information circular of the Company dated May 6, 2010 relating to the annual meeting of shareholders held on June 10, 2010;
- vii) the National Instrument 43-101 compliant Definitive Feasibility Study dated February 2008 and prepared by Aker Solutions (formerly Aker Kvaerner E&C), and the financial models created in connection therewith;
- viii) certain internal financial, operational, corporate and other information prepared or provided by the management of the Company, including internal operating and financial budgets and projections;
- ix) selected public market trading statistics and relevant financial information of the Company and other public entities;
- x) selected financial statistics and relevant financial information with respect to relevant precedent transactions;
- xi) selected relevant reports published by equity research analysts and industry sources regarding the Company and other comparable public entities;
- xii) a certificate addressed to us, dated as of the date hereof, from two senior officers of the Company, as to the completeness and accuracy of the Information (as defined below); and
- xiii) such other information, analyses, investigations, and discussions as we considered necessary or appropriate in the circumstances.

In addition, we have participated in discussions with members of the senior management of the Company regarding its past and current business operations, financial condition and future prospects. We have also participated in discussions with Stikeman Elliott LLP, external legal counsel to the Company, concerning the Offer, the Support Agreement and related matters.

Assumptions and Limitations

Our Opinion is subject to the assumptions, qualifications and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of any of the assets or securities of the Company, the Offeror or any of their respective affiliates and our Opinion should not be construed as such.

With your permission, we have relied upon, and have assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by the Company or its affiliates or advisors or otherwise obtained by us pursuant to our engagement, and our Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions and representations. We have not met separately with the independent auditors of the Company in connection with preparing this Opinion and with your permission, we have assumed the accuracy

and fair presentation of, and relied upon, the Company's audited financial statements and the reports of the auditors thereon and the Company's interim unaudited financial statements.

With respect to the historical financial data, operating and financial forecasts and budgets provided to us concerning the Company and relied upon in our financial analyses, we have assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgements of management of the Company, having regard to the Company's business, plans, financial condition and prospects.

We have also assumed that all of the representations and warranties contained in the Support Agreement are correct as of the date hereof and that the Offer will be completed substantially in accordance with its terms and all applicable laws and that the Take-over Bid Circular will disclose all material facts relating to the Offer and will satisfy all applicable legal requirements.

The Company has represented to us, in a certificate of two senior officers of the Company, dated the date hereof, among other things, that the information, data and other material (financial or otherwise) provided to us by or on behalf of the Company, including the written information and discussions concerning the Company referred to above under the heading "Scope of Review" (collectively, the "Information"), are complete and correct at the date the Information was provided to us and that, since the date of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Offer or the sufficiency of this letter for your purposes.

Our Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they were represented to us in our discussions with management of the Company and its affiliates and advisors. In our analyses and in connection with the preparation of our Opinion, we made numerous assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Offer.

The Opinion is being provided to the Board of Directors for its exclusive use only in considering the Offer and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of CIBC. Our Opinion is not intended to be and does not constitute a recommendation to any Shareholder to tender Baffinland Shares to the Offer or as an opinion concerning the trading price or value of any securities of Baffinland following the announcement or completion of the Offer.

CIBC believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry out such could lead to undue emphasis on any particular factor or analysis.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date of this Opinion.

Opinion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion, as of the date hereof, that the Consideration offered to Shareholders pursuant to the Support Agreement is fair, from a financial point of view, to Shareholders.

Yours very truly,

CIBC World Markets Inc.

CIBC World Markets Inc.

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



20 Toronto Street, Suite 830
Toronto, ON M5C 2B8

North American Toll Free Phone:

1-800-503-9445

Email: contactus@phoenixadvisorypartners.com

Toll Free Facsimile: 1-877-907-3176

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