

ONTARIO SECURITIES COMMISSION

IN THE MATTER OF BAFFINLAND IRON MINES CORPORATION,
IRON ORE HOLDINGS, LP AND ITS WHOLLY-OWNED SUBSIDIARY
NUNAVUT IRON ORE ACQUISITION INC.

AND IN THE MATTER OF AN APPLICATION FOR ORDERS PURSUANT
TO SECTION 127 OF THE *SECURITIES ACT* (ONTARIO)

NUNAVUT IRON ORE ACQUISITION INC. ("**Nunavut Iron**") HEREBY APPLIES TO THE ONTARIO SECURITIES COMMISSION (the "**Commission**"), pursuant to section 127 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 as amended (the "**Act**"), for an urgent and expedited hearing to be conducted on a date and at a time to be established by the Commission that is no later than December 24, 2010, in a hearing room to be designated by the Commission on the 17th Floor, 20 Queen Street West, Toronto, Ontario.

Nunavut Iron hereby seeks the following relief pursuant to section 127 of the Act in connection with Nunavut Iron's amended offer (the "**Amended Nunavut Offer**") to purchase 50.1% of the outstanding common shares of Baffinland Iron Mines Corporation ("**Baffinland**") and Baffinland's second shareholder rights plan adopted on or about December 18, 2010 and first publicly announced on December 18, 2010 (the "**Second Rights Plan**"):

1. a permanent order pursuant to section 127 of the Act that trading cease in respect of any securities issued, or to be issued, under or in connection with the Second Rights Plan, including without limitation, in respect of the rights issued under the Second Rights Plan (the "**Rights**") and any common shares of Baffinland to be issued upon the exercise of the Rights;

2. a permanent order removing prospectus exemptions in respect of the distribution of Rights on the occurrence of the Separation Time (as defined in the Second Rights Plan) and in respect of the exercise of the Rights;
3. in the event that a hearing of this Application cannot be concluded and decided by December 24, 2010, and a hearing is instead scheduled for January 6, 2011, temporary orders pursuant to subsection 127(5) of the Act, which are to take effect on December 23, 2010 and expire on the fifteenth day after their making, unless extended by the Commission:
 - (a) that trading by ArcelorMittal and 2263199 Ontario Inc. cease in respect of the common shares and warrants of Baffinland under or in connection with the Amended AM Offer (as defined below) (or any variation or extension thereof) unless and until the Amended AM Offer is irrevocably extended without the right to take-up securities during such extension and otherwise on terms and conditions identical to its current terms and conditions such that it expire at 11:59 pm (Toronto time) on January 12, 2011;
 - (b) that trading by Nunavut Iron and Iron Ore Holdings cease in respect of the common shares of Baffinland under or in connection with the Amended Nunavut Offer (or any variation or extension thereof) unless and until the Amended Nunavut Offer is irrevocably extended without the right to take-up securities during such extension and otherwise on terms and conditions identical to its current terms and conditions such that it expire at 7:00 pm (Toronto time) on January 13, 2011;
4. in the alternative to the temporary orders sought in paragraph 3, above, and in the event that a hearing of this Application cannot be concluded and decided by December 24, 2010, Nunavut Iron respectfully requests that the following temporary orders be made pursuant to subsection 127(5) of the Act, which are to take effect immediately and expire on the fifteenth day after their making, unless extended by the Commission:

- (a) a temporary order that trading cease in respect of any securities issued, or to be issued, under or in connection with the Second Rights Plan, including without limitation, in respect of the Rights and any common shares of Baffinland to be issued upon the exercise of the Rights; and
 - (b) a temporary order removing prospectus exemptions in respect of the distribution of Rights on the occurrence of the Separation Time (as defined in the Second Rights Plan) and in respect of the exercise of the Rights;
5. an order or direction convening an immediate Pre-Hearing Conference to establish a timetable and schedule for the hearing of this Application and all related matters pursuant to Rule 6 of the Rules of Procedure of the Commission; and
6. such further and other relief as the Commission deems appropriate.

THE GROUNDS FOR RELIEF ARE AS FOLLOWS:

7. Baffinland is presently the subject of a highly public and closely followed competitive auction to acquire control of the company. This process was initiated on September 22, 2010 when Nunavut Iron commenced its original all cash offer (the "**Original Nunavut Offer**") to acquire all of the common shares of Baffinland ("**Baffinland Shares**"). Since November 8, 2010, the competitive contest has involved two bidders: Nunavut Iron, which is an unsolicited bidder, and ArcelorMittal S.A. ("**ArcelorMittal**"), which has made a supported offer for the Baffinland Shares.
8. The current competitive landscape is as follows:
 - On November 19, the Commission permanently cease traded Baffinland's amended and restated rights plan dated January 27, 2009 (the "**First Rights Plan**"), finding, amongst other things, that it had outlived its purpose because a higher priced competing offer had been made by ArcelorMittal (the "**Original AM Offer**") prior to the hearing of the application and Baffinland had

entered into a support agreement with ArcelorMittal (the "**Support Agreement**") pursuant to which it agreed, among other things, not to solicit any further offers.

- Following the Commission's November 19 Order permanently cease trading the First Rights Plan, Nunavut Iron extended the expiry date of the Original Nunavut Offer on successive occasions, clearly signalling to the market, shareholders, Baffinland and ArcelorMittal its intention to remain in the contest for control of Baffinland.
- On December 15, 2010, Nunavut Iron announced variations to the Original Nunavut Offer and the extension of the Amended Nunavut Offer to 7:00 p.m. on December 30, 2010. It varied the Original Nunavut Offer to: (i) increase the consideration from \$0.80 to \$1.35 per Baffinland Share, (ii) decrease the maximum number of common shares subject to the Amended Nunavut Offer from 100% to 50.1%, and (iii) add a new condition respecting Baffinland's title to its mining leases and mineral claims.
- The Amended Nunavut Offer was perceived by the market, analysts and ArcelorMittal (as evidenced by its response in subsequently increasing its offer) as a favourable development for Baffinland shareholders.
- In response to the Amended Nunavut Offer, on December 18, 2010 ArcelorMittal issued a press release announcing that it had agreed with Baffinland to amend the Support Agreement (the "**Amended Support Agreement**") such that the Original AM Offer for all of the issued and outstanding Baffinland Shares would be extended to expire at 11:59 p.m. (Toronto time) on December 29, 2010, one day prior to the expiry of the Amended Nunavut Offer, and varied to: (i) increase the consideration per Baffinland Share from \$1.10 to \$1.25 and (ii) reduce the minimum tender condition from 66 $\frac{2}{3}$ % to 50% plus one share (the "**Amended AM Offer**").
- The Amended AM Offer represented a discount to the December 17, 2010 closing price of the Baffinland Shares on the Toronto Stock Exchange of

approximately 6% and a discount to the Amended Nunavut Offer of approximately 8%.

9. In a December 18, 2010 press release, Baffinland also disclosed that the Baffinland Board has approved the adoption of the Second Rights Plan.

10. The Second Rights Plan has not been put to Baffinland's shareholders for their approval nor has Baffinland indicated any intention to do so.

11. In a December 18, 2010 press release, ArcelorMittal stated that the Second Rights Plan has substantially the same terms as the First Rights Plan and may not be waived by Baffinland until immediately prior to the time ArcelorMittal is first permitted to take-up securities deposited to the Amended AM Offer unless ArcelorMittal otherwise requests that it be waived earlier.

12. Assuming that the Second Rights Plan is, in fact, substantially the same as the First Rights Plan that was cease traded by the Commission approximately one month ago, the Second Rights Plan effectively prevents Baffinland's shareholders from selling their Baffinland Shares to Nunavut Iron under the Amended Nunavut Offer.

13. ArcelorMittal, by virtue of the terms of the Amended Support Agreement, controls the timing of any waiver of the Second Rights Plan. Without Commission intervention the Amended Support Agreement in combination with the Second Rights Plan essentially guarantees that no shares tendered to the Amended Nunavut Offer can be taken up by Nunavut Iron unless and until the conditions of the Amended AM Offer are first met or are voluntarily waived by ArcelorMittal.

14. Thus, the joint effect of the Second Rights Plan and Amended Support Agreement is an absurd and untenable situation in which the conditions of the Amended Nunavut Offer can only be met if the conditions of the Amended AM Offer are first met or are voluntarily waived by ArcelorMittal.

15. The Second Rights Plan favours ArcelorMittal and the Amended AM Offer over Nunavut Iron and the Amended Nunavut Offer. It eliminates the Baffinland shareholders' ability to choose the Amended Nunavut Offer over the Amended AM Offer and to have their shares tendered to the Amended Nunavut Offer taken up by Nunavut Iron. The Board has substituted its choice for that of the shareholders and has decided against the Amended Nunavut Offer.

16. The Baffinland Board's actions in adopting the Second Rights are particularly problematic in light of the fact that the First Rights Plan was immediately and permanently cease traded a mere four weeks ago by the Commission.

17. Nunavut Iron is currently not prepared to vary or extend the Amended Nunavut Offer and continue the auction for Baffinland in the face of the continued operation of the Second Rights Plan.

Temporary Order Under Subsection 127(5) of The Act

18. In light of the current expiry dates for the Amended AM Offer and the Amended Nunavut Offer (December 29 and 30, respectively) and the intervening holidays and office closures, unless this Application is heard and decided and the decision on this Application is press released by no later than December 24, 2010, there will not be sufficient time for Baffinland shareholders to become aware of the decision, make their own decisions with respect to their Baffinland shares and the competing Offers which expire on December 29 and 30 and properly instruct and have their brokers act on their instructions.

19. As such, in the event that this Application cannot be concluded and decided within this timeframe, there could be prejudice to the public interest which warrants the temporary orders sought by Nunavut Iron pursuant to subsection 127(5) of the Act.

20. Such further or other grounds as counsel may advise.

NUNAVUT IRON INTENDS TO RELY ON the evidence of Bruce Walter and on such other further evidence as may be necessary and appropriate to reply to any materials that may be filed by Baffinland.

December 20, 2010

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