

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c.S.5, AS AMENDED**

- and -

**IN THE MATTER OF
JOWDAT WAHEED and BRUCE WALTER**

**STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

I. OVERVIEW

1. This is a case of insider tipping and trading by a former consultant to Baffinland Iron Mines Corporation (“Baffinland” or the “Company”), who three months after ceasing to be a consultant, breached his confidentiality obligations and acted contrary to the public interest by using material facts and confidential information about Baffinland to launch a hostile take-over bid for Baffinland with his close friend and colleague.

2. Jowdat Waheed (“Waheed”) was a consultant at Baffinland from February to April 2010. While a consultant, he received confidential information and learned material facts about Baffinland that had not been generally disclosed.

3. Waheed received the following confidential information about the Company:

- a) its budgets and financial forecasts;
- b) its exploration plans;
- c) its business plans and strategies;
- d) details about the Company’s negotiations relating to permitting;

- e) its Board of Directors (“Board”) materials;
 - f) the 2008 Scoping Study;
 - g) the 2010 Road Haulage Conceptual Study;
 - h) details about the Company’s search for a strategic partner; and
 - i) details about the Company’s negotiations with ArcelorMittal S.A. (“ArcelorMittal”).
4. The details about Baffinland’s confidential negotiations with ArcelorMittal relating to a potential joint venture were material facts. While a consultant, Waheed received copies of presentations and term sheets and details of the negotiations. Waheed learned further material facts about Baffinland’s continued confidential negotiations with ArcelorMittal regarding a potential joint venture after ceasing to be a consultant at Baffinland during the period of June to August 2010.
5. Beginning in July, 2010, Waheed informed Bruce Walter (“Walter”) and other third parties of material facts respecting Baffinland, as set out above, that had not been generally disclosed, contrary to s. 76(2) of the *Securities Act*, R.S.O. 1990, c. S.5, (as amended) (the “*Securities Act*”).
6. On September 9, 2010, Nunavut Iron Ore Acquisition Inc. (“Nunavut”) purchased shares of Baffinland. Nunavut was incorporated by Waheed and Walter on August 27, 2010, for the sole purpose of launching a take-over bid for Baffinland. As director, President and CEO, and Chairman of Nunavut, respectively, Waheed and Walter authorized, permitted or acquiesced in the purchase of securities of Baffinland by Nunavut, contrary to s.76(1) of the *Securities Act*. At the time of the purchase, Waheed and Walter were in a special relationship with Baffinland and both had knowledge of material facts with respect to Baffinland that had not been generally disclosed. On September 22, 2010, Nunavut launched a hostile take-over bid for Baffinland.
7. Waheed and Walter also acted contrary to the public interest by using material facts and confidential information belonging to Baffinland to purchase a toehold and

launch a hostile take-over bid which put Baffinland in play. Walter and Waheed knew the hostile take-over bid would disrupt the joint venture negotiations between Baffinland and ArcelorMittal. By their actions, Waheed and Walter deprived Baffinland shareholders of the opportunity and ability to benefit from future developments of the Mary River Project (defined below) as a joint venture partner with ArcelorMittal. Waheed and Walter knew that launching the bid for BIM would create benefits and opportunities for Nunavut at the expense of Baffinland shareholders.

8. Waheed also acted contrary to the public interest by acting in his own self interest both while and after ceasing to be a consultant at Baffinland. While a consultant, Waheed provided advice to Baffinland's majority shareholder and even advocated that it commence a proxy battle to take control of Baffinland's Board. After ceasing to be a consultant, Waheed sought information from management under the guise of assisting Baffinland to identify an alternative strategic partner. Instead, Waheed used the information he obtained from Baffinland management for his own benefit to launch a hostile take-over bid for the Company.

II. THE RESPONDENTS

9. Waheed is a resident of Toronto, Ontario. He was a consultant to Baffinland from February 18, 2010 to April 30, 2010. He subsequently became the President, Chief Executive Officer ("CEO") and a director of Nunavut on or about August 27, 2010. He is presently a director of Baffinland.

10. Prior to joining Baffinland as a consultant, Waheed held a number of senior executive positions at several large public corporations, including that of President and CEO. He also previously served as a director of a number of large public companies.

11. Walter is a resident of Toronto, Ontario. He was semi-retired until July, 2010 when he agreed to pursue a transaction involving Baffinland with Waheed. He subsequently became the Chairman and a director of Nunavut on or about August 27, 2010. He is presently a director of Baffinland.

12. Walter is a very experienced businessman, having been a member of senior management, including President and CEO, at several large public corporations. He has also been Chairman and a director of a number of large public companies.

13. Waheed and Walter met and became friends while employed at Horsham Corporation in the 1980's and remained close personal friends thereafter. On or about July 4, 2010, Waheed approached Walter about pursuing a possible transaction involving Baffinland. Walter knew that Waheed had recently been a consultant at Baffinland. He was aware that Waheed learned of and was privy to material facts and confidential information about Baffinland that were not generally disclosed while he was a consultant at Baffinland and furthermore that Waheed was subject to a two year confidentiality provision in his consulting agreement with Baffinland which was still in force.

14. On or about July 4, 2010, despite having previously known about Baffinland but not having been interested in the Company, Walter agreed to pursue a transaction involving Baffinland with Waheed. From that time onward, Waheed and Walter were in regular and frequent contact. Waheed and Walter initially proposed doing a transaction involving Baffinland which would be financed by Barclays Natural Resources Investment Fund ("Barclays").

15. On August 9, 2010, Barclays advised Waheed and Walter that it would not be able to provide all the financing required for a bid for Baffinland. The parties began to look for another financing partner. On August 12, 2010, Walter contacted John Calvert ("Calvert"), one of the principals at The Energy & Mineral Group ("EMG") about the possibility of financing a take-over bid for Baffinland. Seven days later, after Waheed provided information about Baffinland to EMG, some of which included material facts that had not been generally disclosed and confidential information, EMG advised that it was willing to provide \$200 million initially for a transaction involving Baffinland with the option to commit more later.

16. Waheed and Walter subsequently incorporated Nunavut pursuant to the *Canada Business Corporations Act*, R.S.C. 1985, c.C-44, on August 27, 2010 for the sole purpose of launching a take-over bid for Baffinland. On September 1, 2010, Nunavut opened a

trading account with GMP Securities L.P. (“GMP”). Waheed and Walter were authorized to provide trading instructions for this account. They provided instructions to GMP to acquire Baffinland securities which would then be transferred to Nunavut as a toehold ownership position prior to initiating a formal public offer for Baffinland securities.

17. On September 9, 2010, Nunavut purchased 20 million common shares and 5 million 2009 warrants of Baffinland. Nunavut paid \$12,062,600 for the 20 million common shares and \$675,000 for the 5 million warrants. Waheed, as an officer and director of Nunavut, and Walter as a director of Nunavut, authorized and directed the purchase of such shares and warrants while in possession of material facts and confidential information about Baffinland.

18. On September 22, 2010, Nunavut made an offer to purchase all of the shares of Baffinland for \$0.80 per common share (the “Nunavut Offer”).

19. On November 12, 2010, ArcelorMittal made an offer to purchase all of the shares of Baffinland for \$1.10 per common share (the “ArcelorMittal Offer”). Nunavut and ArcelorMittal each subsequently amended and extended their respective offers several times between November 12, 2010 and January 10, 2011. On January 14, 2011, ArcelorMittal and Nunavut announced a joint venture to purchase all of the shares of Baffinland for \$1.50 per common share (the “Joint Bid”). The Joint Bid was ultimately successful and Nunavut and ArcelorMittal acquired control of Baffinland.

III. BACKGROUND

Baffinland’s Search For A Strategic Partner

20. Baffinland is a junior mining company incorporated pursuant to the *Business Corporations Act (Ontario)*, R.S.O. 1990, c. B.16, whose main asset is an undeveloped iron ore deposit in Nunavut with substantial proven and probable resources (the “Mary River Project”). It was a reporting issuer in all provinces and territories in Canada and its shares were publicly traded on the Toronto Stock Exchange until, after the successful completion of the Joint Bid, Baffinland completed a going private transaction by way of plan of arrangement on March 25, 2011.

21. Baffinland did not have the finances to develop the Mary River Project. As such, it began a search for a strategic partner in 2008.

22. In August 2009, ArcelorMittal, the world's largest steel producer, expressed an interest in Baffinland and visited the Mary River Project. In December 2009, ArcelorMittal provided Baffinland with an initial proposal. Further meetings and exchanges of term sheets by the parties took place in January and February 2010. Negotiations continued throughout 2010 and the parties entered into two exclusivity agreements. The negotiations were at an advanced stage and very close to being finalized at the time that Nunavut announced its bid for Baffinland on September 22, 2010.

23. It was a matter of public knowledge that Baffinland was seeking a strategic partner and that it was in discussions with potential strategic partners. It was not public knowledge however, that ArcelorMittal was in active negotiations with Baffinland. It was extremely important to ArcelorMittal, as known to Baffinland insiders and Waheed, that its identity as a potential strategic partner remain confidential.

Waheed Joins Baffinland As a Consultant

24. On February 18, 2010, Waheed joined Baffinland as a consultant to provide strategic advice to the Board regarding potential partnerships and the development of the Mary River Project generally. In fact, Waheed was brought in with a view to having him later join the Baffinland Board, potentially as Chairman.

25. Waheed's consulting agreement contained a confidentiality clause which required that Waheed preserve the confidentiality of all confidential and proprietary information or material relating to Baffinland's operations or business he received from and about the Company for a two year period following the termination of his consulting agreement. This confidentiality provision also prohibited Waheed's use of Baffinland's confidential information for his own account.

26. While a consultant, Waheed was given complete access to all of Baffinland's files and materials, including among other things: the Company's budgets and financial forecasts, the Company's exploration plans, the Company's business plans and strategies,

the Company's permitting information and negotiations with government relating to the Mary River Project, the proposed Inuit Impact Benefit Agreement ("IIBA") that was being negotiated between the Company and the Qikiqtani Inuit Association ("QIA"), the status of the ongoing negotiations between Baffinland and the QIA with respect to royalties, the 2008 Definitive Feasibility Study, the 2008 Scoping Study and the Company's Board materials.

27. In addition, Waheed met and spoke with all of Baffinland's senior management, directors and financial advisors. He attended at least one Baffinland Board meeting and several Board committee meetings. He regularly attended weekly management meetings.

28. There was no distinction between the Company information shared with Waheed and that shared with the directors and officers of Baffinland. During his discussions with Baffinland management and directors and his review of Baffinland's corporate materials, Waheed learned of material facts about Baffinland that were not generally disclosed, and other confidential information, as set out in greater detail below.

29. Waheed was essentially an insider while he was a consultant at Baffinland. He was treated as, and acted as, a senior officer of the Company – attending weekly management meetings, assigning work to others and working on and providing input on management work products.

IV. THE UNDISCLOSED MATERIAL FACTS

Waheed Learns of Material Facts About Baffinland While A Consultant At Baffinland

30. Shortly after joining Baffinland as a consultant on February 18, 2010, Waheed met and spoke extensively with Daniella Dimitrov ("Dimitrov") about Baffinland's negotiations with ArcelorMittal regarding a potential joint venture. Dimitrov was the Baffinland representative involved in the negotiations with ArcelorMittal. She provided Waheed with, among other things: a detailed chronology of the negotiations between the parties; presentations made to the Baffinland Board by CIBC World Markets Inc. ("CIBC"), Baffinland's financial advisor in the negotiations; Baffinland's presentations

to ArcelorMittal; and proposals and term sheets exchanged between the parties. All of this information was confidential and not generally disclosed to the public.

31. As the negotiations between Baffinland and ArcelorMittal progressed in March and April 2010, Waheed was kept fully apprised of the status of the negotiations and was actively involved in discussing and providing input on Baffinland's strategy in the negotiations. He also assisted senior management in preparing a presentation to ArcelorMittal.

32. In mid-March 2010, Waheed learned that ArcelorMittal was very serious about moving ahead with a transaction with Baffinland as it had hired financial advisors and legal counsel for the transaction.

33. Waheed was present at the March 23, 2010 Baffinland Board meeting during which it was agreed that Baffinland would enter into an exclusivity agreement with ArcelorMittal until August 12, 2010.

34. Waheed was also aware of ArcelorMittal's proposed terms. On April 4, 2010, ArcelorMittal provided Baffinland with a new term sheet for the potential joint venture. This term sheet formed the basis for ongoing negotiations between the parties and ArcelorMittal conducting its due diligence in the summer of 2010. Waheed reviewed this term sheet and provided advice to Baffinland on the proposal.

35. The status and terms of the negotiations between Baffinland and ArcelorMittal regarding a potential joint venture as set out in paragraphs 30-34 above were material facts that had not been generally disclosed to the public. The fact that ArcelorMittal, the world's largest steel-maker and one of the world's largest mining companies was interested in and engaged in active negotiations with Baffinland, a junior mining company, would reasonably be expected to have a significant effect on the market price or value of Baffinland's securities.

Waheed Learns Further Material Facts About the Baffinland and ArcelorMittal Negotiations in June and July 2010

36. Waheed ceased to be a consultant at Baffinland on April 30, 2010. He had been invited to join the Baffinland Board, but not in the position of Chairman. He declined the invitation.

37. Waheed retained in his possession confidential information belonging to Baffinland after he ceased to be a consultant. In particular, he kept a copy of a financial model which he had developed and conducted extensive work on with the assistance of Baffinland senior management while a consultant. Waheed also kept copies of Baffinland PowerPoint presentations which he had prepared and used while a consultant.

38. On or about April 30, 2010, Waheed started having discussions with Barclays about becoming a member of a senior management team in Canada. At the suggestion of Waheed, these discussions included doing a possible transaction involving Baffinland.

39. In June and July 2010, Waheed actively sought information about Baffinland. He approached Baffinland management on a number of occasions to request updates in respect of the Company, including the status of its negotiations with ArcelorMittal. Waheed advised Richard McCloskey (“McCloskey”) and Dimitrov, the Chairman and Vice-Chairman respectively of the Baffinland Board, that he had spent some time in New York with a private equity fund, and that he was working on putting a proposal together for the Mary River Project. He did not, however, advise McCloskey and Dimitrov of his own personal interest in the prospect of a transaction involving Baffinland.

40. On June 9, 2010, Waheed met with Dimitrov. At this meeting, Dimitrov provided information to Waheed about the status of Baffinland’s potential joint venture transaction with ArcelorMittal.

41. On July 12, 2010, Waheed contacted McCloskey to request a meeting to discuss Baffinland’s recently completed internal conceptual study which reviewed producing 1 to 2 million tonnes of iron ore at the proposed mine and trucking the ore to a port by road

(the “Road Haulage Conceptual Study”). In his email, Waheed advised McCloskey, “I continue to be covered by the confidentiality agreement.”

42. On July 13, 2010, Waheed met with Dimitrov and learned that: Baffinland had terminated its exclusivity agreement with ArcelorMittal which resulted in ArcelorMittal providing an enhanced offer to Baffinland as compared to the last offer he had seen while a consultant at Baffinland; and Baffinland was an advanced stage of negotiations with ArcelorMittal. Waheed’s notes, which were taken after the meeting, reflect a conversation between Waheed and Dimitrov relating to negotiations between Baffinland and ArcelorMittal:

- maybe extending AM exclusivity – next week?!
- Higher offer on [table]
- WILL HAVE OUT FOR unsolicited like before

43. Waheed’s knowledge of the status of the ArcelorMittal negotiations is further reflected in his notes of a meeting between himself, Dimitrov and Barclays on July 20, 2010. His notes state:

- need to better AM
- will entertain proposal
- exclusivity??

44. Waheed subsequently learned that Baffinland executed a second exclusivity agreement with ArcelorMittal on August 12, 2010 which was to run until October 15, 2010.

45. The status and details of the negotiations between Baffinland and ArcelorMittal about a potential joint venture as set out above in paragraphs 40-44 were material facts that were not generally disclosed to the public. The fact that ArcelorMittal was in advanced negotiations with Baffinland, as evidenced by the revised and improved term sheet and the parties executing a second exclusivity agreement, would reasonably be

expected to have a significant effect on the market price or value of Baffinland's securities.

V. INSIDER TIPPING BY WAHEED

46. Waheed was in a special relationship with Baffinland. Waheed learned of material facts about Baffinland, both while and after ceasing to be a consultant at Baffinland from officers and directors of the Company and from Baffinland's documents and records which he reviewed while he was a consultant. Waheed informed third parties of these material facts before the material facts were generally disclosed, contrary to s.76(2) of the *Securities Act*.

47. More specifically, during the period of July – September 2010, when Waheed and Walter were discussing and planning a take-over bid for Baffinland, Waheed advised Walter about the status and details of the advanced state of negotiations between Baffinland and ArcelorMittal relating to a potential joint venture, which were material facts that had not been generally disclosed.

48. On July 19, 2010, Waheed sent an email to Walter in which he advised that Baffinland had terminated its exclusivity with ArcelorMittal which had resulted in ArcelorMittal providing an enhanced offer to Baffinland.

49. On July 26, 2010, Waheed sent an email to Walter in which he advised that there were two options for Baffinland: either an enhanced offer from ArcelorMittal or a possible offer from Rio Tinto. Waheed informed Walter that management was in favour of advancing the process with ArcelorMittal and that some Board members were keen to sign a deal with ArcelorMittal.

50. On August 20, 2010, Waheed sent an email to Walter and Calvert at EMG in which he advised that "ArcelorMittal has been around the company for a while. It is probably still toiling away to steal the company through a farm in."

51. In an email dated August 29, 2010, Waheed told Walter that Baffinland was presently in exclusivity discussions with ArcelorMittal.

VI. INSIDER TRADING BY WAHEED

52. Waheed was in a special relationship with Baffinland. He learned of material facts with respect to the Company from officers and directors of Baffinland and from Baffinland's documents and records provided to him while he was a consultant.

53. On September 9, 2010, Nunavut purchased 20 million common shares and 5 million warrants of Baffinland. Waheed, as President and CEO and a director of Nunavut and while in a special relationship with Baffinland, authorized, permitted or acquiesced in the purchase of securities with knowledge of material facts about Baffinland that were not generally disclosed, contrary to s.76(1) of the *Securities Act*.

VII. CONDUCT CONTRARY TO THE PUBLIC INTEREST BY WAHEED

54. Waheed engaged in the following conduct contrary to the public interest:

(a) *Tipping Contrary To Section 76(2) of the Securities Act*

55. Waheed was in a special relationship with Baffinland. Waheed learned of the material facts about Baffinland, both while and after ceasing to be a consultant at Baffinland. He learned the material facts from officers and directors of the Company and from Baffinland's documents and records provided to him while he was a consultant. As set out above, he informed third parties, including: Walter, Barclays and Calvert of the material facts before the material facts were generally disclosed.

56. Further, and in any event, Waheed acted contrary to the public interest by informing Walter and other third parties of the material facts about Baffinland before the material facts had been generally disclosed.

(b) *Trading Contrary To Section 76(1) of the Securities Act*

57. Waheed was in a special relationship with Baffinland. He learned of material facts with respect to the Company from officers and directors of Baffinland. As set out

above, Waheed authorized, permitted or acquiesced in Nunavut purchasing securities of Baffinland with knowledge of material facts that were not generally disclosed.

58. Further, and in any event, Waheed acted contrary to the public interest by causing Nunavut to purchase securities of Baffinland in the circumstances set out above.

(c) *Launching The Hostile Take-Over Bid*

59. Nunavut launched the hostile take-over bid for Baffinland on September 22, 2010. Waheed as an director, officer and the President and CEO of Nunavut at the time of the bid used confidential information belonging to Baffinland and material facts about Baffinland to launch the hostile take-over bid.

60. In particular, Waheed used a financial model, which he had developed and conducted extensive work on while a consultant at Baffinland as the basis of the take-over bid for Baffinland. The financial model was intended to provide Baffinland with a working basis to consider and rank various production options for the mine that were being considered.

61. The financial model contained confidential information and assumptions, which included, among other things:

- a) the proposed royalty rates sought by the QIA;
- b) the Company's revenues;
- c) the Company's tax reserves;
- d) cost estimates for building a port;
- e) cost estimates for shipping; and
- f) capital and operating costs.

62. As set out above, Waheed was subject to a confidentiality provision in his consulting agreement pursuant to which he was to keep all information he received from and about Baffinland confidential for a two year period. Waheed breached his confidentiality provision by using a copy of the financial model, which he kept on his

home computer, as a basis to create a take-over bid for Baffinland and further by providing a copy of the financial model to Walter, Barclays and Calvert.

63. In addition, Waheed used the Road Haulage Conceptual Study in the planning and launch of the hostile take-over bid. In the period of March – June 2010, senior management at Baffinland developed the Road Haulage Conceptual Study that was completed on June 30, 2010.

64. On July 12, 2010, Baffinland publicly announced that it had commissioned a definitive feasibility study for road haulage. On the same day, Waheed contacted McCloskey and asked for the final trucking numbers in the Road Haulage Conceptual Study. In his request, Waheed advised McCloskey, “I continue to be covered by the confidentiality agreement.”

65. On July 13, 2010, Waheed met with Dimitrov and discussed the completed Road Haulage Conceptual Study. Waheed was provided with a copy of the conceptual study the next day. The Road Haulage Conceptual Study was not a public document. National Instrument 43-101 Standards of Disclosure for Mineral Projects prevented Baffinland from publicly disclosing this document. The document was only provided to potential strategic partners who signed a confidentiality agreement and to Waheed.

66. Waheed used the Road Haulage Conceptual Study to update the financial model that he was using to create a take-over bid for Baffinland. Contrary to the public interest and in breach of the confidentiality provision in his contract with Baffinland, Waheed provided the Road Haulage Conceptual Study to Barclays and Calvert.

67. Finally, Waheed also used the royalty rates being proposed by the QIA in his planning of the hostile take-over bid. In order to develop the Mary River Project, Baffinland was required to file an IIBA, which included, among other things, royalties that Baffinland was required to pay to the QIA. The discussions between Baffinland and the QIA regarding the royalty rates were confidential and had not been generally disclosed to the public.

68. Waheed was advised of the proposed QIA royalty rates by Baffinland management in February, 2010. The proposed royalty rates were also set out in the financial model described above which Waheed kept in his possession after ceasing to be a consultant at Baffinland and subsequently used to launch a take-over bid for the Company.

69. Contrary to the public interest and in breach of the confidentiality provision in his consulting agreement with Baffinland, Waheed advised Walter and Calvert of the proposed QIA royalty rates. On August 20, 2010, Waheed sent an email to Walter and Calvert in which he stated that the current ask from the Inuit association for royalties was “probably around \$30mm.” In fact, this was the current ask by the QIA. This was a confidential fact that had not been generally disclosed.

70. Waheed and Walter also acted contrary to the public interest by using material facts and confidential information belonging to Baffinland to purchase a toehold and launch a hostile take-over bid which put Baffinland in play. The hostile take-over bid was launched by them knowing it would disrupt the joint venture negotiations between Baffinland and ArcelorMittal. Waheed and Walter knew that if the Nunavut bid was successful, Nunavut would have the opportunity to either sell the Mary River Project to ArcelorMittal outright or negotiate a joint venture with ArcelorMittal as Baffinland was attempting to do. Further, by purchasing the toehold at \$0.60 per share, significantly less than the price offered under the Nunavut bid, Nunavut was able to reduce the overall cost of its bid. Waheed and Walter also knew they had an effective hedge in the event that ArcelorMittal decided to enter into the auction process for Baffinland, as they knew that if ArcelorMittal made a competing bid for Baffinland that was successful, Nunavut could sell its toehold position into the successful ArcelorMittal bid and make itself a large profit.

71. Ultimately, Nunavut was able to combine these two possible alternatives. On January 14, 2011, Nunavut and ArcelorMittal announced that they were making a joint take-over bid for Baffinland. Nunavut obtained the opportunity to develop the Mary River Property with ArcelorMittal at the expense of the Baffinland shareholders. Further,

Nunavut benefitted because it purchased its toehold shares of Baffinland at a price of \$0.60 per share which was significantly lower than the \$1.50 per share price paid to Baffinland shareholders under the joint Nunavut/ArcelorMittal take-over bid.

72. While a consultant, Waheed did not always act in the best interests of Baffinland. Although he was retained by Baffinland to provide strategic advice to the Company, Waheed at times acted on behalf of Baffinland's majority shareholder, Resource Capital Fund ("RCF") and/or in his own self interest, as described below. Waheed often reported to RCF without providing the same reports to the Company. He also provided advice to RCF on various issues, including in April, 2010, advocating that RCF commence a proxy battle to take control of Baffinland's Board. Waheed offered to resign as a consultant at Baffinland to conduct the proxy battle on behalf of RCF. This was a breach of his duty of loyalty owed to the Company and conduct contrary to the public interest.

73. Waheed also acted in his own self interest with respect to Baffinland. During June and July, 2010, Mr. Waheed obtained information from McCloskey and Dimitrov, under the guise of assisting Baffinland to identify an alternative strategic partner. McCloskey and Dimitrov were of the view that Waheed was acting in the best interests of Baffinland. Contrary to the public interest, Waheed was aware of this fact and chose to allow this deception to continue until Nunavut launched the bid for Baffinland on September 22, 2010.

VII. INSIDER TRADING AND CONDUCT CONTRARY TO THE PUBLIC INTEREST BY WALTER

Trading Contrary To Section 76(2) of the Securities Act

74. On or about July 4, 2010, Waheed approached Walter about becoming involved in a possible transaction involving Baffinland. At the time, Mr. Walter was semi-retired. Over drinks in the backyard, Waheed told Walter information respecting Baffinland that led Walter to become interested in doing a possible transaction involving Baffinland despite the fact that he had previously been aware of the Mary River Project but it had not interested him.

75. From approximately July 9, 2010 onward, Walter and Waheed communicated on a regular and frequent basis while working on a possible transaction involving Baffinland. During these discussions which culminated in the Nunavut take-over bid on September 22, 2010, Waheed advised Walter of the following material facts about Baffinland that had not been generally disclosed:

The Advanced Negotiations between Baffinland and ArcelorMittal Regarding A Potential Joint Venture:

- (i) July 19, 2010 email – Waheed advised Walter that Baffinland had terminated exclusivity with ArcelorMittal and this resulted in ArcelorMittal providing an enhanced offer to Baffinland;
- (ii) July 26, 2010 email – Waheed advised Walter that Baffinland management was in favour of advancing the process with ArcelorMittal and that some Board members were keen to sign a deal with ArcelorMittal;
- (iii) August 20, 2010 email – Waheed advised Walter and Calvert that ArcelorMittal has been around the company for awhile and that it was probably still toiling away to steal the company through a farm in; and
- (iv) August 29, 2010 email – Waheed advised Walter that Baffinland was presently in exclusivity discussions with ArcelorMittal.

76. Walter knew that Waheed was a person in a special relationship with Baffinland as he knew that Waheed had been a consultant at Baffinland from February 2010 until April 2010. Walter was aware of the fact that Waheed learned of and was privy to material facts and confidential information about Baffinland that had not been generally disclosed while he was a consultant at Baffinland. Walter further knew that Waheed met with Dimitrov in June and July 2010 and that he received further material facts and confidential information about Baffinland during those meetings. Pursuant to s.76(1)(e) of the *Securities Act*, Walter was in a special relationship with Baffinland.

77. On September 9, 2010, Nunavut purchased 20 million shares and 5 million warrants of Baffinland. Walter, as the Chairman and a director of Nunavut and while in a special relationship with Baffinland authorized, permitted or acquiesced in the purchase of securities with material facts about Baffinland that were not generally disclosed, contrary to s.76(1) of the *Securities Act*.

Conduct Contrary To The Public Interest

78. Walter acted contrary to the public interest by causing Nunavut to purchase securities of Baffinland in the circumstances set out above.

79. As set out in paragraphs 7, 70 and 71 herein, like Waheed, Walter acted contrary to the public interest by using material facts and confidential information belonging to Baffinland to purchase a toehold and launch a hostile take-over bid which put Baffinland in play. The hostile take-over bid was launched by them knowing it would disrupt the joint venture negotiations between Baffinland and ArcelorMittal. By their actions, Waheed and Walter deprived Baffinland shareholders of the opportunity and ability to benefit from future developments of the Mary River Project as a joint venture partner with ArcelorMittal.

80. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, Ontario, this 9th day of January 2012.