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NEWS RELEASE

TSX SYMBOL: BIM

Baffinland Announces Increased Offer for 100% of the Company from ArcelorMittal and Recommends that Baffinland Shareholders and 2007 Warrantholders Tender to the ArcelorMittal Offer

December 31, 2010 - Toronto, Ontario - Baffinland Iron Mines Corporation (TSX:BIM) ("Baffinland") announces that ArcelorMittal ("ArcelorMittal") has amended its offer (the "Amended ArcelorMittal Offer") being made to all holders of Baffinland's Common Shares and all holders of Baffinland's Common Share Purchase Warrants issued under the warrant indenture dated January 31, 2007 (the "2007 Warrants").

Under the Amended ArcelorMittal Offer, holders of Common Shares will receive C\$1.40 in cash per share for all shares tendered and holders of 2007 Warrants will receive C\$0.10 in cash per 2007 Warrant tendered. The Amended ArcelorMittal Offer is open for acceptance until 11:59 p.m. (Toronto time) on January 10, 2010, unless further extended or withdrawn, and is conditional on shareholders tendering a minimum of 50% +1 share of the outstanding Common Shares on a fully diluted basis.

Board of Directors Recommendation

The Board of Directors, upon consultation with its financial and legal advisors, has determined that the Amended ArcelorMittal Offer is in the best interests of Baffinland and the Baffinland Shareholders and 2007 Warrantholders, and recommends that securityholders ACCEPT the Amended ArcelorMittal Offer and TENDER their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer and REJECT the Amended Nunavut Offer (defined below) and NOT TENDER their Common Shares to the Amended Nunavut Offer for the following principal reasons:

- The Amended ArcelorMittal Offer is for 100% of the Common Shares and 2007 Warrants and represents a 27% premium to the original ArcelorMittal Offer and a 75% premium to the original Nunavut Offer.
- The Amended Nunavut Offer remains a partial offer for only 49.5% of the outstanding Common Shares (or 55.4% of the 89.5% of the Common Shares not owned by Nunavut) and, therefore, remains structurally coercive.
- If successful, the Amended Nunavut Offer will have an adverse effect on the liquidity of the Common Shares leaving Baffinland shareholders with a thinly traded minority public float.
- If successful, under the Amended Nunavut Offer warrants exercisable for 157.4 million Common Shares would be issued representing approximately 40% of the outstanding Common Shares leading to significant equity dilution which would likely have a negative and uncertain impact on the trading value of the remaining minority held Common Shares.
- The Amended Nunavut Offer remains highly conditional.
- All of the directors and officers of Baffinland and Baffinland's largest shareholder, Resource Capital Funds, representing approximately 25% of the outstanding Common Shares (on a fully diluted basis) have entered into Lock-Up Agreements with ArcelorMittal and tendered their Common Shares and 2007 Warrants to the Amended ArcelorMittal Offer.
- The Support Agreement dated November 8, 2010 between Baffinland and ArcelorMittal, as amended on December 18, 2010, remains in place and preserves the ability of Baffinland's Board of Directors to respond to unsolicited Superior Proposals.

"The increased ArcelorMittal Offer of \$1.40 in cash per share for 100% of Baffinland's shares is both transparent and compelling to shareholders," said Daniella Dimitrov, Director and Vice Chair of Baffinland. "The ArcelorMittal offer represents a 27% premium to its initial offer and an increase in consideration to all shareholders of 75% since this process started in September with an unsolicited offer of \$0.80 per share. The Baffinland Board of Directors

unanimously recommends that Baffinland shareholders and 2007 Warrant holders tender their shares to the increased ArcelorMittal Offer."

Baffinland will be filing a Notice of Change (the "Notice of Change") on SEDAR (available at www.sedar.com) responding to (i) the Amended ArcelorMittal Offer, and (ii) the unsolicited offer by Nunavut Iron Ore Acquisition Inc. ("Nunavut") to purchase 60% of the Common Shares (calculated on a fully diluted basis) upon the terms and subject to the conditions set forth in Nunavut's Offer and accompanying take-over bid circular dated September 22, 2010, as amended and supplemented by notices of variation and extension dated October 28, 2010, November 8, 2010, November 22, 2010, December 2, 2010, December 13, 2010, December 15, 2010 and December 29, 2010 (the "Amended Nunavut Offer"). The Company intends to mail the Notice of Change to all securityholders of the Company as soon as practicable. A full description of the reasons for the recommendation of the Board of Directors will be found in the Notice of Change.

Full details of the Amended ArcelorMittal Offer are included in a notice of variation and extension mailed today by ArcelorMittal to Baffinland security holders. The Amended ArcelorMittal Offer is subject to a number of customary conditions, including: (i) there being deposited under the Offer and not withdrawn at the expiry time of the Amended ArcelorMittal Offer such number of Baffinland Common Shares that represent at least 50% of the Common Shares (calculated on a fully diluted basis) plus one Common Share, and (ii) the receipt of all necessary regulatory approvals. On December 31, 2010 ArcelorMittal announced that no further conditions relating to regulatory approvals were outstanding.

About Baffinland

Baffinland is a Canadian publicly-traded junior mining company that is focused on its wholly-owned Mary River iron ore deposits located on Baffin Island, Nunavut Territory, Canada. Baffinland's common shares trade on the Toronto Stock Exchange under the trading symbol BIM.

FOR FURTHER INFORMATION:

Please visit the Baffinland website at www.baffinland.com, e-mail info@baffinland.com or contact:

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This press release contains certain information that may constitute forward-looking information within the meaning of securities laws. 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 the Company. Without limitation, statements about the Company's interpretation of assay results, its completed magnetic survey including related statements about the planned release of additional assay results and metallurgical testing results, statements about the continuation of the Company's exploration program including plans relating to additional mapping, more comprehensive sampling, drilling on any of the properties comprising the Company's Mary River Project and metallurgical testing and statements about the Company's potential resources are forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, expected mineral resources, iron ore prices, the timing and amount of future exploration expenditures, the estimation of additional capital requirements, the availability of necessary financing and materials, the receipt of necessary regulatory approvals, the feasibility of constructing and operating a direct-shipping iron ore mine at the Company's Mary River project and assumptions with respect to environmental risks, title disputes or claims, weather conditions and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what is currently expected. These factors include risks inherent in the exploration for and development of mineral deposits, risks relating to changes in iron ore prices and changes in the worldwide demand for and supply of iron ore, uncertainties inherent in the estimation of mineral reserves and resources, risks relating to the remoteness of the Mary River Property including access and supply risks, reliance on key personnel, construction and operational risks inherent in the conduct of mining activities, regulatory risks, including risks relating to the acquisition of necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing required to fund all currently planned exploration and related activities may not be available on satisfactory terms, or at all, environmental risks and insurance risks.

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