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PRESS RELEASE

TSX SYMBOL: BIM

BAFFINLAND ARRANGES FACILITY FOR ENVIRONMENTAL BONDING

Toronto, Ontario - July 31, 2009 - Baffinland Iron Mines Corporation ("Baffinland" or the "Company") (TSX:BIM) is pleased to announce that it has signed a commitment letter regarding the establishment of an environmental bonding secured bridge loan that may earn conversion rights (the "Facility") with Resource Capital Fund IV L.P. ("RCF") in the amount of US\$13 million (the "Facility Amount").

The Facility, which matures on December 31, 2012 (the "Maturity Date"), will be used by the Company to cash back current and future environmental bonding requirements under the Company's licences, permits and leases for its Mary River Project on Baffin Island, Nunavut. Upon anticipated closing of August 27, 2009, the Company intends to draw the equivalent of C\$10.3 million to cover an increase in financial security under its surface rights land lease to C\$16.5 million resulting from a significant amount of activity that took place at the Mary River Property during 2008 which included the bulk sample program.

The Company may draw under the Facility until August 16, 2010 (the "Availability Period"). Amounts outstanding under the Facility at the end of the Availability Period (the "Conversion Amount") automatically become convertible and may then be converted, at RCF's election, into common shares of the Company ("Common Shares") any time after the end of the Availability Period and prior to the Maturity Date at a conversion price of C\$0.46. If the Company subsequently repays any or all amounts outstanding under the Facility after the end of the Availability Period, RCF is entitled to re-advance an amount up to the Conversion Amount for the purpose of exercising its conversion rights prior to the Maturity Date.

Amounts outstanding under the Facility will bear interest at a rate of 15% per annum during the Availability Period and 10% per annum thereafter until the Maturity Date. Interest is payable quarterly in cash or, at RCF's option, in Common Shares valued at the Market Price which will be calculated as the weighted average trading price of the Common Shares over the twenty trading days prior to the applicable calculation date (the "Market Price"). For the purpose of calculating the number of Common Shares to be issued upon the payment of interest, fees and the conversion of the Conversion Amount, a fixed exchange rate of US\$1.00=C\$1.15 will be used.

The Company will pay to RCF an establishment fee of 1.5% of the Facility Amount and a commitment fee of 0.5% of the undrawn portion of the Facility Amount in cash or Common Shares, at RCF's option, based on the Market Price of the Common Shares. The Company expects to issue 487,500 Common Shares to RCF in satisfaction of the establishment fee. If the Company elects not to proceed with the Facility, it will issue 487,500 Common Shares to RCF in satisfaction of a termination fee equal to 1.5% of the Facility Amount.

The total maximum number of Common Shares issuable to RCF on the conversion of the Facility Amount and the payment of all interest and fees in Common Shares may be greater than 10% of the total number of Common Shares currently outstanding (the "10% Threshold"). Pursuant to applicable TSX requirements, the Company is required to obtain shareholder approval for issuances in excess of the 10% Threshold to RCF. The Company currently expects to call a meeting of its shareholders to request the approval for the issuance of the full amount of the Common Shares payable in connection with the Facility, which approval will require a majority of the disinterested shareholders of the Company. In the event that the Company does not obtain such shareholders' approval by April 15, 2010, a 3% additional interest penalty will apply to all interest payable for the remainder of the Facility and amounts outstanding under the Facility that may not be converted into Common Shares as a result of the 10% Threshold will become due and payable at the end of the Availability Period.

The Company's obligations under the Facility will be secured by a first ranking charge over all of the Company's assets including certain mining leases on its Mary River property. The Facility is subject to certain conditions precedent and other standard terms, conditions and restrictions including: (i) restrictions on the Company's ability to pay dividends, dispose of the Mary River project or its other assets or incur additional indebtedness without RCF's prior approval; (ii) the ability for RCF to apply outstanding amounts under the Facility against the exercise price of rights it currently holds to maintain its *pro rata* shareholding in the Company; (iii) the entitlement to nominate (A) one director to the Board of the Company if the Board consists of nine members and two directors if the Board consists of more than nine members, so long as RCF and its affiliates hold Common Shares, options or conversion rights representing 5% or more of the issued Common Shares, and (B) three directors (one with the consent of the Company) as long as RCF and its affiliates hold Common Shares, options or conversion rights representing 30% or more of the issued Common Shares, in each case until the Maturity Date or thereafter so long as any amounts remain outstanding under the Facility.

The Company may repay any amounts outstanding under the Facility from time to time without penalty and is required to repay all amounts: (i) released by the surface lease landlord from its financial security requirement, (ii) resulting from the general reduction in financial security requirements for the Mary River project, and (iii) resulting from the replacement of the Facility by the Company. Repaid amounts may not be re-drawn under the Facility.

RCF and Resource Capital Fund III L.P. (collectively, the "RCF Funds") are current securityholders of the Company. Russell Cranswick is currently a director of the Company and a partner of the company that manages the RCF Funds. The Facility has been negotiated on an arm's length basis between Baffinland and RCF. The RCF Funds currently hold (i) 57,358,270 Common Shares, representing approximately 22.5% of the Common Shares currently outstanding, and (ii) warrants to purchase an additional 1,818,182 Common Shares, which, if exercised, together with its Common Shares holdings, would represent approximately 23.0% of the outstanding Common Shares. If the full Facility Amount is converted, the Company expects to issue an additional 32,500,000 Common Shares to RCF, representing 11.3% of the Common Shares outstanding. If the Company pays the establishment fee and all of the interest over the full term of the Facility in Common Shares at the same conversion rate applicable to the Conversion Amount (C\$0.46 per share at the prescribed exchange rate), RCF would be issued an additional 12,944,349 Common Shares representing an additional 4.8% interest. This calculation is for illustration purposes and assumes that (i) interest payments are converted at a price of C\$0.46 per Common Share rather than the Market Price, (ii) the Facility is outstanding until the Maturity Date, (iii) the Company does not exercise its right to repay or prepay portions of the Facility, and (iv) the Company does not issue any other Common Shares prior to the Maturity Date.

As a result of the relationship between the Company and the RCF Funds, the Facility is considered a “related party transaction” pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company will rely upon the formal valuation exemption in Section 5.5(a) of MI 61-101 and upon the minority approval exemption in Section 5.7(1)(a) of MI 61-101 on the basis that the Facility does not, at the time the transaction was entered into, exceed 25% of the Company’s market capitalization. The Company’s board of directors, and its independent directors, acting in good faith, have determined that the terms of the Facility are reasonable in the circumstances and will be sufficient to meet the Company’s environmental bonding requirements.

For further detail on the Company’s environmental bonding requirements, see the Company’s Management’s Discussion and Analysis for the three and six months ended June 30, 2009 filed on SEDAR.

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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 shares trade on the Toronto Stock Exchange under the trading symbol BIM.

FOR FURTHER INFORMATION:

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This press release contains certain information that may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as “may”, “will”, “should”, “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 the Company. Without limitation, statements about the Company’s plans, including the scheduled timing thereof and other related statements and statements about the planned release of additional information and related statements are forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, estimated mineral reserves and 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, insurance risks and such other risk factors discussed in the Company’s annual information form. See the Company’s public filings available at www.sedar.com.

You should not place undue reliance 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.