

**BAFFINLAND IRON MINES CORPORATION  
MARY RIVER PROJECT**

**ADDITIONAL INFORMATION  
RELATING TO SIGNIFICANT COMPONENTS OF AN  
EXPANSION OF THE MARY RIVER PROJECT**

**Introduction**

The “Definitive Feasibility Expansion Study” for Deposits No. 1, 2 and 3 (the “Study”) of its 100%-owned Mary River Project, located in Nunavut Territory, Canada was managed by Aker Metals, a division of Aker Solutions Canada Inc. (“Aker Solutions”).

The Study is based on the initial shipment of 18 million tonnes per year of high-grade iron ore (64.7% iron) to market, and further expansion during the first four years of operations to 30 million tonnes per year, by incorporating additional in-pit resources from Deposits 2 and 3.

Additional infrastructure at the Mary River location would include a second fleet of mining equipment and mine maintenance facilities, duplicate primary and secondary crushing and screening facilities, an additional diesel generator, and additional camp capacity. Two railway sidings would be constructed, and two additional “train sets”, consisting of two locomotives and one hundred and twenty-six ore cars each, would be required. At the Steensby Port site, additional ore stockpile facilities, larger railway maintenance and yard facilities, and an additional diesel generator would be required. The study demonstrates significant economies of scale through the sharing of facilities for both open pit operations.

As many as seven additional dedicated, ice-class ore carriers would be required to support the expansion. These vessels would be provided by the shipping pool, under the management of our shipping partner, Fednav Limited.

In managing the Study, Aker Solutions worked with several specialist sub-consulting firms. Railway design and costs have been prepared by Canarail Consultants Inc., material handling systems design and costs have been prepared by Lassing Dibben Consulting Engineers Ltd - Bulk Handling, shipping costs and port design have been prepared by Aker Arctic Technology Inc. (“Aker Arctic”). Fednav Limited (“Fednav”) provided expert input into all maritime aspects of the project, while ICAP Hyde & Company Limited contacted shipyards on behalf of the project. Peter Kiewit Sons Co., H.J.O’Connell Construction Ltd., North American Energy Partners Inc., Clark Builders and Black & McDonald Limited provided critical input into construction planning and costs, logistics and scheduling. Comprehensive metallurgical test-work has been performed at Studien Gesellschaft für Eisenerz-Aufbereitung (“SGA”) in Germany. The overall intended level of estimation accuracy for the Study is +/- 20 percent.

**Open Pit Mining**

A second open pit mine development is proposed in the Study. A second fleet of mining equipment would be procured, and separate mine maintenance facilities would be constructed near the new open pit mine. Mining of Deposits No. 1, 2 and 3 at Mary River would utilize conventional open pit drilling and blasting techniques, diesel-hydraulic shovels and rigid 210-tonne haulage trucks.

Pit optimization was completed using Whittle software, an industry-recognized pit optimization program. A cut-off grade of 62% iron was used for production scheduling for the Deposit No. 2 and 3 pit, compared to 50% for the Deposit No. 1 pit. The mine design criteria includes average overall pit slopes of 36 to 43 degrees for both open pits. Internal dilution was included in the block model and variable mining dilution factors were applied to each ore body. Allowances of 97.5% to 99.0% for mining recovery were included in the analysis. The overall waste-to-ore strip ratio is 4.3 to 1 for the Deposit No. 2 and 3 pit, compared to a strip ratio of 1.6 to 1 for the Deposit No. 1 pit, over the life of the mine. The Deposit No. 1 open pit design is based on measured and indicated resources, while the Deposit No. 2 and 3 open pit design is based on measured, indicated and inferred resources.

## **Crushing and Screening**

Run-of-mine ore from the new pit at Deposits Nos. 2 and 3 would be hauled to a separate primary gyratory crusher than the one required for Deposit No. 1, and would be located approximately 180 metres west of Deposits No.2 and 3. Ore would be crushed to -8 inches in size and conveyed to three new secondary crushers, located near the secondary crushing facilities for Deposit No.1, where it would be further reduced in size. Lump ore (less than 31.5 mm greater than 6.3 mm) is expected to constitute 66% of the crusher product. Sinter feed, or fines (less than 6.3 mm), should constitute 34% of the crusher product. Two linear stockpiles constructed near the railhead for Deposit No. 1 would remain the same overall size as the 18 Mt/a base case with increased flexibility to handle a varying lump/fines split. Stockpiles would be equipped with rail-mounted stacker/reclaimer systems. This facility would have the capability of loading rail cars at a rate of 6,000 tonnes per hour.

## **Railway System**

The railway system established for the transportation of ore from Deposit No. 1 to the port site at Steensby Inlet would be used to support the expansion of the project. Additional track infrastructure would include the construction of two intermediate sidings along the established alignment to the port. Additional locomotives and rolling stock would be purchased, and the train schedule modified to support the additional tonnage.

From the Mary River rail load-out facility, trains would proceed 143 kilometres to port facilities located at Steensby Inlet. The railway has been designed in accordance with standard mainline railway practice and includes maintenance equipment, sidings, yard tracks, and rolling stock workshops. The rail system is designed to accommodate production rates well in excess of the initial production requirements, with only ten trains per day, 300 days per year, required to deliver 30 million tonnes per year to the port. The railway system will be used to transfer operating supplies, personnel and equipment from Steensby Inlet to the Mary River operations.

## **Port Facilities**

At the port, rail maintenance and yard facilities would be expanded to support the increased capacity. In addition the ore stockpiles will be expanded to support the additional ore shipments.

From the rail loop at the Steensby Inlet port, rail cars would be emptied with a twin rotary car dumper to a conveyor system that discharges to an expanded 1,800,000 tonne fines stockpile or an expanded 4,200,000 tonne lump stockpile. Rail-mounted stacker/reclaimer systems manage the stockpiled ore. From here the ship loading conveyor would discharge to a ship loader which would operate at 12,000 tonnes per hour.

One ore carrier berth and two service berths are planned at Steensby Inlet. The service berths would be used by harbour tugs and for the delivery of supplies. Ship occupancy at the ore carrier berth would increase with the expanded shipping requirements, and additional storage and laydown areas would be required to position supplies prior to transportation by rail to Mary River.

## **Infrastructure**

In order to support the expansion project, one additional generator would be added to each of the power plants at Mary River and Steensby Inlet. The camps would be expanded in order to support the large workforce required. Fuel storage and transportation capabilities would be expanded to support the additional mine fleet at the Deposit No. 2 and 3 pit, the additional generators and the additional train requirements.

## **Ocean Transportation**

The port facility at Steensby Inlet is designed to accommodate cape-sized ore carriers for 12 months each year. Shipment of ore from Steensby Inlet primarily to the European market, together with all port assistance vessels, is assumed to be a service provided by major international shipping company(s), coordinated by our valued shipping partner, Fednav.

The ship design used in the Study is a cape-size ore carrier, Polar Class 4 (DNV +1A1), of 135,000 dwt (deadweight tonnes) capacity, suitable for dedicated operations between Steensby Port and Europe over a 12 month operating period each year. A fleet of 17 dedicated vessels is required to fully service the expanded project requirements, an increase of 7 over the feasibility study estimate. This design will be evaluated in 2008 and optimized with respect to cargo capacity and dimensions. In addition, market vessels may be chartered in the ice-free period, August and September each year. Construction costs for the dedicated ships have been obtained from five of the world's largest and most reputable shipyards in South Korea and Europe, including Aker Yards, Daewoo Shipbuilding & Marine Engineering Co. Ltd., Hyundai Heavy Industries Co. Ltd., Samsung Heavy Industries Co. Ltd. and STX Shipbuilding Company Ltd.

## **Environment and Permitting**

Baffinland is not currently pursuing regulatory approval for the expansion proposed in the Study. The expansion Study represents an opportunity that could be pursued at a later stage.

## **Engineering and Construction Schedule**

A full feasibility study for the expansion of the Mary River Project could be initiated during the construction of the initial project described by the Definitive Feasibility Study. Regulatory and Inuit approval for the expansion would then be required, with construction of the expanded facilities initiated after commercial operations had commenced. The Study proposes that full commercial production at the expanded capacity would occur during the fourth year of operations for the initial project. Additional dedicated ore carriers would be ordered by the shipping pool, under Fednav guidance, in accordance with a schedule that supports the expansion of the project on the land.

## **Additional Disclosure**

Resource estimation is performed by George Wahl, P. Geo., while open pit mine planning is performed by Rene Gharapethian, P. Eng. Both of these independent technical professionals are Qualified Persons as defined by NI 43-101 and they performed their resource estimation and open pit planning under the guidance of Aker Solutions for inclusion in the Study.

Assaying and analytical work was performed by SGS Lakefield Research Limited ("Lakefield") under a strict protocol designed for testing lump iron ores. Samples were then sent from Lakefield to SGA in Germany, where samples were composited for detailed metallurgical testing to ISO standards for iron ore. The testwork was specific for lump ores. Additional test-work was also completed on fine material for sintering.

Drill hole metallurgical data were interpreted by Michael T. Zurowski, P. Eng., Executive VP and a Qualified Person as defined by NI 43-101. Rodney Cooper, P. Eng., VP Operations and COO, a Qualified Person as defined by NI 43-101, has had oversight responsibility regarding the various components of the Definitive Feasibility Study ("DFS") and the DFS Expansion Sensitivity Analysis.

Inferred resources have been used to estimate the financial and economic results for the Study, for internal strategic planning. As a consequence, and with the guidance of securities regulators, Baffinland is not permitted to disclose these financial and economic results to the public.

Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

*This press release contains 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 includes statements or information regarding the future plans, intentions, beliefs and prospects of the Company, and can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "envision", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. In particular, readers are cautioned that substantially all of the information contained in and/or derived from the DFS and DFS Expansion Sensitivity Analysis constitutes forward-looking information. Actual results may vary.*

*In addition to assumptions regarding the general conduct of mining operations at the Mary River Project, the information contained in the DFS and DFS Expansion Sensitivity Analysis is also based on a number of assumptions regarding, among other things, mineral reserve and resource estimates, future annual production and shipment quantities, the grade and moisture content of iron ore produced from the Mary River Project, iron ore sale prices, currency exchange rates, the relative composition of lump ore and fines, estimated initial, expansion and sustaining capital costs and estimated operating costs. Many of these assumptions are described in this press release, and readers are cautioned that while the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

*Without limitation, the Company has assumed that current high construction input costs for labour, equipment and materials prevail over the construction period, that the current strength in the Canadian dollar prevails over the construction period, that Federal goods and services taxes are recoverable, that the Government of Nunavut fuel importation tax is recoverable, that the royalties imposed by the Federal Government and the QLA for the use of gravel do not change, that construction input costs do not escalate from this present time through to the end of construction, that financing costs are excluded from the capital cost estimate, that any payments required under the terms of the future Inuit Impact and Benefits Agreement do not exceed the allowance for such currently included in the capital costs, that the allowances made in the construction estimate to account for the effects of global warming prove to be adequate, that design criteria concerning the geotechnical conditions present at Mary River, Steensby Inlet and along the rail corridor prove to be adequate, that the construction cost for the dedicated cape-size ore carriers will be undertaken by ship owners operating through the Fednav shipping pool rather than by Baffinland, that there is no delay in the project timeline after mobilization of contractor equipment in 2009 that necessitates additional holding costs for said equipment and that, as a result of the regulatory process, costs in excess of those already included in the capital costs for regulatory compliance are not imposed.*

*In estimating the operating costs for all facilities under the expansion scenario at Mary River and Steensby Inlet the Company has assumed that Baffinland will operate all facilities constructed on land for the project, that current high operating input costs for labour, equipment and materials return to more moderate historical levels over the operational period, that the Canadian dollar returns to more moderate historical levels over the operational period, that Federal goods and services taxes are recoverable, that the Government of Nunavut fuel importation tax is recoverable, that the royalties imposed by the Federal Government and the QLA for the use of gravel do not change, that operational input costs do not escalate from this present time through to the end of the production period, that financing costs are excluded from the operating cost estimate, that any payments required under the terms of the future Inuit Impact and Benefits Agreement do not exceed the allowance for such currently included in the operating costs, that the allowances made in the operating cost estimate to account for the effects of global warming prove to be adequate, that the ocean freight costs paid by Baffinland as the long-term charterer of the dedicated ore carrier fleet will be fully reimbursed by Baffinland's customers through long-term off-take agreements that reflect DES sales terms, that Baffinland's customers will view the ocean freight costs imposed by Baffinland are competitive throughout the operating period such that no freight equalization payments are required, that there is no delay in the delivery of the dedicated ore carrier fleet such that the start of commercial production is delayed, that the early delivery of the dedicated ore carrier fleet will not impose additional costs on the project, that as a result of the regulatory process, costs in excess of those already included in the capital costs for regulatory compliance are not imposed.*

*In making statements concerning the planned engineering and construction schedule of the Mary River Project, including the timing of completion of basic engineering and project construction, the Company has assumed, among other things, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration and development of the Mary River property, and the mining activities required in order to complete such activities.*

*By its nature 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 and development of mineral deposits, risks relating to changes in iron ore prices and 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, including the risk of increases in capital and operating costs, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing required to fund the required exploration and development activities may not be available on satisfactory*

*terms, or at all, environmental risks and insurance risks. In particular, the key sensitivities of the conclusions reached in the DFS and the DFS Expansion Sensitivity Analysis relate to Baffinland's ability to obtain regulatory approvals that do not materially change the project timeline, that construction contractors, equipment, materials and labour are available at the appropriate time, in adequate quantity and with adequate quality, and at similar cost to the assumptions reflected in the DFS and DFS Expansion Sensitivity Analysis, that weather, ocean, and ice conditions allow for the mobilization and execution of the construction plan in general agreement with the assumptions in the DFS and DFS Expansion Sensitivity Analysis, that future decisions on the part of regulators are consistent with assumptions included in the DFS and DFS Expansion Sensitivity Analysis, that the Inuit Impact and Benefits Agreement negotiated with the QIA is consistent with the assumptions included in the DFS and DFS Expansion Sensitivity Analysis, that the ocean shipping market and ship-building market continue to function in accordance with assumptions included in the DFS and DFS Expansion Sensitivity Analysis, that the terms and conditions associated with the abandonment and restoration of the project site remain in accordance with the assumptions in the DFS and DFS Expansion Sensitivity Analysis.*

*Although the Company has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the DFS and DFS Expansion Sensitivity Analysis, and are cautioned not to place undue reliance on such information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. While the Company may elect to update publicly or otherwise revise any forward-looking information, the Company undertakes no obligation to do so, whether as a result of new information, future events or other such factors which affect this information, except as required by law.*