

Aug 1, 2008

Al Gorman
Operations Manager
Baffinland Iron Mines Corporation
Suite 1016, 120 Adelaide Street West

Re: Response to INAC Inspectors Direction CIDM: 240178

Dear Al Gorman;

SEI Industries Ltd; field service representatives have completed an inspection of the Arctic King Collapsible Fuel bladders at the Baffinland Iron Ore Mines-Milne Inlet Bulk Fuel Storage Facility as per the attached inspection report. This inspection consists of a careful visual and physical inspection of tank welds on the top surface of the bladders. Based on the inspection report, SEI Industries Ltd., concludes that the general condition of the remaining collapsible fuels tanks is good and the tanks are safe for refuelling. See attached: Baffinland Iron Ore Mines Inspection Report – July 30, 2008

Constant contact inside or outside of the bladder with hydrocarbons, water and/or contaminated soil will not compromise the integrity of the fabric or seams. The bladder fabric has been formulated and tested for exposure to both fuel and water. SEI does, recommend that as a matter of good operating practice that the water in containment and any debris on or adjacent to the collapsible fuel bladders be remediated as a matter of priority.

It is common for small amounts of water to accumulate inside of collapsible fuel tanks on the bottom. If this water freezes it will have no affect on the bladder.

The bottom surface of the collapsible fuel bladder is stationary and is not affected by ice formed from accumulated water in the bottom of the tank, nor should the bottom surface become frozen to the ground. Should an empty bladder become frozen to the ground and then filled, there is a potential for the side walls to become damaged as the tank fills and the sides "roll up". Therefore, we would recommend that if tanks must be filled when ambient temperatures are below freezing, the tanks must be inspected to ensure that they are not frozen to the berm or the ground prior to filling.

Field Service Representatives from SEI Industries Ltd., will be present to monitor the bladders re-fuelling and to further monitor and inspect the bladders during the refuelling operation. At your request we will also provide additional training to Baffinland site personnel on bladder inspections. As a precautionary measure we agree with your suggestion that the bladders be subjected to periodic inspections by site personnel as a matter of good practice.

If you have any questions regarding this matter please feel free to contact SEI directly.

Sincerely,



Shilan Zheng, P.Eng
Remote Site Engineer
SEI Industries Ltd.

Baffinland Iron Ore Mines Inspection Report

Date30-Jul-08

SiteMilne Inlet

Tank TypeArctic King

Capacity30,000 USG

Field Service RepGordon Rennie

Tank Location	Tank Serial Number	Work Order	Fabric Lot	Mfg Date	Body Seam												Closing Seams		Corners				Flanges		Fittings		Notes
					1		2		3		4		5		6		End		1	2	3	4	Vent	Fill	Vent	Fill	
					L	R	L	R	L	R	L	R	L	R	L	R	1	2									
1	TTF0082L	6799	3	03/18/07																							Moved to Mary River (will need to be inspected)
17	TTF0076L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
25	TTF0114R	6995	4	05/02/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
36	TTF0077L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
39	TTF0087R	6843	3	03/23/07	G	G	G	S	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Seam sealant reapplied
40	TTF0094L	6870	4	03/23/07	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G	Minor abrasion on seam sealant (resealed)
41	TTF0084R	6843	3	03/20/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
42	TTF0091L	6870	64	03/20/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
43	TTF0086R	6843	3	03/22/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
44	TTF0092L	6870	4	03/21/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
50	TTF0081L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
52	TTF0079L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
54	TTF0080L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
56	TTF0083R	6843	3	03/19/07	S	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Seam sealant reapplied
57	TTF0096L	6870	4	03/25/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
58	TTF0058R	6476	61	01/09/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
59	TTF0093L	6870	4	03/22/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
60	TTF0088R	6843	3	03/24/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
61	TTF0090L	6870	3	03/19/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
69	TTF0078L	6799	3	03/18/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
J1	TTF0095L	6870	4	03/24/07	G	G	G	G	G	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G	G	G	Minor abrasion on seam sealant (resealed)
J2	TTF0089R	6843	3	03/18/07																							NCR 1497 Removed from service
J3	TTF0063L	6596	63	01/23/07	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	
NA	TTF0085R	6843	3	03/21/07																							Moved to Mary River (will need to be inspected)

Legend	
A	Abrasion
B	Bubble
C	Cold Weld
G	Good
S	Seam Sealant
	No Data