



August 8, 2008

Indian and Northern Affairs Canada
Nunavut Regional Office
P.O. Box 100, Building 918
Iqaluit, Nunavut X0A 0H0

Attention: Andrew Keim, Water Resources Officer

Dear Mr. Keim:

**Subject: Mary River Project
Inspector's Direction 240178
Follow-up Information**

Further to our letter dated July 30, 2008 and in response to the above noted Inspector's Direction, please find attached a copy of the incident report completed by the manufacturer of the failed fuel bladder. As a result of this incident, SEI Industries is instituting additional Quality Assurance and Quality Control at the point of manufacture. The incident report also recommends increased field level monitoring and inspections as a further mitigating measure.

Yours truly,

Baffinland Iron Mines Corporation

A handwritten signature in blue ink, appearing to read "Derek Chubb", is written over the printed name and title.

Derek Chubb
VP, Sustainable Development
(416) 844-0903

cc: NWB – Phyllis Beaulieu
GN – Robert Eno
EC – Craig Broome
QIA – John Amagoalik
INAC – Carl MacClean, Bernie MacIsaac

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SEI LSP

NON-COMFORMANCE REPORT / RETURN GOODS AUTHORIZATION / PREVENTIVE ACTION REPORT

Customer: Baffinland Iron Mines

Date: July 28, 2008

NCR / RGA/ PAR 1497

Originator: Paul Reichard

Expected Response Date: August 7, 2008

Contact Name: Dave McCann

Phone:

Actual Close-Off Date: _____

Order #:

Close-Off Signature: _____

Product to be Reviewed/Returned

Qty	Part No.	Description	Selling Price
1	AK30000US	DKFC300000R (TTF0089)	\$34,361.00

Describe the problem: (State what the discrepancy is and should be)

Originator to complete this section.

30,000 USG Arctic King Tank developed a 48" opening along a seam that released between 3000-7000 Litres of Jet A fuel. The remaining fuel was pumped out of the tank. The discharged fuel was recovered by the Oil Water Separator (Deemed not usable). No fuel escaped the secondary containment system.

Customer will provide photos and return a 3 foot section of material around the opening for review. As site team has been dispatched to review the site and inspect the remaining tanks before refilling activities.

The Customer needs an immediate response to INAC inspection report CIDM:240178. This requires an engineered stamped report assessing the general condition of the remaining bladders in the bulk fuel storage area. Without this they will not be able to refuel the site.

Customer needs an completed NCR report for its own follow up and to provide to INAC along with report.

Customer is seeking replacement tank and costs for fuel lost.

See attached report and photo provided by Baffinland.

Are goods being returned to us for investigation or repair? ☐ NO

☐ YES – Date Returned by _____

Ask customer to quote the NCR / RGA # on return goods shipment.

Date Received _____



How did we fix the immediate problem to satisfy the customer?	Originator / Investigator.
As per SEI Industries Ltd. standard warranty section 13.a, b and c., SEI has already shipped a replacement tank to Baffinland Iron Ore Mines. The failed tank is to be scrapped.	
SEI has identified all the tanks within the production lot (TTF0083-TTF0089); fabric lot (TTF0076-TTF0090) and containing jet A fuel (TTF0095 and TTF0063) (20 units).	
SEI will perform a visual inspection of each tank also inspect the high stress body seams with a spatula test to ensure no seam deterioration or separations exist. If any deterioration or separations exist then SEI will recommend that all the tanks in the farm are inspected. (Gord Rennie)	
Investigated by:	
Disposition of goods: Rework <input type="checkbox"/> Scrap <input checked="" type="checkbox"/> Restock <input type="checkbox"/> Used as is <input type="checkbox"/> Other:	
Re-inspected by:	

Investigation results taken to avoid recurrence of this problem:	Investigator to complete this section.
Describe corrective action taken to avoid recurrence of this problem.	

Investigation Results:

The fabric sample was reviewed and there are no concerns with the urethane coating profile or any other specifications that would impact welding. All materials are rated for the fuel application and Northern climate conditions.

Compressor maintenance logs were reviewed and there is no evidence of compressor down time that would coincide with the tank weld date.

Inspections records were reviewed and there was no rework associated with this tank. All testing was complete as per company procedures.

Hydro was contacted to attempt to correlate electrical outages with the tank welding date. Unfortunately, Hydro logs electrical interruptions of greater than 5 minutes only. The logged power interruptions do not coincide with the tank weld date. The expected problem for the weld failure is a power interruption but there is no record of minor power surges or outages that are less than 5 minutes.

Corrective Actions:

1. The current tank testing procedure includes random spatula testing of welds plus 100% air testing of finished tanks at 0.3 psig. Due to the weld reliability concern from minor power fluctuations, all welds will be 100% spatula tested and these results will become part of the quality record.
2. On-site training will be executed by August 15th for all SEI welders on the additional quality testing requirements.
3. The welding equipment manufacturer, Kabar, will be coming to SEI in late August to reprogram the welder PLC to stop the machine when low voltage, pressure, and frequency is detected. This addition will require the operator to restart the sequence thus flagging them to look closely at that particular weld. If possible, a red light will flash on the top of the machine alerting a supervisor of a machine problem.
4. During the visit to SEI in late August, Kabar has been asked to review the ability to download a weld error report/acceptance report for a given product before starting the next job. This report would be added to the tank quality record.
5. SEI will investigate the option of adding some type of power conditioner to be added to the incoming power line to help eliminate the risk of power surges to the equipment. This may not be possible for the 30kW power draw required by this machine.
6. Other methods will be investigated to test weld quality including the modification of the weld joint to create a central air channel that could be pressure tested using high pressure air to both ends of each weld seam. This idea is experimental at this stage and has not yet been tested.
7. SEI recommends that Baffinland staff perform visual inspections of fuel bladders and secondary containment as per CCME guidelines.
8. SEI will re-train Baffinland staff on tank inspection procedures as requested.
9. SEI will work with Baffinland to offer quarterly maintenance of the tank farm equipment that is above and beyond the requirements of CCME guidelines.
10. SEI will work with Baffinland to help recommend a more effective oil/water separator system.

Approved by: Mark Tayler

Category: PC ☐ CR ☐ PS ☐ Plant ☒ Vendor ☐

Corrective Action

O:\ISO 9001 – 2000\Forms\F-852-002-02.doc



Credit Authorized by: _____ Credit Note # _____ Amount \$ _____ Date Issued: _____

Corrective Action follow up (30 days after Corrective Action was implemented)
To be discussed at monthly ISO Steering Committee Meeting before final closure.

Comments

Baffinland has requested additional on-site training beyond the initial training provided.

SEI Industries Ltd. has been informed that due to much higher than expected precipitation (Snow/Rain) the secondary containment system has approximately 1,500,000 Litres of mildly contaminated water within the secondary containment berm. The Oil Water separator system will also be reviewed in an effort to develop a more effective system for removing water from the berm.

Verified by: _____

Date: _____

Distribution: Copies to: ☒ General Manager ☐ Product Manager ☒ Engineering ☐ LSP
☒ Division Manager ☐ Shipping/Receiving
☒ Plant Manager ☒ Production Department Supervisor

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