

August 8, 2008

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

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

cc: NWB - Phyllis Beaulieu

GN – Robert Eno EC – Craig Broome QIA – John Amagoalik

INAC - Carl MaClean, Bernie MacIsaac



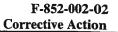
NO BLAME ENVIRONMENT



NO BLAME ENVIRONMENT

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						
	N		Expected Response Date: August 7, 2008						
Contact Name: Dave McCann Phone:			Actual Close-Off Date:						
Order #:			Close-Off Signature:						
	te he Beviewed/E	Paturnad							
Qty	to be Reviewed/F Part No.	Description		Selling Price					
1	AK30000US	DKFC300000R (TTF0089)		\$34,361.00					
Describe	the problem: (Si	tate what the discrepancy is and	should be)	Originator to complete this section.					
Custome dispatche The Cust stamped will not be	not usable). No for will provide photo and to review the site omer needs an impreport assessing the able to refuel the	e and inspect the remaining tank mediate response to INAC inspe he general condition of the rema	naterial around the openin s before refilling activities. ction report CIDM:240178 ining bladders in the bulk f	g for review. As site team has been This requires an engineered fuel storage area. Without this they					
	•			along with report.					
Custome	r is seeking replac	ement tank and costs for fuel los	t.						
See attac	hed report and ph	oto provided by Baffinland.							
		I to us for investigation or reparted to us for investigation or reparted to use for the use of the		- Date Returned by					
אפת טופוני	mer to quote tile i	tott, itak # oii totatii gooda aiiip		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 Baffinland Iron Ore Mines. The failed tank is to be scrapped.	y shipped a replacement tank to			
SEI has identified all the tanks within the production lot (TTF0083-TTF0089); fabric jet A fuel (TTF0095 and TTF0063) (20 units).	lot (TTF0076-TTF0090) and containing			
SEI will perform a visual inspection of each tank also inspect the high stress body s seam deterioration or separations exist. If any deterioration or separations exist the in the farm are inspected. (Gord Rennie)				
Investigated by:				
Disposition of goods: Rework ☐ Scrap ☒ Restock ☐ Used as is ☐	Other:			
Re-inspected by:				
Investigation results taken to avoid recurrence of this problem: Describe corrective action taken to avoid recurrence of this problem.	Investigator to complete this section.			



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.

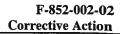
Inspections records were reviewed and there was no rework associated with this tank. All testing was complete as per company procedures.

Hydro was contacted to attempt to corelate electrical outages with the tank welding date. Unfortunately, Hydro logs electrical interuptions of greater than 5 minutes only. The logged power interuptions do not coincide with the tank weld date. The expected problem for the weld failure is a power interuption 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 ☐





<u> </u>												
Credit Author	rized by:	Credit Note	 >#	Amount \$	D	Pate Issued:						
Corrective Action follow up (30 days after Corrective Action was implemented) To be discussed at monthly ISO Steering Committee Meeting before final closure.												
<u>Comments</u>												
Baffinland has requested additional on-site training beyond the initial training provided.												
containment s	ystem has a I Water sepa	en informed that due to m pproximately 1,500,000 L trator system will also be	_itres of ı	mildly contaminate	ed water witl	n in the secor	dary c	containment				
Verified by:				Date:								
Distribution:	Copies to:	☑ General Manager☑ Division Manager☑ Plant Manager		☐ Product Man☐ Shipping/Re☐ Production I	ceiving	⊠ Enginee	ring	LSP				
Divisions:	Bambi	Fig	reflex	□ R	emote Site		LSP					