

Rio Tinto



IOC 2008  
Sustainable  
Development  
Report



Cover: A photo looking at IOC's Luce mining operation, which started production in 1998, and today is a significant contributor to IOC's overall production of iron ore products.

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IOC is the largest producer of iron ore pellets in Canada, and one of the world's leading producers of iron ore pellets and concentrate.

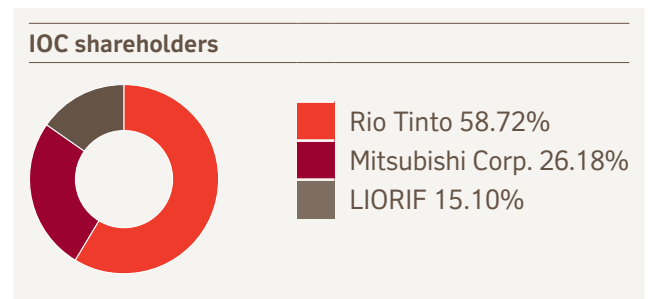
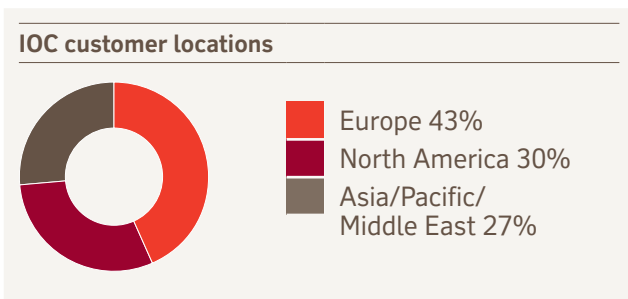
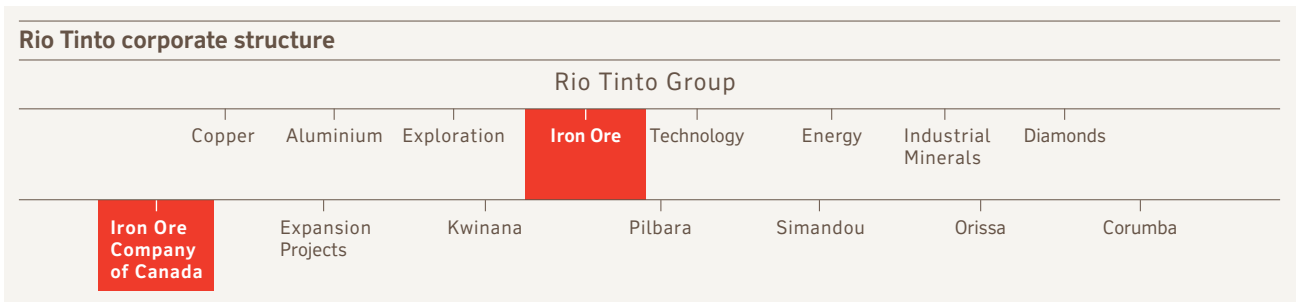


IOC currently employs over 2,000 people between its mine, concentrator and pellet plant in Labrador City, Newfoundland and Labrador, its deep water port facility in Sept-Îles, Quebec, and the 418 kilometer rail corridor that connects the two sites.

Traditionally, IOC has operated on a 24 hour-a-day, 365 day-a-year schedule that in recent years has resulted in around 40 million tonnes of raw ore being extracted annually from its mine in Labrador City, which is milled and refined into over 16 million tonnes of concentrate and over 12 million tonnes of pellets. This product is then transported to major steel maker customers in North America, Europe and Asia on an average of 200 laker/ocean shipments that leave each year from Sept-Îles.

Rio Tinto, IOC's major shareholder, is one of the world's leading mining and exploration companies. It has operations and development projects worldwide that extract and refine metals and minerals to meet society's needs and to support the sustainable development of host countries and communities.

Rio Tinto's principal product lines are aluminium, copper, diamonds, energy products, gold, industrial minerals and iron ore. IOC is the Rio Tinto Group's only iron ore mine in Canada.



With the marked reduction in market demand for iron ore products from global steelmakers starting in late 2008, IOC adjusted its production level and product mix, put its expansion projects on hold, and scheduled an extended summer shutdown to coincide with the bulk of employee holidays.

Demand for IOC's products is expected to grow as global economies emerge from recession and the impact of government stimulus packages on infrastructure spending is felt. Despite the ongoing economic slowdown, iron ore product demand in China and other parts of Asia is expected to remain strong. In the interim, IOC will continue to focus on meeting its commitments to customers, employees and shareholders, as well as to long-term sustainable community development, by delivering high quality iron ore products to the global market while identifying short to medium term cost saving measures.

Despite the direct impact of the global economic slowdown on commodity prices and international market demand for metal and mineral products, Rio Tinto, as IOC's majority shareholder, remains committed to the company's long-term presence and business viability in Labrador West and Sept-Îles.



The depth and speed of the global recession was first felt in late 2008 and took many by surprise. Labrador West is a community that is used to the cyclical ebb and flow of the mining industry, and yet the announcement of production rollback coming fast on the heels of announced expansion plans was a wake-up call.

Although most of us at IOC live in remote communities, when it comes to economics, everything is connected. We provide iron ore products to some of the world's biggest steelmakers, and as such we have always understood just how closely our success is connected to the bigger picture of global demand. We must be prepared for downturn as well as for expansion, and when a sudden market shift occurs we must react swiftly to ensure the long-term viability of our business and the sustainability of the communities of Labrador West and Sept-Îles.

For IOC, 2008 will be remembered as a year of great contrasts. We started with record breaking production in the first three quarters, a March 2008 announcement of the \$500 million CAD Phase 1 multi year Expansion Project, and working in partnership with our communities to address socio-economic growth pressures. By late 2008, the impact of global events hit home. Faced with a rapid drop in major steelmaker demand for iron ore products, we made the difficult but necessary decision to suspend expansion, adjust our production levels and product mix and schedule a summer shutdown.

The current global economic situation will continue to require this type of decisive action, innovative thinking, resolve and teamwork. At IOC we believe that making decisions that balance the three pillars of sustainability – financial, environmental, and social performance – creates lasting value for all of our stakeholders and strengthens the foundation of our communities. Tough times challenge this balancing act but our commitment to sustainable development will empower us to emerge from the recession stronger and more resilient than before.

As the President and CEO of the Iron Ore Company of Canada, I pledge to continue working diligently to ensure that we collectively weather this global storm in a responsible manner. This will require leaning even more heavily on the demonstrated talent and dedication of our employees, and a continued devotion to the values that have defined IOC for over two generations in Labrador West and Sept-Îles.

The good news is that IOC came out of 2008 and went into 2009 as a much stronger business than it was just a few years ago. We have done what we must to endure the current global recession, as well as to fully capitalise on the eventual market upswing. As we wait for the economy to rise again, we will continue to work in partnership with our stakeholders to ensure a thriving and sustainable future for the next generations in Labrador West and Sept-Îles.



Terence Bowles  
President and CEO  
Iron Ore Company of Canada



What matters when coping with an economic downturn is the long view: where we have come from, what we have built, and where we are aiming to go. It is with this perspective that IOC has navigated previous economic downturns and grown into one of the world's top iron ore producers.



Sustaining social wellbeing, protecting our environment, and making our workplace safe are critical to maintaining and achieving this long view. We do this by incorporating and balancing social, environmental, and economic dimensions into both long-term strategy and day-to-day decision making while upholding our commitment to operationalise our values.

Testament to our long view in practice is our recent revision of the company's capital allocation procedure to include up front evaluation of social, environmental, and financial considerations. Another example is IOC's first Biodiversity Status Report, which will help us plan for biodiversity conservation in future projects and align our biodiversity goals with regional partners. Also worth highlighting are the great strides that our Community Advisory Panels and multi-stakeholder partnerships have made in collaboratively addressing community-prioritised issues around local quality of life, family wellness, and environmental sustainability.

We are also actively participating in ongoing, industry-wide discussions with the federal and provincial governments around the development of a regulatory framework to guide carbon footprint reductions. We are committed to continuing to demonstrate leadership on this front as the framework gets finalised. IOC is also actively exploring energy reduction opportunities through investments in clean technology as well as rigorous internal auditing and review processes.

Our performance is guided by the sustainable development principles articulated in the IOC 2009-2013 Strategic Map "The IOC Way Forward"; our ISO 14001:2004 environmental management system certification; Rio Tinto's suite of standards, policies, and supporting guidance notes; all applicable federal and provincial regulations; voluntary industry initiatives such as the Mining Association of Canada's Towards Sustainable Mining (TSM); and our systematic approach to stakeholder engagement.

Financial controls are assured through a stringent corporate governance framework. Self-assessments of financial control risks and compliance to Rio Tinto guidelines are completed annually and an internal system with appropriate authorisation levels, upgraded controls documentation, and a whistle-blower program is in place to minimise the risk of financial misstatements. IOC has also created a committee to identify and monitor compliance risks, implemented an annual internal audit program, and tested critical financial controls with external auditors for compliance with the Securities Exchange Commission (SEC).

We will continue to focus on the long view through the turbulence of day-to-day events. Our vision and our combined strengths – our people, our communities and our products – keep us focused on sustaining social wellbeing and environmental integrity while growing the business and protecting shareholder value.



## Case study

### Embedding non-traditional business factors into project evaluation

IOC analyses the viability of major operational investments using a process known as Approval for Expenditure (AFE). Through this process, the costs and risks associated with equipment purchases or engineering projects at the mine site or transportation and production facilities are evaluated in terms of their ability to optimize value for IOC. Traditionally businesses largely view this value from an economic standpoint, however, IOC is working to ensure that key dimensions of sustainability are valued as key factors in project development.

In 2008, IOC developed and implemented a framework for evaluating sustainability factors throughout project development - from design to the evaluation and mitigation of key project risks. This framework ensures that every project undertaken by IOC is evaluated on the basis of social, environmental, and economic factors from the outset of the planning process, making project development a key driver in improving IOC's sustainable development performance.

Key sustainability factors considered include:

- Energy
- Land use
- Water
- Biodiversity
- Waste and emissions
- Community impacts
- First Nations and cultural heritage
- Health and safety

By adopting a point of view that considers environmental and community impacts and benefits alongside economic considerations, IOC is enhancing the value of major projects both for itself and the communities upon which it depends.

Community participants in the Wetlands Education Program (Labrador West).





IOC systematically revisits its sustainable development report preparation process and continues to refine its approach for assessing the topics that should be included, based on their relevance to our business as well as their importance to stakeholders.

This ongoing determination of report content provides maximum transparency and readability, while allowing for emerging issues to be brought to the reporting forefront as required.

Sustainable development reports are issued annually. In 2009, in keeping with the foundational sustainable development principles of energy, materials, and waste reduction, this year's report is being distributed exclusively on-line.

IOC's 2008 Sustainable Development Report presents social, environmental and financial performance information for the calendar year and is developed in accordance with Rio Tinto's sustainable development reporting guidelines.

Tom Albanese, Chief Executive – Rio Tinto, along with members of the Senior Leadership from around the world, visiting the mine, mine maintenance facility, concentrator and pellet plant in Labrador City (June 2008).





The day before her show in Sept-Îles, Margie Gillis, internationally acclaimed solo dance artist, shares her knowledge with 13 teenaged dancers from l'École de ballet de Sept-Îles, as part of IOC's partnership with the Salle de spectacle de Sept-Îles "Rencontres culturelles IOC".

For many companies and communities around the world, 2008 will be remembered for global economic events. IOC, Labrador West and Sept-Îles are no different in this regard.

Despite the severity of the market slowdown and the very real effect this had on IOC's expansion plans and production output, the company's commitment to the health and safety of its employees and the long-term sustainable development of its host communities remains unchanged.

Although health and safety tops the list of IOC's core business values, the company's 2008 performance in this regard was only passable. The year started with record-breaking production activity and Expansion Project ramp-up that saw new hires and contractors on site. While the safety statistics show an overall reduction in the all injury frequency rate (AIFR), 37 workers sustained injuries, 4 more than the previous year (AI basis). This was despite safety improvement efforts that included the introduction of safety breaks with team leaders and contractors, hand and eye injury campaigns, a HSE (health, safety and environment) barometer, and ongoing investment in tools such as HSE interactions and Take 5 Risk Assessment to support an accident-free workplace. There were also 37 significant incidents reported that could have resulted in additional injuries. All of this is a reminder that regardless of changes to production levels, product mix, or capital project activities, the first and foremost priority at IOC is getting workers home safely to their families after each shift.

The Quebec North Shore and Labrador Railway, operators of IOC's 418 kilometer railway corridor, won the prestigious Railway Association of Canada's 2008 Safety Award. The honour was in recognition of workers' innovation and resourcefulness with regard to shift work fatigue management improvements. IOC-designed remote log-in technology now allows locomotive enginemen to get real-time access to railway traffic, production, and train loading data so that rest periods can be better planned.



IOC was also awarded the Canadian Institute of Mining, Metallurgy and Petroleum's (CIM) John T. Ryan Trophy for Select Mines in Eastern Canada, for our lost time injury performance in 2007.

IOC's health and safety values extend to community health and safety as well. Throughout 2008, IOC partnered on a number of local emergency response initiatives, including the development of a procedure to address potential delays on the highway between Wabush and Labrador City caused by mine railway traffic at the crossing. The company also forged a Mutual Aid Agreement with the Town of Labrador City that includes emergency preparedness planning and response measures, the implementation of a local 911 service, participation in the Road 389 (between Baie-Comeau and Fermont) Safety Committee, and the donation of a thermal imaging camera to the fire department.



The Quebec North Shore and Labrador Railway being awarded the prestigious Railway Association of Canada's 2008 Safety Award for efforts on improving fatigue management.

IOC continues to actively support the professional development of its employees, including in-class and on-the-job training, as well as equipment and process coaching for new enginemen.

Employee training hours	
2005	38,822 hours
2006	35,308 hours
2007	39,810 hours
<b>2008*</b>	<b>103,180 hours</b>

\* Includes in-class training and on-the-job training for 200 new employees, and coaching for new enginemen.

On the community front there were several notable achievements. The multi-stakeholder Community Advisory Panel (CAP) process was re-kindled in Labrador West in the Fall of 2007, at the same time as the process was inaugurated in Sept-Îles. IOC as the initiating organisation saw the value in bringing together a cross-section of representative community voices to work on solutions to problems that affect everyone. Since that time, the CAP process in both communities has provided a forum that allows stakeholders from all sectors to come together to share information and support each other in initiatives that aim to improve local quality of life.

As 2008 progressed and the local impact of the global economic slowdown became clear, the CAPs continued to pursue their important work on several fronts - transportation, environment, health and social services, business and tourism, education, training and employment and housing. Much has been accomplished in a short time, and much remains on the plates of the working groups.

Some of the areas of discussion at the Labrador West CAP in 2008 included housing availability and affordability, tenant and landlord rights, the provision of legal aid services, regional transportation needs, multi-proponent conservation planning, and community composting, to name but a few.

In Sept-Îles, following discussions at the CAP about dust and noise issues in the Monseigneur Blanche neighborhood, IOC expanded its greening of Retty Street. Forty-six (46) jack pines were planted, along with the installation of an irrigation system, to complement the row of deciduous trees that were planted as part of the first phase of the project in 2007. With the second row of coniferous trees planted in 2008, the community now has a year-round visual buffer that over time, as the trees prosper, will also provide some noise and dust improvements. IOC is actively monitoring the health of the trees and will replace any that do not survive transplanting.

The CAP in Sept-Îles also played a role in supporting the implementation of dust suppression technology for the IOC train load-out at the Sept-Îles facility, improving access to IOC contracts for local suppliers and providing support to the community initiative to make Sept-Îles a cruise ship stopover location. The cruise ship initiative involves the construction of a new pier and a direct railway connection that will allow tourists to experience local First Nations culture first hand, through a range of onshore programming activities.



Learning about local First Nations cultural heritage on a demonstration tour in October 2008, part of the cruise ship initiative being developed by Destination Sept-Îles Nakauinanu with the support of IOC.



The Sept-Îles palliative care residence construction project partners breaking ground (Sept-Îles Hospital Foundation, Town of Sept-Îles, IOC).

## Case studies

### Sept-Îles palliative care residence

IOC was honoured to be one of several partners that came together to meet an important need identified by the community. *L'Élyme des sables*, a six to eight-person palliative care residence for Sept-Îles, was made a reality by a joint donation of land from IOC and the Town of Sept-Îles in 2005, community fundraising efforts that included a \$200,000 commitment from IOC in 2006 disbursed in 2008, and significant in-kind contributions of time and energy made by the local construction industry. This is a tangible example of a successful community partnership coming up with a local solution to address a local need, as well as an articulation of IOC's commitment to its core values of respect for others, teamwork, and social responsibility.

### Collaboratively addressing the indirect impacts of the mining industry

One of the first, key steps in making informed decisions about addressing community challenges and opportunities is getting good information. IOC was pleased to fund the development of a socio-economic baseline assessment (SBA) in 2008 that helped inform decision making with regard to indirect impacts of industrial growth, downturn, or closures. Complete and robust demographic and socio-economic baseline data is crucial to tracking changes and identifying trends so that priorities can be set, stakeholder responsibilities identified, funding leveraged, and local capacity developed.

Community input through the CAP stakeholder forum helped confirm the initial suite of community and family wellness indicators to be tracked, as well as determine additional areas of data collection required to establish a meaningful picture of community vitality and social wellbeing. The CAP model of partnership and collaboration is a strong platform upon which to continue gathering and analysing socio-economic data, track community changes against the baseline, and identify specific areas warranting further consideration and resources.

### Working together to preserve and enhance local recreation

During the summer of 2008, when preparatory work made it clear that the route for the overland conveyor planned for Phase I of IOC's Expansion Project would impact the Menihék Nordic Ski Club's trail system, IOC worked with Club representatives and other stakeholders to ensure a win-win situation for everyone. Along with a commitment to replant the old trails, IOC engaged Nordic resort planning consultants to facilitate the design and creation of new trails to replace those lost due to construction. The collaboration resulted in mutually agreeable designs and a commitment to ensure the new trails were in place in time for the ski season.



3-D modeling of proposed Phase I Expansion Project elements used to assist discussion during community engagement.

Objective	Result	Comment	Targets 2009
<b>Communities</b>			
Engage with stakeholders on a regular basis in an inclusive, transparent, equitable, and constructive manner	Achieved	<p>Keystone support of Community Advisory Panels in both Labrador West and Sept-Îles</p> <p>Participation on Joint Planning Committee with Town of Labrador City</p> <p>Expansion Project-related community consultations in Labrador West and Sept-Îles</p> <p>Information sharing and communications hub to support CAP and working groups and to provide transparency</p> <p>Communications materials – CAP newsletter, annual SD report, and quarterly editions of the employee magazine (Mine to Port)</p>	<p>Maintain systematic engagement to a level that meets stakeholder expectations</p> <p>Develop key performance indicators to assess effectiveness of and stakeholder satisfaction with engagement processes</p> <p>Improve alternative means for community stakeholders to provide feedback on IOC performance</p>
Assess the impacts of IOC's operations on communities, including entering, operating and exiting, and identify other key social, environmental and economic factors impacted by or influencing IOC's operations	Achieved	<p>Ongoing stakeholder mapping and issue identification via CAP meetings</p> <p>Conducted socio-economic baseline assessments: Labrador West and Sept-Îles</p> <p>Expansion project socio-economic assessments for both sites</p> <p>Participatory, long-term planning dialogue with community</p>	<p>Complete social baseline assessment in Sept-Îles and provide update report for Labrador West</p> <p>Develop indicators to enable measurement of community partnership project effectiveness in addressing impacts related to projects/ operations and meeting stakeholder expectations</p>
Identify and protect cultural heritage features in consultation and collaboration with relevant stakeholders	Partially achieved Cultural heritage assessment as per Rio Tinto standards to be completed	Preliminary archaeological and historic features survey conducted during Expansion Project environmental assessment	Conduct and complete a cultural heritage assessment in collaboration with the relevant First Nations
Address identified issues, impacts, and opportunities and achieve shared sustainable development goals through a partnership approach	Partially achieved Further work required on multi year community relations planning and aligning community investment with identified community and regional priorities	<p>Actions being taken on community-defined priority issues through CAP working groups</p> <p>Timely and satisfactory response to community complaints</p> <p>Multi year community relations plan updated</p> <p>Ongoing work aligning and integrating community investment approach with business objectives</p> <p>Significant portion of community investment supports work of CAPs</p>	<p>Develop key performance indicators to measure and document partnership project outcomes</p> <p>Revamp multi year community relations plan to incorporate new key performance indicators, especially those reflecting community and regional development priorities</p> <p>Community Relations Diagnosis (Part of Rio Tinto communities standard) to happen in Q4 both in Labrador West and Sept-Îles</p> <p>Integrate multi year community relations plan into IOC business plan</p> <p>Finalise and implement community investment approach</p>

Objective	Result	Comment	Targets 2009
<b>Occupational health and safety</b>			
No fatalities, no injuries, no illnesses	Achieved	Zero fatalities	No fatalities, no lost time injuries, no occupational illnesses
	Not achieved	17 lost time injuries (LTI)	
		20 medical treatment cases	
		12 occupational illnesses in 2008, a 52% reduction in the rate per 10,000 employees compared to 2003	
A Product Group target of 20% decrease in the rate of exposure to >85 dB(A) Leq8h (2004-2008)	Partially achieved	The Iron Ore Product Group had an employee exposure rate to greater than 85 decibels Leq8h of 2,875 in 2008, a 46 % reduction compared to 2004  IOC has had an 11% increase in the rate of exposure to noise since 2004	Elimination of employee exposure >85 decibels by 2013
All injury frequency rate (AIFR) below 1.11	Not achieved	All injury frequency rate AIFR: 1.25	AIFR below 1.0
		Lost-time injury frequency rate LTIFR: .58	AIFR only to be reported going forward
<b>Diversity and equal opportunity</b>			
Promote greater participation of women and aboriginals in IOC workforce	Achieved	165 women in union positions  One woman in senior management position  137 women in staff positions  Four aboriginals in staff positions  26 aboriginals in union positions  Three aboriginal summer students hired  Recruiting services centralised through Rio Tinto, offering IOC a broader recruitment pool	Ongoing target  Actively work with Innu Nation and womens' organisations to promote employment and career opportunities at IOC  Actively work with Mining Industry Human Resources (MIHR) to develop employers' guide to attract, recruit and retain a diverse workforce



Objective	Result	Comment	Targets 2009
<b>Training and skills development</b>			
1% of payroll dedicated to employee training	Achieved	103,180 hours of employee training in 2008 (including on-the-job training for approximately 150 apprentices during 47 weeks)	Maintain training and skills development budget allocations
Learning Map deployed to at least 20% of workforce	Achieved	44% completed. In most sessions, a high level of employee participation was achieved	Maintain target of another 20% for 2009
Implement E-learning	Achieved	Many training programs are now available via E-learning	Continue to promote E-learning
Implement Leadership Training Program	Partially achieved	Focus groups received training program and subsequently some adjustments were required  Revised training program is now ready to roll-out	50% of team leaders to complete Front Line Leadership Development Program  All leaders to complete Safety Leadership Training
<b>Labour relations</b>			
Foster employee commitment and satisfaction	Achieved	Global Rio Tinto survey and IOC internal survey completed in Q4. Results show improvement in a number of areas: teamwork, job appreciation, and good information on IOC activities  Some specific areas have been identified as needing improvement and an action plan was developed to address them  Signed a new collective agreement with UTU (train engineers)  Launched the new Prospect Portal (employee intranet). As of now, four groups have their specific "community"  Completed the revision of all staff salary bands and role evaluations, in Q4, to make sure IOC offers competitive salary to all current and new staff	Next IOC survey: 2013  Target for 2013: 80% employee commitment  Action plan will be implemented in 2009/2010  Sessions to brainstorm ideas for specific projects and processes are part of this action plan



IOC has a solid history of investment in environmental initiatives and planning. For over a decade, the company has commissioned dozens of aquatic and terrestrial studies on the flora and fauna of local ecosystems. IOC has also been actively engaged in research and monitoring on wetlands, small mammals, bird populations, revegetation and soil remediation work, and environmental engineering projects.



In 2008, IOC consolidated these years of research into a comprehensive Biodiversity Status Report. The report summarises known data on local and regional biodiversity, identifies upcoming or proposed biodiversity research in the region, benchmarks IOC's biodiversity progress against international standards, and details opportunities for developing biodiversity partnerships in the region. The Biodiversity Status Report is a significant milestone in understanding IOC's biodiversity context, its impacts on local and regional ecosystems and their natural services, and how IOC can contribute to biodiversity conservation.

2008 was a banner year for putting sustainable development principles into practice, particularly with regard to biodiversity and land rehabilitation. Over 30 hectares of land was revegetated with the commissioning of the multi year Tailings to Biodiversity Initiative. The completion of another multi year environmental initiative – fish habitat restoration as a result of the development of the Carol Project's Luce Pit – saw the construction of two fish ladders in Tinto Brook, the outlet stream to Patterson's Pond, and the continued thriving of the transplanted brook trout and lake chub populations. IOC also built two osprey platforms, one in Sept-Îles and one along the QNS&L railway, to support the growth of this native bird population in the region, and 200 Goldeneye nest boxes were adopted by Labrador West residents through a partnership with the Eastern Habitat Joint Venture (EHJV) to create more waterfowl nesting areas.

IOC has also shown leadership in air quality, energy and emissions reductions, water consumption and waste management programs. The company successfully completed pollution effects modelling to help guide investments in pollution reduction strategies, and emissions testing is being conducted at the Carol Project site in Labrador West. Burner efficiency improvements were implemented at the pellet and steam plants in Labrador West, along with dust suppression technology at both sites. IOC also commissioned cooling water control systems for its conveyor motors (two locations) to reduce water consumption, and has initiated further studies into entirely eliminating water use for conveyor engine cooling. Finally, IOC has also implemented recycling programs for residual materials covering all of its operations.



Mink stealing a fish from the climatisation chamber during the fish transfer from Hakim Lake to White Lake.

## Case studies

### Protecting and enhancing fish habitat in Labrador West

2008 saw the final phase of IOC's multi year initiative to protect and enhance fish habitat in connection with the development of the Carol Project's Luce Pit. Work had been ongoing since 2002, including the transfer of over 2,000 brook trout and lake chub from Hakim Lake to the previously barren headwater White Lake, and in 2007 the modification of Patterson Pond's outlet stream (Tinto Brook) to support brook trout spawning. With the construction of two fish ladders in Tinto Brook in 2008, IOC's effort to provide a net positive benefit to the local fish habitat was completed. Monitoring continues to show that the fish population is thriving.

### IOC's Plan for the Future (closure planning)

In 2008 IOC made significant progress in its technical assessment of post-mine life structure decommissioning and land rehabilitation. This long-term sustainable community planning process also included preliminary discussions with the Town of Labrador City and IOC Joint Planning Committee, along with the Labrador West and Sept-Îles Community Advisory Panels, to ensure that the vision that is ultimately adopted reflects local priorities and aligns with municipal and provincial economic development objectives for the region. Given the extent of IOC's iron ore deposits in Labrador West - potentially more than 50 years of mine life remaining - IOC and the community have the luxury of time to plan for the future and begin making the strategic investments required to support long-term economic development and diversification.

### From Tailings to Biodiversity

Another significant milestone in 2008 was the culmination of the Tailings to Biodiversity Initiative. This decade-long process to improve conditions in Wabush Lake has seen IOC invest \$120 million in research, consultation and implementation of the industry-leading flocculation and revegetation project. The process involved international research organisations and Rio Tinto specialists, and succeeded in meeting and exceeding all of IOC's regulatory requirements. The on-the-ground results have been exceptional: a rapid improvement in lake and downstream water quality, restored terrestrial habitat, extensive community participation through planting programs, and the establishment of long-term environmental monitoring programs.

### Biodiversity Status Report

In 2008, IOC commissioned a Biodiversity Status Report for its operations in Labrador City. The report gathers together existing information about biodiversity in the region, including data on:

- Ecosystems and habitats
- Critical ecosystems and ecologically sensitive areas
- Species-at-risk
- Sensitive species
- Protected areas
- Ecosystem goods and services

The report identifies biodiversity risks and opportunities for IOC, and recommends key opportunities and potential partnerships for advancing biodiversity planning at the strategic level. The report also delivers a gap analysis of IOC's biodiversity efforts against its internal and international obligations to plan for, protect and report on biodiversity. This benchmarking exercise will help direct IOC's biodiversity efforts, action plans and investments over the short and long term.

Objective	Result	Comment	Targets 2009
<b>Energy and greenhouse gas (GHG) reduction</b>			
Energy intensity reduction of 4% over five years, from 2003-2008 (RT)	Achieved Energy use per tonne of product has decreased 13% since 2003	Increase in saleable production between 2003-2008  Change in product mix (increase production of pellets with lower energy footprint)	Target not yet established
GHG intensity reduction of 5% over five years, from 2003-2008 (RT)	Achieved Total greenhouse gas emissions per tonne of product have decreased 13% since 2003	Implementation of Induration Advanced Process Control in 2003 which contributed to a decrease in fuel consumption per tonne of pellets produced	Target not yet established
<b>Water use reduction</b>			
Water use reduction of 10% over five years, from 2003-2008 (RT)	Achieved Freshwater withdrawn per tonne of product has decreased 11% since 2003	New operating mode for head tank control introduced to operators to optimize water management  New water management standard operation procedure (SOP) which reduced use of water in the plant	Target not yet established
<b>Biodiversity</b>			
Land rehabilitation – 15 hectares per year	Achieved 35.5 hectares in total	31.4 hectares were revegetated on tailings area  4.1 hectares were revegetated on the mining area	25 hectares





The story of 2008 is exceptional in many ways, and IOC's financial performance is no different in this regard. Six production records were set in the first quarter. Combined with strong commodity prices, the company's results exceeded expectations up to and including the third quarter.

When the financial crisis hit and was followed by a global economic recession, major steelmakers cut production by up to 50 percent. IOC needed to react quickly and decisively to ensure the long-term viability of the business. The story of IOC's year changed to one of responsibly meeting customer, employee, community, and shareholder needs in a new and challenging business reality.

This sudden reduction in demand for iron ore products in late 2008 necessitated the scheduling of an extended shutdown in July 2009 to coincide with the bulk of employee summer holidays. The company also put plans for major expansion on hold. This project was originally slated to increase production capacity by 50 percent by 2011. The first of three phases of expansion was set to deliver a range of progressive de-bottlenecking measures, including a new crusher station in the mine, a new grinding mill in the concentrator and the construction of an overland conveyor to connect the two, and new locomotives and rail cars, all representing a \$500 million capital investment.

Despite the announcement of postponement of Phase 1, IOC nevertheless invested \$200 million in expansion-related improvements in 2008. The company will continue to re-evaluate the business case for the project's re-instatement when markets improve, and a reduced Expansion Project Team remains on the job to maintain planning continuity for this important initiative that represents IOC's future.

There are some positives for IOC that come from the global economic slowdown, including cheaper shipping costs for delivery of our product to Asian markets. Still on the Asian front, the pace of urban construction continues in China despite a drop in exports, and this bodes well for continued demand for IOC's high quality iron ore products. Elsewhere we are also seeing new Direct Reduction steel mills coming on-stream in the Middle East, which means a growing and lucrative market for IOC's iron ore pellets. Furthermore, infrastructure stimulus packages introduced by governments around the world will eventually spur a rebound in construction activity that generates steel makers' demand for our products.



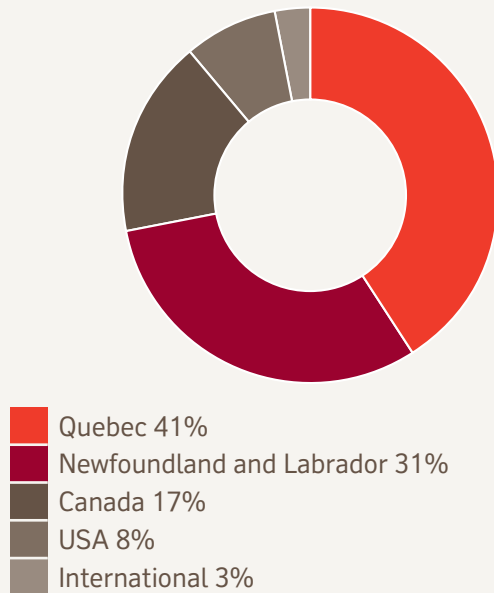
In 2008, over 200 vessels left Sept-Îles with IOC iron ore shipments for customers in North America, Europe, Asia and the Middle East.

Given the uncertainty currently facing IOC due to global economic conditions, the company remains vigilant in pro-actively taking measures to weather the storm. Sales could remain low for some time as economies in the developed and developing world pull themselves out of recession at their own pace, and IOC needs to plan and act accordingly. The big ticket measures – putting expansion on hold, scheduling a summer shutdown, and adjusting production levels and product mix – were accompanied by smaller but important steps to cut operational costs including the elimination of the use of a rental fleet at the mine and shutting down three of the six pellet machines.

It is also worth remembering that despite all the adjustments that external factors required in 2008, over \$200 million is earmarked for new equipment and refurbishments in 2009, including the acquisition of two shovels, two drills, three haul-trucks, and several pieces of auxiliary equipment. This is over and above operating expenses – a total of \$1 billion. So even in a period of reduced demand and operational cutbacks IOC remains an important part of the Labrador West and Sept-Îles economic fabric, and the company intends to stay that way for years to come.

Despite mine operational and ore quality issues, IOC achieved a number of production records during 2008. In particular, the Automatic Train Operation (ATO) did produce benefits: it was IOC's best year for tonnes crushed since 1981.

2008 Goods and services purchased by IOC





IOC 2008 statistics			
	2006	2007	2008
Employees			
Labrador City	1,350	1,451	1,557
Sept-Îles	511	484	502
Montreal	25	29	35
Salaries (including benefits)	\$ 205.0M	\$ 202.0M	\$ 237.0M
Employee training (employee hours)	35,308 h	39,810 h	103,180 h
Sales <sup>1</sup>	\$ 1,062M	\$ 973M	\$ 2,156M
Production <sup>1</sup>			
Labrador City mine production (calculated in tonnes of crude ore)	39 mt	32.3 mt	39.2 mt
Labrador City production of concentrate	16.9 mt	13.9 mt	16.4 mt
Labrador City production of pellets	12.7 mt	11.3 mt	12.6 mt
Terminal (number of vessels loaded)	231	195	203
Community investments <sup>2</sup>			
Contributions in education and community projects	\$ 3.4M	\$ 3.4M	\$ 3.6M
Taxes			
Municipal (grants, school taxes) Labrador City	\$ 4.6M	\$ 4.6M	\$ 4.8M
Municipal (grants, school taxes) Sept-Îles	\$ 3.9M	\$ 3.8M	\$ 3.8M
Provincial – Newfoundland and Labrador <sup>3</sup>	\$ 70.0M	\$ 59.0M	\$ 62.0M
Provincial – Quebec <sup>3</sup>	\$ 26.0M	\$ 18.6M	\$ 20.0M
Federal <sup>3</sup>	\$ 175.0M	\$ 141.0M	\$ 115.0M

### Ore Reserves and Mineral Resources

	2008		
	Mined Ore		Saleable Product
Ore Reserves	mt	%Fe	mt
Proven	963	37.9	394
Probable	430	38.3	176
Total Reserves	1,393	38.0	571
Mineral Resources	mt	%Fe	mt
Measured	420	39.1	169
Indicated	1,085	38.5	448
Inferred	1,616	38.1	624
Total Resources	3,121	38.4	1,240

<sup>1</sup> Impacted by a ten-week strike in 2007

<sup>2</sup> Includes health and post secondary education tax (NL)

<sup>3</sup> 2008 was a very strong financial year and the tax costs will be paid to Governments in 2009.

Note: Saleable product is a mix of pellets (66%) and concentrate (34%) at an average iron grade of 65%

Source: IOC internal report "2008 Report of Ore Reserves and Mineral Resources". Saleable product listed in the 2008 Rio Tinto annual report as approved for release by IOC's Competent Persons: Rod Williams, Tim Leriche P.Eng , and Mark Blake P.Geo.

# Tell us what you think



My name is Patrick Lauzière and I am IOC's manager of environment and sustainable development.

Input from our stakeholders is essential. It enables us to evaluate our past and current performance and to identify concerns, expectations and priorities from which to orient our future commitments and actions.

Please provide me with your feedback, questions or suggestions through either of the following channels:

patrick.lauziere@ironore.ca  
418 968-7400 ext. 7513

Sincerely,

Patrick Lauzière M. Sc. Env., MPM  
Manager – Environment and Sustainable Development  
Iron Ore Company of Canada

Additional information can be found on IOC's website at [www.ironore.ca](http://www.ironore.ca) and Rio Tinto's website at [www.riotinto.com](http://www.riotinto.com)

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Version française disponible.