

Iron Ore Company of Canada

Sustainable Development Report 2013



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President and CEO's Message



I am pleased to once again share with you our annual Sustainable Development Report. The concept of sustainable development underpins the choices that we make at IOC on a daily basis as we continuously strive to reinforce and strengthen our position as a successful and enduring business and a responsible and valued community partner. I am proud to present this report, which provides a valuable opportunity to recognize and connect with the broad circle of people and organizations who contribute to our ongoing success and continuous improvement. Our current and past employees, community partners, and government stakeholders have all played a critical part in our history, continue to support our current success, and will continue to play a key role in supporting our vision for longevity and sustainable growth. With sixty years of operation completed, this vision continues to be at the heart of our business and it is this inclusive approach that has shaped the shared success and growth of our business and communities.

Our history

The strong communities where we operate were built as a result of iron ore mining in our regions over the past 60 years. IOC has long been a significant contributor to the development and growth of these areas, helping Labrador City and Sept-Îles flourish into modern, vibrant, communities with elected municipal governments, privately owned homes, provincially operated schools and medical facilities, and a strong mining supply and retail sector. As we have watched our communities evolve, so too has IOC evolved, from an early role as a community pioneer to our current role as an engaged community partner.

Our present

As we have grown as a business over the years, our focus on sustainable development has continued to inform our approach and ensure that we make decisions that will promote the viability of not only our own business, but also our host communities. Today, IOC stands as the pre-eminent iron ore producer in the Labrador Trough. We have access to the highest quality resource base in the region with potentially unconstrained development opportunities and our high quality product, with high iron content and low impurities, continues to attract high demand.

Historical investments support product delivery to our customers through our 100% owned and operated integrated infrastructure system – rail and port – which enable us to continue to meet customer needs today. More recent investments in expansion capacity through our Concentrate Expansion Project (CEP) phases 1 and 2 have further enhanced our production capability and reliability. The quality of our resource base along with our infrastructure assets provide a natural cost advantage and we have continued to build on this through our recent investments. Despite the natural volatility of the commodities cycle we are well positioned to weather any storm, enjoy ongoing success and continue to remain as a pillar within our communities.

Our strategy for success has always included more than short term returns; it's about building a business that is sustainable, responsible, and continues to deliver strong returns into the future. It is about having fourth generation employees in our business, continuing to build on the successes of their parents, grandparents and great-grandparents and about IOC being able to support on-going economic development

in the regions where we operate. Specifically, we strive to achieve excellence in our health, safety, and environment practices, realize production and cost management targets, diversify our workforce, and plan projects that will support the long-term mutual success of our business and communities.

In 2013 we celebrated many notable successes. Firstly, as always, safety - this was an area of great pride for us in 2013. Our All Injury Frequency Rate (AIFR) of 0.62 is our best ever performance but equally importantly, 2013 was a year free of fatalities or permanently damaging injuries. Nothing is more important than safety, and each and every employee has played a role in this improvement. Throughout the year we also continued to engage with employees and contractors, introducing new programs and processes, such as the Contractor Control at the gate project, designed to help embed our key safety commitments and extend the reach of our safety program to positively influence our supplier partners as well. I look forward with expectations for continued improvement in our safety performance; however this will not come without focus. Despite the excellent results that we saw in 2013 we still suffered numerous significant incidents that could have had serious potential under only slightly different circumstances. We must redouble our efforts as we go forward to make sure that each and every employee is able to return home safely at the end of each day.

From a production perspective, saleable production increased by 9% year-on-year in 2013. The efforts of our mining operations team have delivered further improvements in performance as our production bottleneck moves downstream to our processing operations. In 2013 we saw the operationalization of our CEP1 assets and the continued execution of CEP2 as we continue to position our production system for further production growth. Our focus now is on steadily increasing our throughput to deliver the return on these investments that our shareholders expect. At our Sept-Îles operations, 2013 was another year of strong performance. In our port and rail operations our focus is to keenly pursue increased operating efficiencies wherever possible.

In early 2013 we initiated the Cost Management Plan (CMP). Like every business in competitive industry, we must control our costs to ensure the sustainability of our operations, and to be able to re-invest for the future. Through this project we worked as a business and with our supplier partners to identify every opportunity for cost savings. Our goal was to deliver \$150M savings against our 2012 baseline. As 2013 closed, I am very pleased to confirm that we exceeded our goal. As an added benefit, many of the projects identified by our employees through the cost management initiative not only reduced our costs, but also improved the way we do business from an efficiency or an environmental standpoint, such as our efforts to take advantage of empty haul truck capacity on a return haul, or by repurposing old diesel fuel no longer suitable for our locomotives for our heating

systems. Our employees should take great pride in these improvements.

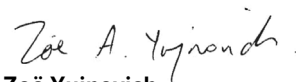
Our future

Mining is a business that requires a long term view. Wabush 3, our 10th open pit, is about providing an additional source of iron ore to support our continued operations. As part of the Wabush 3 project, we are currently preparing our Environmental Impact Statement (EIS), completing studies, and consulting with stakeholders to thoroughly understand what this project means for the business and for the community, so we can responsibly move forward and work together to ensure our mutual success.

We also continue to look ahead and focus on creating a diverse and inclusive workplace. We currently employ 641 females and Aboriginals, who represent 25% of our workforce, and we continue to strive for higher levels of diversity and equality within the workplace. In addition to our work within our own organization, I am privileged to be able to bring additional visibility to the importance of celebrating and embracing diversity, and nurturing partnerships with underrepresented groups, through my role as Chair of the Mining Association of Canada.

While in 2013 we made many improvements inside our business, we did not lose sight of building enduring relationships with our neighbours and seeking mutually beneficial partnerships based on respect and long term-commitment. Through our continued participation in the Community Advisory Panel (CAP) and the Regional Taskforce (RTF) we have partnered to support Plan BIG, which is a project that will provide a vision for the long-term strategy of community development in Labrador West, improving life for citizens and businesses. This project is a significant undertaking and we are very pleased to work with all three levels of government - municipal, provincial and federal - to find ways to support the growth and development of this thriving, vibrant region.

Our business and communities are forever linked by our history and our shared commitment to the continued success of our regions. As we look to the future, there are many reasons for optimism and excitement. IOC is well positioned for the future with recent investments delivering results, and supported by our large, high quality resource base and wholly owned, integrated rail and port infrastructure. We are a business with a storied history and bright future and I look forward to the continued partnerships with our communities and stakeholders as we continue to grow together. I am confident that we are well placed to deliver great performance in 2014 and I am pleased to share with you some of the successes that we have celebrated and learnings we have gained in this report.



Zoë Yujnovich
President and Chief Executive Officer

Our Business



Figure 1: IOC Locations

IOC is a leading Canadian producer of iron ore concentrate and pellets and a key employer in the communities in which we operate. We are the largest private employer of apprentices in Newfoundland and Labrador, and employ approximately 2,500 people in the provinces of Newfoundland and Labrador, and Quebec.

Iron is one of the most common elements on Earth, comprising about 5% of the Earth's crust and is a key ingredient in the production of steel, one of the most useful and durable products for modern living. Our products are made in Labrador City where we extract iron ore from beneath the surface rock, crush it, and concentrate it. Our facilities have the capacity to produce approximately 22 million tonnes of iron ore concentrate per year.

The concentrate is then either transformed into iron pellets suitable for use in blast furnaces, or transported directly via the IOC owned and operated Quebec North Shore & Labrador (QNS&L) Railway. The QNS&L Railway stretches 418 km from our mine in Labrador City to our shipping terminal and year-round deep water port in Sept-Îles, Quebec.

Our products are stockpiled at the Sept-Îles Terminal, ready to be shipped year-round to customers around the world.

IOC's major shareholder and operator is the international mining company Rio Tinto, which has activities in more than 40 countries throughout the world.

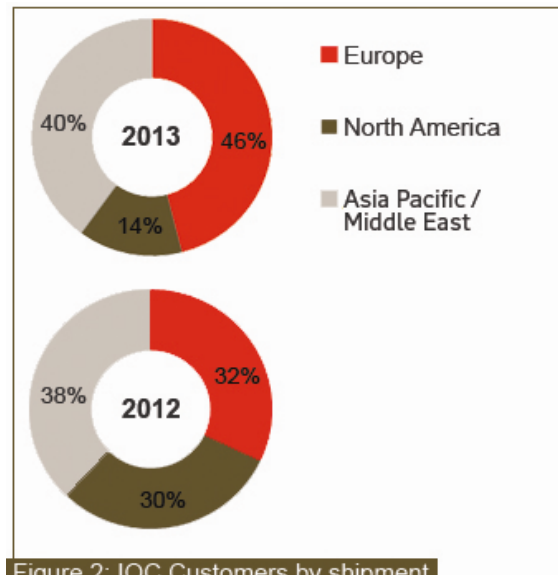


Figure 2: IOC Customers by shipment

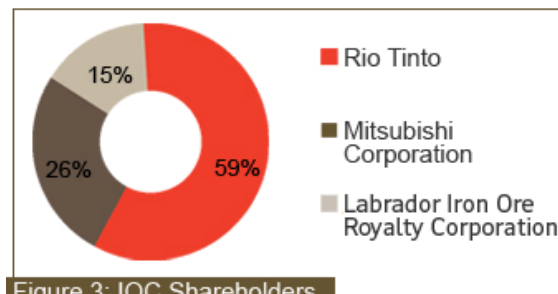
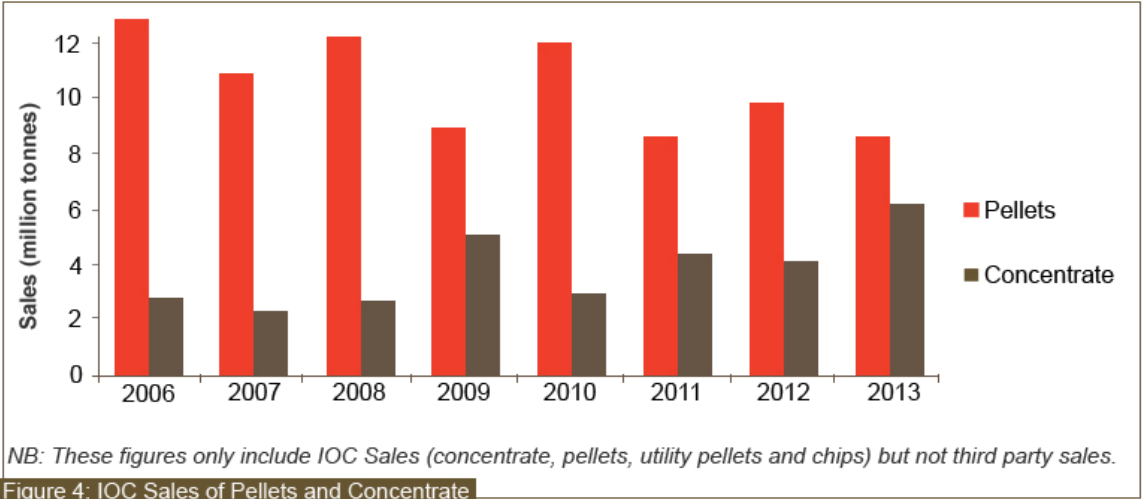


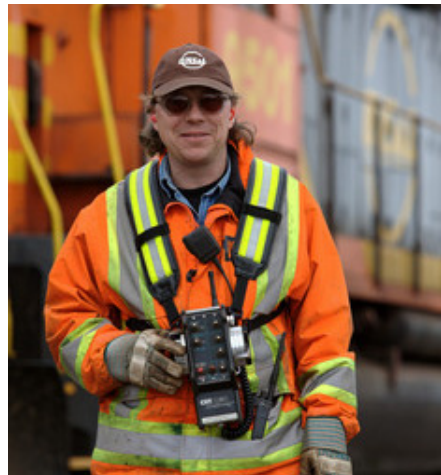
Figure 3: IOC Shareholders



In 2013, we hired 143 new permanent employees. The distribution is as follows:

Table 1: New Hires by Area

Area	Number	Percentage	
Newfoundland and Labrador	Labrador	51	36%
	Other areas of NL	44	31%
Quebec	Sept-Îles	9	6%
	Other areas of QC	11	8%
Maritime Provinces	6	4%	
Other areas in Canada	12	8%	
Areas outside of Canada	10	7%	
TOTAL	143	100%	



Sustainable Development at IOC

Our approach to sustainable development is guided by Rio Tinto's global code of business conduct – *The Way We Work* – which addresses the many aspects of corporate social responsibility and sustainable development. These principles define the way we manage the economic, social and environmental aspects of our operation and are important to fulfilling our commitment to contribute to sustainable development.

To deliver on this commitment we make sustainable development considerations an integral part of our business plans and decision-making processes.

By encouraging more effective relationships and stimulating deeper contributions to our local communities we will sustain long-term business.

In this report, you will find case studies and performance tables that attest to our commitment, presented under three broad headings:

- > Social Wellbeing
- > Environmental Stewardship
- > Economic Prosperity



Social Wellbeing

At IOC, we recognize that our success is based on an engaged, safe, and healthy workforce, as well as a supportive community. Consulting with our stakeholders (employees, community groups, different levels of government and industry associations) is key to understanding expectations and adjusting our approach for a sustainable future together.

Health and Safety

Our employees are our most important asset. Protecting, promoting and enhancing the health and wellbeing of our workers is as vital as protecting their safety.

We continually strive to achieve and sustain a Zero Harm Culture through engagement with employees and contractors. The people that go to work every day at IOC expect to do so in a safe and healthy work environment. This is not an option, but a requirement. Creating a culture in which everyone contributes responsibly and proactively to their own safety and to the safety of their co-workers requires many elements to come together: awareness, information, and skills, as well as the safe installation, operation and maintenance of facilities and equipment. At IOC we hold safety in the highest regard, above productivity, quality, and cost efficiency. In fact, we believe that the safest facilities are the most productive, have the lowest costs, and consistently deliver the best products.

2013 Performance

Each year IOC sets targets to drive improvement in our Health and Safety performance. In 2013, we continued focusing our efforts on hazard identification through use of the Job Hazard Analysis (JHA), building on the work that had been done in 2012. Taking advantage of this tool, coupled with the use of engrained processes such as TAKE 5 and Safety Interactions, helped us achieve our best annual health and safety performance in 2013. This achievement would not have been possible without a supportive and focused effort from all of our employees and contractors.



Highlights:

- 8 Lost Time Injury (LTI) incidents recorded in 2013, down from 18 recorded in 2012, one of IOC's lowest annual total
- 12 Medical Treatment Cases (MTC) occurred in 2013, down from 22 recorded in 2012, another annual record for IOC
- Our All Injury Frequency Rate (AIFR) has continued to improve and in 2013 we exceeded our target and achieved a new record with a final rate of 0.62

In addition to record lows in all injuries recorded and AIFR, when compared to previous years, the severity of the injuries was reduced drastically in 2013. We will continue to employ a robust incident investigation process to assist us in identifying why an incident has occurred in order to put in place corrective measures to prevent recurrence.

One employee or contractor injured is one too many. IOC will continue to focus on critical behavioural based protocols to ensure we achieve Zero Harm.

Table 2: Incident Statistics - Health, Safety or Environment

	2011	2012	2013
Lost time injuries	16	18	8
Medical treatment cases	23	22	12
Injury Severity (Calendar Days)	17.62	27.31	13.84
Significant potential incidents	53	37	28

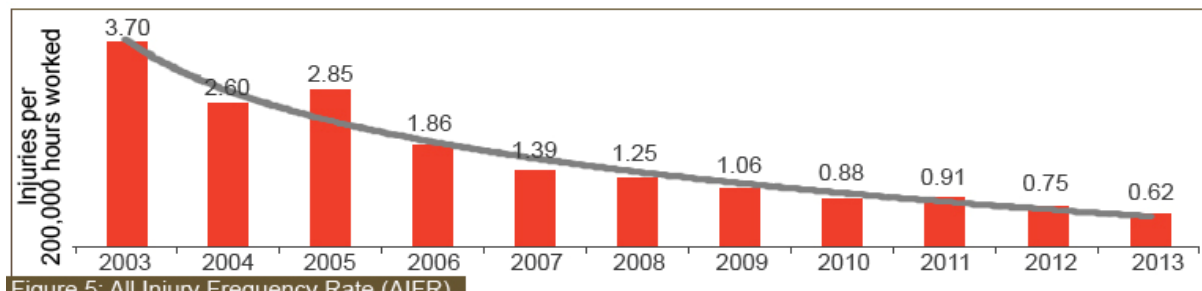


Figure 5: All Injury Frequency Rate (AIFR)

Risk Management

IOC's integrated Health, Safety and Environment (HSE) management system is modeled after Rio Tinto's Health, Safety, Environment and Quality (HSEQ) standards. At IOC, we use the Plan-Do-Check-Review cycle of continuous improvement, which has as its backbone two main concepts: risk and control. By setting goals to continually focus and improve in these areas, we are making steady steps towards achieving and sustaining the Zero Harm Culture we strive to realize.

Efforts in 2013 focused on broadening the understanding of HSEQ risk management through continued evaluation of risk scenarios. Using this approach we gained a better understanding of what controls are in place, or can be improved upon, to help us manage the risk to an acceptable level. The Critical Control Monitoring Plans (CCMP) developed in 2012 for the top five risk scenarios were rigorously monitored and evaluated in 2013 to ensure that critical controls are in place and continue to be sustained and effective.

These efforts, coupled with the continued use of existing personal hazard management tools like TAKE 5 and our Job Hazard Analysis (JHA) help ensure the health and safety of all employees remain *the* top priority.

One Year Without Injuries

Diligent work completed throughout 2013 by the Sept-Îles division of the QNS&L Port and Railway has enabled them to celebrate a significant milestone. As of February 20, 2014, a new safety record was achieved with over 365 consecutive days with no lost time incidents (LTIs) or medical treatment cases (MTCs). This is the first time in IOC history that an operational division has passed the one-year mark incident-free, an outstanding achievement.

The QNS&L Port and Railway has around 500 employees and a number of contractors. We would like to congratulate all of our employees and contractors for their ongoing commitment to safety. Today we are celebrating the results of countless efforts and behavioural changes as well as better risk management. We would also like to say that despite this success, we should never take anything for granted. We must remain careful and continue our daily safety prevention efforts to reach our goal of zero harm.



Health, Safety & Environment (HSE) Week

Health, Safety & Environment (HSE) week was a collaborative initiative between HSE and Emergency Services team members. HSE Week presented IOC employees across Labrador City and Sept-Îles with information, coaching, and support on a variety of topics such as hygiene, health, wellness, safety and fire prevention. Some of the activities in Labrador City included distributing seedlings to employees, providing information on our tailings management program, and reminding employees of the proper cleaning procedures for masks. In Sept-Îles, employees were offered spirometer testing as well as information on Personal Protective Equipment (PPE) and the Employee and Family Assistance Program (EFAP).



Contractor Control at the Gate

The Contractor Control at the Gate project is about making changes to the way we manage contractors on our site to improve safety, accountability, tracking capabilities and cost management. Our goal is to get it **right** – the **right contractors** with the **right training**, performing the **right task** at the **right time**.

The project began in February 2013 with a Pilot Phase to address any technical issues or other concerns before going live across the entire site. The Pellet Plant was chosen for the pilot, given the volume of work that takes place in this area by contractors, and Bowringer was selected as the contracting company to take part in the pilot. IOC and Bowringer employees received training which prepared them to use the system effectively. The Pilot Phase was a success and helped identify technical issues, ensuring that the system was ready to monitor contractor entrance to our site.

In order to introduce the system site-wide a number of steps were taken to ensure a smooth transition including Train-the-Trainer sessions and training for

employees and contractors who would be using the system.

Enhancements were made to the Cognibox Contractor Management System – ASET Module linking it to the computer system at the gate, enabling both systems to communicate. This allowed us to more effectively track contractors who enter our site to ensure we are aware of:

- what contractors are on site
- what work tasks contractors are completing
- whether contractors are appropriately trained to do the work safely
- what specific period of time contractors are approved to be on site
- whether contractors have provided the required information to us and have the appropriate people on the job doing the work they are trained to do

These enhancements allow IOC to communicate with contractors in a clear and timely manner the requirements for all jobs which will allow them to be adequately prepared prior to coming on site in terms of training, PPE, procedures and good practices. If a contracting company is not entered into the Cognibox system, they will not be permitted to enter our site.

As a result of all of these efforts, 100% of contractors with whom IOC conducted business were linked to the gate as of August 20, 2013. Louis Cyrenne, General Manager, Operational Engineering, reflected that, “implementing any new system brings challenges and we are very pleased with the cooperation we have had from contractors and employees to help us ensure this improvement was a success. The system not only presents significant improvements from a health and safety perspective, but is also gaining recognition as being a best practice within contractor management processes.”

Safety Improvement

The QNS&L Railway maintenance team is celebrating the success of an improvement project carried out in partnership with Rio Tinto Alcan (RTA).

Since we share very similar work environments and practices, RTA invited us to pool our resources and expertise on this project.

A KAIZEN exercise (Lean Six-Sigma tool) was conducted in January 2013. The goal was to develop work methods that would reduce or eliminate the risks to which rail workers are exposed while clearing snow from switches by using the appropriate equipment and tools.

This intensive week of work stemmed from the Semi-Quantitative Risk Assessment (SQRA) carried out in 2012, which found that being struck by a train constituted one of the greatest worker fatality risks in the Port and Railway division (along with falls and potential electrical shock).

The two groups (IOC and RTA) came together at the QNS&L facilities in Sept-Îles to explore ways of reducing exposure to risk. A number of potential solutions were identified and are currently being evaluated and/or implemented, such as:

- Reliable blower trucks
- Mechanical sweepers on wheel loaders
- Special antifreeze solutions for switches
- Standardized work methods
- Communication (radio earpieces)
- Effective installation of red flag signals
- Improved tools (nozzles)

Based on our initial assessment, we believe that the cumulative effects of all these improvements could reduce risk exposure time by 58%. In addition, some of these improvements will also apply to other work done on the railway. The next steps will involve finalizing the assessment to implement and deploy these improvements.



Emergency Services: Community Response to Fire

Summer 2013 will not long be forgotten by residents in Labrador West and Sept-Îles. In late June a forest fire raged for several weeks affecting the QNS&L Railway, power and communications systems, cabins, and over 27,000 hectares of land in Labrador and Quebec. The fire also threatened the small community of Wabush leading to the precautionary evacuation of more than 1,800 residents.

The Department of Natural Resources led municipal and provincial government representatives, emergency responders, industry representatives, volunteers, businesses, and media personnel to

keep our communities informed and safe. As a result of their tireless work and dedication, no homes were destroyed and no residents were harmed.

IOC also played a role in supporting the firefighting efforts in both Labrador West and Quebec by providing:

- cost-shared accommodations and meals for emergency services and other critical personnel
- accommodations and meals for any individuals in need during the Wabush evacuation
- firefighters and firefighting equipment, including “Big Red”, our industrial fire truck, to help fight the fire along the railway and Trans Labrador Highway
- supervisors, operators and heavy equipment to build a 300 m fire break to protect the community of Wabush
- the use of up to 5 helicopters and pilots to help with firefighting efforts from the air

As a way to recognize emergency responders and those who were directly involved in the firefighting efforts, IOC donated 10,000 seedlings to renew the areas affected by the fire. Within 3 days all 10,000 seedlings were distributed and planted by cabin owners, employees and residents.



Camp Demobilization

In December 2013 the Accommodations team in Labrador City was tasked with leading the demobilization of 5 of the IOC camps - a significant project given that this was the first time the team was responsible for managing a project of this scope. Safety being the top priority, the Accommodations team, worked closely with RCM Construction and Tetra Tech to develop a work plan to ensure that the project was completed safely and

on time. The Accommodations team was involved in the project every step of the way, attending daily meetings and keeping all team members well informed on the status of the project. As a result of their excellent coordination, the project was completed without incident, under budget and ahead of schedule. Randy Philpott, Sr. Advisor Accommodations, says, “with cooperation from the Town of Labrador City and a strong teamwork approach, the teams were well-aligned and had a clear understanding of the process. By focusing on safety and communication, everyone knew what they had to do.”



Smoke and Gas Detection in a Haul Truck Cab

In mid-2013 a haul truck driver approached members of the Mine Operations team as a result of experiencing nausea from exhaust fumes leaking into the cab of the truck. After responding to the immediate health and safety needs of the employee, the feedback was documented and the Mine Operations team began to work with Occupational Health and the Joint Occupational Safety, Health & Environment (JOSHE) committee to find a way to detect these fumes in the cabs of our heavy mobile equipment (HME).

Presumably, the fumes described by the employee were related to leaking exhaust, smoke from the summer forest fires, and/or trucks idling while facing downwind, consequently drawing in exhaust fumes.

As the project progressed, the scope of the project was augmented to include the detection of smoke and gas based on feedback that some operators were smoking while operating HME.

Based on the research completed by the group, an industrial smoke and gas detector was procured and modified to fit into the haul truck cab as a pilot project, with the help of the Radio Shop and Engineering. In addition to detecting the presence of fumes, the device also allowed for real-time data

to be streamed to Mine Dispatch, alerting the Mining Operations team to any possible smoke or gas exposures.

Based on feedback from the pilot project, modifications are being made to the way the device is installed to make the project more sustainable and improve ease of use.

Currently, the device remains in a monitoring mode to allow us to learn more about the nature of the fume exposure. As this project continues, the devices will be installed on additional equipment, including 6 haul trucks, as well as shovels and drills where the devices will also be able to detect any smoke or degradation in electrical power. The appropriate pieces of equipment will be identified collaboratively by Mine Operations and the JOSHE Committee as we continue to implement the project on a larger scale.



Embracing Change: Sustainable Improvements for a Safer Work Environment

Business improvements cannot be made without some sort of change, and change is not always easy to accept or implement effectively. In 2012, employees in Product Handling went through an internal audit focused on the C3 Safety Standard for Vehicles and Driving. The findings in the audit identified work needed to improve the area in order to bring it up to current standards.

Within six months, a team of staff and unionized employees was pulled together to analyze the audit findings, identify criteria, create a strategy, and establish a required timeframe to accomplish their goals. The result was the development of a Traffic Management Policy. The policy outlines:

- Proper procedures for interactions between light vehicles and heavy mobile equipment
- Signage upgrades to meet standards
- Procedures for managing traffic
- HSE safety requirements
- Specific Product Handling, Yard and Pellet Plant lower road rules and regulations

- Permit requirements (colour coded for area and employee/contractor classification)
- Road upgrades to meet standards

“We had to upgrade standards in some cases and, in others, initiate standards where they didn’t exist,” says Judy Pope, Senior Advisor Processing Operations, “the system has reduced light vehicle traffic and unnecessary travel congestion in designated areas.”

While this has been a large undertaking for Product Handling employees, they have gone above and beyond what was required of them and added other safety improvements to their scope of work, including:

- Installing a new PPE station
- Establishing a visitor sign-in area and log book
- Ensuring a sign-in and sign-out portable radio system is available for all vehicles and equipment so they have radio access while in the yard area
- Extending road signage improvements to include other areas (i.e. Pellet Plant access roads, Pellet Plant parking lots, Product Handling access roads)
- Upgrading bathrooms and locker rooms in the main building
- Installing solar Stop and radar signs
- Demarcating storage areas

Nicole Slade, Manager – Pellet Plant and Product Handling, was extremely pleased about the efforts of the team. “Implementing a new traffic management policy is not a simple task. It is a large change requiring collaboration from all employees with a large focus on the processes and systems required to ensure the solutions are sustainable. The improvements in the area are noticeable and have a big impact. I am proud of the team and their efforts not only in improving compliance to the vehicles and driving safety standard, but also in how they have gone beyond the expectations to make other improvements,” says Nicole.



Health and Wellness

Occupational Health Services at IOC is committed to supporting health and wellness initiatives for our employees. In 2013, IOC continued with its efforts through promotion and prevention programs. Health promotion and prevention are key strategies to enable individuals to move towards improved health and wellness. A tailored program based on an employee demographic and risk profile was developed and rolled out business-wide. Topics addressed included fatigue management, improving physical activity, diet, and mental health. IOC strongly believes in the importance of investing in our employees to achieve positive health outcomes in the future.

Some of the themes communicated by the Occupational Health team included:

> Smoking Cessation

There is strong medical evidence that links smoking with numerous diseases and conditions. It has harmful effects on nearly every organ of the body and reduces overall health. Smoking tobacco remains the leading cause of preventable death and has negative impacts on people of all ages. Evidence indicates you do not have to be a long-time smoker to get a smoking related disease, but risk and severity is directly related to how long an individual has smoked and how many cigarettes are smoked daily.

In addition to increased interactions around the importance of smoking cessation, courses were offered in Labrador City and Sept-Îles that were facilitated by Occupational Health Services for employees who wanted to quit smoking.

> Heart Health

Heart Disease is the number one killer in Canada. A high percentage of heart disease is preventable and manageable. The best defense is controlling and/or eliminating risk factors which make healthy living essential such as physical activity, alcohol intake, diet, salt intake, smoking, stress, obesity, and blood pressure.

As part of Heart Health month, members from Occupational Health Services offered blood pressure testing across sites as well as shared information about the importance of maintaining a healthy heart. In keeping with the theme, Mine Maintenance Facility (MMF) employees hosted a Penny Drive with all proceeds donated to the Heart and Stroke Foundation of Newfoundland and Labrador. Their hard work totaled \$500 – which amounts to 50,000 pennies! Inspired by their

generosity and thoughtfulness, IOC matched their donation for a total donation of \$1,000 to the Newfoundland and Labrador Division of the Heart and Stroke Foundation.

> Occupational Dust Control and Medical Surveillance

In 2013, we worked to improve the control of dust in our Labrador City facilities. IOC continues to invest capital funding into the site dust control projects. While these engineering controls are being implemented, our employees have protection from potential dust exposures through the use of PPE.

The Labrador West Dust Committee is comprised of provincial government, union, and company representatives. In 2013 this committee engaged a third party to conduct an audit of our medical surveillance and occupational hygiene monitoring programs. This audit aims to verify that the current practices are sound and able to assist in the proactive mitigation of occupational illness associated with iron ore mining.



Community Engagement

Working directly with the community is an integral part of IOC's culture. We have been consciously developing sustainable partnerships with our host communities for more than six decades in order to ensure the continued success of these regions.

Our partnership strategy includes the principles of Towards Sustainable Mining (TSM) that are defined by the Mining Association of Canada (MAC). These principles reflect honesty, transparency, and integrity which go hand-in-hand with our own Mission and Values that are based on respect, accountability, integrity and teamwork.

We continually seek innovative ways to improve our approach to community partnership and to encourage others to embrace our teamwork approach, most significantly demonstrated by our efforts within the Regional Taskforce (RTF) and the Community Advisory Panel (CAP).

Regional Taskforce on Community Growth in Labrador West

The Regional Taskforce (RTF) was initiated in 2012 by IOC. The RTF is a panel that includes senior executives from IOC and other mining companies in the region, the mayors of both Labrador City and Wabush, provincial government officials from Municipal Affairs, Natural Resources, Intergovernmental Affairs, the Aboriginal Affairs Secretariat and Labrador Affairs, and federal representatives from the Atlantic Canada Opportunities Agency (ACOA). This multi-sectoral group of senior representatives works collaboratively to identify and address the cumulative effects of rapid growth within Labrador West and liaises with the Community Advisory Panel (CAP) to stay informed of issues and priorities.

In 2013, the RTF met three times and is currently working on the following projects:

> Supply Services

RTF members are working together to identify how they can enable the business community to capitalize on anticipated future growth in the mining sector within our region.

> Plan Big

The region of Labrador West has identified the need to manage future development in Labrador City and the Town of Wabush. Collaboratively, a regional strategy will be developed for Labrador West with

input from the communities to set the direction for their respective futures.

Plan Big is a significant opportunity to create sustainable communities in the Big Land (Labrador) that can continue to provide a positive environment for the development of local industry as well as an attractive community for families, retirees, temporary workers and supporting enterprises.

Plan BIG is funded in partnership by the federal government (ACOA), the government of Newfoundland and Labrador (Innovation, Business and Rural Development), IOC, Cliffs Natural Resources, Alderon Iron Ore Corp., New Millennium Iron Corp., Labrador Iron Mines Holdings Ltd. and the Towns of Labrador City and Wabush.



> Regional Mapping Exercise

The RTF is participating in a regional mapping exercise in partnership with the Department of Natural Resources to determine all areas of land in the Labrador West region that may be suitable for development without mineral leases or licenses.

The RTF is also participating in discussions and working on gathering information as a group on topics such as:

- Newfoundland and Labrador population growth strategy
- Managing emerging labour market needs and supporting regional community sustainability
- Wabush Airport growth plan
- Rent control
- A statistical overview of Labrador West.

The RTF works in conjunction with the Community Advisory Panel (CAP) to ensure they remain connected to the issues and challenges facing our communities. Where the Regional Taskforce addresses issues with all levels of government and industry, the Community Advisory Panel (CAP) in Labrador West operates at a grassroots level.

Through discussion and consensus, the CAP and RTF share many common priorities (outlined below). These priorities are re-validated on an annual basis to ensure the activities of both groups remain focused on the areas that are most critical to local communities.

Table 3: CAP and RTF Priority Areas

Priority Area	CAP	RTF
Affordable Housing	✓	✓
Childcare	✓	✓
Health & Emergency Services	✓	✓
Recruitment & Retention	✓	✓
Community Infrastructure	✓	✓
Environment	✓	✓
Land Availability		✓
Education & Training		✓

Community Advisory Panel (CAP) in Labrador West

In 2013, the CAP met on four occasions and continued to be co-chaired by IOC and Cliffs Natural Resources. Given that many of CAP’s activities depend on the information collected through the Plan BIG initiative and, as many organizations were faced with cost reduction mandates in 2013, efforts were temporarily refocused on day to day activities.

> Housing Affordability and Availability

Volunteers with the Labrador West Housing and Homelessness Coalition (LWHHC) and Habitat for Humanity Labrador West worked to advance affordable housing projects in our region. The LWHHC continued their work to advocate for affordable housing and to provide a collective voice for those affected by the growth in our communities in addition to focusing on the development of an affordable housing project. The Habitat for Humanity committee continued to work on completing the second Habitat Project in Labrador West, which saw the addition of two new Habitat Homes. IOC is pleased to be a part of both committees and to continue to support the needs of residents within our communities.

> Health and Emergency Services

In late 2012 a collaborative effort between IOC, Labrador Grenfell Health and the Royal Newfoundland Constabulary (RNC) led to the streamlining of emergency services within Labrador West. IOC and Labrador Grenfell Health signed a Memorandum of Understanding to indicate mutual support and the provision of back-up ambulance services in the event of an emergency, ensuring that our communities will always have the resources to respond in the event of an emergency. As a result of this partnership, IOC was on call 362 times throughout 2013 and responded 12 times to calls within the community.

IOC has had an agreement with the Town of Sept-Îles since 1999 through which IOC’s industrial firefighters will support the community fire department in the event of a fire or major emergency.

IOC also partnered with Labrador Grenfell Health to host a luncheon during Mental Health Awareness week in May. The theme of the luncheon was “Keep Your Balance: Find Out How You Can Exercise Your Mental Health”. Participants enjoyed a healthy lunch, received tips on managing stress and had an opportunity to win prizes that would foster an overall sense of well-being such as golf passes or a 1 week membership for Work Out World.

> Childcare availability

The hardworking volunteers with Labrador West Child Care Inc. celebrated the first anniversaries of both the Building Blocks Child Care Centre and the After School Zone, the first centres of their kind in Labrador West. Both programs are thriving and are currently filled to capacity.

To further support these efforts, IOC remains focused on identifying a non-profit operator, who shares our vision for sustainability and social responsibility, to operate the IOC Child Care Centre. We also continue to work with government and educational partners to facilitate the delivery of the Early Childhood Education program in Labrador West, which would benefit all child care providers in the region. There are many challenges to operating a child care centre within our remote area and we are committed to working through these challenges to find solutions that will support our employees and their families.

> Recruitment and Retention

With a focus on cost reduction in 2013 many organizations experienced reduced recruitment. Therefore, CAP efforts were focused on discussing the possibility of revisiting a regional recruitment strategy for Labrador West to showcase all of the opportunities that exist within our area. Recommendations arising from Plan BIG will greatly assist in providing direction to this potential project.

> Community Infrastructure

The Community Infrastructure portfolio has been largely transitioned to the Regional Taskforce given their ability to make decisions at a senior level. Similar to Recruitment and Retention, guidance on how CAP may support the strategy for community infrastructure will largely come from the completion of the Regional Growth Plan and recommendations from the Recreation Study which was released in early 2014.

> Environment

One of the more significant successes last year was the completion of the Harrie Lake Greenspace, a partnership between IOC and the Town of Labrador City, which was officially dedicated in June 2013. The greenspace is located in the Harrie Lake Trailer Court in Labrador West and includes playground equipment, open space to enjoy the scenery, as well as an outdoor hockey rink in the winter time. Greenspaces are so important to our community as they provide a space where children and families can safely enjoy fresh air, play games, and continue to develop a healthy lifestyle.

> Education

An investment in education is an investment for the future. Supporting students in the classroom and local college programs is essential to the success of future generations. We believe opportunities for quality education and training will have a profound impact on an individual, their family and their community.

Every year, IOC supports a scholarship program for the children of our employees. These scholarships are administered by the Association of Universities and Colleges of Canada (AUCC) and four recipients are chosen annually to receive \$1,000 per year for a maximum of five academic years or until they obtain their first bachelor degree, whichever occurs first. In Labrador City, we also support scholarships at the College of the North Atlantic and through the Teen Ambassador program.

In addition to scholarship and bursary programs, we also partner with organizations that provide services and support that contribute to education:

Maison L'Envol – Homework Assistance Program

In Sept-Îles, we offer the Homework Assistance Program which provides free support to children who need assistance with their lessons and homework. By subsidizing costs associated with the program, we are helping to ensure that all children have equal opportunity to access quality educational supports.

JR Smallwood Middle School iPad Lab

In 2013, IOC donated 60 iPads to JR Smallwood Middle School which can be used by all teachers to enhance learning in the classroom and engage students.

Réseau du Sport étudiant du Québec – Section Côte Nord (RSEQCN)

IOC and the RSEQCN have partnered to introduce the 3R program which promotes sports ethics. As

we share the same core values – respect, excellence, performance, leadership, teamwork, and responsibility – it was a natural match between our two organizations.

Heavy Duty Equipment Technician (HDET) Apprentice Block-Training

IOC is the largest private employer in Newfoundland and Labrador and also the largest employer of apprentices of any employer in the province.

As apprentices move through their apprenticeship training, they must complete additional classroom education, or blocks, as well as on-the-job requirements. Unfortunately, for many years, block training was not offered in Labrador West placing a burden on families for months at a time when one partner would leave to complete their classroom training in other areas of the province.

By working with representatives from the College of the North Atlantic (CNA), the provincial apprenticeship office and the Government of Newfoundland and Labrador, a blended block training model was developed that allowed employees to remain in Labrador West for the duration of their block training.

Using the new model, HDET apprentices attended classroom training and a portion of their practical training under the direct supervision of a program instructor at the Bay St. George campus in Stephenville Crossing, some 1,600 km away. Students completed a half-day of instructional training at the Labrador West campus of the CNA and then a half-day at work at IOC where they could apply their new skills under the supervision of journeyman employees.

The HDET Pilot Project is now into the fourth session and the CNA has been recognized with awards for the blended delivery model, including an award from the National University Technology Network (NUTN). They have also been awarded the Shirley Davis Award for Excellence in Blended Learning, making it the first time an institution outside of the United States was recognized by a NUTN award.



Our Commitment to Diversity

In addition to our community partnerships, Rio Tinto is a progressive and innovative organization in many other ways, and one that is certainly a place that empowers people to build exciting and successful careers. Rio Tinto today has approximately 66,000 employees working in more than 40 countries. An organization of this size relies on employing people from all walks of life. It is our diversity of experience, background and opinion that is a major factor in our success.

IOC currently employs a total of 641 females and Aboriginals, which represent 25% of the employee population. Within the employee population, 1.5% of employees are of a visible minority and 2.1% are persons with disabilities.

Aboriginal Engagement

IOC is a strong believer in good relations with local Aboriginal groups. Over the past year, we have been in active discussions with Aboriginal groups to negotiate agreements on training, education and employment, business opportunities, social and cultural programs, and other benefits.

Since 2008, IOC has freely offered the hauling of the Wapikoni multi-media mobile studio to Schefferville on the QNS&L Railway. This partnership allows the Wapikoni organization to bring together young people from communities that often face major social issues. The Wapikoni's mission is to fight isolation and suicide among First Nations youth while developing artistic, technical, social and professional skills in introducing young people to practical workshops tailored to their reality and their culture. By using the mobile studio, participants can produce a videoclip or a short movie, and they are involved in every stage of the process from writing the script to shooting the scenes and delivering the final product.

In 2013, we also partnered with the Société de développement économique Uashat mak Mani-Utenam (SDEUM) and the Commission de développement économique des Premières Nations du Québec et du Labrador (CDEPNQL) to present the first Journée conférence Nature, Commerce et Industrie. The event was aimed to raise awareness and provide tools to community members who wish to start their own business or expand upon an existing one. A full day of conferences and workshops about entrepreneurship were held in February in Sept-Îles. This sponsorship has enhanced our collaboration with Innu companies and services in terms of procurement.

Ovations to Celebrate Women of Newfoundland and Labrador

Early last year more than 800 women from across the province of Newfoundland and Labrador, including several employees from IOC, gathered together for a celebration. Organized by the Women's Policy Office and the Provincial Advisory Council on the Status of Women, Ovations: Applauding Accomplishments of Women in Our Communities brought together individuals from across the province to recognize the past and present contributions of women in the province as well as focus on their futures.

IOC was pleased to be one of the major sponsors of this first time event which started with an afternoon forum featuring a keynote address by our President and CEO, Zoë Yujnovich. "Whether it is volunteer work, working in the home, or building a career outside the home, women in this province possess an unwavering commitment to their communities which continues to inspire me every day," said Zoë.

Panellists included women from across the province who shared their insights and experiences, whether as chairs on corporate boards, as community volunteers or as young women reaching out to their community.

The highlight of the event was an evening celebration of women, which included a keynote address by Premier Kathy Dunderdale, as well as a series of entertaining and inspiring performances.

Erin Flynn, Process Technologist in the pellet plant says of the experience, "It was great to be at the first Ovations forum in the province and to meet so many women who are heavily involved in their community or business. It gave me an opportunity to think about what else I could be doing to support others around me at work and in the community."



Community Donations

IOC actively supports a wide range of activities that benefit the communities in which we operate, such as health, social and cultural initiatives. Donations this year amounted to over 7.6 million in cash and in-kind donations, the majority of which (70%) was spent in Labrador West, for projects that address the critical needs of our host communities, notably:

- Centraide (\$51,000)
- JR Smallwood iPad Lab (\$40,000)
- Ronald McDonald House NL (\$33,000)
- Choices for Youth – Train the Trades (\$25,000)
- Canadian Red Cross (\$25,000)
- Labrador West Ministerial Association (\$23,850)
- Les Rencontres culturelles IOC a la Salle de spectacle de Sept-Îles (\$15,000)
- Labrador West & Sept-Îles Relay for Life (\$15,000)
- Scout tombe pile! (\$10,000)
- Mothers Against Drunk Driving (\$10,000)
- Kids Eat Smart (\$10,000)
- Festival Innu Nikamu (\$10,000)

Table 4: Community Donations for Labrador West, Montreal, Sept-Îles and St. John's

Priority Area	CAP
Culture	\$36,731.00
Education	\$97,190.00
Environment	\$33,263.75
Health & Safety*	\$897,710.00
Recreation	\$101,147.38
Transport	\$7,979.00
Social & Welfare	\$107,917.00
Aboriginal	\$33,840.00
Employee Volunteering Grants	\$22,305.00
Municipal Partnerships – Town of Labrador City**	\$6,292,333.00
TOTAL**	\$7,630,416.13

* includes in-kind donation from summer 2013 forest fire

** includes grant-in-lieu of taxes to the Town of Labrador City.

Employee Contributions

Employees at IOC are known for their generosity. Throughout 2013, employees in both Labrador City and Sept-Îles not only demonstrated their giving nature, but also their commitment to health and wellness, our communities, and to many causes big and small.

> Dollars for Doers

The more involvement we have in our communities, the greater the impact. We encourage our employees to play an active role in Sept-Îles and Labrador West by volunteering their time to help coordinate essential services and activities. The Dollars for Doers program recognizes the voluntary commitment of these employees by providing volunteering grants to the organizations they are involved in.

In 2013, more than 65 employees applied for and received a volunteering grant for their respective organizations by having volunteered at least 50 hours in the past 12 months.

> Red Cross – St. John's

Health and safety is a core value for IOC and for the Red Cross. We know how important it is to have trained personnel that are equipped and ready to respond at all times. Our partnership with the Red Cross Newfoundland and Labrador supports critical emergency planning and response across our province.

> Winter Clothing Drive – Labrador City

The Mine Mobile Maintenance team again organized a winter clothing drive to collect gently used winter clothing to donate to communities throughout Labrador. The team collected many boxes of winter clothing of all sizes, some of which were donated locally with the remainder shipped to coastal communities across Labrador. Local businesses even got involved in the effort, donating boxes and winter clothing to the event.

> Pedal for Kids - Montreal

Last summer, a team of 30 employees from Rio Tinto Alcan and IOC participated in Pedal for Kids, a fundraising event for the Montreal Children's Hospital. The IOC Team rode the Mighty Bike through the busiest streets of downtown Montreal, with music blaring and a police escort leading the way! Over the past 4 years, this Rio Tinto team has collected over \$108,000 for the Montreal Children's Hospital.

> United Way - Sept-Îles

For many years, IOC has partnered with the United Way in Sept-Îles to assist with their fundraising efforts. The United Way supports critical issues in the community of Sept-Îles and more than 50% of employees donated to the United Way through payroll deductions, raising \$51,023 in 2013. This amount was matched by IOC, bringing the grand total to \$102,046.

Environmental Stewardship

IOC realizes that the mining industry has a direct impact on the environment. Throughout the entire mining process, we recognize that we have a responsibility to minimize, and eliminate where possible, these impacts. While the first step to continuously improving environmental performance is creating awareness, at IOC we go much further. Acting on the commitments in our Health, Safety, Environment, Communities and Quality (HSECQ) policy, we assess our impact on ecosystems, evaluate future risks, design management systems to mitigate impacts, establish challenging objectives, and measure our performance against key success indicators.

Disposal of Railway Ties

In 2013, in a significant effort to eliminate all remaining waste railway ties stored on site, 100,000 railway ties were sent for disposal via incineration with energy recovery. This modern disposal process allows for a more environmentally-friendly method of disposal and for the capture of energy which can then be re-used.

The site is now clear of old waste ties and moving forward the waste ties generated from the track maintenance program will temporarily be stored in a shed specifically built for that purpose and disposed of on an annual basis.

Tailings Management

As part of the Concentrator operations, IOC has an active tailings area which it manages under its Tailings Management Plan. This Tailings Management Plan aligns with IOC's Environmental Management System, which is certified to ISO 14001, Rio Tinto's E8 Mineral Waste Environmental Standard and the Mining Association of Canada's Tailings Management Protocol. In 2013, we conducted a geotechnical assessment of its tailing area by an independent qualified engineering specialist in accordance with Rio Tinto's E8 Standard. This assessment, along with the tailings lease line monitoring program, allows us to continually improve and reduce the risks associated with tailings operations. IOC has an on-going rehabilitation program and in 2013, continued with its tailings rehabilitation program and added another 30 hectares of rehabilitated tailings to its ongoing re-vegetation program. This program, while ultimately developed for progressive rehabilitation under IOC's Closure Plan, continues to improve the wetland, riparian and upland areas which have attracted a wide variety of wildlife.

Ambient Air Monitoring Network

Labrador West

IOC has an extensive network of Ambient Air Monitoring units in Labrador West. This network is state of the art and can be monitored in real time by anyone who has access to the network. Currently, IOC and the Newfoundland and Labrador Department of Environment and Conservation are the only groups who can view the data. IOC was asked by the provincial government to allow the air monitoring data to be posted on a government run website so the general public could have access.

As a result in 2014 data from the three ambient air monitoring stations' data will be available to anyone interested in viewing what the ambient air conditions are like in the Labrador City area. These sites were very useful in the summer of 2013 when a major forest fire took place in Western Labrador. The provincial government was able to use the data from IOC's monitoring stations to help make informed decisions regarding potential health impacts from the forest fire.

Sept-Îles

Since June 2012 IOC has participated in a committee named *Table de concertation sur la qualité de l'air* in Sept-Îles along with the Town of Sept-Îles, the *Corporation de protection de l'environnement de Sept-Îles*, the *Comité de défense de l'air et de l'eau* and other stakeholders such as major companies and various government departments.

As agreed, the committee is progressing work to address two issues pertaining to air quality: the first is obtaining an accurate overview of the current air quality in Sept-Îles and the second is to ensure that air quality information is shared with residents of Sept-Îles on an ongoing basis.

Several meetings were held in 2013 and work is progressing well and on schedule.



Air Quality Health Index (AQHI)

As everyone knows, on Environment Canada's Weather website you can check the latest weather for any area across Canada. In most of the larger cities the Air Quality Health Index (AQHI) is a public information tool that helps Canadians understand what the air quality is like in their area. Normally these sites are maintained by provincial or federal agencies.

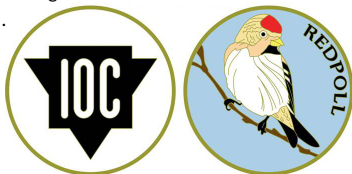
In 2013 IOC was approached by Newfoundland and Labrador's Department of Environment and Conservation to see if one of our air monitoring sites could be used as a station to monitor the AQHI. In order to do this, the government was willing to supply an ozone monitoring unit which is needed to determine the AQHI. IOC would in turn add the ozone monitor to one of the Ambient Air Monitoring Network stations and, sometime in 2014, an AQHI value will be linked to the Labrador City Weather site maintained by Environment Canada's weather website.

IOC is very pleased to be the first industry in Canada to participate in this AQHI program as it gives credence to the quality of its Ambient Air Monitoring Network in the Labrador City area.

Birding in Labrador West

Over the past number of years IOC has participated in and contributed to various birding events. Annually, the birding enthusiasts in Western Labrador take part in the International Migratory Bird Day (IMBD) and the Christmas Bird Count (CBC). These events have been happening for the past number of years and IOC has been involved in either sponsoring the events or including IOC's Carol Project as part of the area covered during the bird counting programs.

In addition to participating in the annual birding events, this year, IOC sponsored a unique coin which is given to individuals who participate in the Winter Bird Count that takes place during December, January and February. Many states and provinces conduct a winter bird count and Labrador has been participating for several years. Anyone who is the first to report a species, reports the most species, reports the highest number of any species, reports most regularly, or reports the rarest species will get one of these limited coins in recognition of contributing to this valued bird collection data record.



The Association for the Protection of the Moisie River and IOC: A Long History

The Association for the Protection of the Moisie River (APRM) and IOC have long shared a common bond as the QNS&L Railway runs 16 miles alongside the Moisie River, starting at the bridge at Mile 12. IOC has been pleased to be a contributing partner to the APRM's mission of protecting the Moisie River since the organization began 35 years ago.

As one of North America's great Atlantic salmon rivers, offering astounding views and a quality salmon population, the Moisie is considered an angler's paradise by many. Hunters also find abundant moose and small game in the fall and plenty of black bears emerging from their winter dens in the spring.

The Moisie River, and part of its watershed, is a designated aquatic reserve, meaning it is legally protected against a number of potentially harmful human activities. All prospecting, exploration, and excavation activities are prohibited, as are mining, gas, oil, forestry, and logging operations. In addition, hydroelectric development and new constructions are no longer allowed within the reserve. The APRM is actively fighting to safeguard the Moisie River against the damage caused by poaching in order to protect its plant and wildlife and to ensure the Moisie River continues to enjoy its status as an aquatic reserve. The APRM has some 400 members, and its benefit dinner is the organization's only source of funding. Last year's event raised \$154,300. We are very proud to help safeguard this natural heritage, which is such a valuable part of our region.



Tim Horton's Giveaway

If every IOC employee bought an average of 3 cups of coffee a week 390,000 paper cups would end up recycled or in landfills. Those 390,000 paper cups laid end to end would form a chain approx 35 km long – that's 5 times the distance between Labrador City and Wabush! Labrador West residents going for their morning coffee run were in for a surprise in August when members of IOC's Health, Safety and Environment team distributed reusable mugs to the first 400 customers. This initiative is a reminder to look after our environment so the communities where we work and live remain healthy and vibrant.

Economic Prosperity



Being a sustainable business is all about the long-term view. Is there demand for our product into the future? Are there adequate resources to keep producing? Can we produce efficiently, competitively and profitably while maintaining a healthy workforce and vibrant community, and minimizing our environmental impact? In other words, does the business case make sense?

Market Outlook

Global growth is expected to continue to strengthen in 2014 largely due to projected strong growth in the US and recovery, albeit still modest, in the Eurozone. The economy in China should continue to expand despite recent policy measures aimed at slowing credit growth and raising the cost of capital. China will continue to be the main driver of global crude steel production growth as significant infrastructure investment is deployed and strong urbanization growth continues. Sinter plant restrictions in China will push steelmakers towards higher pellet use and higher grade ores which should be favorable to higher pellet and grade premium. However, globally, iron ore price volatility is forecasted to continue throughout 2014 as the cost curve remains steep and additional supply, mainly from Western Australia, is entering the market.

Concentrate Expansion Program (CEP)

In response to the improved global economy and increased demand for iron ore from traditional and new markets, IOC re-launched its three-phased Concentrate Expansion Program (CEP).

IOC has recently implemented two phases of its Concentrate Expansion Project (CEP1 and CEP2) to upgrade and modernise its operations to increase production. CEP 1 (operational since August 2012) consisted of installing a new crusher at Luce Pit, an overland conveyor system and a new grinding mill at the concentrator, which increased iron concentrate production capacity from 18 to 22 million tonnes per year.

CEP 2, which was transferred to Operations in May 2014 and comprised the expansion of the magnetite processing facility and additional spiral lines to the gravity separation circuit, will increase capacity by 1.3 million tonnes of concentrate per year. The CEP 2 scope also included the purchase of additional mining equipment, railway cars and a locomotive plus power system upgrades at the Wabush terminal sub-station

Wabush 3

The Wabush 3 Open Pit Mine Project, commonly referred to as Wabush 3, is IOC's 10th open pit. Wabush 3 is not about growing the business, but about creating a sustainable business that can support the community for the long-term. The new pit will be an extension of the current mine, located South West of the existing Luce Pit, and initial planning for this project began more than 2 years ago.

Wabush 3 will provide additional flexibility within our iron ore resources to enable us to feed existing production needs. This new development is essential to achieving the newly rated capacity of 23 million tonnes per annum of concentrate production and will help ensure this target can, and will, be achieved on a consistent basis.

In early October of this year, IOC received the Environmental Impact Statement (EIS) draft guidelines for Wabush 3. Following the 40 day public review period, the final guidelines will be provided by the Government of Newfoundland and Labrador. To meet these guidelines, IOC completed a number of studies in 2012, and has continued to either progress new studies or update existing studies throughout 2013 and into 2014 as required to meet the EIS requirements.

As part of the EIS process, critical challenges have been identified for Wabush 3 which include its proximity to recreational facilities, fish habitat, potential dust, noise, vibration impacts to the community and potential impacts to the back up water supply for the Town of Labrador City. Several public and one-on-one stakeholder consultations were carried out in 2013 to better understand potential impacts and, based on those discussions, IOC is developing a rigorous mitigations analysis plan to address any anticipated or identified impacts. These consultations also yielded positive feedback in the region based on the increased sustainability that will be generated by the project both for IOC and Labrador West alike. As the project progresses, IOC will continue to seek feedback from stakeholders to ensure that all concerns are understood and addressed.

Given the 2 year timeline established by the Government of Newfoundland and Labrador for an EIS, we intend to submit the EIS in Q2 of 2014 and receive provincial approval of in Q2 of 2015. Once the EIS is approved, construction will begin on the Wabush 3 project which will last for approximately one year before the pit will be ready to mine.



Iron Ore Reserves for the Future

Reserves of crude iron ore located on IOC land are approximately 1.4 billion tonnes, which will produce approximately 0.6 billion tonnes of saleable product (pellets and concentrate), as indicated in the table below. At the planned production rate, the estimated reserves of crude iron ore will provide approximately 29 years of production. In addition, there are also estimated mineral resources as indicated below.



	In-situ/As -mined		Saleable Product	
	Tonnes	Average Iron Ore Grade	Tonnes	Average Iron Ore Grade
	(in millions)	(Fe %)	(in millions)	(Fe %)
Proven Reserves	850	38.1%	358	65%
Probable Reserves	560	37.5%	234	65%
Total Mineral Reserves	1410	37.9%	592	65%

Measured Resources	761	38.1%	305	65%
Indicated Resources	1726	37.7%	700	65%
Total Measured and Indicated Mineral Resources	2487	37.8%	1005	65%

Inferred Resources	706	36.7%	280	65%
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Notes:

1. Mineral resources exclude mineral reserves.
2. Mineral resources are reported on an in-situ basis and mineral reserves are reported on an as-mined (i.e. net of dilution and mining losses) basis. In-situ and as-mined material is reported on a dry basis.
3. Saleable product comprises 43% pellets and 57% CFS at 3% natural moisture content.
4. Reserves and resources have been estimated by Tim Leriche and Mark Blake, who meet the criteria for being Qualified Persons, as defined by Nation Instrument 43-101 and who are all full-time employees of IOC.
5. Reserves and resources comprise all mineralised material within the Middle Iron Formation of the Sokoman Formation, except limonitically altered material. No cut-off grade has been applied within the Middle Iron Formation, since all mineralised material is economically viable (i.e. above 20% weight yield). Current operating practice at IOC is to process all mineralised material from the Middle Iron Formation.
6. Mr. Blake is responsible for the development of the orebody models used to estimate the above reserves and resources. In this capacity, he has verified the data used to develop the reserve and resource estimates. Most of the assays and density determinations used in the reserve and resource estimates have been carried out by the IOC laboratory. QA/QC protocols have been in place since 2004. Assay standards are inserted after each 12th sample and duplicate assays are carried out on every 50th sample. A limited number of twinned holes have been compared to validate the assays from holes drilled before the commencement of the QA/QC program. Mr. Blake has reviewed the sampling protocol and validated the chain of custody of samples on an ad-hoc basis, although this is not part of the routine QA/QC process. Reconciliations of modelled ore tonnes and qualities against measured tonnes and qualities are carried out monthly, to validate the reserve models.
7. Reserves and resources quoted are for end 2013.

The Quebec North Shore and Labrador Railway

IOC also generates revenue through its wholly owned rail company, the Quebec North Shore and Labrador Railway (QNS&L), which hauls not only IOC's iron ore product to our port facility in Sept-Îles, but also carries iron ore production from other mines in the Labrador and Schefferville areas through to the Sept-Îles Junction. Use of the railway is set to increase significantly in the next few years as a result of our own expansion projects and junior mining start-ups in the area. The QNS&L Railway is also hauling approximately one million tonnes of freight per year to Nordic towns. This includes food, equipment, oil and fuel, bulk products, and general goods.

QNS&L is one of the leading railways in North-America in terms of safety. In 2012, QNS&L received a safety award from the Railway Association of Canada Safety Awards, for its portable device which detects air leaks on train braking systems using ultrasound during train inspection.



Our port activities

IOC's year-round deep water port in Sept-Îles is one of the three most important port terminals in Canada, in terms of shipments. Sept-Îles' port installations have a stockpiling capacity of five million tonnes of pellets and iron ore concentrate. Our port in Sept-Îles handles ore carriers up to 255,000 tonnes, providing competitive access to all seaborne pellet markets and to the North American Great Lakes region.



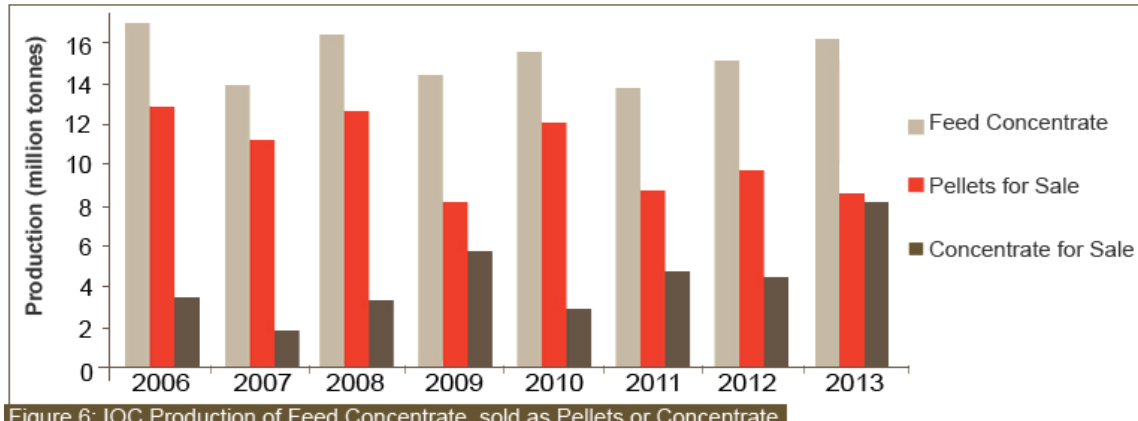


Figure 6: IOC Production of Feed Concentrate, sold as Pellets or Concentrate

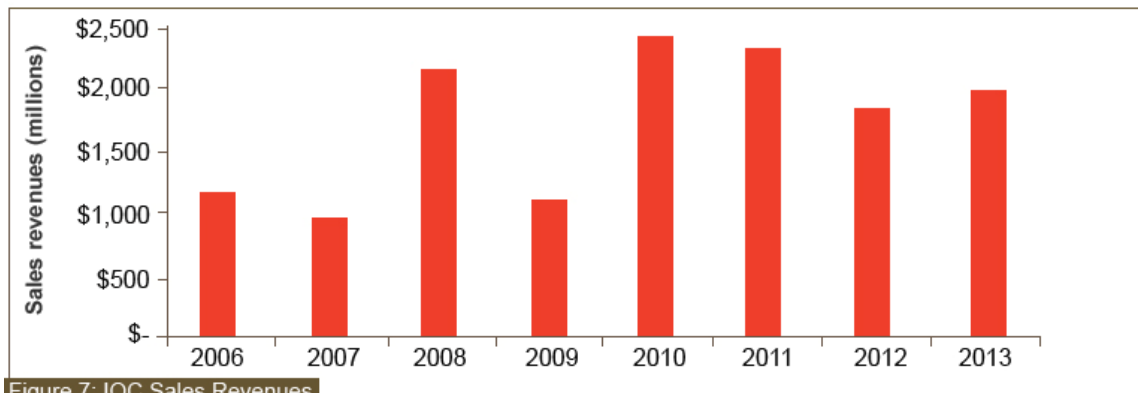


Figure 7: IOC Sales Revenues

Cost Savings

A major success in 2013 was the delivery of over \$150M in cost savings across IOC. Additionally, many of these cost saving projects also provided opportunities to reduce waste or conserve fuel. By working together we actively sought every opportunity to improve the way we do business, requiring a strong teamwork approach from every area of the business in 2013. We extend our appreciation to all employees for their efforts. Some of the cost savings improvements brought forward include:

- Investments in improvements to our pellet plant burner management systems which allow us to make better quality pellet products with less fuel.
- Improving the life of tires for Komatsu 830 haul trucks by 11%, which means more tonnes hauled for each tire and a reduction in scrap tire waste.
- A creation of \$100k/year savings in gasoline by operating fewer vehicles at Rail & Port Operations and installing ORCA (auto start and stop systems) to limit vehicle idling.
- Annual savings of \$1,500k by investing in 10 new locomotives that are more fuel efficient and that also have auto start/stop systems.
- A savings of \$24k by keeping a 300 meter section of used belting to be used as an emergency spare, prolonging the life of good belting and reducing scrap belt waste.
- \$21k in savings generated by repurposing 23,000 litres of old diesel fuel that had degraded and was no longer suitable for locomotive engine use. Rather than ship the fuel to a hazardous waste disposal facility, IOC teams were able to instead repurpose this fuel for use in heating systems.
- A cost savings of \$197k by taking advantage of empty haul truck capacity on a return haul. Teams identified an opportunity when they realised that trucks hauling Hillier's Canyon concentrate to the train loop were driving past a stockpile of tailings material that needed to be hauled to a location near Hillier's Canyon! This doubled the usage of haul trucks and eliminated the wasteful consumption of diesel fuel that occurs when haul trucks operate without a load.
- \$2,400k generated in savings when an opportunity to re-process a waste stream of concentrate and pellets to create a new product for customers was identified. This action created 60 kT of new IOC product that would otherwise have been lost to the tailings impoundment!

Awards and Recognition

First Female Chair at MAC

Zoë Ujnovich, President and Chief Executive Officer IOC, was elected as the new chair of the Mining Association of Canada in June 2013. She is the first woman to hold this role in the 78 year history of MAC, the national association that represents one of the largest mining industries in the world.

Zoë is committed to fostering diversity and inclusion in our industry in all its forms, and is herself a clear example of the rewarding careers available to women in the mining sector. Speaking on her appointment, Zoë said: “It is a privilege to be elected by my industry peers as chair of the Mining Association of Canada.

“Given mining’s importance to Canadians as a powerful driver of our economy and as a major employer, my focus as chair will be on ensuring the industry can continue delivering these benefits to Canadians by improving the sector’s competitiveness and maintaining its reputation for excellence in corporate responsibility.

“Part of how we do both is by maintaining and strengthening a focus on workplace diversity, which will also enable our sector to address our human resources challenges directly.”

“The increased diversity of skills, perspectives, background and experience at IOC is helping generate greater discussion amongst the leadership team, contributing to more innovative thinking and improved decision making,” Zoë said.

“This ultimately generates more value for our business. Additionally, more time is being invested in not only ‘what’, but also ‘how’ decisions will be executed, contributing to greater engagement and more sustainable business results.”



Mother’s Against Drunk Driving (MADD) Award

In December 2013 IOC was recognized by Mother’s Against Drunk Driving (MADD) for their longstanding partnership to help advance and promote MADD’s mission to stop impaired driving and support victims of that crime.

Last year, IOC’s funding helped bring a powerful video presentation to students in Grades 8 – 12. “Smashed” depicts a tragic drinking and driving accident involving high school students in an effort to educate youth about the very real, and potentially devastating, impacts of driving while impaired.



The CEO of Rio Tinto Iron Ore visits IOC

Andrew Harding visited Labrador City, Sept-Îles and Montréal for the first time in his new role as Chief Executive, Rio Tinto Iron Ore. Mr. Harding spent time touring all areas of the IOC operation including the port and rail facilities in Sept-Îles and the mining and processing operations in Labrador City.

During an interview in Labrador City with CBC Radio’s Mike Power, Mr. Harding spoke about cost savings as well as the general outlook on the iron ore market. He reiterated the importance of delivering on many of the cost savings initiatives recently implemented due to changing market conditions, but also mentioned that these initiatives have already started to lead to many benefits within the business. Though the short-term economic outlook remains volatile, in the long-term iron ore demand is still anticipated to increase relating to continued growth in China and Japan. Mr. Harding also said that he was “struck by the size” of IOC’s operation and went on to praise the improvement work that has been ongoing at IOC.

Performance Data

Table 5: Performance Data

		2007	2008	2009	2010	2011	2012	2013
Environmental Stewardship	Energy Use	4,720,000 MWh	5,457,000 MWh	4,694,000 MWh	4,884,000 MWh	4,394,000 MWh	4,795,000 MWh	4,654,865 MWh
	Greenhouse gas emissions (Scope 1 and 2)	1,056,000 tonnes CO ₂ e	1,173,000 tonnes CO ₂ e	1,018,000 tonnes CO ₂ e	1,201,000 tonnes CO ₂ e	1,028,000 tonnes CO ₂ e	1,141,000 tonnes CO ₂ e	1,046,289 tonnes CO ₂ e
	Land rehabilitated	34 hectares	35.5 hectares	26 hectares	78.5 hectares	36 hectares	50.3 hectares	41 hectares
Social Wellbeing	All Injury Frequency Rate (per 200,000 hours worked)	1.39	1.25	1.06	0.88	0.91	0.75	0.62
	Lost time injuries	8	17	9	7	16	18	8
	Medical treatment cases	25	20	16	20	23	22	12
	New cases of occupational illness	8	12	36	16	9	0	0
	Number of employees exposed to an 8-hour noise dose above 85 dB(A) ¹	248	272	322	347	573	510	391
	Community Advisory Panel or similar community meetings	2	6	4	Labrador West: 4 Sept-Îles: 3	Labrador West: 6 Sept-Îles: 0	Labrador West: 6 Sept-Îles: 0	Labrador West: 4 Sept-Îles: 0
Economic Prosperity	Number of employees	1,964	2,094	2,027	2,206	2,361	2,538	2,509
	Community Investments	\$3.4M	\$3.6M	\$3.2M	\$3.8M	\$5.7M	\$6.17M	\$7.6M
	Municipal, provincial and federal taxes	\$141M	\$115M	\$379M	\$448M	\$492M	\$280M	\$280M
	Sales	\$973M	\$2,156M	\$1,095M	\$2,421M	\$2,335M	\$1,907M	\$2,094M
	Sales including QNS&L Railway	\$1,015M	\$2,200M	\$1,144M	\$2,521M	\$2,483M	\$2,073M	\$2,307M
	Salaries and benefits	\$202M	\$237M	\$229M	\$258M	\$296M	\$345M	\$371M

¹ The health and safety related statistics included here reflect the fact that in 2012 expansion was well underway and there was a significant increase in contractor numbers on site. This impacted our numbers for medical treatment cases and employees exposed to noise. Our AIFR was lower due to the higher number of contractor hours recorded in 2012 than the previous year.

Towards Sustainable Mining

Towards Sustainable Mining (TSM) is a program developed by the Mining Association of Canada (MAC) to improve the industry's social and environmental performance. As a member of MAC, IOC adheres to its

guiding principles and is committed to the implementation of extensive management processes in the MAC TSM performance areas.

Table 6: TSM Performance Indicators

	IOC Labrador West					IOC Sept-Îles				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
	☑	☑	✓	✓	✓	☑	☑	✓	✓	✓
Energy & Greenhouse Gas Emissions Management										
Energy use management system	AA	AA	AA	AA	AA		AA	AA	AA	AA
Energy use reporting system	AAA	AAA	AAA	AA	AA	AAA	AAA	AAA	AA	AA
Energy intensity performance targets	AAA	AAA	AAA	A	B	AAA	AAA	AAA	A	B
GHG use management system	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
GHG emissions reporting system	AAA	AAA	AAA	AA	AA	AAA	AAA	AAA	AA	AA
GHG intensity performance targets	AAA	AAA	AAA	A	B	AAA	AAA	AAA	A	B
Tailings Management										
Tailings management policy and commitment	C	B	AAA	AA	AA	N/A	N/A	N/A	N/A	N/A
Tailings management system	B	B	A	AA	AA	N/A	N/A	N/A	N/A	N/A
Assigned accountability and responsibility	B	A	AAA	AA	AA	N/A	N/A	N/A	N/A	N/A
Annual tailings management review	C	B	AAA	AA	AA	N/A	N/A	N/A	N/A	N/A
Operation, maintenance and surveillance manual	B	B	AAA	AA	AA	N/A	N/A	N/A	N/A	N/A
Aboriginal Relations and Community Outreach										
Community of interest (COI) identification	AAA	AAA	AAA	AAA	AAA	AAA	AA	B	AA	AAA
Effective COI engagement and dialogue	AAA	AAA	AAA	AAA	AAA	AAA	AA	AAA	AA	AA
COI response mechanism	AA	AA	AAA	AAA	AAA	AA	AA	AAA	AAA	AAA
Reporting	AA	AA	AAA	AA	AAA	AA	AA	AAA	AA	AA
Safety & Health										
Policy, Commitment & Accountability			AAA	A				AAA	A	AAA
Planning, Implementation & Operation			AAA	AAA				AAA	AAA	AAA
Training, Behavior & Culture			AAA	AAA				AAA	AAA	AAA
Monitoring & Reporting			AAA	AAA				AAA	AAA	AAA
Performance			AA	AA				AAA	AA	AA
Biodiversity										
Corporate Biodiversity Conservation Policy, Accountability & Communications			C	B	B			C	B	B
Facility-Level Biodiversity Conservation Planning & Implementation			C	C	C			C	C	C
Biodiversity Conservation Reporting			C	C	C			C	C	C

- ✓ Self-assessed
- ☑ Externally verified
- AAA Excellence and leadership.
- AA Integration into management decisions and business functions.

- A Systems/processes are developed and implemented.
- B Procedures exist but are not fully consistent or documented; systems/processes planned and being developed.

- C No systems in place; activities tend to be reactive; procedures may exist but they are not integrated into policies and management systems.

Table 7: Crisis Management

	Labrador City				Sept-Îles				Montreal			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Preparedness	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Review	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Training	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

- ✓ Self-assessed
- Externally verified

Tell Us What You Think

We are committed to operating our business in a sustainable way to secure our future, and the future of the communities where we work and live.

Feedback from stakeholders is a key part of improving our social, environmental and economic performance as well as our sustainable development reporting.

Please feel free to email us to let us know how you think we're doing in this regard, and help us identify areas where we can improve.

Sincerely,

Claudio Lazzari
 Manager, HSE Governance
 Email: Claudio.Lazzari@ironore.ca

