

RioTinto



SUSTAINABLE DEVELOPMENT REPORT 2010



President and CEO's Message



I joined the IOC family in February of 2010 in the middle of the global economic downturn that hit hard in 2009 and forced us to put our expansion plans on hold. My first year at the helm of a company with such a long and storied tradition in western Labrador and Quebec has been one of great challenges, but also of great hope for the future.

In 2010, we made the adjustments required to navigate a lingering recession, adapt to geographical shifts in customer demand to Asia, and react quickly to a product demand shift away from pellets towards concentrate. Although changes like these can be difficult and stressful, they can also bring the possibility of new beginnings. This is what I take from the past year – a renewed conviction that, although there is much work to be done in meeting the company's stated safety, production and cost performance objectives, we are well on our way to getting there. We now have a management structure that positions us as leaders in the global iron ore business. We were also able to announce the re-start of the first phase of our concentrate expansion program in 2010, with the go-ahead for the second phase of expansion confirmed for early 2011.

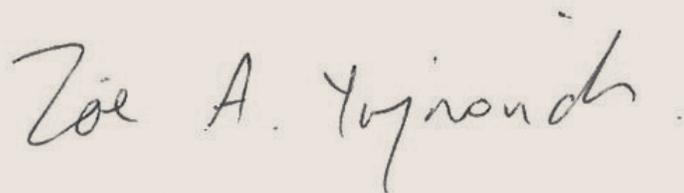
Despite the fact our sustainable development performance leads the industry in many areas, we recognise our vulnerability, given we are an industry which is entrusted with precious people and landscapes. We have a responsibility towards our employees and also towards our communities and the environment. We believe it is our responsibility to meet the needs of the present without harming the environment. In this report, you'll find several examples of the work we have done to reduce our environmental footprint.

As the company's expansion projects unfold, employees and community members can expect further benefits from the meaningful partnerships IOC continues to build. Partnerships like these helped achieve great results in 2010: a new CT scanner for the people in Labrador West and the construction of Ronald McDonald House (accommodation for sick children) for the people of Newfoundland and Labrador.

So, in the spirit of building communities in a responsible way, I want to thank our employees for their commitment over the past year. And, on behalf of the IOC family, I also want to extend a sincere thank you to our communities and Aboriginal partners, as well as local, provincial and federal governments, for their contribution to the IOC tradition of excellence. I look forward to working together to ensure another 50 years of community building in Labrador West and Sept-Îles.

In closing, I want to take this opportunity to honour one of our employees who lost his life while on the job on March 18, 2010. Eldon Perry and Joshua Hayes fell from a platform at IOC's Labrador City minesite. Eldon lost his life the following day, while Joshua sustained serious injuries for which he continues to receive treatment. The terrible loss for Eldon's wife Edna, his children Stephen and Linette, and his grandchild Aleya, also profoundly touched the IOC family and the close-knit community of Labrador West where Eldon had lived and raised his family for 38 years. Eldon is greatly missed. I hope that the Eldon Perry Memorial Scholarship created in partnership with the Labrador West Campus of the College of the North Atlantic will be a fitting way to honour the legacy of a respected colleague, husband, father and grandfather.

Let this also be a reminder to all of us that we must put safety first, above all else, to ensure tragedies like this never happen again.



Zoë Yujnovich
President and Chief Executive Officer
Iron Ore Company of Canada

2010 Highlights



Announcement of re-start of phase 1 of IOC's concentrate expansion program:

- Construction of overland conveyor, installation of fourth autogenous grinding mill and associated mine and rail equipment - \$539M total investment.

Partnering with Newfoundland and Labrador government to bring CT scanning equipment to Labrador West:

- \$600,000 contribution for a temporary structure to house medical diagnostic equipment until new hospital construction is complete.

Incident-free response to heavy rain washout of the QNS&L rail line in December:

- Rapid resumption of full service around Holiday period.

Employee innovation recognized:

- Haul truck wheel motor flashover project wins Chairman's Award for best Komatsu/Rio Tinto Improvement Project.

Reducing our environmental footprint:

- Successful completion and government approval of IOC's closure plan for Labrador City operations.
- Completion of a DRAFT AQMP (Air Quality Management Plan) at the Order of Magnitude study level.
- Monthly reporting of Greenhouse Gas (GHG) and Energy Reporting – recognition by Mining Association of Canada as a top performer for this aspect under TSM.
- Removal of 500 tonnes of obsolete petroleum equipment in Sept-Iles.
- Dismantling and clean-up of an old wooden dam (Cacaooui dam).
- Installation of spill protection mats on QNS&L railway.
- Successful introduction of key player in small animal food chain – the meadow vole - into former tailings area to support biodiversity.

Employee-driven safety and efficiency initiatives:

- Purpose-built locomotive shop model drop table.
- In-house process for ore car door repairs.
- Use of remote cameras in crusher mantle replacements.
- New signalization for safer boat docking.
- Use of ultrasonic technology for engine diagnostics.

Investing in modernization:

- Purchase of seven new locomotives – improved energy efficiency and lower GHG emissions, improved driver comfort, better traction, reduced maintenance, remote diagnostics, remote loading and unloading.
- Purchase of seven auxiliary power units to reduce train fleet idling.
- Introduction of simulators for Caterpillar grader and enginemen training.

Sustainable Development Commitment

Building communities on our tradition to succeed in the 21st century



IOC's sustainable development commitment is founded on our 50+ years of experience in operating a world-class, socially and environmentally responsible operation. We are now hiring our fourth generation of employees in Labrador West and Sept-Îles and we plan on being here for many more. To make this happen we will need to learn from the past and re-commit to a culture of continuous

improvement shared by management and workers. We know that as a company we are blessed by the richness of iron ore deposits in Labrador West. But extracting this natural resource depends on the hard work, dedication and ingenuity of our employees in taking a raw material from the ground and transforming it into something that is highly valued by international steelmakers. At the end of

the day, our people are our most valuable resource - so their health, safety and wellness is our number one business priority. In 2010 we took a number of steps to make health and safety top of mind for employees by implementing changes to our management system and employee communications that pro-actively support reaching our shared objective of a zero-harm workplace. Employee innovation will be the driver for our evolution as a company, and in particular our position as a leader in the global marketplace for low-cost/high quality iron ore products. It will require that we remain an employer of choice, and that we continue investing in the long-term sustainability of the communities we call home. Labour attraction and retention is one of IOC's key challenges in this period of mining sector growth in Labrador West

and Sept-Îles. Our ability to attract and retain a high quality workforce that will keep us competitive and allow us to continually innovate depends on our continued business success, our sustainable development performance, and a company culture that recognizes the importance of work/family balance in practice. The communities of Labrador West and Sept-Îles, our Aboriginal partners, and the three levels of government are also core to IOC's focus on building relationships. In 2011 we look forward to continuing to work with our communities and government partners towards formalizing a long-term relationship based on trust, respect and mutual benefit. This includes finalizing a new power agreement with the province of Newfoundland and Labrador so that IOC can remain competitive in the global marketplace for the years to come.



Social

Investing in our people and the communities we call home



Health and safety

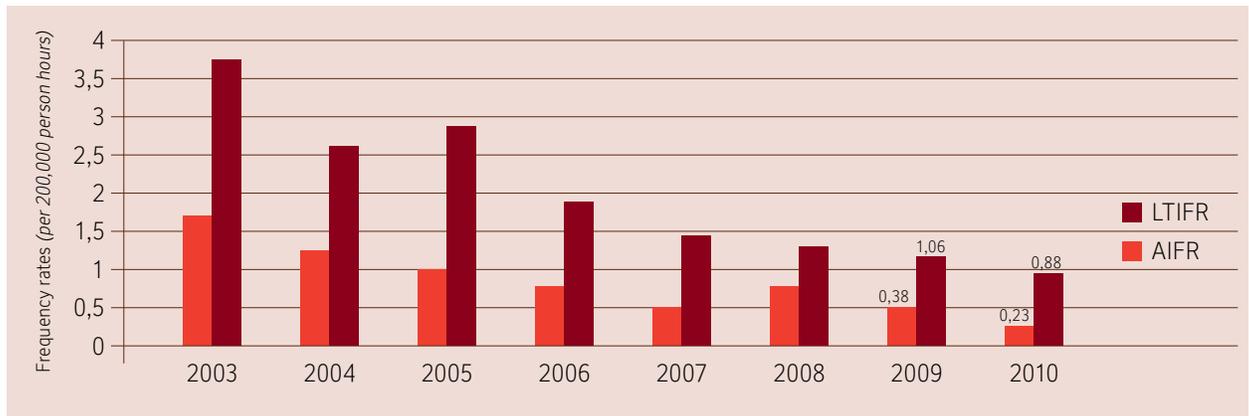
Safety statistics	2009	2010
Lost time incidents	9	7
Medical treatment cases	16	20
Significant potential incidents	36	25
Significant incidents	11	6
<i>(includes environmental incidents)</i>		

Supporting employee leadership in workplace health and safety

Making health and safety a top priority at IOC means building awareness and training into each workday. This includes a culture of acknowledging safety-conscious acts and encouraging employee-

driven innovation and improvements. In 2010, IOC introduced Rio Tinto's online Safety Leadership Development Programme. The e-learning initiative supports employee leadership in health and safety practices and the goal of a zero-harm workplace. To date, over 400 staff members have already taken advantage of the 17 modules of training material. IOC also rolled out its Leading a Zero Harm Culture program in 2010. The experiential training strengthens the capacities of front line leaders to influence safety behavioural change while providing opportunities to practice the skills and processes covered in the e-learning initiative. Together these programs ensure alignment of what safety leadership means across different roles in Rio Tinto.

Lost-time Injury Frequency Rate (LTIFR) - All-Injury Frequency Rate (AIFR) 2003-2010



The evolution of the Community Advisory Panel process

Through the Community Advisory Panel (CAP) process, IOC has worked with community leaders in Labrador West and Sept-Îles to create a framework for addressing issues of mutual concern. Community ownership of the process was how IOC had hoped the process would evolve from its beginning in 2007, and we are pleased to see this transfer of leadership coming to fruition in Sept-Îles, as the municipality will soon be taking over the process and participation will expand to include other industrial partners. We will continue to work with the CAP members in Labrador West to figure out the best way for that consultative forum to transition from an IOC to a community-led structure.

Aboriginal engagement

IOC's External Relations team facilitated an introductory meeting between incoming IOC President and CEO Zoë Yujnovich and Innu band Chief Georges-Ernest Grégoire. This initial meeting will now set the stage for more detailed discussions. The goal is to formalize a structure for supporting Innu participation in IOC job and contracting opportunities, and set priorities in community investments. Already, five Innu students will be working for IOC in Sept-Îles as part of the company's 2011 summer placement program. A similar engagement process has been initiated with the Innu Nation of Labrador and Chief Paul Riche. IOC will also work with the other Rio Tinto business units in Canada to develop an aligned

strategy for aboriginal relations that will encourage exchange of best practices.

Partnering for local health care

Supporting quality of life and long-term sustainability in Labrador West is both a business priority and a core company value for IOC. As such, partnering with the Province of Newfoundland and Labrador to help bring a new computed tomography (CT) scanner to the community made sense on a number of levels. The Province's million-dollar investment in local diagnostic capacity was supported by IOC's \$600,000 contribution towards building a temporary structure for the equipment, in advance of the completion of Labrador West's new hospital. The new CT scanner will mean that residents will no longer have to travel outside the community to undergo critical medical tests.

Collaboratively addressing community growth pressures

The Rio Tinto approach to mining is founded on the importance of supporting communities that are economically and socially sustainable beyond the operation of any one major employer. Despite the many benefits of sustained economic growth, there are strains felt in the community. Rising housing and transportation costs, childcare availability, labour attraction and retention in both the mining and service sectors are just a few of the economic growth pressures facing Labrador West as a single resource local economy in a boom phase. In 2010,

IOC teamed up with six local partners to fund the Labrador West Community Needs Assessment, a study that undertook an analysis of the growth-related infrastructure pressures the community is

currently facing. The outcome of this study was an action plan for collaboratively addressing priority issues in partnership across the public, private and not-for-profit sectors.

Giving back to the communities we call home

Some of IOC's 2010 investments in local quality of life (\$4,000 and over)

Recreation and sports:

- \$11,000 for new trails to Menihek Nordic Ski Club in Labrador West
- \$25,000 to repair ski lifts and \$7,000 of in-kind support to Smokey Mountain Ski Club in Labrador West
- Audrey Vaillancourt, national figure skating athlete in Sept-Îles, and daughter of an employee, received \$7,500 for training, equipment, and competition travel
- \$10,000 to Sport-Étudiant Côte-Nord to promote sportsmanship to students (all North-Shore schools)
- \$10,000 to White Wolf Snowmobile Club and their premier annual event – Cain's Quest endurance snowmobile race in Labrador West
- \$15,000 for the annual FerO hockey tournament in Sept-Îles
- \$25,000 to Vieux Quai en Fête annual event

Health, social services and wellness:

- Palliative Care Center "Elyme des Sables" in Sept-Îles received \$25,000
- Sclérose en plaque Association in Sept-Îles received \$5,000
- \$5,000 to Camp d'été Ushu (Innu summer camp in Schefferville)
- Fondation de l'Hôpital de Sept-Îles received \$4,200 for their annual fundraising campaign
- Friperie le Cintre received \$5,000 in start-up support
- Daycare center (CPE Sous le bon toit) received \$30,000 to start preparing the backyard of their new facility
- \$4,680 to l'Envol-Maison de la famille for their annual rental costs

Art and Culture:

- La Salle de spectacle de Sept-Îles received \$15,000 for the "Rencontres culturelles IOC"
- \$4,000 to support the annual regional book fair "Salon du livre de la Côte-Nord"

Environment:

- \$8,000 to Corporation de l'environnement de Sept-Îles for annual hazardous waste collection activities
- Over \$8,000 to the Association pour la protection de la Rivière Moisie for their annual fundraising event

Education:

- Over \$5,000 in scholarship and other initiatives to schools in Sept-Îles

Employee/ /IOC workplace match campaigns:

- \$147,130 from 12 Days of Christmas and United Way/Centraide campaigns in Labrador West, Sept-Îles and Montreal
- 6,624 pounds of food to Stuff the Bus in Labrador West
- \$5,400 for disaster relief in Haiti (on top of \$250,000 from Rio Tinto)
- \$36,800 for Montreal Children's Hospital through Pedal for Kids team in Montreal
- \$32,324 for cancer research through Relay for Life teams in Labrador West and Sept-Îles

Environmental

Reducing our environmental footprint



Real-time air quality data

IOC has installed six monitoring stations in Labrador West that will begin to provide real-time data on air quality in the community in 2011. The company's iron ore mining, crushing and processing activities produce a certain amount of dust. IOC has a rigorous system of health and safety procedures in place to ensure that fine particulate matter from mining activities do not put employees at long-term risk. Part of this management system involves collecting up to date data on air quality at the minesite and processing facilities. The company has also chosen to implement a 'beyond compliance' approach to measuring its air quality impact on the community. IOC's Air Quality Improvement Program,

once implemented, would represent up to a half-billion dollar investment in state of the art technology to significantly reduce particulate emissions.

Petroleum equipment dismantling in Sept-Îles

A major site clean-up was completed in 2010 at the Sept-Îles facility with a two-year, \$1.2 million investment in the removal of unused, decades-old oil pipeline and storage tank infrastructure. A total of 500 tonnes of obsolete equipment was removed, through excavation and surface dismantling, without a safety or environmental incident. A site characterization was then undertaken to assess the potential for contamination. This will feed the development of a long-term rehabilitation plan for the entire footprint.

Greening the QNS&L railway

IOC continued to invest in the environmental performance of its rail infrastructure by installing spill protection mats at a number of strategic train stopping points. The material soaks up any engine oils or coolants that might leak from locomotives.

Dismantling the Cacaoui dam

IOC owns the Sainte-Marguerite-2 hydropower facility, a reservoir and generating station built in the 1950s that is 85 kilometres north of Sept-Îles along the Sainte-Marguerite River. The Lac Cacaoui reservoir's one remaining IOC-owned wooden dam had fallen into disrepair over the years. In 2010, the company had the structure dismantled and replaced with locally-sourced stones to naturally regulate water flow going into the western end of the lake. The work was conducted with high regard for the local environment and was completed successfully – on time and without incident.

Small animal, big role

IOC's award-winning, decade-long transformation of its tailings areas into rehabilitated wetlands, uplands and riparian areas continues to this day. To date, 644 hectares of land have been re-naturalized, with shore and water bird, as well as songbird activity increasing in the area each year. However, periodic wildlife surveys were showing a scarcity of small animals, most likely the result of entry barriers - Wabush Lake and IOC mine infrastructure. Starting in 2006 and repeated in 2010, IOC introduced a key player in the small animal food chain – the meadow vole – into the area through the use of sealed boxes with food, water and woodchips for bedding to lessen the stress of acclimatization. Following an initial 24-hour period inside the “small-mammal hotels”, the meadow voles were released. 2010 survey results show that the program has significantly increased the small animal population. The growing number of hawks circling over the former tailings site is additional evidence that biodiversity is returning to the area.



Financial

Strength through financial discipline



Financial success is of course an important part of the sustainability equation. Without financial success all the social and environmental aspects of our sustainability efforts would quickly become irrelevant. Long-term profitability means prosperity for all – for employees and their families, for local goods and services providers, for the communities of Labrador West and Sept-Îles – through IOC's annual investments in deserving recreation, health and social services and arts organizations, as well as municipal, provincial and federal governments

through taxes. With demand shifting from North America and Europe to Asia, and from pellets to concentrate, IOC is constantly adjusting its business strategy based on long-term pricing and supply needs. The rapid burgeoning of a middle class in both China and India is leading the way for steel demand, and concentrate produced in Labrador City, transported down the QNS&L railway to Sept-Îles and then shipped to international steel producers will be at the forefront of these transformative economic and social changes in the developing world.

IOC Production

	2009 vs 2008	2009 vs 2008
Total Material Movement	+3.0%	+8.6%
Crushed	-10.5%	+7.3%
Concentrate	-12.2%	+7.3%
Pellets	-35.7%	+47.7%
IOC Products Railed	+11.4%	+2.9%
Sales	-5.4%	+9.6%
Sales Revenue	-52.2%	+140.8%

As producer of a global commodity we need to insulate ourselves from pricing cycles. We simply cannot afford to be a high cost producer of a high quality product. So the strength we built from instituting financial discipline through the 2009 economic downturn, much of it driven by employees, will be the foundation of our continued competitiveness. This is doubly important not only in terms of our cost performance, but also because it is crucial for maintaining investor confidence. It is this confidence that provides IOC with sufficient capital financing for expansion and technology improvements to remain competitive. Geography is perhaps IOC's biggest challenge in responding to increasing demand from steelmakers in China and India. Pellets or concentrate shipped from Sept-Îles simply takes much longer to get to customers in Asia than it does for our Australian-based competitors. Freight costs need to be managed closely, and we also need to continually seek out safety and efficiency improvements at our minesite and processing facilities, on our railway, and at our port. As we noted in our 2009 Sustainable Development Report, employee-driven innovation was fundamental to our ability to adapt to the recession. We came out on the other side in 2010 as a company better able to seize the opportunities of sustained global demand for iron ore because these changes made us a safer, more efficient operation.

Employee-driven innovation

This past year employees continued to lead the way by implementing a number of safety and efficiency improvements, including:

Use of remote cameras in crusher mantle replacements

IOC employees came up with a safer way to replace worn-out mantle shells in IOC's crusher. With the introduction of a multiple-angle remote camera system, operators can now do the change-out (required every four to five months) without having to rely on verbal cues from co-worker positioned under the 70-tonne mantle piece.

Safer ship docking

Employee-driven innovation also produced a solution to a ship docking issue in Sept-Îles. The need for an IOC linesman to provide verbal mooring instructions was presenting job safety concerns, given international ship crews' sometimes limited grasp of English. Now arriving ships are provided with signage that provides visual cues for stopping, slackening cables, or tightening cables. The explanation of the instructions is provided to each ship's captain before arrival in Sept-Îles Bay.

Reducing engine repair time with ultrasonic technology

Tiny, undetected pinholes in the air intake systems of IOC's haul trucks and loaders were allowing iron and silica dust to enter and sometimes requiring the complete replacement of diesel engines – at a cost of \$500,000. Locating these invisible holes to prevent “dusting” damage took up to 12 hours for IOC repair crews, which meant labour costs, equipment downtime and lost production. Through early testing, the use of ultrasonic technology quickly demonstrated its value and now 22 IOC mechanics are certified on the equipment. Each diagnostic use saves IOC hundreds of thousands of dollars.

In-house ore car door construction replaces time-intensive repairs

The Central Services Team came up with a safer, more efficient way to maintain the ore car fleet. The upgrading of ore car doors used to take nearly 300 person-hours per door to complete. After Team members suggested that doors be constructed in-house, the process was reduced to one quarter of the time. And now that less welding is required, the process is also safer.

Purpose-built locomotive shop model drop table provides safer, more efficient work environment Locomotive Shop employees came up with a way to make their engine repair and replacement work safer and more efficient. Operators designed and built a new “drop table” that met safety and ergonomic requirements. The new drop table allows IOC’s locomotive repair team to work in a standing position, and eliminates the need for operators to position themselves under the drop table during the repair process.



Awards/Recognition



Use of ultrasound equipment to solve engine dusting issues nominated for award in

“Best Ultrasound Inspection Program”

category by Uptime magazine

Haul truck wheel motor flashover project wins

Chairman’s Award

for best Komatsu/Rio Tinto Improvement Project

IOC wins

Mining Association of Canada Towards Sustainable Mining Performance Awards

in the areas of Energy Use and GHG Emissions, External Outreach, and Crisis Management Planning.

Performance Data

IOC Business Aspect		2007	2008	2009	2010
Environmental	Energy Use (Total MWh)	4,720,025 MWh	5,456,660 MWh	4,694,212 MWh	4,884,108 MWh
	Greenhouse gas emissions (Scope 1 and 2 total tonnes)	1,055,865 T CO2e	1,172,567 T CO2e	1,017,805 T CO2e	1,200,907 T CO2e
	Land rehabilitated (hectares)	34	35.5	26	78.5
Social	All injury frequency rate (per 200,000 hours worked)	1.39	1.25	1.06	0.88
	Lost time injuries	8	17	9	7
	Medical treatment cases	25	20	16	20
	New cases of occupational illness	8	12	36	16
	Employees exposed to 8-hour noise dose > 8.5 dB(A)	248	272	322	347
	IOC Community Advisory Panel meetings	2	6	4	Labrador West: 4 Sept-Îles: 3
	Employees	1,964	2,094	2,027	2,206
Financial	Community investments (including education and health taxes)	\$3.4M	\$3.6M	\$3.2M	\$3.8M
	Municipal, Provincial and Federal taxes	\$141M	\$115M	\$379M	\$448M
	Sales	\$973M	\$2,156M	\$1,095M	\$2,421M
	Sales (including QNS&L Railway)	\$1,015M	\$2,200M	\$1,144M	\$2,521M
	Salaries (including benefits)	\$202M	\$237M	\$229M	\$258M

Mining Association of Canada – Toward Sustainable Mining

Mining Association of Canada - Towards Sustainable Mining		IOC Labrador West				IOC Sept-Iles			
Year	2007	2008	2009	2010	2007	2008	2009	2010	
Assessed by?	Self	Self	Verified	Self	Self	Self	Verified	Self	
Crisis management									
Crisis management preparedness	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Review	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Training	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Energy & greenhouse gas (GHG) emissions management									
Energy use management system	4	4	4	4	4	4	4	4	
Energy use reporting system	4	4	5	5	4	4	5	5	
Energy intensity performance targets	3	3	5	5	3	2	5	5	
GHG use management system	2	2	4	4	2	2	4	4	
GHG use reporting system	4	4	5	5	4	4	5	5	
GHG intensity performance targets	3	3	5	5	3	3	5	5	
Tailings management									
Tailings Management Policy and commitment	2	2	1	2	2	2	N/A	N/A	
Tailings Management System	3	3	2	2	3	3	N/A	N/A	
Assigned accountability and responsibility	2	2	2	3	2	2	N/A	N/A	
Annual tailings management review	2	2	1	2	2	2	N/A	N/A	
Operation, maintenance and surveillance manual	3	2	2	2	3	3	N/A	N/A	
External outreach									
Community of Interest (COI) Identification	2	3	5	5	2	3	5	5	
Effective COI engagement and dialogue	3	3	5	5	3	3	5	5	
COI response mechanism	2	3	4	4	2	3	4	3	
Reporting	3	3	4	4	3	3	4	4	

Improved Score
 Same Score as Last Year
 Lower Score than Last Year

Tell us what you think



Sustainable development is about securing IOC's license to operate and framing our future in economically viable, socially beneficial and environmentally sound ways.

Sustainable development also speaks to the way we work and provides focus for the way we manage our business risks and opportunities. It opens a world of possibilities.

Building communities with our stakeholders is essential to IOC and 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 me to let us know how you think we're doing in this regard, and help us identify areas where we can improve.

Sincerely,

Julie Gelfand

VP, Environment and Social Responsibility

Email: julie.gelfand@ironore.ca