

RioTinto

Understand, Believe, Engage.

IOC 2007 Sustainable Development Report



Find our extended version of this report online with more 2007 social, environmental and economic events, complete with photos and other supporting documents at [**www.ironore.ca/SD**](http://www.ironore.ca/SD)

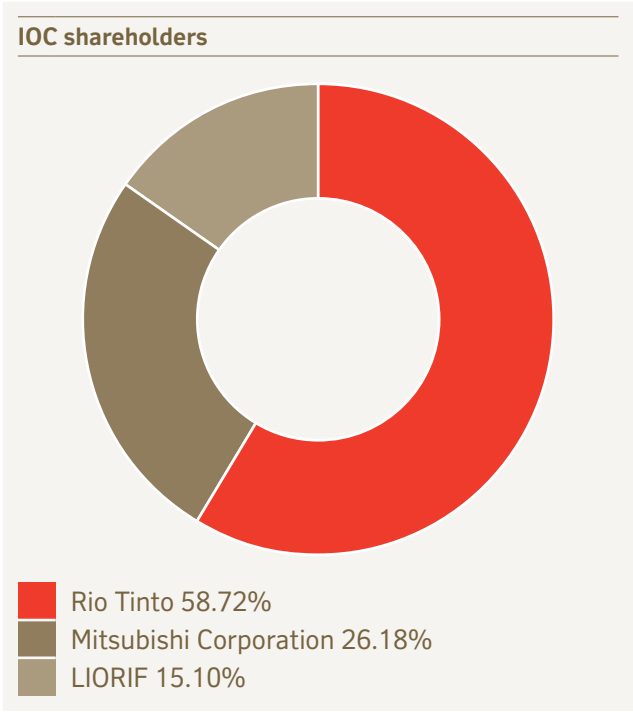
Contents

- 04** Our Business
- 06** Message from the President & CEO
- 07** 2007 Highlights
- 08** Our Approach to Sustainable
Development & Governance
- 10** Social
- 22** Environment
- 30** Economic
- 36** Contact Us

The largest manufacturer of iron ore pellets in Canada and one of the world's leading suppliers of iron ore pellets and concentrate, IOC employs over 2,000 people and has a customer base that spans the globe including North American, European and Asian steel producers.

Operating 24 hours a day, 365 days a year, IOC's mine, concentrator and pellet plant are located in Labrador City. From there, the QNS&L railway transfers finished products to IOC's deep-water seaport in Sept-Îles where over 250 vessels are handled each year.

IOC is owned by Rio Tinto (58.7%), Mitsubishi Corporation (26.2%) and the Labrador Iron Ore Royalty Income Fund (15.1%).

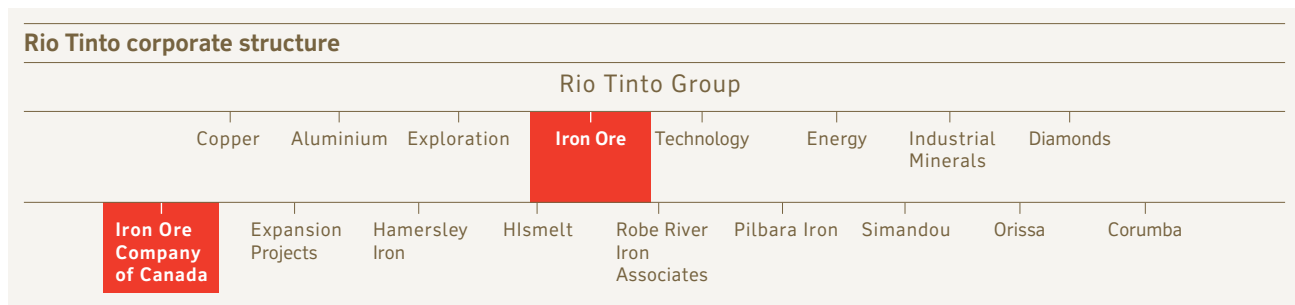


Rio Tinto is one of the world's leading mining and exploration companies, finding, mining and processing the earth's mineral resources – metals and minerals essential for making thousands of everyday products that meet society's needs and contribute to improved living standards.

Rio Tinto's activities span the world with production from every continent. Its products include aluminium, copper, diamonds, energy products, gold, industrial minerals and iron ore.



Pre-vehicle inspection, Pilbara operations. Photo courtesy of Rio Tinto Iron Ore.





Dear Stakeholders,

Understand, Believe, Engage, these are the key themes of our 2007 Sustainable Development (SD) Report. They explain the sustainable vision that we use to guide us in everything that we do. When we **understand** how the business impacts our environment and others around us, and we **believe** that we can all make a real difference, then we can **engage** ourselves and others to achieve our goals in a way that is responsible for the generations to come.

The key driver in this approach to business is our people. Whenever I visit with them throughout IOC, I see their impressive efforts, their dedication to safety and their ability to work with each other to push towards common goals. I am always impressed by our collective ability to find ingenious ways to overcome our challenges and to continuously improve. As I look back over 2007, I am proud of what we accomplished together. We tried some new approaches, we made some mistakes, we learned together and then we pushed on toward that vision of long-term sustainability for everyone our business touches.

This vision involves us all and we, as a group and a community, must share and learn to become more SD oriented in all of our activities. Some of our day-to-day steps are small, some are great leaps and occasionally we falter. Overall, I believe it's our values that help us to be a better business. It takes more than just being aware at the workplace to create a solid future. When we leave our work behind and go home to our families and our communities, we must continue this awareness and make it a part of our way of thinking, our way of being.

IOC faced some challenges in 2007 and has evolved from lessons learned. We started the year with a ten-week strike. It hurt us in many ways, but we struggled and found common ground then returned to set production and safety records, even win safety awards, while adding many new people to our team. The 2007 five-year collective agreement – only the second in our history – has given us an even better today and tomorrow, with a secure future ahead.

With the stage set, our shareholders approved our plans for a \$60 million expansion. This commitment will enable us to evaluate ways to expand our production in response to the increasingly competitive marketplace by addressing operating bottlenecks and improving winter performance while still offering our clients the best in iron ore products.

Terence F. Bowles, President & CEO of IOC,
addresses employees during the 2007 President's Tour.



And as we move ahead together on this exciting road, we will continue to **Understand** our environmental and community responsibilities, **Believe** in achieving the best through sustainable practices, and **Engage** ourselves and each other to be responsible for the generations to come.

Thank you for reading our 2007 Sustainable Development Report. It has been prepared in accordance with the principles of "Towards Sustainable Mining" (TSM) as defined by the Mining Association of Canada. We believe it is a balanced presentation of our Company's economic, environmental and social performance. Your comments, suggestions and ideas will be very much appreciated.

Sincerely,

A handwritten signature in black ink that reads "Terence F. Bowles".

Terence F. Bowles
President & CEO
Iron Ore Company of Canada

2007 Highlights

Five-year collective agreement

for a secure today and tomorrow.

IOC's best safety year ever

employee awareness gets sharper everyday.

291 new employees hired

setting the stage for expansion.

Community Advisory Panels

working together on Labrador West and Sept-Îles issues.

Commissioning of tailings project

Wabush Lake to be crystal clear again.

Understanding the big picture, that is IOC's commitment to sustainable development; it's about a better quality of life – economically, socially and environmentally – for all of us here in the communities in which we operate and in society at large. It's about getting behind that belief, that vision, one hundred percent of the time. By working with all our stakeholders, we aim to be the leading contributor to sustainable development.

And it's not only the right thing to do, it also makes great business sense. This integrated long-term approach will make our company more competitive, extra resilient to shocks, agile in a fast-paced world, more likely to attract and keep customers and the brightest employees, and in a better position with regards to regulators, banks, insurers, and financial markets. It will help us to build positive relationships with the communities and our stakeholders in order to add real value to society.

Our commitment to SD is reflected in the way we work everyday. We're always pushing forward, seeking out new ways to raise the bar in our Health, Safety, Environment and Community (HSEC) performance, in line with the requirements of Rio Tinto corporate standards.

Our governance structure and management system

The Way We Work

www.procurement.riotinto.com/ENG/supplierregistration/34_the_way_we_work.asp

We adhere to the Rio Tinto guide The Way We Work, promoting SD principles and providing guidelines covering workplace behaviour, including discrimination and ethical issues. Its principles apply equally to employees and contractors. Managers and supervisors are held accountable for their own actions and those of their team.

Environmental Management System (EMS) and ISO 14001

IOC acquired certification of EMS to ISO 14001: 2004 in December 2005 for our operations in Labrador City and in May 2006 for our operations in Sept-Îles, and has successfully retained certifications since then. We are now in the process of integrating health, safety, environment and quality (HSEQ) in a single management system.

Toward Sustainable Mining (TSM) initiative – Mining Association of Canada

www.mining.ca

A member of the Mining Association of Canada, IOC is committed to the TSM guiding principles. These principles are backed by specific performance indicators, which companies report against each year. Showing what the industry's current performance is and how it can be improved, performance indicators have been developed for tailings management, energy management, external outreach and crisis communications management. Under development are performance elements for aboriginal relations and biodiversity.

Business and financial controls

To protect shareholders' interests, corporate governance requirements have increased over the last few years. Every year, IOC completes an internal control self-assessment that covers things like financial controls risks and Rio Tinto guidelines compliance. With an internal system that includes appropriate authorization levels, upgraded controls documentation and auditing, and a whistle-blower program, we can minimize the risk of financial misstatements. We've also created a committee to identify and monitor compliance risks. As part of the Sarbanes-Oxley project, we described and tested critical financial controls to comply with the Securities Exchange Commission (SEC) requirements. This process was then audited by our external auditors. A program of internal audits is completed yearly, and each internal audit finding is monitored by management and IOC's Audit Committee.



Participants race in annual Iron City Duathlon.

Over the past two years, our focus has been on changing the way we do business, on making sustainable development an integral part of our decisions. We rolled out a training session on SD for all our managing staff and implemented SD decision making criteria for capital projects. This process will continue as we review and refine our policies, procedures and performance in search of continuous improvement. As we move forward, we expect our operations to incorporate SD in every aspect of the business.



The IOC Way Forward

To secure our future together as a successful supplier of iron ore products to the global steel industry

Health & Safety

People

Environment
& Communities

Customer
& Market Focus

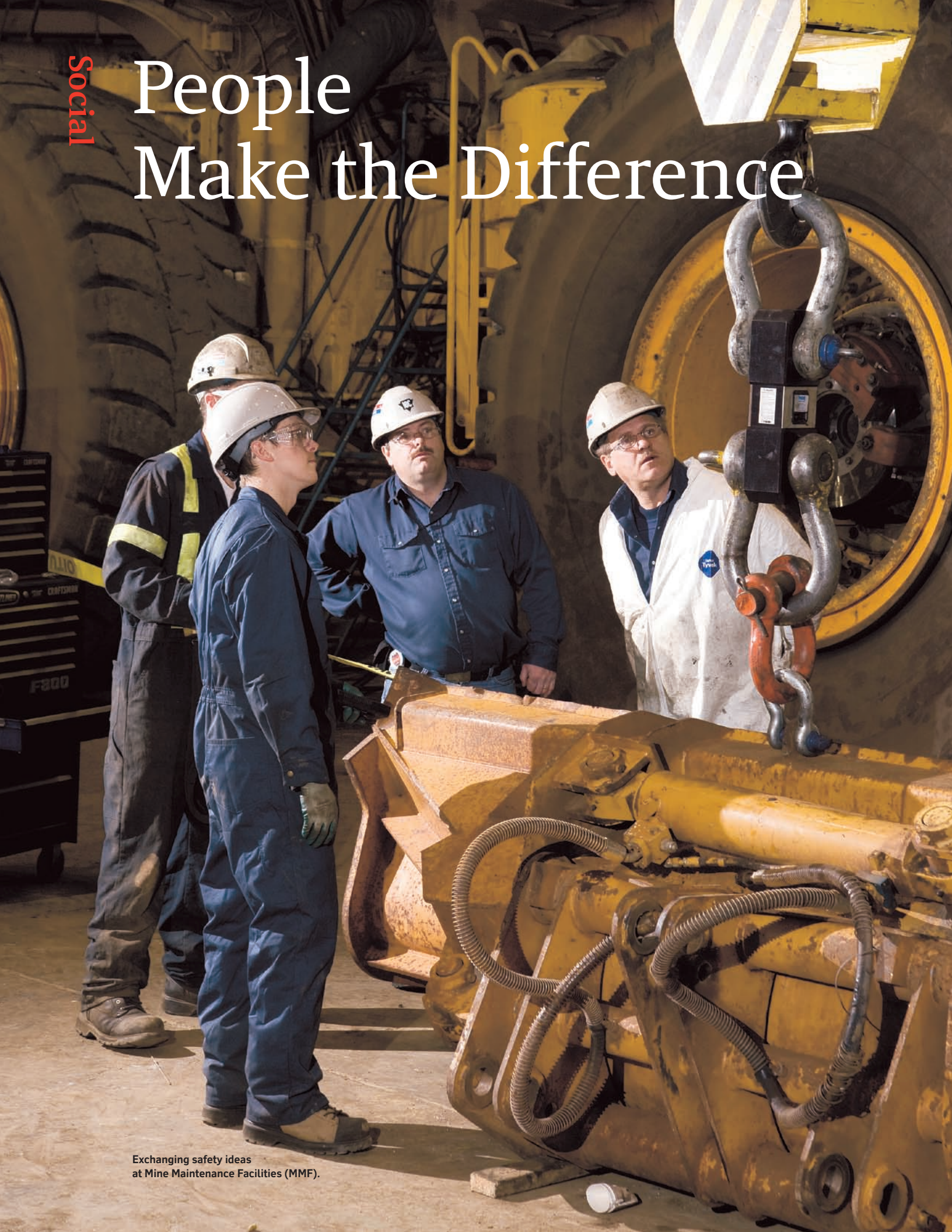
Operational
Excellence

Financial Strength

Respect and consideration to all – Excellence in health and safety – Focus on Performance
Effective teamwork and leadership – Employer of choice – Socially and Environmentally Responsible

Social

People Make the Difference



Exchanging safety ideas
at Mine Maintenance Facilities (MMF).



Tim Butler
Vice-President, Human Resources
& Organizational Effectiveness
Iron Ore Company of Canada

What does Sustainable Development mean for people? In our communities, it's stronger partnerships with a shared vision of the future. Internally, it's training, career development and providing opportunities that help employees grow alongside IOC. It's about employees feeling good about coming to work and feeling valued and respected.

It means making employee wellness and health & safety a priority across the company and in our lives, each and every day. SD is a broad view that includes all facets of a community – social, environmental and economic.

In April of 2007, a new agreement was signed with United Steelworkers Negotiating Committees in both locations. It was a major milestone for IOC and for me. Since I've been here at IOC, this was the biggest challenge in terms of employee relations, and successfully redefining labour relations and union management relationships from adversarial to cooperative is the most concrete example of sustainable development.

We then had to go from a strike right back to work, to normal activities. It was a very successful and safe return. Everyone worked hard to bring things back to normal.

Training/education initiatives

The Working Relations Committee – Communicate collective agreement effectively.

The Training Committee – Identify and prioritize technical training needs.

Management Union Committee – Discuss global issues (all areas), policies, etc.

SD Leadership Training – Learn to integrate SD into workplace.

Looking to the future, the reality starts to get clearer: With a firm commitment established comes a renewed sense of the future. Our majority shareholder, Rio Tinto, feels the same way – they approved our plans for a \$60 million study phase of a major expansion program. So, the five-year agreement really defined 2007 and the upcoming five years in fact. It gave a new face to everything we do and breathed new life into our activities.



New agreement was signed with United Steelworkers Negotiating Committees in Sept-Îles.



New agreement was signed with United Steelworkers Negotiating Committees in Labrador City.

It's not just about work though. We know that we're all part of the community with families and friends and those lives need to be supported by strong initiatives.

Initiatives – health & safety

IOC and Labrador City invited the founders of the Crystal Meth Victoria Society to teach about the drug Crystal Meth-Methamphetamine – the effects, addiction rates, prevention and intervention. We reached over one thousand children and parents.

Emergency Response team mock drill – worked with grade seven students to teach evacuation techniques.

Security team and the local fire department teamed up to assist MADD (Mothers Against Drunk Driving) with a mock disaster to educate high school students on the dangers of drunk driving.

Initiatives – community

Major sponsor of the 43rd annual Quebec Games in Sept-Îles. Over 4,000 youth participated, IOC donated over \$85,000 in funding and other donations, 30 employees donated their time and volunteered in support of the Games.

Every year, IOC hosts Family Day for all employees, their families and local retirees. Over 2,500 people attended in Labrador City (dog sled rides, snowshoe races and snowmobile rides) and 380 people participated in Sept-Îles (beach volleyball, swimming, kayaking, guided forest walks).

IOC and Memorial University sponsored the 2nd annual Labrador West Music Festival. Amateur musicians perform and gain insight from the experienced adjudicators. 350 people attended. IOC's John Hughes, General Manager – Maintenance & Engineering, was part of the event committee. IOC presented two \$1,000 scholarships.

Safety is one of IOC's core values and 2007 was our best year ever; however there were still seven Lost Time Injuries sustained by our employees or employees of our contractors. This number might seem small when measured against the type of work we do and the number of people we have on site, but it still represents seven people who were unable to work as a result of those injuries. While this number resulted in beating the target reduction set out, our ultimate goal is always zero injuries.

2007 health & safety

Lost Time Injuries (LTI)	7
Lost Time Injury Frequency Rate (LTIFR)	0.29 (Target = 0.50)
Medical Treatment Cases (MTC)	25
All Injuries (AI = LTI + MTC)	32
All Injury Frequency Rate (AIFR)	1.35 (Target = 1.49)
Significant Incidents (SI)	39

We'll continue to examine all avenues available to us to improve our safety performance. The cultural change that needs to take place to move our safety performance to the next level means that everyone has to be involved on a consistent basis. Employees are engaged in IOC programs like Safety Interactions that focus on behavior, Take-5 for risk assessment and mitigation, HAI (hazard, accident and incident) reviews to learn from experience, and PGIs (planned general inspections) and weekly tours to focus on conditions.



Caroline Hupé, IOC Manager – Human Resources, awards medals to athletes of the 43rd annual Quebec Games in Sept-Îles.

There were many safety success stories in 2007 including:

- The John T. Ryan Regional Trophy for Select Mines in Eastern Canada awarded to IOC for achieving the lowest reportable injury rate among the region's select mines.
- The F.J. O'Connell safety trophy awarded to IOC's Sept-Îles site for its health & safety record.
- HSE audits were performed to improve HSE management systems and conform to Rio Tinto HSE system and performance standards including an internal audit with over 20 auditors involved. Conformance audits in both Labrador City and Sept-Îles, and Rio Tinto Auditor Training with 18 IOC employees in attendance.
- The QNS&L Safety Innovation Project award presented by the Railway Association of Canada for the innovative idea of adding a stretch-access door to the rail changers, making it possible to bring injured people on board.
- The President's Safety Award won by the Labrador City Concentrator team.
- A number of major rebuilds and overhauls were completed without any reportable injuries.

Safety improvements since 2001

Year	Lost time	Medical aid
2001	117	398
2005	22	44
2006	16	31
2007	7	25

Along with health services like a wellness program including 40 clinics (500 wellness assessments) to test blood pressure and glucose or providing free Influenza vaccine to all employees, medicals and fitness testing were provided for unionized positions, staff in operations, unionized job transfers, administration (every three years), students, employees with disabilities, and to all employees at the time of retiring.

2007 statistics

Statistics	Number
Annual medicals Labrador City	760
Pre-employment medicals Labrador City	354
Pre-employment fitness (Labrador City and Sept-Îles)	289
Summer students (Labrador City and Sept-Îles)	276
Co-op students (Labrador City and Sept-Îles)	60
Employees with disabilities Labrador City	14
Job transfer fitness (Labrador City and Sept-Îles)	17
Job matching assessments for disabled workers (Labrador City and Sept-Îles)	10



Local youth enjoy kayaking during IOC's Family Day in Sept-Îles.



Emergency Response Team after putting out a fire during emergency training in Labrador City.



Festival of Lights in Sept-Îles during Relay for Life, the annual fundraiser for the Canadian Cancer Society.

Occupational Health and Hygiene went through successful external audits at Labrador City and Sept-Îles operations in 2007. A pregnancy awareness program is now offered to expecting employees throughout the stages of their pregnancy which provides information on topics like awareness of work related hazards, health counselling, proper lifting techniques, etc. Pocket Ear trial commenced and is going smoothly.

Illnesses

Permanent disability accommodation summary for 2007

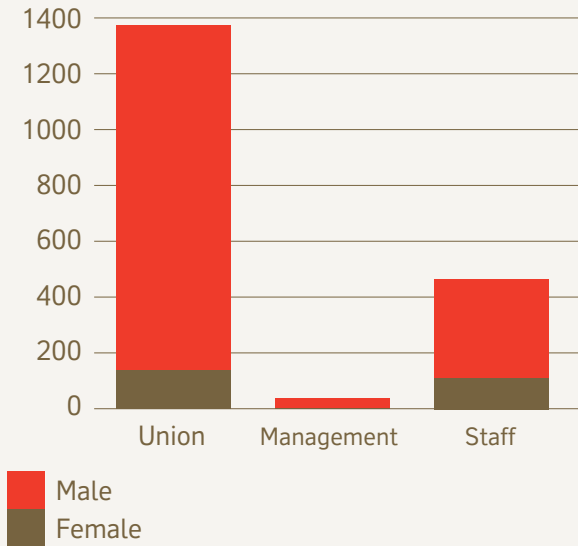
New cases 2007	Returned to work closed cases	Off work	Being evaluated
16	13	2	1

Type of testing	Completed for the month of December	Completed 2007	Unsuccessful
Job transfer	1	10	0
New hire	18	265	1
Gait analysis*	0	2	NA
Exercise/rehab work conditioning	0	5	NA
Functional capacity evaluation	0	10	NA

* Gait analysis is an assessment of body mechanics while walking, climbing, and crouching, etc.

We look for people who share our drive for health & safety, continuous improvement and a secure future. Within the next year, IOC plans to hire 200 employees to replace retirees, and following the expansion program, new jobs will be created. It's about long-term security for all communities involved.

Distribution by gender



Distribution by visible minority



IOC is also looking to the aboriginal community, hoping that new connections will be made so that more Innu workers can take advantage of these future job openings at IOC. After meeting with the Innu Band Council of the Uashat Mak Mani-Utenam Reserve in Sept-Îles and Chief Ernest Gregoire, who worked at IOC for 17 years on the Sept-Îles wharves, we decided to organize an event and start talks to strengthen our relationship. Meetings with Innu from Goose Bay, Labrador have continued and support is ongoing for Innu-owned Tshiuetin Rail Transportation Inc. We know that more has to be done. IOC attended A Day on the Hill in Ottawa and one of the topics was aboriginal relations and the role of aboriginals in the mining industry. The initiative highlighted the need for employment in the aboriginal community and the parallel need for human resources in the mining industry.

**“Ultimately,
it’s up to all of us:
If we continue to
work together
we will achieve
a strong future.”**

Tim Butler

Tim Butler
Vice-President, Human Resources
& Organizational Effectiveness
Iron Ore Company of Canada



Town of Labrador City

Community Advisory Panel – at the heart of mining activities and sustainable opportunities.

CASE STUDY

The initial CAP was formed in Labrador City in 2006 with representation from key local and external personnel. A review of the CAP process led to a revamping such that new Community Advisory Panels were formed in both Labrador City and Sept-Îles to support the Mining Association of Canada's principles of Towards Sustainable Mining. The panels give a voice to topics that affect each community, providing a consultative forum for stakeholders to engage in regular, transparent, and constructive dialogue about shared sustainable development goals. Ultimately, all issues are important and IOC is listening and acting alongside community members so that the best outcome can be achieved.

The first official CAP took place in both locations in the fall of 2007 with a consultant leading the effort and producing a final report. The meetings proved to be challenging as IOC and the stakeholders have been used to a less unified approach with regards to problem solving. There is great optimism that this can change.

What does the future hold?

The CAP initiative is new territory, a work in progress that will take time for everyone to get the hang of. Our goal is to improve understanding of social, environmental and economic issues/opportunities pertaining to mining operations and community development, and to provide a smooth path where different perspectives and experiences can be shared, appreciated and then used for the benefit of all.



Town of Sept-Îles

Prominent community concerns

3 Pillars of SD	Labrador City	Sept-Îles
Social	Housing, daycare capacity, attracting developers, recruitment	First Nations, health professionals shortage, municipal water treatment, recruitment
Environment	Tailings, impact of blasting on recreation, local ecosystems, dust and air quality	Site remediation, bank erosion, local ecosystems, dust and air quality
Economic	Decline in services industry, tourism, mine life	Pellet plant development, optimization of harbour, mine life



Members of Sept-Îles' Community Advisory Panel



Members of Labrador City's Community Advisory Panel

Maintenance of Way team in action.



Building awareness
– pursuing excellence
in health & safety,
on the job and in
the community.

● Achieved ● Partially Achieved ● Not Achieved			
Indicator	2007 Target	Target Achieved	2008 Target
Community Relations			
Community Advisory Panel (CAP)	Create a Community Advisory Panel (CAP) in Sept-Iles.	● CAPs in both communities were implemented. Although challenging, a new way of approaching issues has been reached – together with all stakeholders in order to brainstorm and share ideas.	Three CAPs in each location, in order to stay attuned to stakeholders' concerns during expansion period.
Expansion			Maintain dialogue on expansion impacts in both communities.
Five-year Community Relations Plan	Finalize and adopt IOC's multi-year community relations plan.	● Multi-year community relations plan is now integrated into IOC business plan.	
Community Investment Policy	Finalize and implement a corporate donation policy.	● Not completed yet; still needs some adjustments.	Will be implemented in third quarter of 2008.
People			
Recruitment	Recruit 150-200 employees.	● 291 new employees hired.	Recruit and train up to 200 employees to replace projected retirements and increasing production requirements.
Aboriginal recruitment	Establish basis for hiring and subcontracting processes for aboriginals from Quebec and Newfoundland and Labrador.	● Held Young Innu Employment Forum in September of 2007. Met with Innu Chief Ernest Gregoire to discuss organizing an event and start talks to strengthen our relationship. A Day on the Hill initiative highlighted the need for employment in the aboriginal community and the parallel need for human resources in the mining industry.	Continue discussions with Native Band Council to establish basis for hiring and subcontracting processes.
Recruitment advertising campaign	Create a competitive advertising campaign to support IOC recruitment efforts.	● Three linked campaigns are ongoing: recruitment, employee recognition and focused campaign in specialized magazines (sports, fishing, hunting, etc.)	Continue with the three campaigns.
Career fairs/booths	Merge IOC and the two other Rio Tinto units in Canada for recruitment purposes.	● Recruitment is now a combined activity with QIT and DIAVIK, under Rio Tinto Canada.	Continue combined activities with QIT and DIAVIK, under Rio Tinto Canada umbrella.

● Achieved ● Partially Achieved ● Not Achieved			
Indicator	2007 Target	Target Achieved	2008 Target
People			
Recruitment tool	Transition from CV Manager to Taleo, Rio Tinto global tool for employment.	● Ongoing	Should be finalized in first quarter of 2008.
LEAN (Continuous Improvement)		● Rollout started in the concentrator and ongoing.	Implement LEAN in all areas.
Employees have good business understanding and are fully engaged			Deploy learning map to at least 20% of workforce.
Active leadership aligned with IOC values			Implement coaching and frontline leadership programs for leaders.
Injuries and Illnesses			
LTIFR	0.50	● 0.29 Seven Lost Time Injuries occurred in 2007.	Only AIFR target from 2008 onwards.
AIFR	1.49	● 1.35 32 injuries needed medical treatment, including the seven Lost Time Injuries.	1.08
Emergency Measures			
Disaster Management & Recovery Plan (DMRP)	Implement DMRP at Montreal corporate office and test effectiveness.	● Will continue to work with Montreal employees to ensure they are prepared to respond to identified threats in a planned and coordinated manner.	Continually improve on the skills of individuals and teams within the Disaster Management & Recovery (DM&R) structure and to establish various protocols that define response and coordination between all three sites.
DMRP team	Provide training to DMRP teams on roles and responsibilities. Easier and more frequent updates to Plan. Make documentation more accessible to team.	● A number of drills were conducted in 2007 helping teams identify areas for improvement. Conducted a full-scale drill of an incident in ATO area which served to better prepare our DM&R team as well as the area ATO management and unionized teams.	Focus on developing better understanding of roles and responsibilities of individuals and teams within DM&R as well as the support structures needed to sustain this type of activity. External Response Teams will be included to support learning efforts.
Emergency Response Team (ERT)	Develop skills of ERT leaders. Select and train four to six new members. Have fully trained team together by end of 2007.	● Moved forward with the selection and development of a 45 member ERT. Leaders were sent to train the trainer sessions – we now have three of our ERT leaders working toward certification as underground mine rescue instructors.	Functionally, the team will continue to develop skills in the area of underground rescue training. We will also move towards expanding the training to include industrial fire fighting and emergency care.

● Achieved ● Partially Achieved ● Not Achieved			
Indicator	2007 Target	Target Achieved	2008 Target
Leadership Training			
Safety Tours and Interaction	VPs and GMs to participate in one Safety Tour and conduct one Safety Interaction per week.	● Training was provided.	Requirements are part of personal HSE plans.
Team Leader Development Program (TLDP)	Continue the TLDP. Expand safety skills development section to include some existing team leaders. Incorporate program developed by Rio Tinto to enhance leadership throughout group.	● A new program was initiated in September of 07. The program continues to develop to meet the needs of the organization.	New and existing team leaders are currently enrolled in the program. Additionally, some of our engineering staff have enrolled and are actively participating in the training. This will continue in 2008 as we develop self assessment tools to facilitate a better overall diagnostic tool. The objective is to develop a program that will accommodate a greater percentage of our Team Leaders in active leadership development.
Safety Standards			
SafetyNet project	One more visit to IOC site is required to validate findings.	● Visit/meeting took place. Project finished.	
Occupational Health			
Injury Management – stress management program and Virtues project	Launch Virtues project. Upgrade Physical Demands Assessments (PDA) for all positions. Introduce Health Advocacy program, self-directed work teams in each functional area.	● PDAs done for most areas. Health Advocacy program piloted.	Finish PDAs and establish wellness program.
Prevention of exposure in high risk areas	Populate Occupational Health & Hygiene (OHH) Intranet with all policies, procedures and relevant documentation. Integrate fiber analysis into specialty sampling program. Become an active participant in the Noise Reduction Forum through Rio Tinto.	● Fiber analysis done. Participating in noise reduction forum.	Update and present OHH procedures as part of the integrated management system Health, Safety, Environment and Quality (HSEQ) project.
Strengthen HSE Leadership	Ensure that leaders and contractors are aware of OHH services and protocols through an open house and leadership training module.	● Open house held in Sept-Îles. Team leader training course deployed in Labrador City.	Develop leadership training for all levels of management, aligned with Rio Tinto requirements.
Full compliance with Rio Tinto Health & Hygiene Standards	Continue with internal audits for both Labrador City and Sept-Îles operations.		The Health performance standards received 1 commendation, 4 minor findings and 4 observations in the December 2007 audit.

Environment

Responsible for Everything We Touch

Shane Taylor, Senior Operator/Maintainer,
digs deep with a Shovel.



Michael Tost
General Manager – HSE
Iron Ore Company of Canada

IOC wants to be known as a leader in environmental performance by demonstrating good stewardship of our natural resources, reducing our environmental footprint, and meeting community expectations to support sustainable development and we have made progress.

I came to IOC in 2007 from Rio Tinto to champion and launch Sustainable Development. And we've certainly been working hard at it. Our aim is to fully integrate SD into the business as a core value.

The Tailings Management Program (TMP) is our brightest example of environmental responsibility. Since 1999, we've been working with the community and government to return Wabush Lake to its former state, and we're doing that. It's an immense and extraordinary initiative. Using proven and new technology, the lake has been given back to the community.

We're implementing this way of giving back to the environment, to the community, in every way we can. The trees cleared at our Luce Deposit site used to be piled up, basically left to rot or be burned, but we've learned a thing or two. Now the trees have a better fate: After meeting provincial regulations for tree clearing, the trees were harvested and donated to Labrador City community groups and local businesses like the Girl Guides and Boy Scouts. We achieved similar results with our new dolomite quarry project: The cleared trees were donated to the public. And we are planting new trees along Retty Street, beside our Sept-Îles operations. In a few years these trees will create a green barrier between our installations and the neighbouring residential area.

We do our best to support a safe and healthy environment. Wildlife is another aspect of living in these northern towns that needs our protection. We interact with it on a daily basis and it's a real pleasure and we want to keep it that way. To support the IOC Value that we be socially and environmentally responsible, IOC is instrumental in many initiatives.

Wildlife and nature initiatives

Stewardship Association of Municipalities (SAM): Labrador City and Wabush in association with Eastern Habitat Joint Venture – portions of land set aside for wetland conservation. IOC hosted the 2007 SAM meeting, subsidized travel for municipalities, took participants on tours of the mine and tailings wetland development. IOC sponsored goldeneye nest box program, constructing nests in Labrador locations including IOC tailings and White Lake.

Moisie River Protection Association (MRPA): IOC partnered with MRPA to protect the environment and natural resources. Protecting the land alongside the QNS&L railway, IOC conducted flora and fauna inventory and rigorous inspection of railway equipment, particularly tank cars. Camp dumps have been eliminated and replaced with containment facilities for temporary storage of materials to be shipped to safe sites.

Black Bear Relocation: IOC environment personnel, working with the local wildlife officer and his staff, captured 13 bears on IOC property. The bears were tranquilized, tagged, and removed and re-located some 130 kilometres from town and released. Similarly, 25 Black Bears were captured, tagged and released in a safe location in the Labrador West area during the summer of 2007.

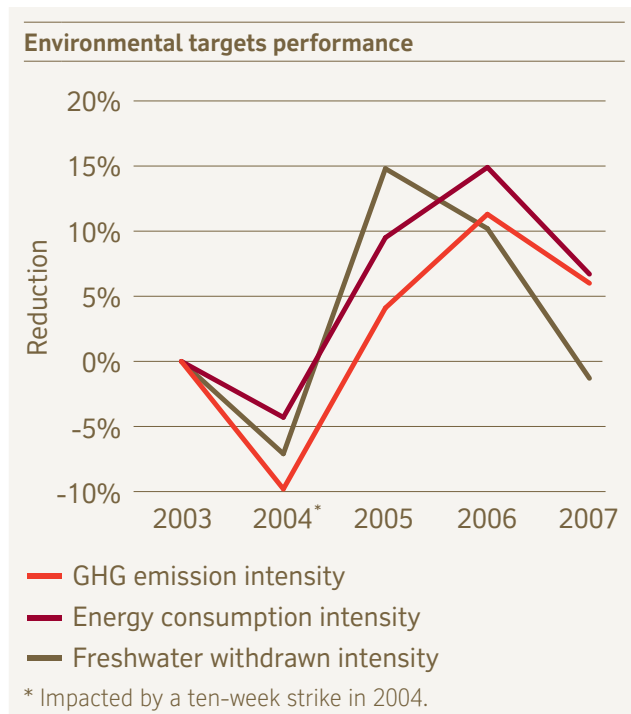
Two osprey nesting platforms were built and installed on tailings.

IOC recognizes that the mining industry faces specific challenges as we have a direct impact on the environment – we extract ore from the ground, utilize energy and water, generate waste and emissions including greenhouse gases. And we recognize our responsibility to minimize, and eliminate, where possible, these impacts on the receiving environment.



Boy Scouts receive donated trees from Luce Deposit clearing.

Air quality and greenhouse gases in particular will be high on our agenda in the next couple of years as in 2007 Environment Canada started consultation on the Clean Air Act, which in our case will regulate GHG, dust, NOx and SOx emissions from our pellet plant. Throughout the year we have been involved in consultations and currently we are in the process of developing strategies on how to meet – and exceed – the requirements, taking SD principles into consideration.



In 2007, IOC reduced its consumption of energy, greenhouse gas emissions and withdrawal of freshwater from an absolute perspective; however, the rate of energy consumption, greenhouse gas emissions and freshwater withdrawal all increased. In general, production issues in 2007 combined with the ten-week work stoppage in March and April were the main contributors to the increase in intensity in comparison to 2006 performance.



IOC donated recycled materials to build 35 goldeneye nests around IOC and two osprey nesting platforms on the tailings.

Michael Tost
General Manager – HSE
Iron Ore Company of Canada

IOC has set reduction targets for each of these environmental aspects, and although performance against target was not achieved for either of these indicators in 2007, we're well positioned to exceed our five-year reduction targets for greenhouse gas emissions and energy efficiency (both set at 5%). Freshwater withdrawn intensity increased the largest over 2006 levels; however, we should still be on track to achieve the 2.5% reduction target set.

The communities are very active in these environmental activities. It just shows you how much we can do, what kind of impact we can achieve, when we work together.

Recycling and hazardous wastes

Household Hazardous Waste Day: 18,000 litres in Labrador City; 24 metric tonnes and 11 tonnes of old computers in Sept-Îles.

Safe hazardous waste storage areas installed in all sectors in Labrador City, Sept-Îles and even along QNS&L railroad.

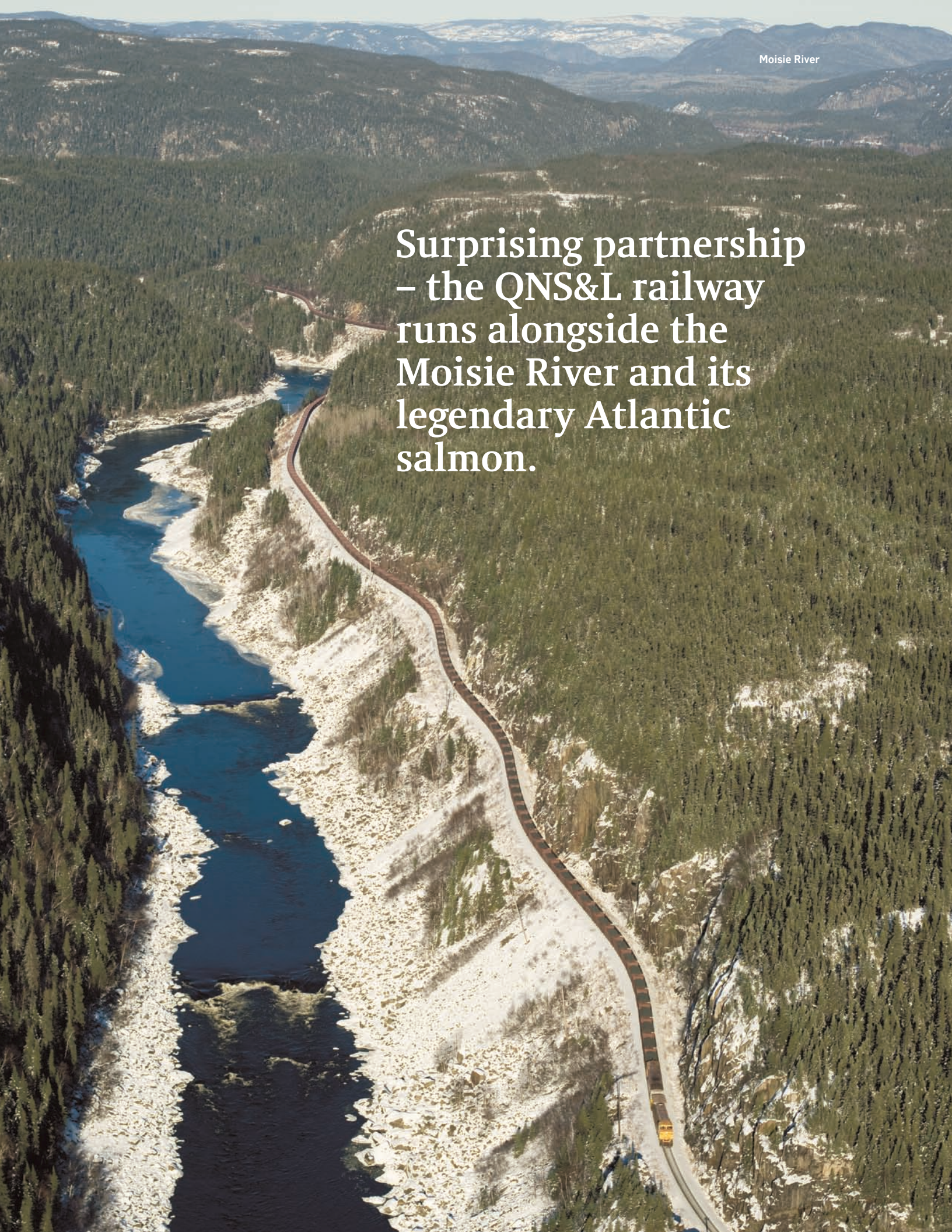
Recycling Program: Sept-Îles disposal site – departments dispose of materials to be reused or recycled; recycling containers on Sept-Îles site and in camps along the QNS&L railway; over 100 small recycling bins in various office locations.

SAVE Energy Event: Labrador West community fair and door-to-door energy efficient light bulb delivery campaign. IOC partnered with HydroWise from Newfoundland & Labrador Hydro, Department of Natural Resources, SAVE-Shared Atlantic Vision for Energy Efficiency, and local municipalities to sponsor it and provide energy conservation information at the fair.

And it's very important that once these works are done, that they are recognized, that people know about them and share in a sense of pride. It brings us together. We celebrate these environmental works together every year through Environment Week. Our HSE department and the United Steelworker's Union put it together to foster dialogue, where we all, as a community, can share ideas.

“Together, we’ve really managed to create a community spirit that inspires a respect for the environment in everything we do, at work and at home.”

Surprising partnership
– the QNS&L railway
runs alongside the
Moisie River and its
legendary Atlantic
salmon.





Tailings Management Program – a new environmental and social legacy.

CASE STUDY

Since 1999, IOC has been engaging the greater Labrador City community on a continuous basis in order to integrate feedback and concerns into the development of the benchmark Tailings Management Program (TMP).

Eager to ensure long-term regulatory compliance, make sustainable improvements for the community and continue its on-going effort to respect the environment, IOC's government-approved TMP will result in an improvement in Wabush Lake's visual amenity and a decrease in iron levels, eliminating the lake's red colouring and returning it to a state where recreational use by the community will be possible.

Through a process called *flocculation*, commonly used in municipal water treatment facilities, IOC will successfully confine the tailings within a naturally occurring deep trench and ensure a high level of environmental protection. The non-toxic tailings – consisting of fine iron stained quartz particles suspended in the lake water column – stick to *flocs*, and form flake-like particles that will settle to the deepest part of the lake. As flocculated tailings deposits will not spread naturally across the lake bottom, controlling their dispersal through flocculation is key to confinement.

The \$120-million program took many years of effort (initial TMP was 1999, the revised TMP and subsequent revisions date back to 2002), consultation and planning, and goes beyond the requirements of government regulations and the expectations of the community. IOC has also created a new ecosystem that spans about 540 hectares with more to come, and will continue its successful annual rehabilitation of a minimum of 15 hectares of mill tailings areas through wetland and pond construction. Successfully developing these wetlands in low lying areas into a mosaic of wetland basins, riparian zones and uplands using native plants to promote a species of diverse vegetation, thousands of hectares of "new habitat" will continue to be developed by IOC over the next 40 years.



Julien Vallières does his part during Environment Week in Labrador City.

● Achieved ● Partially Achieved ● Not Achieved			
Indicator	2007 Target	Target Achieved	2008 Target
Air Quality			
Sept-Îles ambient air quality (AQ) monitors	Procurement and installation of AQ instrumentation within the local community.	● Deferred to 2008.	Procurement and installation of AQ instrumentation within the local community.
Sept-Îles stack emission testing	Conduct point source emission testing at the dumper facility.	● Stack testing completed.	
Sept-Îles plume dispersion model	Conduct plume dispersion model for facility using the 2006 point source emission data set.	● Deferred to 2008.	Conduct plume dispersion model for facility using the 2007 point source emission data set.
Sept-Îles fugitive emissions	Evaluate options identified in 2006 for control of fugitive emissions at the bentonite unloading.	● Engineering study completed in late 2007.	Evaluate new options from engineering study completed in 2007.
Carol Project PM2.5	Relocate the continuous PM2.5 (TEOM) in the third quarter of 2007.	● Deferred to 2008 as per agreement with government. Awaiting final report from 2007 stack testing.	Assess need to relocate based on plume dispersion model results.
Carol Project Dispersion Model	Conduct plume dispersion model using the 2007 point source emission data set. Conduct point source emission testing for select sources.	● Deferred to 2008. Request for Proposal completed and contract awarded in 2007 to preferred consultant. Still awaiting final report on stack testing.	Conduct plume dispersion model using the 2007 point source emission data set. Conduct point source emission testing for select sources.
Carol Project dust control trials	Install permanent dust control system.	● System installed and commissioned but technical problem encountered.	Complete modification of dust control system and commissioning.
Biodiversity			
Carol Project small mammals study	Complete phase II of the relocation program to determine degree of success.	● Relocation program phase II completed.	
Carol Project partnerships with external stakeholders	Develop framework for an IOC biodiversity strategy in line with corporate and Mining Association of Canada guidelines.	● Deferred to 2008.	Develop framework for an IOC biodiversity strategy in line with corporate and Mining Association of Canada guidelines.
Sept-Îles bird survey	Conduct public birdwatch events and construct and install osprey nesting platform for both Sept-Îles and Labrador City. Provide funding and support to Eastern Habitat Joint Venture for construction and distribution of nest boxes across Newfoundland and Labrador for common goldeneye.	● Birdwatch events conducted. Two osprey platforms installed in Labrador City. Support provided to Eastern Habitat Joint Venture for construction and distribution of common goldeneye nest boxes.	Conduct public birdwatch events in Sept-Îles and Labrador City. Construct and install osprey nesting platforms in Sept-Îles and along QNS&L railway. Install some common goldeneye nest boxes around the property in Labrador City.

<div> ● Achieved ● Partially Achieved ● Not Achieved </div>			
Indicator	2007 Target	Target Achieved	2008 Target
Contaminated Sites			
Carol Project fuel storage facilities	Demolition and removal of the old Lorraine Camp.	● Old Lorraine Camp demolished and removed.	
Sept-Îles new sites	Agree with Quebec government on scope of work regarding obsolete underground fuel pipeline removal.	● Scope of work agreed with government and underground pipeline removed.	
Sept-Îles remediation facility	Assess options for contaminated soil remediation along the railway corridor.	● Options assessed.	
Sept-Îles bulk fuel storage facilities	Assess options for contaminated soil remediation.	● Additional site characterization done and options assessed.	Proceed with rehabilitation work.
Energy Efficiency and Greenhouse Gases			
Energy consumption	Continue to meet the corporate energy efficiency and GHG intensity reduction targets as part of the Rio Tinto 2003-2008 Plan.	● Slight setback in Energy efficiency and GHG intensity reduction in 2007; however, progress made to date puts IOC in an excellent position to achieve its targets (5% reduction) as per the 2003-2008 Plan.	Continue to meet the Rio Tinto corporate targets in support of the Rio Tinto 2003-2008 plan by achieving a 1% reduction in energy efficiency and GHG intensity.
Locomotive fleet	Conduct diesel fuel additive trial for the IOC locomotive fleet.	● Diesel fuel additive trial put on hold due to major technical problems encountered at other sites.	Investigate causes of problems encountered at other sites and make recommendations.
Haul truck fleet	Assess use of diesel fuel additive for the haul truck fleet.	● Use of diesel fuel additive assessed for haul truck fleet.	Implement diesel fuel additive program for haul truck fleet.
GHG emissions	Begin three-year Climate Change Program.	● Three-year Climate Change Program begun.	Continue Climate Change Program.
ISO 14001			
Sept-Îles certification	Maintain ISO 14001: 2004 certification.	● Certification maintained through external audits.	Maintain ISO 14001: 2004 certification.
Carol Project certification	Maintain ISO 14001: 2004 certification.	● Certification maintained through external audits.	Maintain ISO 14001: 2004 certification.
Land Reclamation			
Carol Project Land Rehabilitation	Rehabilitate minimum of 15 hectares of the inactive tailings area.	● Thirty-four hectares of the inactive tailings area rehabilitated.	Rehabilitate minimum of 15 hectares of the inactive tailings area.
Land Use Management Plan	Linkage being made to closure plan and SD framework.	● Land Use Management Plan developed and stakeholder consultation undergone.	Complete stakeholder consultation on land use zoning and closure plan and finalize linkage to Land Use Management Plan.

● Achieved ● Partially Achieved ● Not Achieved			
Indicator	2007 Target	Target Achieved	2008 Target
Tailings Management			
Regulatory approvals	Construction completion and commissioning by June 2007 of the Tailings Management Project.	● Regulatory approvals received and construction phase completed in third quarter 2007 – delay was due to impact of labour action in first quarter 2007.	Complete full commissioning of TMP by September 2008.
Water Efficiency			
Carol Project reduce freshwater withdrawal	Continue to meet the Rio Tinto corporate water efficiency targets in support of the Rio Tinto 2003-2008 program.	● While the volume of freshwater withdrawn in 2007 was reduced, the rate at which freshwater was withdrawn (L/tonne) increased.	Continue to meet the Rio Tinto corporate water efficiency targets in support of the Rio Tinto 2003-2008 program. Contribute to the corporate post-2008 water target setting program.
Sept-Îles municipal water supply	A team was chartered to identify options.	● Some options were identified.	Install flow meters to help identify high water use sectors and opportunities for reduction. Complete feasibility studies on options identified and make recommendations.
Waste Management			
Carol Project	Continue program of recovery of used oil to provide an alternate energy source to the pellet plant induration process.	● Program of recovery of used oil continued.	Continue program of recovery of used oil to provide an alternate energy source to the pellet plant induration process.
Household Hazardous Waste Program	Sponsor Household Hazardous Waste Day in Labrador City and Sept-Îles.	● Household Hazardous Waste Day was held in Labrador City and Sept-Îles	Sponsor Household Hazardous Waste Day in Labrador City and Sept-Îles.

Economic

Considering the World in Our Financial Decisions



CSL ship leaves Sept-Îles with IOC products.



Maurice McClure
General Manager – Finances
Iron Ore Company of Canada

We've made a strategic commitment at IOC to align our business to promote economic growth with a collaborative relationship between all stakeholders – shareholders, employees and their communities, governments and customers. This is consistent with our vision of sustainable development.

Our aim is to create long-term business value with specific goals:

Maximize shareholders' return on investment by continuously improving the operations and exploiting growth opportunities while maintaining the leadership of the company in the competitive global market.

Ensure long-term viability of the business with ongoing resource development programs to secure long-term ore reserves.

Contribute positively to local and regional economic development in providing skilled and attractive jobs in Labrador City and Sept-Îles and by encouraging local supply of goods and services.

Promote strong customer relationships through proactive engagement and the delivery of high performance, quality products and outstanding service to our customers.

These goals guide our daily operations and they're embedded in the company business decision-making process. One example is the sustainable development analysis that is now an integrated and important part of the company capital expenditures approval process. And all proposed capital projects are being evaluated to make sure they contribute to the company's sustainable development commitment. They're reviewed with a focus on maximizing their lasting benefits and minimizing any adverse impacts on our environments, and we're talking about the whole scope: social, human, economic and physical environments.

Contributions of capital projects are now being assessed under elements like:

Physical Environment Stewardship: Efficiency of utilization of natural resources and adverse physical environmental impacts.

Social Well-Being: Protection of social health and safety and engagement with local communities.

Economic Development: Shareholder value creation and sustainable contribution to local and regional development.

With this more clearly defined framework serving as a guide, the economic activities of IOC take on a new, more sustainable dimension.

Maximize shareholders' return on investment

At IOC, we're committed to creating value for our shareholders by looking for growth opportunities and improving the efficiency of our operations, while maintaining a high level of corporate governance.

A) Operations improvement

'Improving Performance Together' (IPT) is a Rio Tinto initiative designed to boost business results by increasing collaboration and sharing best practice. We're an asset intensive operation with more than \$1 billion invested in our equipment, so applying sound Asset Management practices is critical to the ongoing success of the business and ultimately, a secure future.

IPT – Five key ingredients

1. Leadership support and commitment
2. Employee involvement
3. Sharing best practices across the company
4. Building on proven solutions
5. Sustainability

IPT on the ground

Progressing in the mine and will extend into the plant areas.

Optimizing maintenance procedures.

Maximizing equipment life by ensuring its reliability and cost-effectiveness.

Identifying and solving major causes of loss in the business.

Using the best and cleanest fuels and oils.

Developing optimum predictive and preventative maintenance tasks to ensure equipment meets expected performance levels.

As part of the IPT initiative, IOC started to roll out the Lean production system in 2007 in the concentrator (based on the Toyota operating philosophy) to better engage employees in improving the business. At its simplest level, Lean is the pursuit of waste elimination; waste being anything that a customer would not be willing to pay for. Eliminating it means that every employee needs to be aware, engaged, and actively involved in ensuring we work using best practices.

And to support the initiative, we're giving employees formal training sessions on Lean as it's deployed in each area of the business. The majority of the training is action oriented, which means hands-on and in the field, teaching the tools and techniques and how Lean fits with other IOC core processes.

B) Expansion projects

Over the last few years, we've been consistently increasing the concentrate production mainly by streamlining the process and de-bottlenecking the operation systems. In 2007, IOC completed a feasibility study leading to the approval in early 2008 of the \$500 million – 22 Mtpa concentrate expansion project. The investment is the first phase of an expansion program that might see production capability increase 50% by 2011.

The decision to go ahead with the expansion project is a real vote of confidence in our ability to maintain improved performance following the recent achievement of a five-year collective agreement. We have outstanding product quality and a solid commitment to meeting our global customers' varied recipes, and these help ensure our success in this highly competitive market. This represents a major achievement for both IOC and Rio Tinto.

Beyond the economic aspect of it all, IOC met with the Community Advisory Panels in Labrador City and Sept-Îles to discuss the project. The information gathered from the panels formed the basis of our social assessment. Feedback was mostly positive and some of the issues raised have been incorporated or looked into.

Rio Tinto has been demonstrating its commitment to these communities by supporting long-term viability, and plans are in the works to accommodate this growth by doing things like increasing affordable housing and addressing the need for support services.

Ensure long-term viability of the business

IOC has an ongoing multi-million dollar Resource Assessment Program (RAP) focused on diamond drilling and ore characterisation on targeted zones to provide the company with a reserve base to support 40 years of operations and beyond.

Contributions to economic development

We've always been an important player in the economy of both Labrador West and Sept-Îles. Even though indirect benefits are difficult to measure, we find the direct economic benefits from our operations are evident.

2007 direct economic benefits

\$202 million on employee wages and benefits

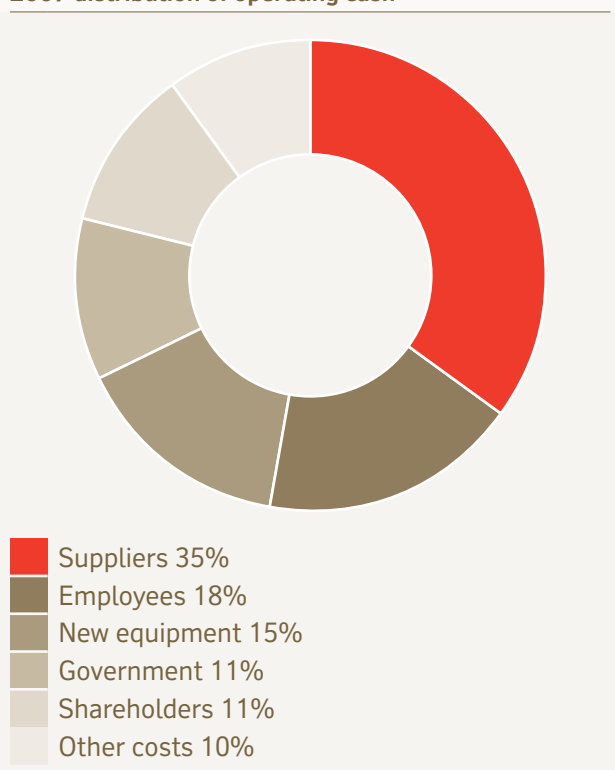
\$227 million in municipal, provincial and federal taxes

\$165 million in capital expenditures

\$3.4 million in direct community and educational initiatives

39,800 hours of employee training

2007 distribution of operating cash

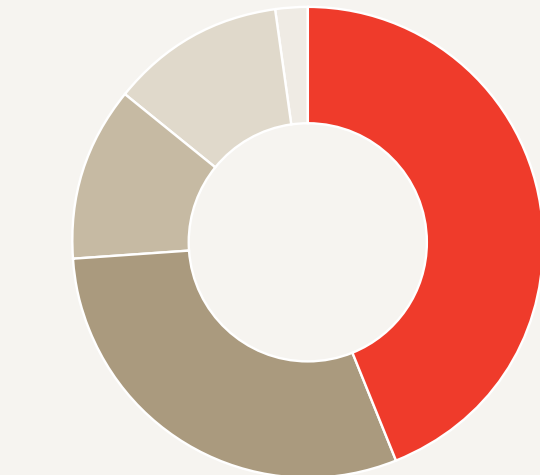


IOC operates 24 hours a day, 365 days a year.



A significant proportion of goods and services purchased by IOC is secured within the provinces of Quebec and Newfoundland and Labrador.

2007 goods and services purchased by IOC



Quebec 44%
Newfoundland and Labrador 30%
Rest of Canada 12%
USA 12%
International 2%

Customer relationships

IOC re-entered the Direct Reduction (DR) market in 2007 by supplying its low-silica DR grade pellet to customers in Trinidad and Saudi Arabia. Operating results in the customer's DR modules using IOC's pellets has been outstanding and both customers are impressed with the quality of the pellets. This has been a real success for IOC as it will increase its presence in this high value market.

“With the strong markets and our existing workforce and operations seeing improved results already, we're looking forward to an exceptional 2008 from a financial and economic point of view.”

A handwritten signature in black ink, appearing to read 'M. McClure'.

Maurice McClure
General Manager – Finances
Iron Ore Company of Canada

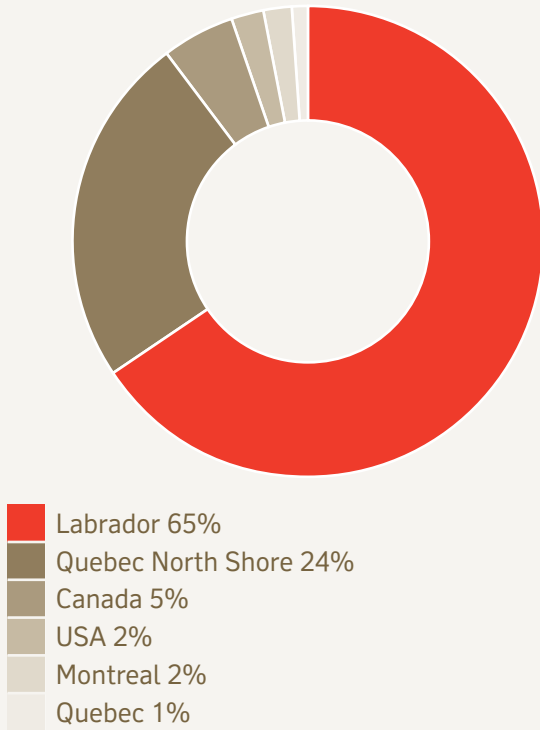
IOC 2007 statistics			
	2005	2006	2007
Employees			
Labrador City	1,256	1,350	1,451
Sept-Îles	477	511	484
Montreal	18	25	29
Salaries (including benefits)	\$187.0M	\$205.0M	\$202.0M
Employee training (employee hours)	38,822 h	35,308 h	39,810 h
Sales ¹	\$1,123M	\$1,062M	\$ 973M
Production ¹			
Labrador City mine production (calculated in tonnes of crude ore)	37.8 mt	39 mt	32.3 mt
Labrador City production of concentrate	16.2 mt	16.9 mt	13.9 mt
Labrador City production of pellets	13.3 mt	12.7 mt	11.3 mt
Terminal (number of vessels loaded)	226	231	195
Reserves and resources (saleable product tonnes) ²			
Ore Reserves	426.8 mt	415.5 mt	537.5 mt
Mineral Resources	1,433.0 mt	1,370.6 mt	1,449.4 mt
Community investments			
Contributions in education and community projects	\$ 2.2M	\$ 3.4M	\$ 3.4M
Taxes			
Municipal (grants, school taxes) Labrador City	\$ 4.4M	\$ 4.6M	\$ 4.6M
Municipal (grants, school taxes) Sept-Îles	\$ 3.9M	\$ 3.9M	\$ 3.8M
Provincial – NL	\$ 62.5M	\$ 70.0M	\$ 59.0M
Provincial – Quebec	\$ 3.3M	\$ 26.0M	\$ 18.6M
Federal	\$ 42.0M	\$175.0M	\$141.0M
¹ Impacted by a ten-week strike in 2007.			
² Reserves and resources expressed as Saleable Product tonnes (concentrate for sales + pellets).			
Source: IOC internal report “2007 Report of Ore Reserves and Mineral Resources”. Saleable product listed in the 2007 Rio Tinto annual report as approved for release by IOC’s Competent Persons: Tim Leriche P. Eng., Mark Blake P. Geo., and Andrew Knight P. Eng.			

The Rio Tinto Group's objective is to maximize its value and the long-term return to shareholders through a strategy of investing in large, cost competitive mines and businesses driven by the quality of each opportunity. Read through financial and production figures, which are reported through Rio Tinto's annual report at:

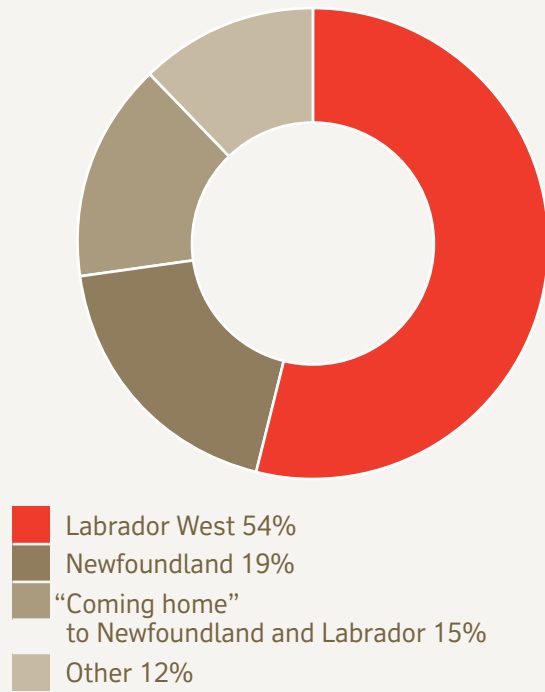
www.riotinto.com/annualreport2007/

Delivery ratio

90% of deliveries come from local vendors

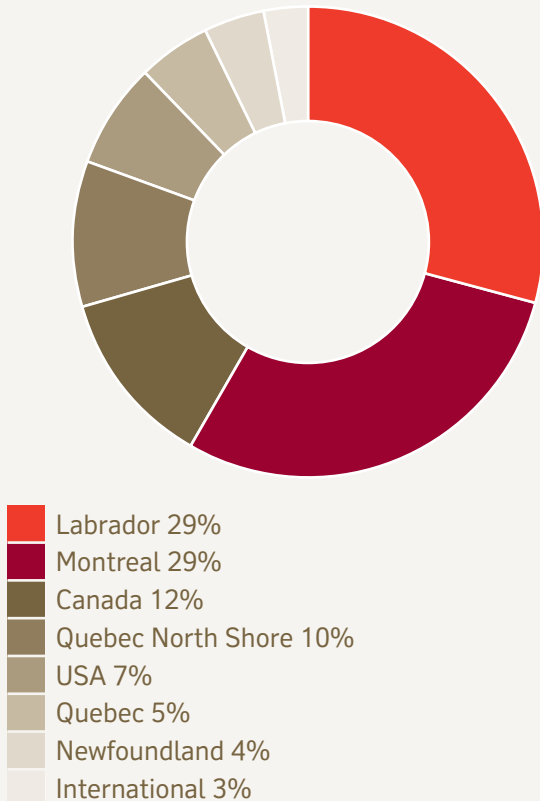


Source of Labrador City new employees, 2002-2007

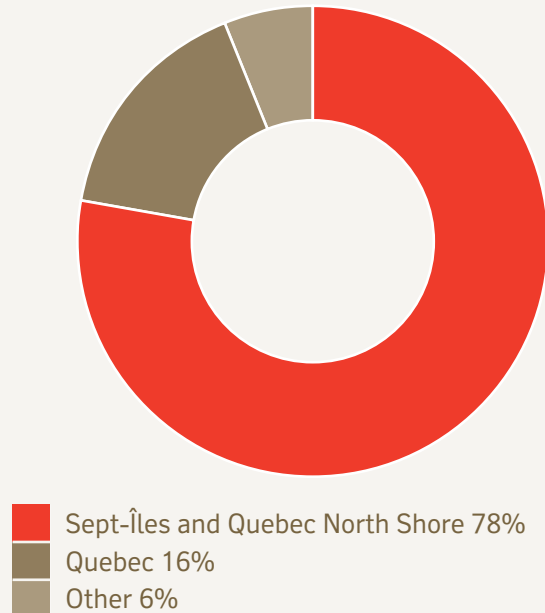


Order ratio

40% of all orders value goes to local vendors



Source of Sept-Îles new employees, 2002-2007



Additional information
can be found on IOC's website at
www.ironore.ca
and Rio Tinto's website at
www.riotinto.com

For inquiries or comments
on this Report, please contact:

Sept-Îles
Communications
& External Relations
Iron Ore Company of Canada
1 Retty Street
Sept-Îles, Quebec
G4R 3C7

Tel: 418 968-7400, #7655
iocrelationssi@ironore.ca

Labrador City
Communications
& External Relations
Iron Ore Company of Canada
P.O. Box 1000
Labrador City, Newfoundland
and Labrador
A2V 2L8

Tel: 709 944-8400, #8462
iocrelationslab@ironore.ca

Montreal
Communications
& External Relations
Iron Ore Company of Canada
1000 Sherbrooke Street West,
Suite 1920
Montreal, Quebec
H3A 3G4

Tel: 514 285-8413
iocrelationsmtl@ironore.ca

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