Mount Gibson Iron

2013 SUSTAINABILITY REPORT

MGX
Mount Gibson Iron Limited is one of Australia’s leading independent producers of high quality direct shipping grade iron ore products and an established force in the bulk commodities sector.

Head-quartered in Perth, Mount Gibson owns and operates three hematite iron ore mines in Western Australia – the Koolan Island mine off the Kimberley coast in the remote north-west of the State, and in the Mid West region, the Extension Hill mine in the Mount Gibson range south east of Geraldton, and the Tallering Peak mine, east of Geraldton.

The Company seeks to optimise the returns from its existing operations and grow long-term profitability through the discovery, development, participation in and acquisition of mineral resources.

To achieve these objectives Mount Gibson clearly understands that it needs to do the essential things well. Mount Gibson values provide the guidance required to ensure that progression occurs through a momentum of continuous improvement.

As an established exporter of direct shipping hematite ore, Mount Gibson has a clearly defined strategy to operate as a successful Australian supplier of raw materials to the global carbon steel market, providing sustainable, long-term returns to shareholders.

Mount Gibson is an active member and participant in the following industry associations:

- Association of Mining and Exploration Companies (AMEC)
- Chamber of Minerals and Energy of Western Australia (CME)
- Geraldton Iron Ore Alliance (GIOA)
- Australian China Business Council (ACBC)

Mount Gibson is committed to the discovery and development of mineral resources in a responsible manner with adherence to sustainability principles.
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Our approach to sustainability

Mount Gibson recognises that mining is a temporary land use and that high performance in the management of the impacts of its activities on the environment and communities in which it operates is essential to business success. Mount Gibson is committed to:

- compliance with all relevant state and federal legislation as a minimum
- continuous improvement and innovation
- high performance in environmental management, including minimisation of the Company's carbon footprint, greenhouse gas emissions, energy and water consumption, and protection of rare or declared flora and fauna
- recognition and protection of areas of special heritage and cultural value
- maintaining strong bilateral relationships with communities and other stakeholder groups with a view to creating shared value
- always behaving in accordance with the Company’s core values of Courage, Integrity, Safety, Agility and Respect.

About this report

This is our first sustainability report, which includes a summary of the Company’s structure, operations and performance and approach to managing the impacts of our activities.

PERFORMANCE AND HIGHLIGHTS 2012/13

- Record ore sales of 8.8 million tonnes
- Record sales revenue of $852.9 million
- Net profit after tax of $157.3 million
- $44 million returned to shareholders in dividends
- $54.1 million paid in corporate taxes
- $6.5 million in other taxes (FBT, payroll tax, stamp duty, land tax)
- $59.6 million paid in State government royalties
- $104.5 million paid in salaries, wages and other employee benefits
- $565.8 million in payments to contractors and suppliers, including:
  - $481.7 million to contractors and suppliers within WA
  - $77.1 million in the rest of Australia

Mount Gibson maintained its record of strong operational and financial performance in 2012/13, reflecting the Company’s ongoing focus on cost reduction and business optimisation. This focus delivered record sales and robust earnings in volatile market conditions.

In pursuit of improved performance, the safety and wellbeing of our employees is at the forefront of the way we work. Our performance on this front was mixed during the year and we are committed to achieving continuous improvement across our entire business.

As we align systems and efforts across our sites, new methods of engagement are being developed and implemented to improve sustainability performance. The foundations are being placed and our sustainability journey remains a work in progress and it is expected that significant improvement will show demonstrated results within the next reporting period.

Mount Gibson remains committed to operating in a responsible manner with regards to the environment and the local communities in our areas of operation.
Mount Gibson prides itself on developing and maintaining strong relationships with stakeholders to ensure clear, mutual understanding of the Company’s operations and impacts.

Consultation with customers, shareholders, our own employees and suppliers, landowners, Traditional Owner groups, regulators, local governments, interest groups and the broader community includes an ongoing program of engagement, site visits, briefings and reporting. Information gained from these relationships supports Mount Gibson’s understanding of the Company’s impacts and assists in our continuous improvement of overall performance.

Our approach to engagement has highlighted key areas of interest for our stakeholders.

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>HOW WE ENGAGE</th>
<th>KEY ITEMS OF INTEREST</th>
<th>OUR APPROACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Individual meetings&lt;br&gt;Annual Report</td>
<td>Product quality and delivery schedule</td>
<td>Mount Gibson employs a senior manager whose key responsibility is to liaise with major customers.</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Periodic reports and announcements&lt;br&gt;Annual Report&lt;br&gt;AGM&lt;br&gt;Investor briefings</td>
<td>Business performance and growth&lt;br&gt;Market fundamentals&lt;br&gt;Capital management&lt;br&gt;Corporate governance</td>
<td>Building our existing business remains a key strategic focus. We have created a robust platform to build long-term value for shareholders. We remain focused on extracting the most from our existing resources assets, optimising costs and maintaining our strong balance sheet.</td>
</tr>
<tr>
<td>Employees</td>
<td>Inductions&lt;br&gt;Discussion with supervisors&lt;br&gt;Toolbox meetings&lt;br&gt;Intranet, website, and email&lt;br&gt;Staff meetings&lt;br&gt;Internal newsletter&lt;br&gt;Employee survey</td>
<td>Training and development&lt;br&gt;Cultural and environmental awareness&lt;br&gt;Individual employment circumstances</td>
<td>We encourage open and ongoing dialogue with all employees to ensure that individual concerns are addressed. Formal career paths define training requirements for many roles. Specific training plans are developed through consultation and agreement between the employee and their manager. External training is often provided for personal development, trade and skills training, and relevant industry and subject matter conferences.</td>
</tr>
<tr>
<td>Landowners (pastoralists) and neighbours</td>
<td>Individual meetings as required&lt;br&gt;Annual consultation meeting (or more frequent if required).&lt;br&gt;Annual Report</td>
<td>Impacts to property&lt;br&gt;Access to water&lt;br&gt;Access to shared infrastructure&lt;br&gt;Environmental management</td>
<td>Mount Gibson has been diligent in responding to all stakeholder questions. Community Relations personnel and site managers manage these relationships.</td>
</tr>
<tr>
<td>Traditional Owners</td>
<td>Ongoing face to face liaison&lt;br&gt;Formal review meetings (up to four times per year with each group)&lt;br&gt;Annual Report&lt;br&gt;Annual Environmental Report</td>
<td>Protection of cultural heritage&lt;br&gt;Cultural awareness&lt;br&gt;Environmental management&lt;br&gt;Opportunities for training and employment</td>
<td>Mount Gibson maintains regular dialogue with Traditional Owners at each operation including formal review meetings throughout the year. Benefit Agreements are in place with each Traditional Owner group. Aboriginal Liaison Officers manage these relationships.</td>
</tr>
<tr>
<td>Regulators and government departments</td>
<td>Annual Environmental Report Management Plans&lt;br&gt;Briefings&lt;br&gt;Individual meetings</td>
<td>Adherence to Ministerial statements, operational licenses, environmental management plans</td>
<td>Mount Gibson actively promotes a proactive approach to communication and consultation with all key stakeholders. An Environment and Community Team is in place to manage this engagement.</td>
</tr>
<tr>
<td>Local government and local communities</td>
<td>Presentations&lt;br&gt;Site tours&lt;br&gt;Annual consultation meeting&lt;br&gt;Individual meetings&lt;br&gt;Annual Environment Reports&lt;br&gt;Annual Report&lt;br&gt;Website</td>
<td>Management of environmental impacts that affect community (noise, dust, light)&lt;br&gt;Road and infrastructure maintenance&lt;br&gt;Community investment</td>
<td>Mount Gibson actively promotes a proactive approach to communication and consultation with all key stakeholders. Community Relations personnel and site managers manage these relationships.</td>
</tr>
</tbody>
</table>
HEALTH AND SAFETY

Mount Gibson and our employees are committed to maintaining a safe work environment and taking responsibility for the safety of our colleagues and ourselves.

Constant concern for safety is demonstrated through hazard identification and our resolve to actively intervene to improve the safety of all tasks.

This detailed safety focus is important to embed a culture within the organisation that continues to drive improvements in behavior and safety statistics. In 2012/13, a new web-based system was implemented to record and report health and safety statistics enabling more effective document control, consistency between sites, accountability and transparency.

Risk registers were developed and external health and safety management systems audits were conducted across all operations.

In the locations where Mount Gibson has had an active ‘owner miner’ presence for an extended period, we are experiencing significant improvements in safe work practices and behaviours.

Exceptional safety results were achieved at Extension Hill with no Lost Time or Medical Treatment injuries during the period. Consistent improvements were achieved at Tallering Peak.

At our Koolan Island operation, alignment of management and systems continues from the previous ‘contractor miner’ operation. The increased transparency of data indicates ongoing work is required to align workplace culture to gain a significant improvement in results.

An updated and comprehensive program of safety training and system improvements has been implemented to lift performance and ensure a safe workplace at Koolan Island.

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### 2012/13 Safety results by site

<table>
<thead>
<tr>
<th>SITE</th>
<th>TRIFR</th>
<th>% CHANGE FROM 30/06/12</th>
<th>LTIFR</th>
<th>% CHANGE FROM 30/06/12</th>
<th>LTI</th>
<th>MTI</th>
<th>RWI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension Hill</td>
<td>3.41</td>
<td>-73%</td>
<td>0</td>
<td>-100%</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Tallering Peak</td>
<td>8.21</td>
<td>-32%</td>
<td>2.05</td>
<td>-50%</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Koolan Island</td>
<td>24.55</td>
<td>+59%</td>
<td>10.16</td>
<td>100%</td>
<td>12</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Geraldton Port</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rivudini (rail)</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Perenjori (rail)</td>
<td>8.56</td>
<td>+100%</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Perth Office</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>ALL</strong></td>
<td><strong>15.01</strong></td>
<td><strong>+38%</strong></td>
<td><strong>5.57</strong></td>
<td><strong>+63%</strong></td>
<td><strong>13</strong></td>
<td><strong>9</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

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**Notes:**

- **Total Recordable Injury Frequency Rate (TRIFR)**
- **Lost Time Injury Frequency Rate (LTIFR)**
- **Lost Time Injury (LTI)**
- **Medical Treatment Injury (MTI)**
- **Restricted Work Injury (RWI)**
Training
Throughout 2012/13, a range of initiatives aimed at injury prevention and promotion of a positive safety culture were implemented. Employee buy-in was encouraged through a strong focus on crew-based toolbox meetings.

At Koolan Island in particular, strengthening of policies, procedures and work instructions coupled with an emphasis on safety behaviour has been part of the drive to achieve and ensure a safe place to work.

Safety-oriented leadership training was provided for site leaders and a single integrated Health, Safety, Environment and Training department was developed for our operations on Koolan Island.

Emergency preparedness
Each site has an Emergency Management Plan, Emergency Management Team and an Emergency Response Team with medical, rescue and fire-fighting capabilities. A Company-wide Crisis Management Team operates from our head office.

Through regular training and scenario-based exercises, our teams are equipped to respond to emergency situations on site as well as in the communities where we operate, if and when our assistance is required.

At Koolan Island, our response capability also includes the capacity to respond to marine-based emergencies.

Local emergency services are well briefed on our response capabilities via our annual presentations to local government and volunteer services. In 2012/13, a site tour of Extension Hill was held for local bushfire, SES and ambulance service volunteers resulting in a shared understanding of capabilities. Members from the WA Department of Fire and Emergency Services also conducted a visit to Koolan Island as part of maintaining a shared understanding of capability and exposure.

The Emergency Response Team at Extension Hill has been able to positively respond to motor traffic incidents on the Great Northern Highway, which has been of great assistance to the emergency services in attendance.
Mount Gibson acknowledges that for our Company to be successful, our employees need to see the connection between Company success and their efforts, and believe that their contribution is valued.

Our leadership practices, reward and recognition program, and human resource systems and processes are focused on ensuring our employees understand their role responsibilities, how their work contributes to the business objectives and that their achievements are recognised and valued.

Remuneration practices are designed to be market competitive and to help attract and retain effective and committed employees.

Mount Gibson also aims to ensure employees have the opportunity to maintain a healthy work/life balance by supporting employees to develop a healthy lifestyle, make available flexible work options and review workloads and work rosters. Fulltime Work Fitness Coordinators are engaged within our Koolan Island operation.

All Mount Gibson employees and their families are provided with confidential access to trained counsellors to assist them to resolve work related or personal issues. This service is provided by the Company at no cost to the employee or their family.

Mount Gibson currently employs 599 people across all sites and the corporate office. The majority of our site-based employees are fly-in-fly-out or drive-in-drive-out workers who reside on site for the duration of their work roster.

### Employees by location

- **Koolan Island**: 52%
- **Head Office**: 8%
- **Geraldton Bulk**: 3%
- **Tallering Peak**: 20%
- **Ruvidini**: 1%
- **Perenjori**: 1%
- **Extension Hill**: 15%
- **Geraldton**: 1%

### Female personnel at MGX

- **Female employees in Mt Gibson**: 16% *
- **Female employees in executive and senior management roles**: 10% **21%**
- **Female Board members**: 0% **13%**

* In line with the mining industry female participation rate of 17% as reported by the Workplace Gender Equality Agency.
** There are no female members presently on the Board and no plans to increase the number of Board members at the present time.
Talent management
Ensuring our employees have the right skills and capabilities to perform their jobs effectively and have the opportunity to develop their careers is a key part of our human resources strategy. Mount Gibson supports the growth and development of our employees through education, work experience and development opportunities.

Diversity
Mount Gibson is committed to providing an environment where our people can grow and develop to reach their full potential regardless of gender and background.

The Company wishes to be recognised as an organisation that welcomes diversity and is committed to equality at all levels.

We are an equal employment opportunity employer and will treat all employees and potential employees fairly. Discrimination and harassment are not tolerated in our workplace.

During 2012/13, the Company established a diversity policy and this is now published on the Company’s website. The Board also set measurable objectives for achieving gender diversity during the period in accordance with the diversity policy and these are provided in the chart opposite (pg 8), together with performance.

Training and local employment
Mount Gibson aims to employ local people where the required skills and capabilities exist within the community.

To improve the ability of local people to secure employment on our sites, Mount Gibson provides a range of entry level roles, training programs and traineeship schemes.

This includes programs to facilitate training, employment and business opportunities for the Traditional Owners of the land upon which our operations are located.

University vacation employment
Mount Gibson provides employment opportunities for under-graduate university students each year during the summer vacation period. Students are able to experience the diversity of work in a range of fields including engineering, geology, surveying and environmental monitoring and management.

Whistleblower policy
Mount Gibson’s Board is committed to fostering a culture of corporate compliance, ethical behaviour and good corporate governance.

The Company’s Whistleblower Policy ensures its commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

This policy applies to directors, employees, and company contractors and their employees.
ENVIRONMENT

Mount Gibson utilises industry best practices to ensure that the natural environment is protected and responsibly managed in the areas where we operate.

Responsible environmental practices are essential to the Company’s operational and financial performance and to support our future access to minerals.

The 2012/13 period was one of significant achievements in the area of environmental protection and preservation. We have introduced a new Corporate Risk Policy that included development of a risk register for all operations.

Mount Gibson formed a dedicated internal Environmental Reporting Team to streamline and standardise the processes for tracking and reporting fuel consumption and energy production, data collection and verification.

Environmental audits were conducted during the year at all Mount Gibson operations, focusing on identifying potential gaps in the sites’ environmental systems to ensure regulatory compliance and enable the implementation of appropriate action plans.

Energy use

Across all operations, 1,672,518 GJ of energy was consumed during the year, primarily due to diesel combustion (99%) by the mining fleet and to generate power at each of the company’s mining operations.

Over the period, improvements to the tracking and recording of diesel fuel use have been implemented. Additionally, the introduction of remote operator terminals has enabled operators to better manage energy consumption by bringing standby generators on line when required and shutting them down when not in use.
Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions remains a topic of global importance and as an active member of our global community Mount Gibson remains committed to tracking, understanding and improving our use of potentially GHG producing substances.

The main generator of GHG for our business is the consumption of diesel fuel for power production or use by heavy mining equipment. Through targeted capital spending the Company has been able to improve the efficiency of power generation and consequently reduce consumption of diesel.

Improvements in operating and maintenance systems and practices ensure more efficient fuel consumption.

The total of Scope 1 and 2 GHG emissions from all Mount Gibson facilities for the 2012/13 reporting year was 111,755 tonnes (CO2-e) which represents an overall decrease of 23% from the previous year, reflective of a planned reduction in mining activity while sales from stockpiles were maximised. Given the extent of our mining activities and use of heavy machinery, diesel combustion is the largest source of GHG emissions from our operations.


Biogenic emissions comprised of wastewater resulting from the treatment of sewerage, totalled 7.58 tonnes for the 2012/13 reporting year.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GHG (tCO2-e)</th>
<th>ENERGY USE (GJ)</th>
<th>ENERGY PRODUCED (GJ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>144,305</td>
<td>2,167,945</td>
<td>79,390</td>
</tr>
<tr>
<td>2012/13</td>
<td>111,755</td>
<td>1,672,518</td>
<td>58,314</td>
</tr>
</tbody>
</table>
Water use

During the 2012/13 year, our total water use was 1,478,424 kilolitres (kl) including surface water reuse (533,426kl), groundwater abstraction (936,230kl) and purchased scheme water (8,768kl). Water is used primarily for potable purposes and dust suppression.

Over the period, there has been an increased level of focus on monitoring water usage and changing of processes to reduce usage, particularly at the rail stockpiles.

There are no permanent surface water bodies on any Mount Gibson site. Groundwater is the primary source of water for each site, including for the rail sidings where water is purchased for use in dust suppression. Geraldton Port facility uses local scheme water only.

Ephemeral surface water results at all sites as a consequence of rainfall, which is generally short lived. Rainfall is collected in pit and then abstracted and used for dust suppression on haul roads when and where practicable.

No water sources are in protected areas and none were significantly affected by Mount Gibson operations during 2012/13.

Production from one groundwater bore at Extension Hill was temporarily transferred to another bore to allow the source to return to pre-pumping levels. Minor drawdown was noted in most bores as predicted and it is fully expected bores will return to pre-pumping levels once abstraction has ceased.

The groundwater sources used by Mount Gibson are in excess of 80 kilometers from the nearest community and as such have no impact on local communities. The groundwater abstraction programs have not impacted local station owners around the Mid West sites.

Monitoring of stygofauna (any fauna that lives in groundwater systems or aquifers) occurs at all sites. These monitoring programs have noted that the number and diversity of species are limited. In addition the studies have not identified any impact on these species.

Water use by source - all sites

Dust emissions

Mount Gibson manages fugitive dust through a combination of dust monitoring, mobile/fixed water sprays and chemical dust suppressants.

When loaded, the Company’s haul trucks can weigh up to 200 tonnes. This significant weight on dirt roads quickly dries out the surface and can result in dust emissions. Water and chemical dust suppressants are applied to haul roads by large water tankers to reduce the emissions caused by these trucks and other large mining equipment.

Noise emissions

All equipment on our mine sites is regularly tested to ensure it meets the legislative requirement of noise levels less than 85dba. Whilst our mine sites are a considerable distance from our nearest neighbours, the Company undertakes regular monitoring of noise and dust to ensure compliance with applicable legislation.

Effluent and waste

Effectively managing water on our sites remains a priority for Mount Gibson. Throughout the year, there were no unplanned discharges of water from any of our operations. In pit supplies of fresh water are abstracted and reused for dust suppression wherever possible.

Previous Koolan Island site owner, BHP, removed the rock barrier between the sea and the pit allowing seawater to enter with each tidal change. Late in the preceding financial year, Mount Gibson completed construction of a seawall to separate the pit from the ocean.

Seawater was returned to the ocean via a sediment pond to decrease the water turbidity to below the licensed level. This work was completed under approvals from the EPA, DER and DMP.

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1 Surface water volumes are estimated by the number of water truck fills collected. Groundwater abstraction volumes are metered and the Geraldton Port data accessed from invoices.
Across all sites during the year, Mount Gibson mined 22,321,000 tonnes of waste rock and 5,808,000 tonnes of ore.

All waste materials including overburden, rock and tailings are stored in approved mine waste storage areas adjacent to the mine pits. Once a mine waste storage area is complete, it is shaped to appropriate slope angles, deep ripped to remove compaction and minimise erosion, thereby creating stable landforms. Finally, it is seeded with native provenance seed.

**Incidents**

There were eight environmental incidents that were classified as significant across the Mount Gibson operations during the 2012/13 year.

Five of these incidents were hydrocarbon spills within cleared operational areas. Contaminated soil was relocated to the on-site land farms for bioremediation.

An overflow incident from a sewerage treatment plant occurred however the spill material was immediately covered with lime to eliminate any contamination and prevent any potential health impacts before being removed to the waste disposal facility.

Two non-compliances with license conditions were recorded. One resulted from a faulty discharge meter at the sewerage treatment plant inhibiting our ability to accurately determine and report the volume of discharge. In the second instance, the water discharged from a mine pit settlement pond briefly exceeded the licence reporting limit of 20 mg/L of Total Suspended Solids.

The total volume of non-hazardous waste that was placed in landfill facilities on-site, was 1,786 tonnes during 2012/13.

Scrap steel is sold and recycled offsite. Used tyres are recycled where applicable or buried on-site as per the Company’s Site Licence Conditions. Waste lubrication and cooking oils are sent off site for recovery and/or disposal.
Biodiversity
There have been no measurable impacts on protected areas or areas of high biodiversity value as a result of Mount Gibson’s operations during the 2012/13 period.

The Koolan Island mine site is situated on the North West corner of King Sound in the West Kimberley region of Western Australia. The Camden Sound Marine Park north of Koolan Island was created in June 2012.

Camden Sound and the area within the Marine Park are the northern calving grounds for the humpback whales that annually migrate north from Antarctic waters, along the WA coast.

The four marine monitoring surveys conducted during the reporting year indicated that the marine environment surrounding Koolan Island was not being impacted by mining activity.

In addition, the exotic marine pest survey found no exotic pests in the marine environment surrounding Koolan Island.

Koolan Island is home to the Northern Quoll, which is listed as an endangered species under the Environmental Protection and Biodiversity Conservation Act 1999. The frequency of the monitoring regime was increased in an effort to better understand seasonal variations such as changes in health and mass, life span, offspring gender and survival, and population structure.

The 2012/13 Annual Northern Quoll Populations Survey showed an increase in population to numbers above the 2006 baseline survey.
The coastal waters around Koolan Island are popular nursery areas for whales and their calves. During any seismic blasting activities, Mount Gibson personnel monitor the area from the site lookout. Blasting is deferred if whales are present.

The Extension Hill mine, 350 kilometres north east of Perth in the Mid West region, is located near to a number of Bush Forever sites. Such areas of bush land contain vegetation that is either a remainder of the natural vegetation of the land, or if altered, is still representative of the structure and floristic of the natural vegetation, and provides the necessary habitat for fauna.

Annual monitoring of the health status of two Declared Rare Flora (DRF) species – Darwinia masonii and Lepidosperma gibsonii – was conducted during the year by external consultants at our Extension Hill site. To support this activity, additional environmental factors such as dust, wind, rainfall and groundwater are also regularly monitored. There have been no recorded detrimental impacts due to mining activities detected to date in the regular weekly and monthly visual assessments of these species.

A Malleefowl Mound Monitoring Survey is conducted once every breeding season, and this was undertaken during November and December 2012. A total of 10 mounds were recorded as being active. Mount Gibson communicates regularly with the North Central Malleefowl Conservation Group to remain abreast of any new developments or improvements in Malleefowl conservation practices, and regularly promotes awareness on site of the plight of the bird through various media including inductions, photographs, signs and site notices.

Biodiversity offsets

Biodiversity offset payments associated with approvals from the Department of the Environment (DoTE, previously DSEWPaC) were made to the Department of Parks and Wildlife (DoPArW, previously DEC) to fund the implementation of recovery actions related to the Kimberley region and island populations of the Northern Quoll Dasyurus hallucatus.

Wild passionfruit (Passiflora foetida) is a weed species that is widespread throughout the Kimberley region of Western Australia. Mount Gibson contributed to an offset program with Department of Parks and Wildlife (DoPArW, previously DEC) and CSIRO to determine an appropriate control that would reduce the extent of the weed. We are working in collaboration with CSIRO scientists to undertake the research.

Mount Gibson also provided funding to Bush Heritage Australia, Pindiddy Aboriginal Corporation and Australian Wildlife Conservancy for a variety of biodiversity offset projects including fire management, weed control, erosion control, introduced fauna management and the promotion of cultural and environmental values of the area.
Rehabilitation and mine closure

Mount Gibson has an agreed end land use for all of its sites. Progressive rehabilitation using native species is conducted at all sites in accordance with those final land uses.

Rehabilitation of 79.3 hectares was conducted at Tallering Peak during the period. Limited rehabilitation was conducted at Extension Hill and Koolan Island as disturbed areas remain active with mining operations.

Rehabilitation planning at Koolan Island is currently focused on determining the appropriate soil and vegetation associations with native species to identify those most appropriate for use.

A specialised seed storage facility was constructed at Koolan Island for the storage of native seed collected on the island to be used in the rehabilitation program.

Once complete, Tallering Peak will be released back to the pastoralist. The key focus of rehabilitation at Extension Hill will be a self-sustaining ecosystem on stable landforms. Koolan Island will be returned to the government for subsequent use by the Traditional Owners.

Land disturbance and area of rehabilitation by site

<table>
<thead>
<tr>
<th>SITE</th>
<th>TOTAL DISTURBANCE (HA)</th>
<th>NEW DISTurbance (HA)</th>
<th>NEW REHABILITATION TO AGREED END USE (HA)</th>
<th>TOTAL DISTURBANCE NOT REHABILITATED (HA)</th>
<th>TOTAL CLEARING ALLOWANCE (HA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koolan Island</td>
<td>499.3</td>
<td>45.4</td>
<td>8.6</td>
<td>536.1</td>
<td>650</td>
</tr>
<tr>
<td>Extension Hill</td>
<td>212.9</td>
<td>2.6</td>
<td>1.3</td>
<td>214.2</td>
<td>246</td>
</tr>
<tr>
<td>Tallering Peak</td>
<td>372.85</td>
<td>18.27</td>
<td>79.32</td>
<td>311.8</td>
<td>391.12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1085.05</td>
<td>66.27</td>
<td>89.22</td>
<td>1062.1</td>
<td>1287.12</td>
</tr>
</tbody>
</table>

Data for Tallering Peak and Extension Hill is for the 12-month period to 31 Oct 2012.
Data for Koolan Island is for the 12-month period to 31 Dec 2012.
These periods are as per the AERs prepared for government.

During 2012/13, detailed third-party mine closure cost estimates and decommissioning plans were developed for each of the sites. These cost estimates build on previous desktop and high level cost estimates and will enable Mount Gibson to better plan for the rehabilitation of our sites at the end of mine life.

Following the recent release of the West Australian government’s new guidelines for Mine Closure Planning, the Tallering Peak Mine Closure Plan has been submitted to DMP and approved. The Koolan Island revised Mine Closure Plan has been submitted and is currently awaiting approval. The Extension Hill Closure Plan is currently being upgraded and will be submitted for approval early in 2014.
COMMUNITY

Mount Gibson values the relationships we have with our communities. We understand that our operations bring change as well as new opportunities for local people.

In each area of our operations, we work to maintain open and transparent communication with our neighbours, Traditional Owners, nearby communities, local governments authorities, local businesses, community groups, regulators, suppliers and contractors.

Our consultation program involves a range of activities that provide opportunities for stakeholders to obtain current information about our operations and our activities within the community.

Aboriginal communities
The Traditional Owners of the land upon which our operations are located, are valued members of our stakeholder group. The Company has a very active Traditional Owner consultation program that ensures a high level of communication, respect and shared understanding is maintained. Mount Gibson has formal access agreements with the following groups:

- Dambimangari – Koolan Island
- Mullewa Wadjari – Tallering Peak
- Wajarri Yamatji – Tallering Peak
- Badamia – Extension Hill
- Widi – Between Extension Hill and Geraldton Port

These agreements ensure there is mutual benefit from the existence of our operations and include commitments from Mount Gibson relating to protecting cultural heritage, cultural awareness training, employment programs, environmental management actions, opportunities for Aboriginal businesses to supply the project and financial payments.

An annual program of meetings and review exists with each of the Traditional Owner groups including up to four formal meetings. These meetings are complemented by ongoing liaison and communication to ensure a strong and trusting relationship is maintained.

Aboriginal Liaison Officers are employed by Mount Gibson to manage and maintain strong working relationships with the Traditional Owner groups.
Consultation

Mount Gibson acknowledges the importance of keeping the community informed of our activities and any changes to our operations. Our ongoing consultation programs continually assess potential impacts and strategies for mitigating those impacts.

Social Impact Assessments were undertaken for our Mid West mine sites and Charles Darwin University conducted a similar assessment of the Koolan Island operations for the Dambimangari people. Since commencement of operations, regular reviews are conducted to ensure new stakeholders are included in our consultation program.

A formal tripartite community consultation program has been implemented for the Mid West mine sites, which includes an annual meeting of representatives from government, the community and Mount Gibson.

These formal meetings allow Mount Gibson to be a partner in the consultation process and provide a forum for the community to discuss matters of interest or concern. Community members provide direction on the topics they would like covered for each meeting and typically this includes environmental management, mine closure, water use, community investment and access to infrastructure such as groundwater bores.

Two formal meetings were held during the period, including a bus tour of the Tallering Peak mine site for community stakeholders. The Extension Hill Community Consultation program was updated to the new standard with a meeting held in May 2013, and this process will flow on to Koolan Island later in 2013.

Ongoing consultation occurs with our key stakeholders including presentations, briefings, site tours, and informal interaction on a regular basis. Regular liaison with local governments in our areas of operation is maintained.

During the year, Mount Gibson participated in a number of community events including the Perenjori Show and North West Expo in Broome, with displays and information about our sites and activities.

Complaint management

A formal Complaint Management Procedure exists to ensure that any grievances raised with Mount Gibson are appropriately investigated and addressed. During 2012/13 there was only one complaint received relating to rail noise.

A visit was conducted to the complainant and the complaint was subsequently referred to the relevant rail companies.
Investing in our communities

Contributing to the social, physical and economic wellbeing of the communities where we operate is important to Mount Gibson.

Our Company acknowledges that we have a corporate responsibility to support local projects and activities that contribute to stronger, more sustainable communities.

Mount Gibson is a major economic contributor to communities at a local, state and national level, both directly and indirectly, as a result of its operating activities.

In 2012/13, the Company paid:
- $54.1 million in corporate income taxes,
- $6.5 million in other state and federal taxes,
- $59.6 million in State government royalties,
- $104.5 million in salaries, wages and other employee benefits, the vast majority of which was to WA-based residents.

The Company is also a major supporter of local and Australian businesses, spending $565.8 million on payments to contractors and suppliers in 2012/13, including:
- $481.7 million to contractors and suppliers within WA, and
- $77.1 million in the rest of Australia.

In addition, the Company makes substantial direct contributions to the communities in which it operates.

In 2012/13, Mount Gibson contributed $536,099 in direct contributions towards community infrastructure, events, and community development projects. These contributions are separate from support provided to

Traditional Owner groups in accordance with access agreements for the Company’s mining operations.

Community Benefit Agreements have been established with three local government authorities, providing a pool of funds each year that can be accessed by community groups to support local projects in the areas of health, sport, youth, education and the arts.

Representatives from the community, the Council and Mount Gibson form a committee that considers all applications for support. This model enables the community to identify and progress its own priority projects with the financial support of Mount Gibson.

During 2012/13, $240,000 was invested into the Community Benefit Funds administered by local governments in our areas of operation. Projects and organisations supported included St John Ambulance, sporting clubs, festivals and art awards.

A Community Investment Team has been established by Mount Gibson to consider and implement a range of community partnerships and donations to projects and events in the Mid West and Kimberley regions, in addition to those funded through the Community Benefit Agreements.

Contributions approved via the Community Investment Team assessment process totalled $96,099 in 2012/13. Recipients of funding through this scheme included Aboriginal art and literacy programs; major community events in Mullewa, Perenjori and Derby; student camps and sporting programs; and employee-initiated fundraising events for men’s health programs.

Direct community contributions

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<th>2011/12</th>
<th>2012/13</th>
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<td>Direct community contributions</td>
<td>$586,235</td>
<td>$536,099</td>
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Distribution of contributions 2012/13

- Community infrastructure 37%
- Community Benefit Funds 45%
- Social welfare 1%
- Sport 2%
- Youth 1%
- Arts 3%
- Education 4%
- Events 4%
- Health 3%

Mount Gibson Iron Limited Sustainability Report 2013
**Stepping Stones**

Mount Gibson has a strong focus on supporting businesses and local employment in Derby, given the town’s proximity to our Koolan Island operations.

DWA Industrial Resources is a Derby-based engineering company providing a wide range of services to the mining and construction industries including the regular supply of boilermakers and other trades for construction and maintenance programs on our Koolan Island site.

In 2009, we relocated our drill bit sharpening process from the island to DWA’s premises in Derby, to be established as a training facility.

The facility provides on-the-job training and immediate employment opportunities for local Aboriginal people.

DWA have implemented a holistic approach to support these new employees including assistance with establishing bank accounts and preparing general documentation required to gain employment. Typical industry workplace practices such as pre-start alcohol testing are conducted each day at DWA.

Once consistent work attendance and performance is demonstrated, DWA advises Mount Gibson and these employees are then considered for the next appropriate island-based role.

This component of the Company’s Aboriginal employment strategy is the first step in the “Stepping Stones” process.

Mount Gibson provides a range of entry level roles, training programs and traineeship schemes.
GOVERNANCE

The Company believes that its practices are consistent with the ASX Recommendations.

Mr Barwick is currently the Chair of this Committee.

The ORSC meets at least four times during a financial year and its specific responsibilities include:

- Assisting the Board to monitor and understand the Company’s business and operations so as to assess if operating risks and sustainability actions are being managed;

- Monitoring operational risks and sustainable performance associated with occupational health and safety, environment, development, community and stakeholder relationships, human resources management and optimisation, legal and regulatory compliance, geological resources and reserves, mining, geotechnical, transport and infrastructure, marketing and business risk; and

- Reviewing and reporting to the Board as to whether the risk management program is operating effectively, including identification of risk, management of risks, remedial actions for areas of weakness, and auditing processes.

Board Composition

As at the date of this report the Company has eight Directors. All are Non-Executive Directors, including the Chairman.

Board composition, size and structure will be reviewed annually to ensure that the Non-Executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Company. The skills, knowledge and experience, which the Board considers to be particularly relevant, include qualifications and experience in the areas of mining, engineering and project management, accounting and finance, commodities, mergers and acquisitions.

The Company’s Board is committed to protecting and enhancing shareholder value and conducting the Company’s business ethically and in accordance with high standards of corporate governance. In determining those standards the Company has reference to ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (2nd edition with 2010 amendments – “ASX Recommendations”).

Operational Risk and Sustainability Committee (ORSC)

The ORSC was established during the 2012 financial year as part of the Company’s governance review and in particular to enhance the risk management process for the Company in respect of operational matters. The ORSC is currently comprised of Russell Barwick, Paul Dougas, and Chen Zhouping.