

The

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VALE INCO NEWFOUNDLAND & LABRADOR LIMITED



President's Message

Operations at the Voisey's Bay Mine and Concentrator site have been extremely successful, with exceptional business performance, growing aboriginal participation and a truly innovative winter shipping program. Production in Labrador has achieved 'steady state' and we are now examining ways to continuously improve what is already an outstanding operation. We are also continuing our exploration drilling program, to better understand the technical challenges in developing other resources at Voisey's Bay.

We devoted a considerable amount of effort on R&D, engineering and environmental

planning to support construction of the commercial nickel processing plant in Long Harbour. These activities will continue to be at the top of our agenda in 2008. This edition of The Gossan provides an update on the progress of the commercial plant, with information on engineering and project planning, environmental impacts and socio-economic benefits.

Bob Cooper

Vale Inco Newfoundland & Labrador Limited



VALE INCO

Our commitment to sustainable development



Vale Inco Newfoundland & Labrador Limited (Vale Inco NL) plans to develop a commercial nickel processing plant in Long Harbour, to support mine and concentrator operations in Voisey's Bay, Labrador.

The commercial nickel processing plant will be developed using one of two technologies. The preferred technology is hydrometallurgical processing (or hydromet), a new process that was tested at the hydromet demonstration plant in Argentina. Hydromet is preferred because it is a more energy efficient process, produces fewer air pollutants and increases metal recovery. If it is determined that hydromet is not technically or economically feasible, the commercial plant will use a more conventional, matte processing technology.

Vale Inco NL is committed to the principle of sustainable development during all phases of development and operations of the project.

In order to succeed, sustainable development must balance the need for economic activity today, with good stewardship in the protection of human health and the natural environment for future generations.

From the outset of planning for this project, we have gathered a considerable amount of valuable environmental information from a detailed analysis of numerous baseline studies. This system is the foundation upon which our company has developed policies, management decisions, technical designs, equipment selection, and detailed work procedures for the project.

The company has prepared an environmental, health and safety policy which outlines our commitment to environmental protection.

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Accountability for safety and environmental protection is shared among all employees, and the company is committed to provide the necessary technical and professional support. Employee training and awareness will be a priority for the effective implementation of strong environmental policies and performance.

The company has achieved significant success in gender diversity at the hydromet demonstration plant, where women represent 34 per cent of the workforce. This level of success will inspire us as we work to meet employment targets at the commercial nickel processing plant.

Long Harbor commercial nickel processing plant

The project entails the construction and operation of a commercial nickel processing plant and supporting infrastructure on the south side of Long Harbour, Placentia Bay. There are two key areas of infrastructure development at the site, including the process plant complex on the upper tier, and the storage buildings, laydown areas, pier and offloading systems on the lower tier.

The upper tier is a 'greenfield' area with no previous development, while the lower tier – partially the site of the ERCO phosphorus plant – is a 'brownfield' site. The lower tier will be connected by pipelines and access roads to the plant site on the upper tier.

A pre-feasibility study was completed in 2007, in which conceptual plans for the project were developed. This was followed by phase two engineering, in which concepts were further developed, work scope more clearly defined and any remaining analysis completed. Much of the engineering work completed in 2007 was supported by technical knowledge gained from the hydromet R&D program. However, a decision on process – hydrometallurgy versus conventional matte – will not be made until we have analyzed all of the data gathered

during the R&D program. We expect this analysis to be completed in the coming months. Both technologies would have a production capacity of approximately 50,000 tonnes of nickel per year. In order to meet project deadlines as set out in the Development Agreement, we are seeking environmental approval of a plant using either of the two processing technologies.



An owner's team is being assembled to oversee construction, which will be executed by engineering and construction contractors. Construction is expected to begin pending release from the environmental assessment process and after all necessary approvals and permits are in hand. Construction is scheduled to be completed in late 2011.

Update on environmental assessment for commercial nickel processing plant



Vale Inco NL is committed to developing and operating the commercial nickel processing plant in an environmentally responsible manner by using sound engineering and environmental practices.

In November 2007, the company submitted its Environmental Impact Statement (EIS) to the federal and provincial governments. The initial review has been completed and the company is preparing a response to the Minister's requirement to address specific issues. This submission will be available in late March, and a decision on the EIS will then be made by government following a further period of review and public input.

"Under the environmental assessment process, Vale Inco NL describes the surrounding environment and provides a detailed description of the proposed development," said Earl Dwyer, Manager of Environment, Health and Safety. "Impacts are then predicted and mitigation plans developed. Following release from environmental assessment, monitoring plans

will be developed that will verify whether the impacts from the operation are as predicted in the assessment."

The EIS represents several years of field research, data modeling and analysis to identify and address potential impacts of the commercial plant. Vale Inco NL will comply with regulatory requirements and company health, safety, environmental and social responsibility management systems, standards, codes of

practice and guidelines throughout all phases of the project, from construction to operations to eventual decommissioning.

Long Harbour is a relatively sheltered portion of Placentia Bay, which is home to a diverse and productive ecosystem. The land in the project area is comprised of acidic soil, heathland, rock outcrops and small wetland areas. It is home to a variety of wildlife, including moose, fur bearers and small mammals. Impacts are anticipated to be minimal for all species.

Brook trout are the most common freshwater fish species in the area with some American eel, Arctic char and rainbow smelt. It is proposed that Sandy Pond be developed for residue containment. Special care will be taken to prevent contamination of surface and ground water, to ensure that it does not escape into surrounding waterways or into the marine environment. Vale Inco NL will capture and relocate the fish from Sandy Pond, subject to DFO approval, and will also

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develop a fish habitat compensation plan to compensate for any habitat loss attributable to the project.

Impacts on marine life are not anticipated to be significant. Any effluent discharged into the sea will meet regulatory criteria, and the outfall area will be located in 50 to 70 metres of water. There will be an environmental effects monitoring program in the marine environment to confirm the impact predictions.

There are about 40 species of birds in the study area, including songbirds, raptors (osprey, bald eagle) and waterfowl (black duck). Seabirds are common in the Placentia Bay area, though there are no breeding colonies within Long Harbour. The noise and dust activity associated with construction and operations may affect the birds, though no significant impacts are anticipated. Seabirds are vulnerable to accidental events, such as an oil spill, and Vale Inco NL has designed contingency plans and mitigation measures to prevent or respond to such incidents.

Special attention was paid to species at risk to establish whether any individuals or critical habitat are present in the project area. The only possible species which may be present include wolffishes, red crossbill (a songbird) and the boreal felt lichen.

As few as six trees containing the lichen may have to be removed during site preparation work. In such cases, transplants will be attempted to preserve all of these specimens.

There are no significant negative impacts anticipated for the wolffish and red crossbill as a result of construction or operations.

Air emissions during construction and operations are anticipated to be low. During construction, minor amounts of vehicle exhaust and dust will be controlled through dust suppression and the use of exhaust controls.

All emissions, effluents and residues will be monitored regularly to ensure that they meet applicable criteria.

When the project eventually ceases operations, the site will be properly decommissioned and reclaimed so that the use of the area by others can resume. The only area that will remain permanently altered will be the residue deposition pond, which will remain and be monitored as necessary.



Vale Inco NL is committed to responsible development. The environmental effects of the project, the significance of those effects and applicable mitigation measures have been identified and considered. Any effects can be mitigated, safely and effectively, with existing technology and knowledge.

Benefits to the province will be substantial



Vale Inco NL is applying a set of employment and business principles to guide it through the planning, construction, operations and decommissioning phases of the commercial plant project. The philosophy is to seek optimal benefits in Newfoundland and Labrador, in terms of direct employment and procurement expenditures.

The company has conducted extensive research into socio-economic impacts that may occur in Long Harbour and the surrounding region, as a result of construction and operations of the commercial nickel processing plant.

“Our research and previous experience tell us that, if managed well, major industrial projects have substantial positive economic effects on adjacent communities,” said Bob Cooper, President of Vale Inco NL. “Any negative effects on the socio-economic environment have generally been minor and of short duration.”

Construction and operations of the hydromet plant are expected to create about 12,000 direct person-years of employment within

the province, and approximately \$1.4 billion in direct employment income. Construction and operations at the matte plant would create approximately 11,000 direct person years of work, while generating approximately \$1.2 billion in direct income from labour.

During construction, it is anticipated that about 85 per cent of employees will hail from Newfoundland and Labrador, for either the hydromet or matte plants. This number is expected to rise to 95 per cent during operations.

It is estimated that indirect employment for the hydromet plant, through firms supplying goods and services to the project, will be approximately 14,000 person-years over the life of the project. For the matte technology, indirect employment will be approximately 12,000 person-years.

As well, there will be induced employment as wages earned directly and indirectly by workers and businesses circulate through

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the economy. Construction and operations for hydromet technology are expected to generate an additional 8,700 person-years of induced employment. The matte technology would create an estimated 7,400 person-years of induced employment.

The Government of Newfoundland and Labrador will also benefit substantially. Over the life of the project (mine, mill and processing), the provincial treasury is expected to receive up to \$2.8 billion in increased tax revenues.

The provincial Gross Domestic Product will increase by up to \$20 billion over the life of the project, including mining and concentrating activities in Labrador.

While preference will be given to workers from nearby communities, it is anticipated that a portion of the construction labour force will hail from outside of the region. For this reason, accommodations for up to 500 workers will be built near the site. Because of its proximity, the Long Harbour/Placentia area is expected to see the highest level of business activity as a result of the project.

Labour availability is a potential concern during the construction phase, said Human Resources Manager Wayne Scott. "The labour market for skilled trades in Canada is currently facing a shortage," he explained. "Vale Inco NL will work closely with contractors and building trades unions to identify and build a qualified, skilled workforce from within the province."

The company has engaged in extensive communications and community consultation efforts with stakeholders, including community open houses in

Long Harbour, Whitbourne, Ship Harbour and Placentia to discuss social and environmental issues, as well as vendor information sessions at locations across the province to ensure that companies are positioned to take advantage of procurement opportunities.

As part of its commitment to maximize opportunities for people in adjacent communities, Vale Inco NL has focused considerable effort on schools and educational programs in the region.

"Our objective is to inform students of job opportunities and career paths in the mining industry, and to reinforce the need for students to continue their education in order to qualify for project-related employment," Scott said.

The company has established an information centre in the local area, advertised widely throughout the province and set up a response system aimed at answering questions about the project. Vale Inco NL will maintain consultation with governments, business operators, interest groups and citizens of the area, as it continues its communications efforts to provide timely information on all opportunities related to this project.



Demonstration Plant closure

In mid-February, the company announced that the demonstration plant would cease operations as of June 30, 2008. The original plan for the demonstration plant was to operate the facility for two years to complete the final phase of the hydromet R&D program. The original R&D program is now complete. The demonstration plant team is currently



completing additional work that is necessary to support the completion of the Commercial Plant feasibility study. This additional work allowed us to extend operations at the demonstration plant for six months beyond the original closure date of December 2007.

Having made the decision to cease operations in June, the priority is to find opportunities within the Vale Inco family that will help the demonstration plant team build on their experience and skills. To do that, a transition program is in place that will see some employees joining the Commercial Plant project team and others will be given a

redeployment opportunity to support Vale Inco's operations elsewhere. A financial support program is also in place which employees may choose to use should they want to broaden their educational capabilities and strengthen their skills during the transition.

Prior to the start of commercial operations, the demonstration plant will be used as a training facility to help prepare the operations team for the start-up and commissioning of the commercial plant. The demonstration plant team will be brought back together to support that training as we prepare for commercial operations.

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