

SMC News

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LAST DAYS OF KOOLANOOKA

Tony Cheng
Managing Director

Welcome to this edition of SMC News which sees the closure of our historic first mine Koolanooka in Morawa, and preparations well under way for the opening of our Blue Hills operation in Perenjori at the end of the year.

It has been an interesting year so far with a number of unique challenges and opportunities. Thankfully we are finding more opportunities as we prepare for Blue Hills as the iron ore price remains steady and the Aussie dollar lower in the international market.

The planned closure of Koolanooka after three and a half years leaves behind what we hope is a positive legacy for the people of Morawa and its surrounds with a Community Development Fund that has been going strong and will continue to provide opportunities for funding of local projects. We look forward to setting up a similar fund in Perenjori as our operations at Blue Hills ramp up.

There continues to be a lot of talk about China and the slowing of the rate of growth. It was refreshing to see that some analysts are now taking a more positive view, and as I speak today we are seeing an impressive peak record of iron ore exports to China from the North West.

Of course our focus is the emerging Mid West Iron Ore province, and we are very pleased that the Karara Magnetite operation has commenced and is exporting from its own purpose built facility at Geraldton Port. I was fortunate to attend the official opening of the Karara mine earlier this year – it marks a significant milestone for the Mid West Iron Ore industry, and one that the Karara team should be very proud of.

In this edition we will let you know what we have busy with in the last year and what we have to look forward to. Please enjoy this edition of SMC News.



**A last visit by GIOA
Local Government tour.**

The planned closure of Sinosteel Midwest Corporation's (SMC) Koolanooka operation at the end of June marked a significant milestone for an iconic mine in the Mid West.

"Unfortunately Koolanooka's time was up. We began mining in April 2010 with a three year mine life – we've even managed to squeeze out an extra two months." said GM of Operations, Scott Whitehead.

"This mine has been a great training ground for our employees, and we're pretty proud of the way we have maximized the asset and now leave the area in an even better condition than we found it."

The significant Koolanooka rehabilitation efforts have been done progressively over the life of the mine, and have also been informed by an innovative research 'Green Rewind' program partnered with the Kings Park Botanic Gardens & Parks Authority (KPGPA) Science Directorate.

Total production for the SMC Koolanooka mine was just over four million tonnes, however more than five million tonnes were exported under a former regime.

The Sinosteel Midwest Corporation (SMC) owned asset has played an interesting part in the history and development of the Iron Ore Industry State wide, having been the first exporter of iron ore in the State when a WMC Joint venture exported to Japan in the late 60's.

After all this time is it really all over for Koolanooka?

"We believe that Koolanooka does have magnetite potential, but we have not defined the resource. Given the current economic climate it is unlikely that we will be pursuing a project in the near future.

"Of course in the mining game, we 'Never Say Never'," said Scott.

"However our focus is now on the transition to our Blue Hills operation in the Shire of Perenjori which is due to start mining later this year."

"We hope we have also played our part in the Morawa community, and we would like to thank the Shire and all community members for their support over the last few years. It's a great little town." And one that Scott still lives in!

WHAT THEY SAID...

"The reopening of the Koolanooka mine by SMC provided a tremendous fillip to Morawa and broader regional communities. SMC, as an organisation, has provided tremendous support to the local Morawa community, both in terms of buy local commitments and through the establishment of an extremely successful community fund for local groups. This fund was particularly important during some of the drought years that the community experienced.

The Shire of Morawa and SMC also entered into a partnership agreement for the successful sale and export of low grade iron ore fines owned by the Shire and located on site at Koolanooka. This proved to be a very profitable joint venture between the respective entities, which ultimately resulted in funds being leveraged to gain access to additional funding for key community infrastructure projects such as additional Aged Care Units in Morawa and a major refurbishment to the Greater Morawa Sports Ground Facilities."

Gavin Treasure

FORMER CEO Morawa Shire
(Currently Chief Executive Officer
Mid West Development Commission)

"The Sinosteel restoration research project is the largest of its type in the Mid-West and will set a benchmark in excellence both in the calibre of the science and the environmental benefits of the research to the company and the region. This is also the first program in Australia to attempt restoration of a complex and biodiverse ecological community leading to broader restoration benefits for the State and beyond as well as providing outstanding training opportunities for early career scientists and research students working on the program."

Kingsley Dixon

Director, Kings Park Botanic Gardens & Parks Authority (KPGPA)



KOOLANOOKA FACTS

- Planned closure of Koolanooka after a 3 year mine life – we got an extra 2 months!
- Commenced mining operations in April 2010 with the first shipment celebrated in July 2010.
- SMC will have exported 4.067 million dry metric tonnes to Chinese Steel Mills by the end of June 2013
- SMC has treated the area with respect, and will be leaving the area even better than we found it
 - Progressive rehabilitation has been exceptionally conceived and delivered
 - Innovative 'Green Rewind' program of research by Kings Park Botanic Gardens & Parks Authority (KPGPA) Science Directorate will be a lasting legacy for successful regeneration of native flora in the Mid West.
- Koolanooka Mine has great historical relevance for Iron Ore mining in the Mid West
 - Discovered by WMC in 1961
 - WMC partnered with Homestake (now Barrick Gold) and Hanna Mining Company to become Geraldton Operations Joint Venture (GOJV) and construction commenced in 1964
 - GOJV First Export of Iron Ore (to Japan) in 1966 was the first iron ore exported from WA
 - 5.1 million tonnes of iron ore was shipped to Japan between 1966-1974
 - Last ship was in August 1974 when the WMC contract with Japan expired.
 - Midwest Corporation acquired the tenements in 1992 and 1998.
 - In 2006 Midwest Corporation acquired the rights to haul leftover stockpile material from the GOJV to Geraldton Port
 - Sinosteel Corporation acquired Midwest Corporation, including the Koolanooka and Blue Hills assets to form Sinosteel Midwest Corporation in 2008, and commenced mining in April 2010.



Steve Neil checks up on our rehab

Dave Hart and Ed Davidson at the Port with the last of the Koolanooka ore deliveries.

INTERESTING

- The Koolanooka Mine was officially opened by WA Premier David Brand on 5th February 1966
- Former WA Minister for Mines Norman Moore did work experience at the WMC owned Koolanooka mine in 1965-66. Norman's father was the Purchasing Officer at the mine in the 60's.
- In 1973 Koolanooka mine was the largest employer in the Morawa area, employing 125 people.

BLUE HILLS ON THE HORIZON



2013 is a big year for our Mid West operations as we wind down the historic Koolanooka mine and transition to our next operation at Blue Hills, approximately 80 km east of Morawa.

WHAT IS THE BLUE HILLS OPERATION?

Blue Hills is the second stage of our Koolanooka & Blue Hills Direct Shipping Iron Ore (DSO) Project. It consists of two open pits – Mungada East and Mungada West with a combined resource of 4.3MT of DSO and an annual production rate of 1.44 mtpa. Currently the expected mine life is approximately three years, however there is also the potential for two extension pits to increase its mine life for up to another three years.

The entire project includes the mining, crushing, screening and transport of the ore, which will then be exported through the port of Geraldton.

WHERE WILL THE WORKERS LIVE?

A few people will continue to live locally in the region (including our GM of Operations), however most will be FIFO or DIDO from Perth or Geraldton. SMC is now located in co-located with Karara's at their former Exploration Camp, and we have a shared access agreement to services such as flights.

WILL NEIGHBOURS IN THE MID WEST SEE ANYTHING DIFFERENT?

The Blue Hills operation is located within the Perenjori Shire, although is still some distance from the town centre. Whilst there will be no direct activity in Perenjori, we look forward to building stronger relationships with the local community through our Community Development Fund commitment and involvement in local events. There will be a new road route which may mean some different neighbours will be seeing our trucks on the road (including Yalgoo), however the volume of traffic will be the same.

WHAT ROADS WILL BE USED?

The route has three main sections:

- Unsealed private mining haul roads for approximately 54.2kms
- Sealed road in the Shire of Yalgoo for approximately 58.1kms
- 212kms along the Geraldton – Mt Magnet highway

WHAT IS THE TIMING?

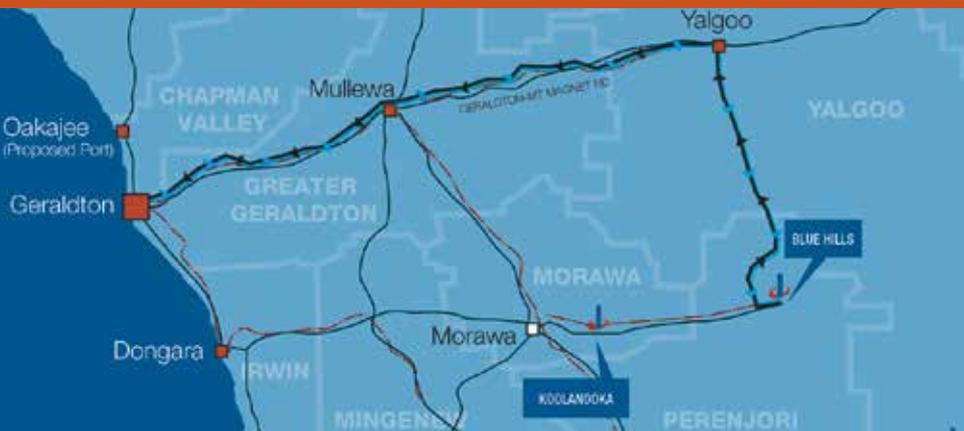
Koolanooka finished mining in June 2013 and clearing work began at Blue Hills when we received our mining approval in August 2013. Once up and running, the Blue Hills mine life is expected to be about three years, with the possibility of an extension of up to another three years. The approvals for this Blue Hills extension are currently underway.

WHAT ABOUT RAIL?

SMC's preference would be to move to rail transport if it were logistically and economically feasible. However at the end of the day the Blue Hills operation is comparatively small (1.5mtpa) and ironically this makes the logistics to rail access much more complicated and prohibitively expensive. SMC will continue to evaluate options to move to rail but in the meantime, trucking is still the most economically viable option.

COMMUNITY

SMC is in the process of setting up Community Funds with the Perenjori and Yalgoo Shires that will be administered locally in the Shire areas. These funds will come into effect when SMC begins trucking Blue Hills ore.



SMC MIDLANDS REGION FOOTBALL HEROES!

The 2013 WAFL Junior Country Football Championships displayed an abundance of talent from the SMC sponsored Midlands Football region.

The Perth FC Robert Wiley Country Academy with the support of the Midlands Regional Football Development Council and Perth Football Club compiled a squad of boy's aged 14 and 15 years from within the Midlands region.

The players endured a tough weekend of football playing against East Fremantle, South Fremantle and Claremont country squads in good conditions and came out winners in all three games!

The squad also gained accolades for their dedication, sportsmanship and behaviour on and off the field. The dedication of coach Milton Milloy and assistants in Jeremy Fisher, Ash Sanderson, Greg Hughes, Graham Taylor and Damien Leeson was well rewarded by the outstanding results.

The country boys are doing very well at Perth football club with 7 out of the top 10 best players for the Perth colts being from the development team and the joint program. They now have three players from this program on senior AFL lists.

As the inaugural sponsor of the Midlands Academy in 2011, we congratulate all the boys and supporters on a job well done – Play On!



SMC 6 SNIPPETS



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Annabelle Su

BUBS CLUB

Yes we are a super productive lot at SMC!

- Kevin Su and his wife Lillian welcomed their gorgeous baby girl 2014 into the world, Annabelle Su on the 24th Sept weighing a healthy 3.18kgs.
- Scott Whitehead and his wife Melissa welcomed Cooper Scott Whitehead on the 10th January 2013, quite the effort given he was 51cm long and 8lb 12oz! Poor Cooper has a bit of a shaky start when at 5 weeks he was diagnosed with a rare condition called pyloric stenosis which required surgery. However since that time he has never looked back, fit and healthy and loves eating his tucker!
- Laura Leach and husband Nic welcomed Audrey Jennifer Helen Leach on the 23 Aug 2012. Audrey is doing very well, taking her first few steps and doing lots of talking!

- Sibasis Paul is expecting a baby with his wife Debjani in late spring (mid Nov). The soon-to-be Mum is doing fine, and bub is expected on time (or may even be a bit early).
- Preparation is in full swing to make way for a smooth arrival for Jeibing and his wife Amy's little girl Yi'an (or Mia) on the 24 Oct, very soon!

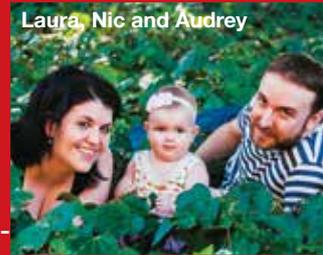
Sibasis and Debjani



Scott and Cooper



Laura, Nic and Audrey



LOVE IS IN THE AIR

Scott Smith tied the knot with his gorgeous partner Amy (nee Douglas) in the wilds of Queensland on August 24th. The gorgeous ceremony was at Queens Gardens in Townsville in North Queensland. And Scott's take on it all...

"Had a great time! The weather was perfect the bride was very beautiful and with the reception being at the Brewery - Perfect!!" The Best Man was also a familiar face in the form of GM-Ops Scott Whitehead



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SMC HEROES!

On his way back to Perth one of our skilled Drive In Drive Out (DIDO) pit technicians, Dan Hughes, came across a car that had rolled and stopped to render assistance. Dan found that the driver of the vehicle had amongst other injuries a large laceration to her leg. Having done our Emergency Response Training on site, he was well prepared to administer first aid until the police and ambulance arrived over 30 mins later. Dan was praised by the ambulance crew on his handling of the casualty, and was also gratefully thanked by the injured drivers' husband while she recuperated in hospital.

The Perth office not to be outdone – Peter McAuliffe came to the rescue of a woman who had accidentally locked her baby inside a car. The electronic locking system had failed and she was unable to get the distressed baby out – with RAC and Police still on the way Pete offered to get into the car the old fashioned way with a crow bar. Pete tells us a BMW window is not easy to break with a tyre lever, but he did it safely and the little red faced fella was reunited with his much relieved mum!

This is a fantastic example of SMC people not only looking out for themselves but also the community that we live in - Good on you guys!



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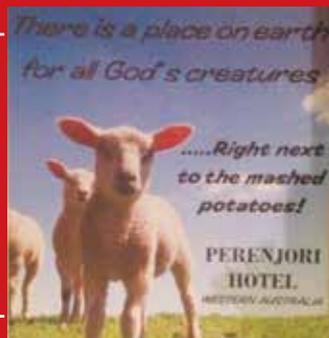
SMC PUNTERS

SMC was a sponsor of this year's Yalgoo Races and the trek was made up by a few SMC families to enjoy a lovely day at the races. Spotted sporting their finest race headwear were cute SMC Offspring Punters Haydn Jefferys (Dad Phil Jefferys) and Sebastian Ivaldi (Mum Danielle van Kampen). Thanks to Dan Hughes for getting us there and back safely from Morawa.

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LAMBING IT UP!

Whilst dining at the popular Perenjori Hotel during the Perenjori Ag Show visit, External Relations Manager could not help but take a snap of this great poster in the pub – and just to add a note they were delicious!



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SCOTT AT THE MID WEST CME HELM

Scott Whitehead has also recently been endorsed as Chair of the Chamber of Minerals & Energy (CME) Mid West Regional Council. Well done for flying the flag for SMC at this productive regional network.

SAFETY WITH SHANE



Risk is part of everyday life whether at home or at work. At home, we minimize or avoid risk by trying to stay healthy, complying with traffic laws, avoiding dangerous situations for ourselves and our families, and making decisions based on the consequences of our actions.

Risk seems to be such a simple concept; however there are many examples where people either underestimate the level of risk or overestimate the effectiveness of the controls that are in place.

Unfortunately we have all witnessed "at risk" behaviour of people on a daily basis; driving off without their seatbelts fastened,

walking across a busy street and deliberately taking away one of the "controls" by having headphones on and not paying attention to their surroundings - or even worse driving a vehicle in built up traffic areas and believing they have the skill and attention to drive and text at the same time! These actions all have the potential for devastating consequences.

In the workplace, risk awareness is the acknowledgement and understanding of our risks and the active process of reducing or eliminating those risks and ensuring our controls are in place and effective.

However, building and embedding operational risk awareness is one of the most difficult areas of risk management for organisations to master. SMC has adopted "RiskView", a software tool to assist in building and embed this awareness.

RiskView utilises Bowtie diagrams to assist in the visualization and communication of the causes and control effectiveness of each risk scenario identified.

RiskView allows the monitoring of the exposure to risk, assessing threat likelihood and control effectiveness and comparing current actual risk and potential risk for each individual risk scenario and combines all of these processes into a flexible centralized register.

Risk review workshops and the utilization of RiskView are being widely used at the Port and Mining Operations and is an ongoing process with workshops being held monthly.

The review of our risk registers through the workshops is a Key Performance Indicator for 2013. The journey is a long one and the interaction with our work teams must remain rigorous and robust to ensure we continually improve our operational risk awareness and ensure that our controls are in place, effective and working.

Since the introduction of these initiatives the level of operational risk awareness has certainly improved and teams are openly challenging their control effectiveness and either improving their existing controls or engineering new controls - the result, a much safer workplace!



TAME THE BEAST!

Road Safety is something that should be at the forefront of every driver's mind. It is one of the key risks that most of us face on a daily basis, and we rely on the skill and actions of not only ourselves, but other road users in order to get to work and arrive home safely. It is important to our team at SMC that we do everything we can to ensure that our road interactions pose the minimum risk to our workers and our communities both at work and recreationally.

The Alliance acknowledged that the Mid- West region faced a growing freight task as the diversity and volume of mining and agricultural product steadily increases.

As a founding member of the Mid West Industry Road Safety Alliance (MWIRSA), SMC is very proud to have played a key role in the local production of a road safety campaign consisting of two television commercials titled 'Tame the Beast' addressing the safe overtaking of road trains on regional WA roads.

The campaign explains safe overtaking of road trains from two sides; from the truck driver's perspective and from a more humorous back-seat driver perspective in the passing vehicle. A key ingredient in the success of the ads was the use of B&J Catalano's Dave Hart and one of their big rigs for the 2 days of shooting - a fantastic contribution from an SMC contractor.

"We hope that local road users and visitors to the region will take away some important advice from this campaign and continue to share the knowledge with their family, friends and colleagues to help keep all road users safe," said MWIRSA Chair Bernie Miller.

The campaign was run in local Mid West Cinemas and on GWN, with the campaign and Facebook page receiving excellent feedback.

The Alliance is made up of industry, Police, Local Government and Government representatives working collaboratively to improve road safety in the region to achieve the aims of the Office of Road Safety's "Towards Zero" road safety strategy

View the Ads via the Mid West Road Industry Safety Alliance Facebook page at <https://www.facebook.com/MWIRSA>



MEET BOB COLSON

Bob left Deloraine Area School at 16 to work with his father who owned and ran a small soft drink company called Meander Cordials (well that explains the nicknames!). In 1969 Bob left the family business to work as a Field Assistant at Renison Limited, a tin mine on the West coast of Tassie.

“Reflecting on the work standards of the day I can recall sitting on the back of a Ferguson farm tractor, which had a small tray fitted just big enough for core trays, hurtling down the decline of the mine visiting diamond drills “core snatching”. By design the tray was just big enough to carry core trays and the “core snatcher” was required to sit upon the trays to ensure that they did not fall off. It sure was not safe and it beats me how I managed to do the job without incident.”

In those formative mining years Bob saw the introduction of hydraulic drills and Nonel detonators and the mandatory wearing of PPE.

“Until that time in the early 70’s you wore gloves mainly to stop your hands getting dirty. How things have changed!

In 1981 I was fortunate to be awarded an AUSIMM tertiary scholarship to study mine engineering at the Ballarat School of Mines (now Ballarat University). I consider this to be the best opportunity ever given me as it has allowed me to travel Australia working in an industry I enjoy.”

After graduation Bob accepted a position at Agnew Nickel in Leinster, WA until it closed 8 months later. They moved to Mt Isa where Bob worked underground, later returning to Tassie’s Aberfoyle’s Que River mine as a drill and blast engineer.

“In all, I have worked in every state and one territory over my 40 plus year career, 20 or more in FIFO operations.”

Bob’s role at Sinosteel is both interesting and challenging, and he enjoys watching new employees grow and take on more responsibility.

“My biggest focus is ensuring that everyone at the mine performs their role safely observing procedure at all times and never accepting short cuts. I will be rewarded by successfully establishing Blue Hills without major incident, an achievement which rightly everyone involved should proudly claim.”

Bob met his wife Fern, a survey checker and drafter, at Zeehan (the “mine town”) when she joined the local badminton team. They have been married 40 years this November and have two daughters, Verity and Gemma.

Outside work Bob relaxes by taking an interest in AFL, collecting and watching classic movies and listening to his vinyl LP collection. Woodworking, restoring furniture, reading biographies and gardening are all the things Bob loves to do (when he has the time!).



Bob and Fern



Bob and Sydney
Premiers Cup

BOB COLSON

Fast Facts about Bob:

BORN 19TH NOVEMBER 1949,
DEVONPORT, TAS

RAISED FROM AGE 3
IN DELORAINE, TAS

NICK NAME AT SCHOOL:
“CORDIAL”, “LEMONADE”,
“HOP BITTERS”



PERENJORI RIDES AGAIN!

SMC have been proud sponsors of the Perenjori Agricultural Society’s Show since 2009, however the 73rd Community Show Day this year provided even more significance given the start of the Blue Hills mining operations within the Shire boundary.

All the children’s rides & entertainment are free courtesy of sponsorship from SMC and other mining companies. There was a feast of Tumbler, Bouncy Castles, Simulator, Lions Train, Mini Ferris Wheel, Baby Animal Feeding and even Laser Gun games for all. From the huge smiles and buzz observed, it was a terrific day for all.

Highlights of the show included a lovely Show President’s Lunch, the Speed Shearing Comp and the Fabulous Fireworks display. It’s a must do on the local calendar, and a family activity that SMC is proud to keep supporting - put it on the To Do List for 2014!

GM WRAP

A year ago in this same GM Wrap space I was referring to the weak iron ore price but pointing to a modest recovery in mid-2013. Despite a few bumps the spot price has held up far better than most analysts predicted. Although the markets will always manage to spring the odd surprise, the iron ore price remains in welcome territory, the lower Aussie dollar provides a much needed buffer around further price fluctuations, and the formerly loud guessing game around Chinese demand seems at least to have levelled to an acceptable murmur.

2013 to date has proved to be a very busy period with numerous projects, issues and activities on the boil. Although we put Blue Hills on hold while we completed a Value Improvement Study (VIS), the fact is that Blue Hills mining is now under way and we should be shipping our ore by early 2014. It's a testament to our terrific small team at SMC and importantly our business partners Mining & Civil Australia (MACA) and B&J Catalano that we were able to meet the requirements of the VIS to shore us up against any unexpected fluctuations in the future.

The Blue Hills site team now has a full complement. Located at the former Karara Exploration Camp site, it has taken us some time to get in place, however we are very pleased with the way that it has shaped up. Bob and his team have really put the hard yards in to set the scene for a professional, productive and comfortable work environment for SMC's second project.

Sales to Karara of remnant ore at Koolanooka and early production at Blue Hills have yielded some unexpected but welcome cash for SMC at a time when we had not forecast any revenue. This obviously helps with the costs of Blue Hills' establishment. Although we have received our Mining approvals and have begun preliminary mining, we are still in the process of finalising approvals for road haulage.

A lot of work has gone into finalising the negotiations and legal drafting of the Weld Range Mining Agreement with the Wajarri Yamatji people. Only in the last days a date for a community meeting has been proposed by YMAC, the lawyers acting for the Wajarri people, at which the Wajarri people will consider the agreement that has been negotiated over the last 5 years.

Blue Hills has a mine life of approximately three years, however we are also in the process of seeking an extension to the mine, which could see the mine life extended. We have had many meetings with government agencies regarding the Blue Hills Extension project and a referral for consideration by the EPA has been submitted. The Mungada Ridge area remains on the radar of the EPA as an environmentally significant area but our application includes a lot of new data from regional flora surveys that updates the existing data set, especially the regional distribution of the rare acacia woodmaniorum plant.

The extension project is very important to SMC to prolong our production operations at Blue Hills while discussions on the Oakajee port and rail infrastructure continue. We'll keep you updated on its progress.



Phil Allsopp
General Manager

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