



Magellan Metals

Back on Track

CILTA Breakfast Meeting

15 September, 2009

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Vice President, Corporate Social
Responsibility

and the Magellan team


Ivernia

The corporate nightmare

Lead Price
US dollars per tonne





What happened?

Magellan

2005-2007


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Magellan Lead Mine – Background

- Sole owner and operator of the Magellan lead mine
 - located in Western Australia
 - only significant pure lead mine in the world
 - world's 5th largest lead mine when at full production
 - significant by scale and purity
- Open cut lead carbonate mine and processing (concentrating) facility
- Commissioned 2005
- Export to customers in Asia
- At full production ~100,000 tonnes lead in concentrate per year



Magellan Operations – 2005 - 2007

- Lead concentrate initially transported in bulk through the Port of Esperance
- Lead carbonate concentrate produced and placed in tarped kibbles at the mine
- Kibbles loaded onto trucks at the mine and transported by rail to Leonora
- Kibbles loaded onto rail wagons at Leonora.
- Rail wagons transported to the Port of Esperance.



Magellan Operations – 2005 - 2007

- Bulk containers unloaded from trains at the Port
- Bulk containers emptied at the Port and concentrate stockpiled inside storage shed
- Concentrate transport to ship via conveyor



2007 Everything Changed

- Reports of bird fatalities were brought to the company's attention
- Magellan lead concentrate was mishandled during bulk loading at the port in hot, dry and windy conditions allowing lead dust to escape



Impact on Magellan

- Exports of lead concentrate through the Port of Esperance were suspended in 2007
- Magellan mine on care and maintenance since early 2007
- Issue of lead dust beyond Port boundary resulted in a number studies and reports, including a Parliamentary Inquiry
- Months of negotiation, then collaboration between Magellan, Esperance Port Authority, Government and community to resolve lead issues and obtain approval to export through Fremantle



Cost to Magellan

- Indirect costs
 - Damage to corporate reputation
 - Team morale - uncertainty, fear and doubt
 - Earn back social license to operate, regain trust of community, industry and Government
 - Management focus – inability to focus on exploration and corporate development initiatives and financing opportunities
- Direct costs
 - Inability to generate revenue
 - US\$>50M (care & maintenance expenses, legal and consulting fees, financing fees and interest expense, Parliamentary inquiry and Esperance settlement costs)

In retrospect.....

- Corporate responsibility - social operating license is earned and must be protected
 - Need to create innovative and proactive solutions to societal and environmental challenges - accountability and responsibility does not end at the mine gate
 - Collaborate with internal and external stakeholders to improve performance - transparency is critical
 - Partner with local communities, industry and government
- Corporate structure and product stewardship
 - Fully document all processes and procedures
 - Take responsibility for Corporate auditing and monitoring of product handling even after it leaves the mine-site
 - Invest in management expertise across the organization
- Crisis management
 - Develop and implement a comprehensive crisis management response plan
 - Responding to a crisis requires company leadership to remain focused and effective



Magellan

2007-present and
beyond


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Magellan Operations – 2009 and beyond

Sealed shipment process

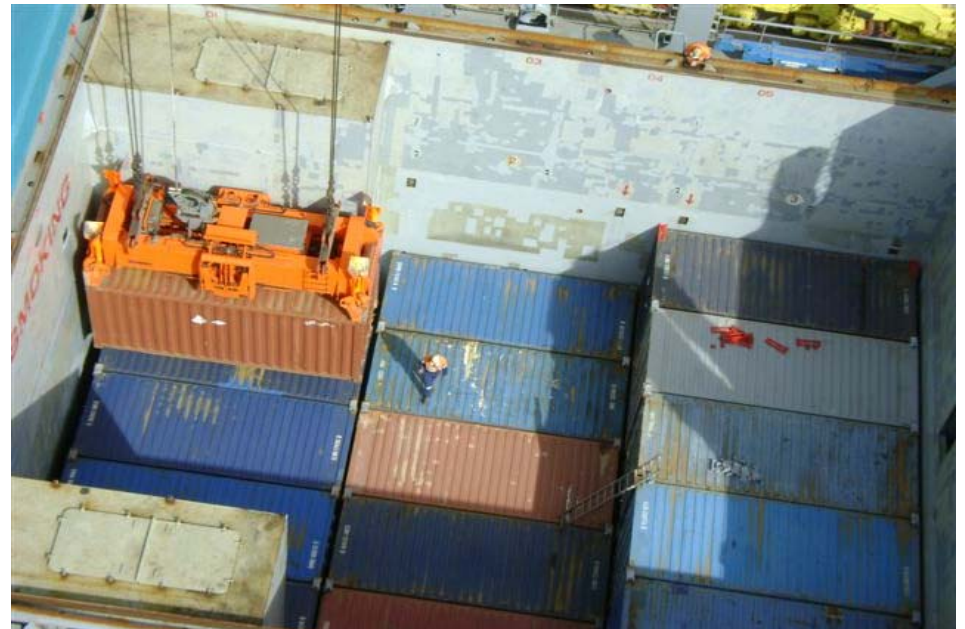
- Improved product stewardship understanding.
- Product containment; a sealed shipment method; no potential for product escape
- Avoid re-handling of product
- Successfully tested in early 2009 to remove 8,000 t stockpile stranded at Esperance
- Finally approved through Fremantle August 2009.



Sealed shipment process - proved at Esperance



Sealed shipment process - proved at Esperance



Process Management

- Lead concentrate packaged in Government approved 2 tonne bags
- Exteriors of bags are vacuumed
- Loaded inside shipping containers
- Containers bolt locked
- Containers loaded onto trucks
- Containers and trucks washed and containers delivered by rail to the Port of Fremantle
- Containers not opened until overseas.



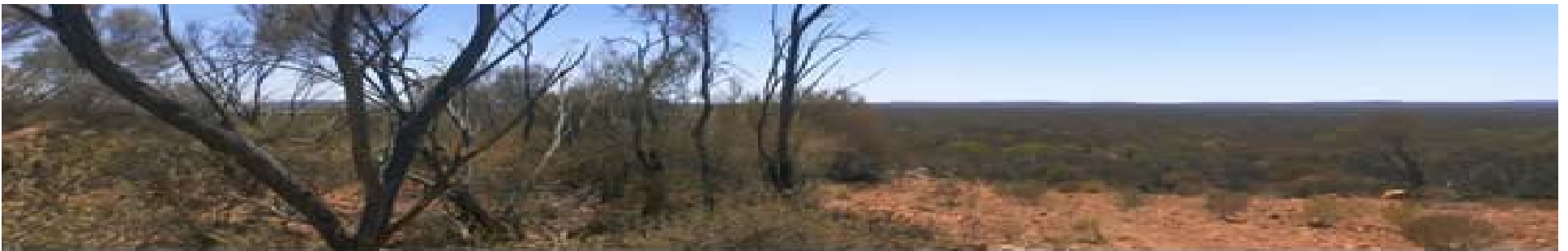
Signage

- All bags have an EIP.
- All bags and containers have a marine pollutant label.
- All containers have a dangerous goods placard.



Environmental monitoring

- Baseline monitoring along the transport route from mine to Fremantle and at the Port of Fremantle
- Operational monitoring of the transport route and at the Port of Fremantle
- Monitoring includes soil, water, benthic sediment, dust deposition and air quality monitoring during container arrival, handling and loading
- Use of NATA accredited laboratories for all analysis



Emergency Response Plan

- ERP developed in consultation with FESA, DEC, DMP, DoH, local Government authorities, rail contractor, port logistics operator, Fremantle Ports and stevedores.
- ERP includes the following:
 - Roles and responsibilities.
 - Resources.
 - Emergency response procedures.
 - Clean-up procedures.
 - Post clean-up sampling.
 - Post-incident management.
 - Preparedness.

Compliance and Reporting

- Independent inspection for every bag and container.
- Independent auditing of entire process.
- Independent reporting to Government.
- Public compliance reporting.
- Performance reviews.
- Compliance reports.
- Community Group liaison.
- New website developed.



Summary of the way forward

A new and approved worldwide safety standard for the transport of lead, which goes beyond best practice for concentrate transport – wide implications for other industries

Rebuild trust and retain license to operate through exemplary corporate responsibility

Our goal: Environmental Award





Questions?


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