

# Partnering for the future

The way forward for Oyu Tolgoi Underground

September 2015



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# Rio Tinto: who we are

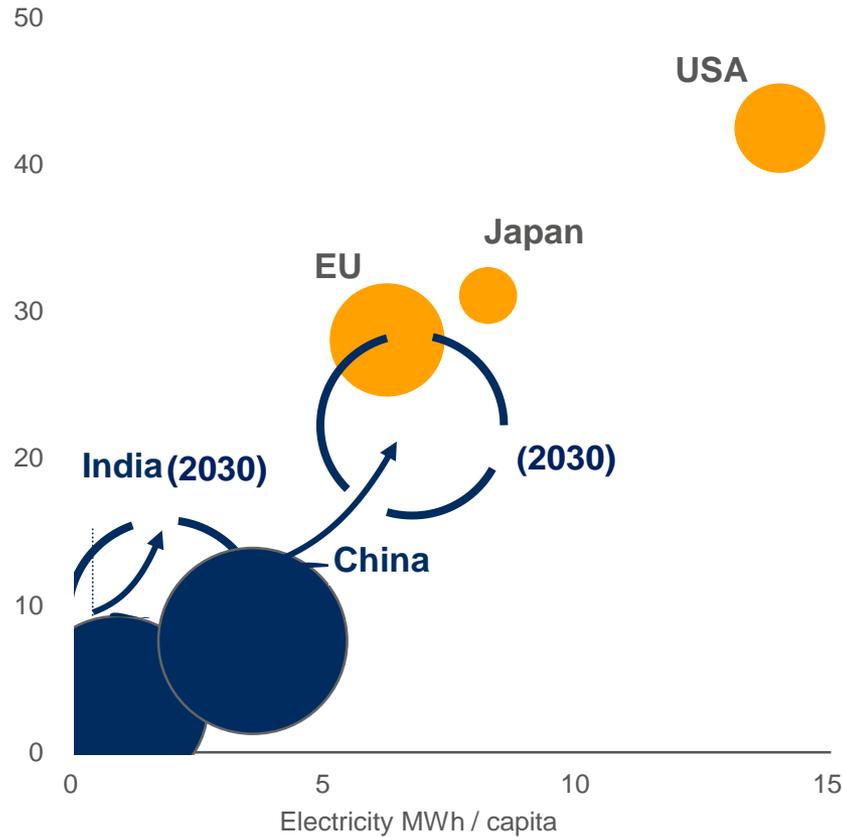
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- We are a leading global business with expertise in building and operating tier one world class mining assets
- We employ around 60,000 people in more than 40 countries
- We fulfil vital consumer needs and improve living standards
- Our commitment to safety is fundamental to the way we do business
- Sustainable development is at the heart of everything we do
- We are proud to partner with Mongolia in Oyu Tolgoi, one of the most exciting copper and gold mines in the world

# Copper fundamentals remain strong

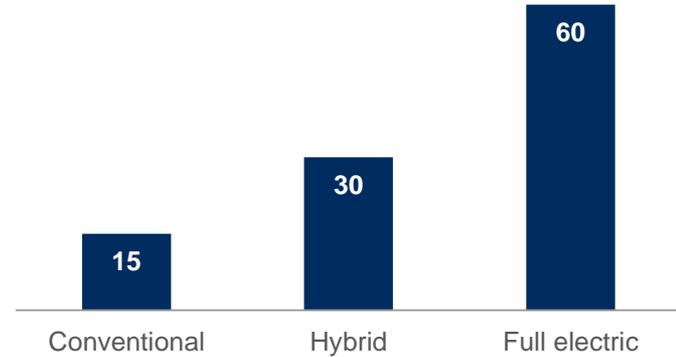
## Population, GDP and electricity

US\$ '000 GDP / capita



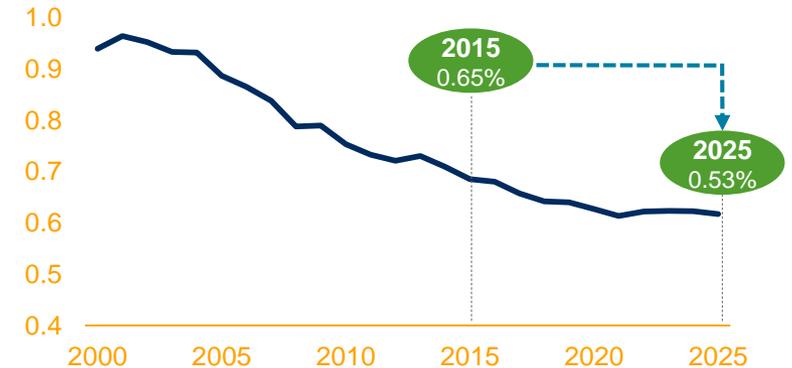
## Copper intensity by vehicle type

Copper intensity (kg/vehicle)



## Supply decreases due to grade declines

Copper head grade all mines<sup>1</sup>

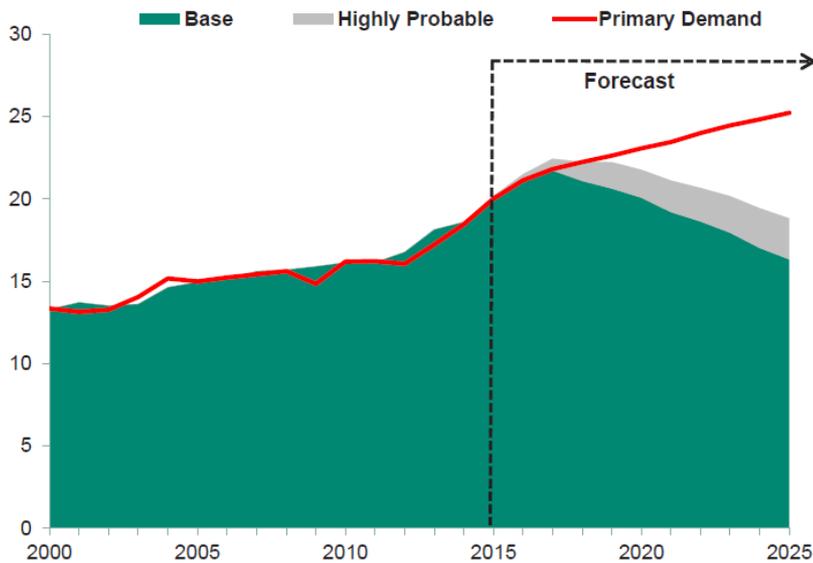


Source (left chart): Wood Mackenzie. Source (top right chart): International Copper Association. Source (bottom right chart): Wood Mackenzie Q1 2015. <sup>1</sup> Percentage copper weighted by ore processed.

# OT well positioned for future with underground

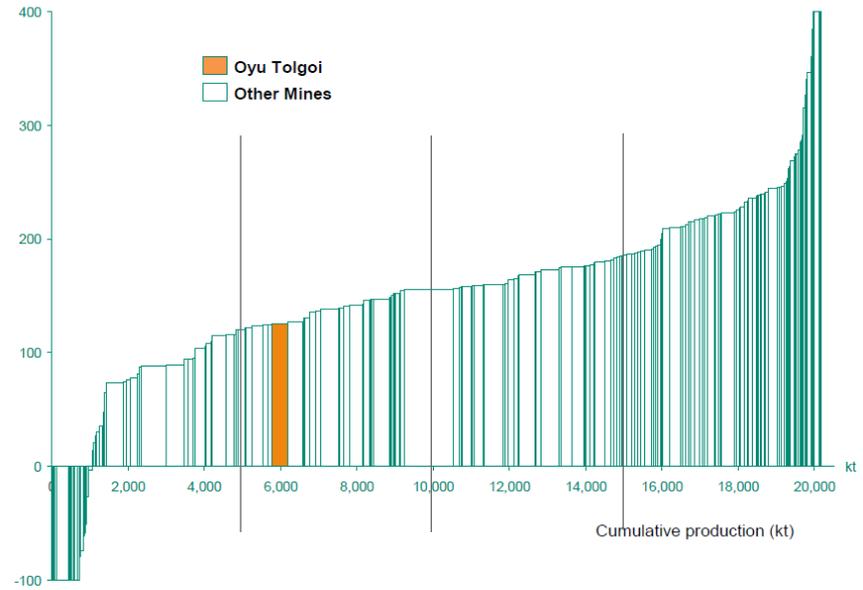
- Market anticipates deficit towards end of decade
- With the underground mine, OT will be one of the most significant producers at very competitive costs

Copper supply/demand outlook (mt)



Source: Wood Mackenzie (Q1 2015 update)

Post-2020 copper mine C1+sustaining cost curve (c/lb, 2015\$)



Source: Wood Mackenzie (Q1 2015 update)  
 Normal C1 cost + sustaining capex, range capped at -100/lb & 400/lb  
 2020 base, highly probable and probable mines only  
 1. Oyu Tolgoi's 10-year average peak production including underground  
 2. Metals Economics Group and 2014 Oyu Tolgoi Technical Report (2020-2024 average costs)

# Where we are today

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Oyu Tolgoi is already an example of a successful, world class Mongolian company:

- Safety *always* comes first – Oyu Tolgoi is one of the best safety performers across Rio Tinto
- Over 560,000 tonnes of concentrate produced in 2014, and aiming higher in 2015. Reached 1 mn tonnes shipped milestone in February, 2015 – just over two years into operation
- Over US\$248mn in taxes, fees and other payments to Mongolian in 2014; ~US\$155mn in H1 2015 alone
- Approximately US\$5bn spend in Mongolia from 2010 through Q2'15
- Employing a 95% Mongolian workforce, focused on training and capacity building



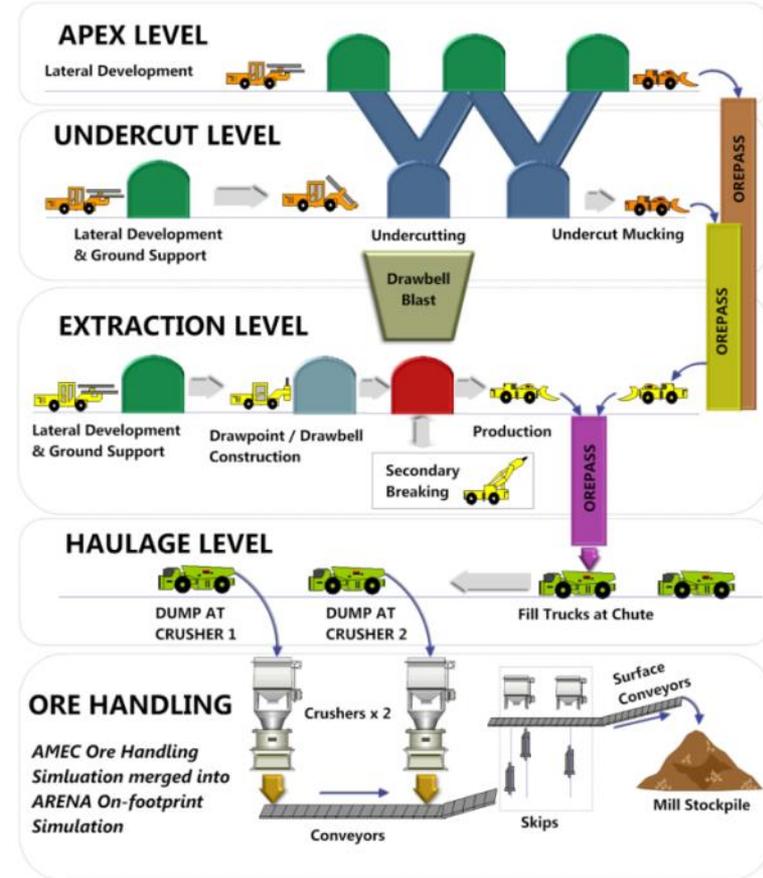
# Underground development: The road ahead



- The Underground Development Plan marks a major step forward in the partnership:
  - Clarifies the future tax and royalties framework and resolves shareholder issues
  - Paves way for additional underground investment to move forward, in addition to \$6bn already invested in Phase I
- Plan provides a clear way forward for development of underground mine, unlocking value
- A significant amount will be spent in country including domestic operating cost expenditure, domestic capital cost expenditure, and direct payment to GoM over 5-7 years

# Underground development: A great opportunity

- 80% of Oyu Tolgoi's value lies underground – potential to be one of the most significant copper producers worldwide
- Requires sinking of five vertical shafts, totalling 6km of vertical development, and a decline with conveyor to surface
- ~200km of lateral development underground
- Material handling systems to process this load – haul trucks, crushers, underground conveyors – all to be built 1.3km underground



# Underground development: Focus on safety

- Building and skilling up underground team – construction workforce alone will peak at over 3,000 – and be majority Mongolian
- Surface infrastructure – control rooms, offices, associated facilities to be built up
- Procurement will be managed from and based in Mongolia; commitment to maximizing impact in-country
- Construction project to take approximately five to seven years; *focus is to do it safely and do it right*



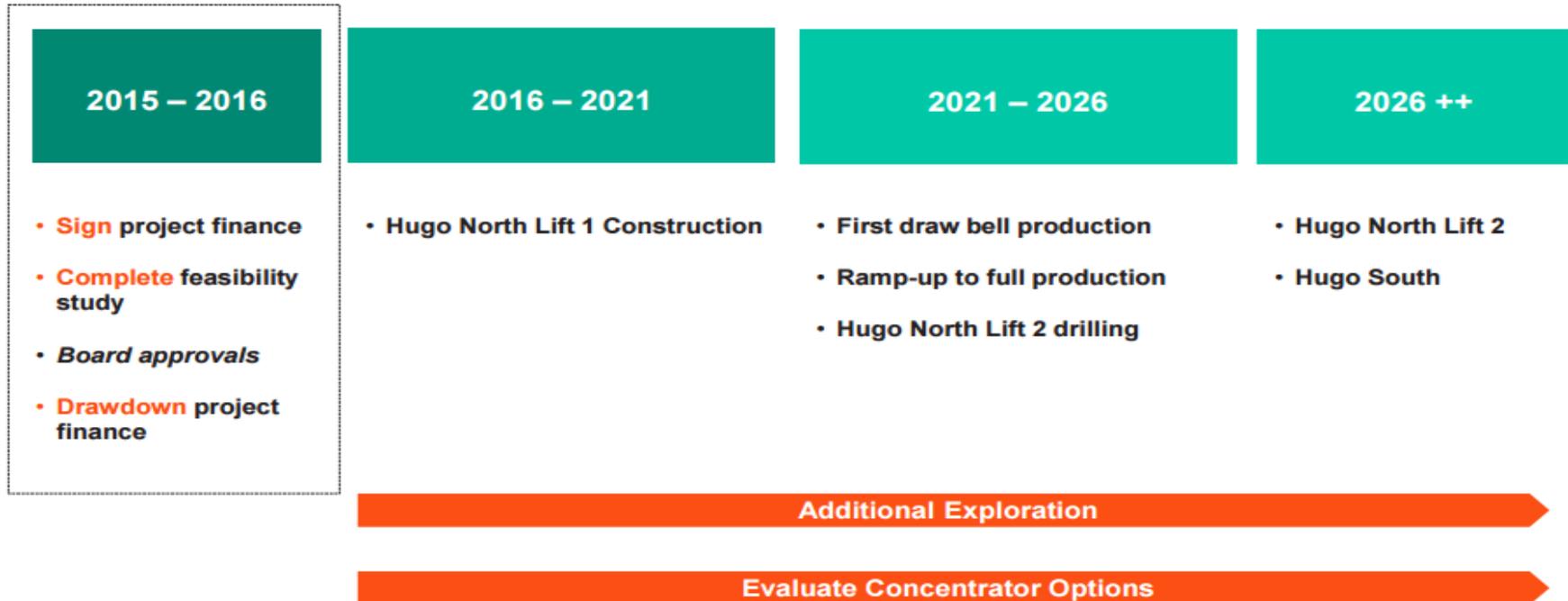
# We are already on the way

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- Readiness: Preparatory activities well underway in preparation for restart
- Project Finance: Discussion ongoing, expected to close by late 2015
- An update to the capital estimate will be completed in parallel with other pre-start activities, ahead of final approval of the project by Rio Tinto, Turquoise Hill Resources and Oyu Tolgoi Boards
- Permits: Work on-going to secure all necessary permits for restart of development
- Underground Expo: Conference in Q4'15 for potential suppliers to meet and discuss requirements for underground development



# Medium-term timeline



# Rio Tinto is committed to Mongolia

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- Oyu Tolgoi is one of the most important new copper developments in the world
- The benefits will be shared by generations of Mongolians for years to come
- Rio Tinto is a committed partner: with technical expertise and operating experience
- To quote Oyu Tolgoi's mission, we will **together deliver a safe and globally competitive copper business that contributes to the prosperity of Mongolia**



Thank you