

Presentation at Metal Bulletin Bauxite & Alumina Conference

Attached is a copy of a presentation prepared by Mr Andrew Wood, Group Executive Strategy & Development, for the Metal Bulletin Bauxite & Alumina Conference held in Miami, USA.

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16 March 2017

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Bauxite & Alumina

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Australia: well-positioned in bauxite and alumina's global trade dynamics

15 March 2017

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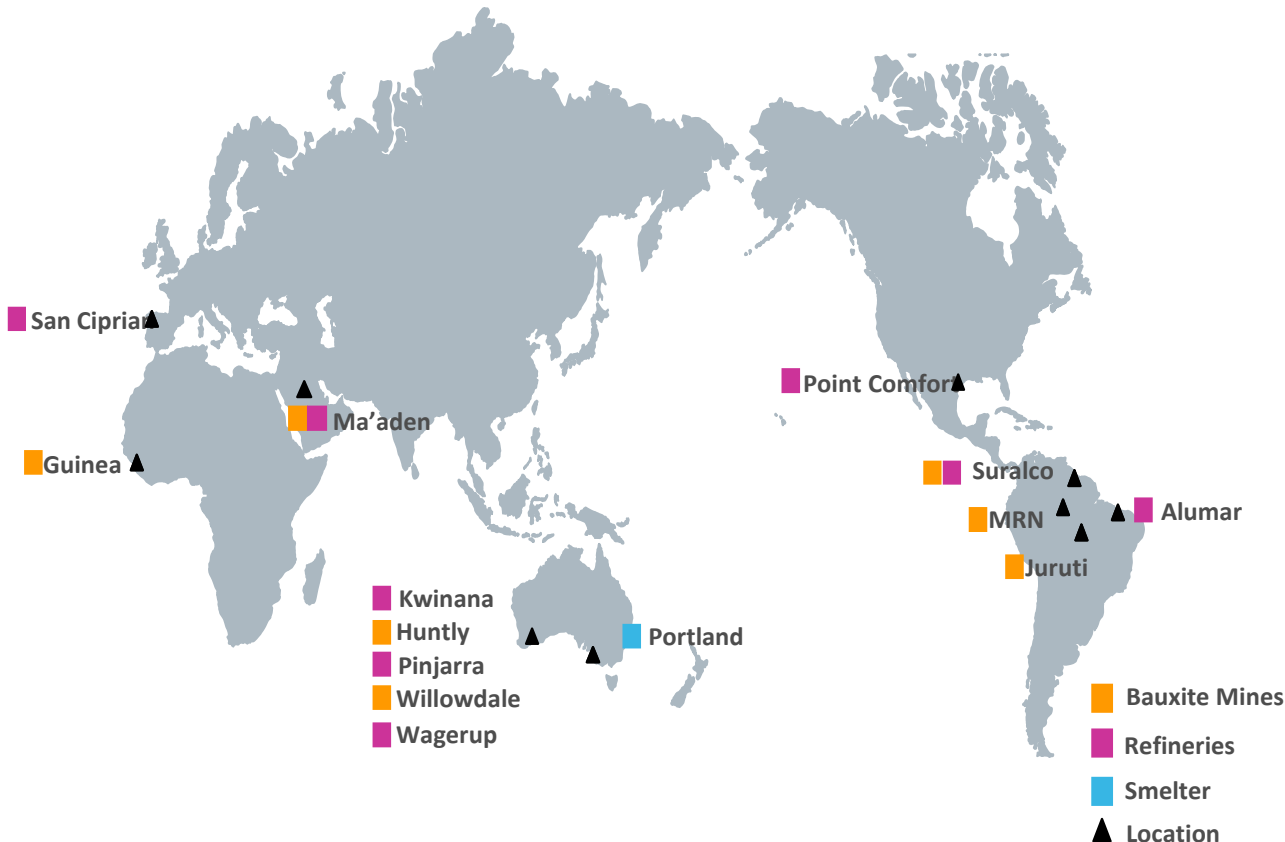
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AWAC JV: geographically diversified, long-life, tier 1 bauxite mines and alumina refineries

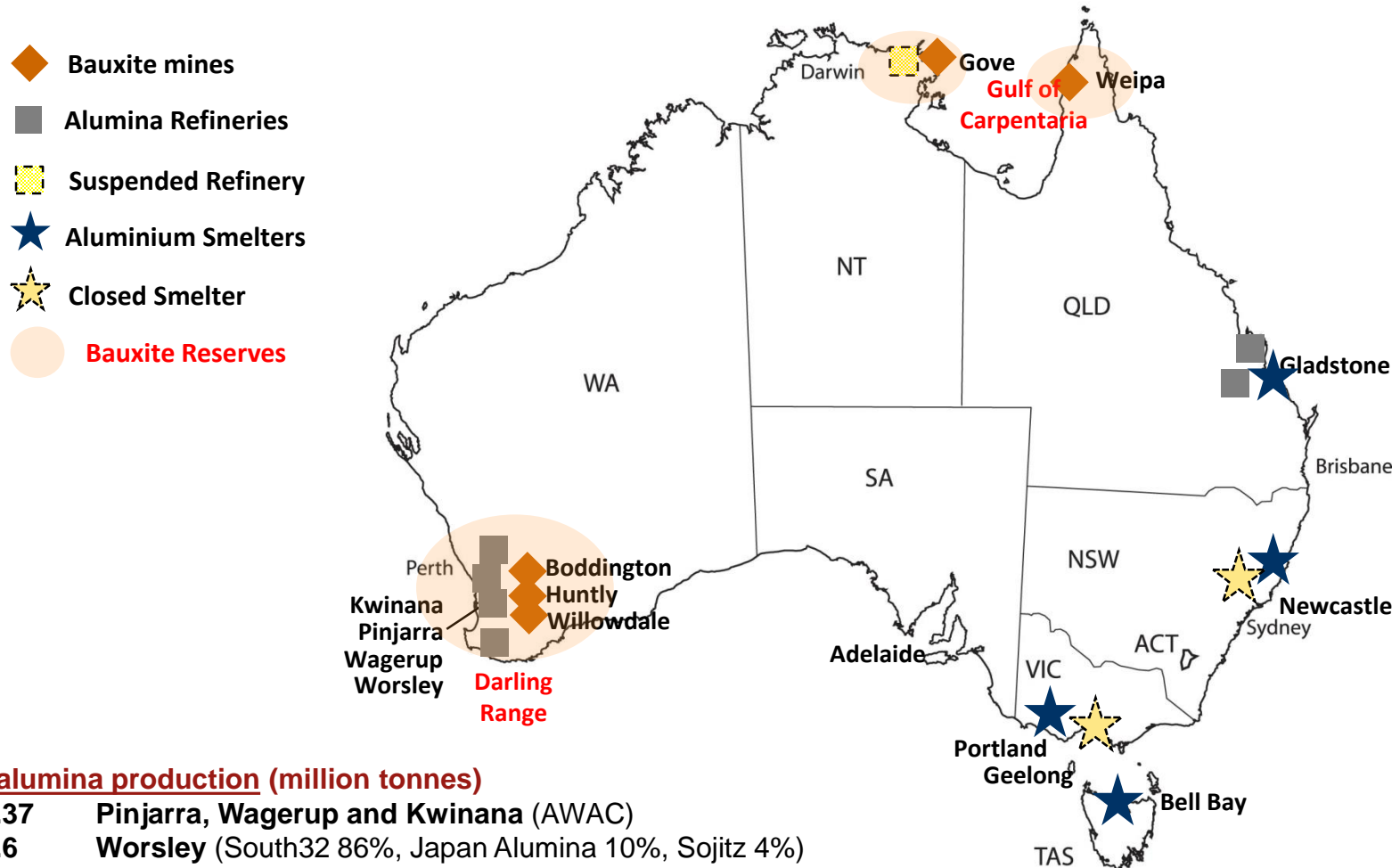
Cash cost of alumina production per tonne⁽¹⁾ \$191 (2016 average)



- AWAC 2016 production:
 - **12.6 million t** alumina
 - 163,000 t aluminium
 - **42.7 million t** bauxite (bone dry)
- Ma'aden refinery 2016 output 1.4m t (ramping up)
- Most refineries integrated with mines
- Suriname closed and Point Comfort fully curtailed

(1) Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation. Movements can relate to usage, unit costs or combination of both, timing of maintenance, seasonal factors, levels of production and the number of production days and refinery mix. Includes the mining business unit at cost. The Saudi joint venture refinery is not included.

Australia's aluminium industry – regional clusters



2016 alumina production (million tonnes)

- 9.37 Pinjarra, Wagerup and Kwinana (AWAC)
- 4.6 Worsley (South32 86%, Japan Alumina 10%, Sojitz 4%)
- 3.85 QAL (Rio Tinto 80%, UC Rusal 20%)
- 3.18 Yarwun (Rio Tinto)

2016 bauxite production (million tonnes)

- 29.43 Weipa, 9.1 Gove, 32.3 Huntly, Willowdale

Australia: well-positioned in bauxite and alumina dynamics

Bauxite – large growth expected

- Australia (88m t) second to China (94m t) in bauxite mined in 2016
- History of large volume, third party supplies from Gove and Weipa
- Strong pipeline of various sized greenfields and brownfields projects

Alumina – modest growth outlook

- Australia is world's second largest alumina producing country
- 21 million t refined 2016 (nearly at pre-Gove closure 2012/13 levels)
- Most production positioned low on cost curve and stable
- Limits on reasonable-cost energy discouraging greenfields refineries

Aluminium – faces challenges

- Aluminium production has been reducing in Australia since 2011
- Large energy resources but Australia lacks reasonably-priced power
- Future production challenged, failing sound bipartisan State/Federal Government policies and strategic investments in new energy assets

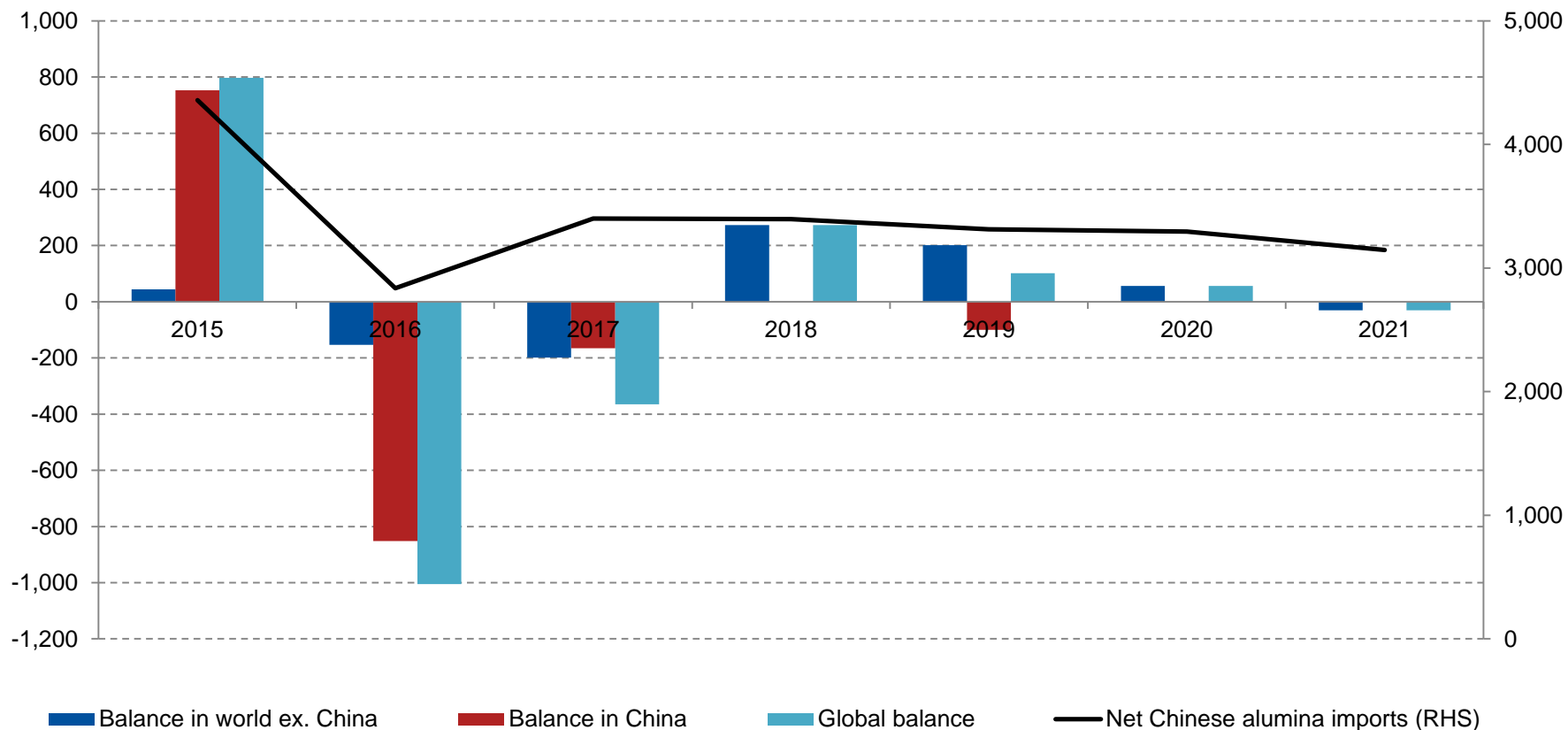
Australia: well-positioned in bauxite and alumina dynamics (cont'd)

Australia's bauxite competition

- Guinea, Brazil and Jamaica have mined significant volumes historically
- Guinea has large portfolio of greenfields mine and brownfields expansion projects
- Brazil has brownfields expansion options
- Vietnam and India not realising full potential of bauxite resource
- Declining Chinese reserves and increasing Chinese alumina production likely to require larger import volumes
- South-East Asia e.g. Indonesia, Malaysia may supply reasonable volumes from time to time but long term stability of supply unclear
- Developing countries likely to face supply at higher cost and tax
- Forecast increased (steep from 2020/21) bauxite imports into China likely to need bauxite from Australia and other countries

Chinese smelter ramp-ups will keep alumina market tight in 2017

Alumina market balance (LHS), Net Chinese alumina imports (RHS), '000 tonnes
(Source: CRU, January 2017)



Modest new alumina supply forecast outside China – only UAE is underway

Upcoming Alumina Projects

REGION	COUNTRY	COMPANY	LOCATION	2017	2018	2019	2020	TYPE	Comments
	UAE	Emirates Global Aluminum	KIZAD, Al Taweelah	2,000				Greenfield	First phase set to be completed in 1Q2018. A Phase II could double capacity to 4.0 million tpy.
Asia exc China	Indonesia	Hongqiao Well Harvest Winning Alumina	Ketapang, West Kalimantan	1,000				Greenfield	Phase I started operating late 2015. Ramp up to full capacity in 2016. Second 1mt phase was scheduled for 2017 but has not been committed to.
		Inalum/Antam/Chalco	West Kalimantan		1,000	1,000		Greenfield	The refinery is planned to hit the market in 2019-2020.
	Laos	Yunnan Aluminum	Paksong	1,000				Greenfield	The company obtained approval from China's NDRC to build the project in Laos. Yunnan is currently waiting for the green-light from the Laotian government.
China	China	China Various Greenfield	Various	0	7,200	800	0	Greenfield	
	China	China Various brownfield	Various	1,100	0	0	0	Brownfield	
TOTAL WORLD				2,100	10,200	1,800	1,000		
TOTAL CHINA				1,100	7,200	800	0		
TOTAL ROW				1,000	3,000	1,000	1,000		

On-going exports of alumina expected into China

- While broad Chinese alumina self-sufficiency, imports likely:
 - under medium to long term contracts in place
 - price arbitrage opportunities against domestic alumina pricing
 - perceived Australian quality advantages
 - price competition against domestic (consolidating) third party sellers
 - times of shortness of domestic alumina supply
- Chinese imports of alumina over 2016 by source country:

(Source: CM Group, Chinese Customs, Feb 2017)

	Volume	Share of Imports
Australia	1,756,014	58%
Indonesia	328,757	11%
Vietnam	318,847	11%
India	227,619	8%
Brazil	182,986	6%
Other	77,127	3%
USA	55,981	2%
Jamaica	42,998	1%
Venezuela	19,539	1%
Suriname	16,411	1%

Australian alumina exports Jan. 2017

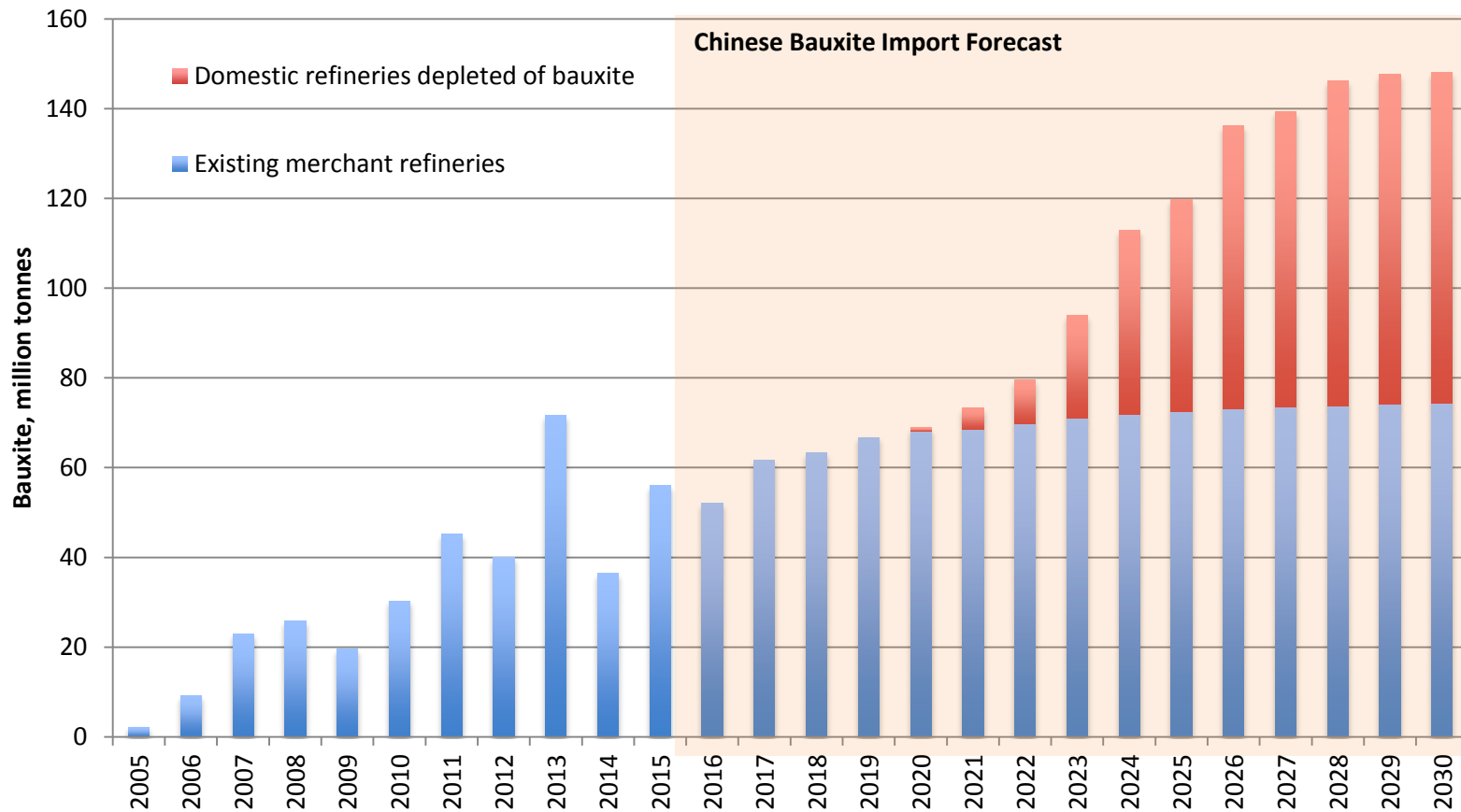
Source: Southern Ports Authority, Fremantle Ports, Gladstone Ports Corp. Feb 2017

- Exports to China 13% of Australian shipments, 32% to Middle East, other 5 regions between 9-12% each

Country	Bunbury Port	Kwinana Port	Gladstone Port	Total all ports
Argentina	56,700			56,700
Australia			121,350	121,350
Bahrain	115,809			115,809
Canada	44,625		47,250	91,875
China	30,870	140,365	31,500	202,735
Egypt	30,690	31,497		62,187
India		35,596		35,596
Indonesia	26,696			26,696
Malaysia		91,500		91,500
Mozambique	102,825			102,825
New Zealand			31,000	31,000
Oman	47,552			47,552
Russia			159,581	159,581
Singapore	31,500			31,500
S Africa	96,964			96,964
UAE	292,064			292,064
US	49,620			49,620
Total	925,915	298,958	390,681	1,615,554

- Very few exports of alumina from China historically
- Issues potentially affecting Chinese alumina exports:
 - no VAT export rebate (unlike Australia)
 - land and sea freight cost disadvantage from China to Middle Eastern and Atlantic smelters
 - logistical issues: most Chinese alumina is bagged
 - alumina quality variance risks for non-Chinese smelters
 - high operating costs (exacerbated if export alumina uses imported bauxite)
 - Government policies of value-adding and potential limitations on new capacity for pollution prevention/control
- Increase in Chinese-built refineries outside China?
 - mixed success in Chinese-built Vietnamese & Indonesian refineries
 - no major cost advantage in Chinese building a refinery outside China

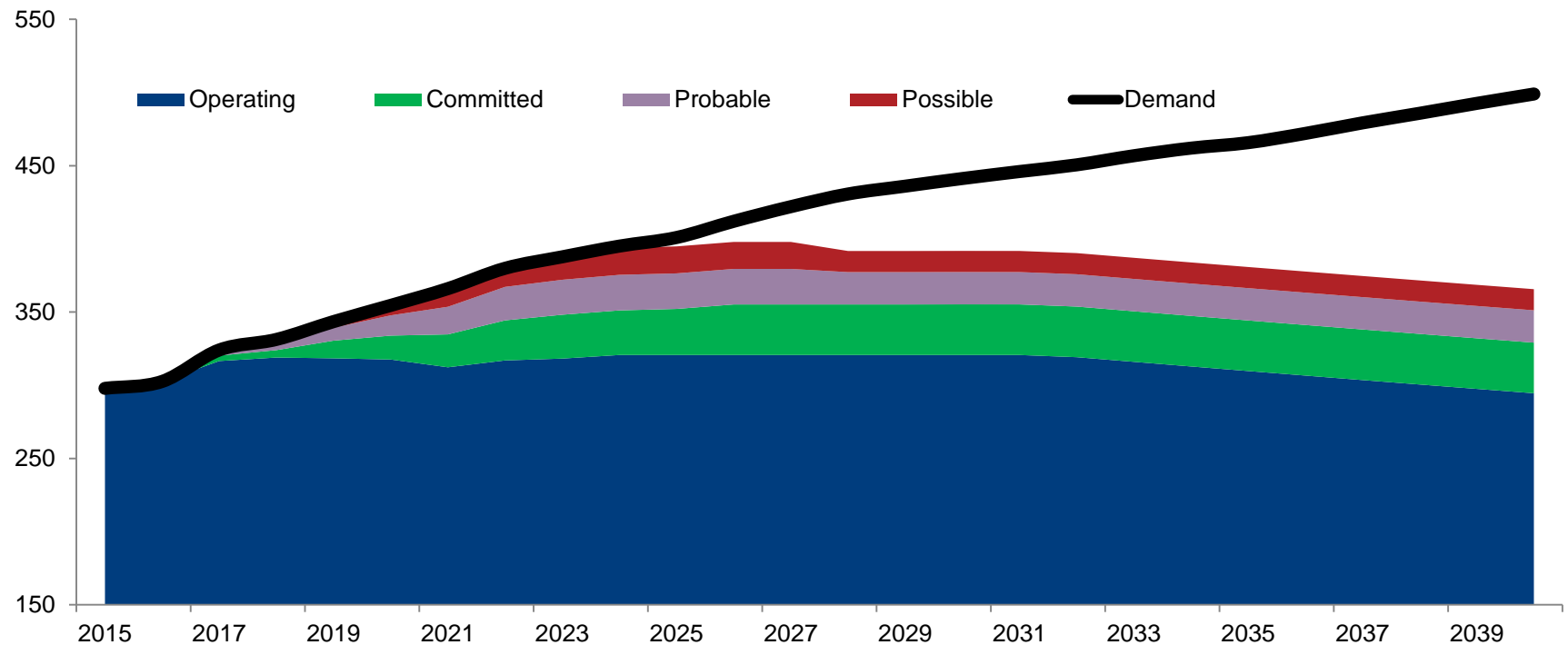
Chinese bauxite import forecast – from 52m tpa to 120m tpa by 2025



- Declining domestic bauxite quality in key alumina producing provinces
- Bauxite imports forecast to grow by 68m tpa to 120m tpa (by 2025)
- Shanxi, Henan likely to relocate refining largely to coast (e.g. Shandong, Hebei)

Global bauxite supply-demand gap emerges in 2025

Global Bauxite Supply and Demand (M tonnes)



- Existing supply and committed and probable projects can meet demand to around 2020
- From 2020 on, projects in “possible” category required to meet expected needs
- Unknown or speculative projects needed for forecast demand beyond around 2025

Australia likely to feature increasingly in bauxite exports to China

- Location, location, location (proximity to China) – lower freight costs, quicker delivery
- State and Federal Governments' support: good Transparency International index & low political risk
- Long term and stable mining history and culture
- Community and environmental approvals can take time but are comprehensive and stable once obtained
- Sustainable mining: low social and environmental risk, unlike in parts of Asia
- Ore quality/variety choice, different sized projects, low cost mining
- Solid suppliers, projects and counterparties
- Non-Australian supply is likely needed to meet China's growing needs:
 - Guinean and Brazilian, part baseload and part swing supply and
 - irregular volume, lower cost supply from Indonesia, Malaysia, Vietnam

Various key non-integrated greenfields bauxite projects are in Australia

Mine/project name*	Country	Operating company	Owner	Expected start date
Amrun	Australia	Rio Tinto	Rio Tinto	2019
Bauxite Hills, Skardon	Australia	Metro	Metro, Xinfu, others	2018
Goulburn South	Australia	ABL	ABL	2019
North Darling	Australia	BRL	BRL, Yankuang	2022
Dian-Dian*	Guinea	UC Rusal	UC Rusal	2017
Bel Air	Guinea	Alufer	Alufer	2019
Sangaredi	Guinea	EGA	EGA	2018

- There are other greenfields and brownfields projects in Australia (e.g. Aurukun, AWAC WA, Northern Territory, Queensland), Guinea and elsewhere

*Query extent to which Dian-Dian may be integrated with a UC Rusal refinery

Social licence lost, Malaysia continues to extend ban: lessons for other countries?

- Malaysian mining ban extended to the end of March 2017
- Requirement to fully clear stocks – taking some time?
- Past environmental, safety issues: water pollution from wash plants, dust, overloading, heavy traffic, poor rehabilitation
- Illegal mining – licensing issues, royalty gaps
- Lessons for Indonesian and Vietnamese exports – tighter regulation, higher taxes, remediation bond requirements may impact volume/cost of export



West Kalimantan, Indonesia, 2014



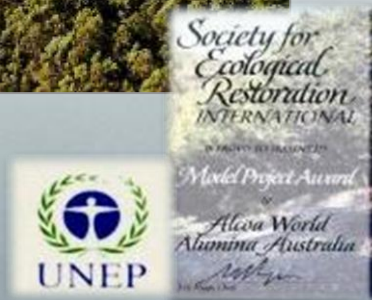
Kuantan, Malaysia, 2015

- Increasing needs for miners and refiners to focus on legitimate community expectations
- Social licence in indigenous communities requires safe and environmentally and socially sustainable practices
- Examples of recent problems:
 - Samarco dam failure, Brazil
 - community-related restrictions on access to bauxite in India
 - Malaysian community issues leading to mining ban
- At other end of product chain, increasing expectations of consumers of aluminium products:
 - want to see a complete chain of ethical, environmental and social responsibility (in choice of supplies to produce a finished product)

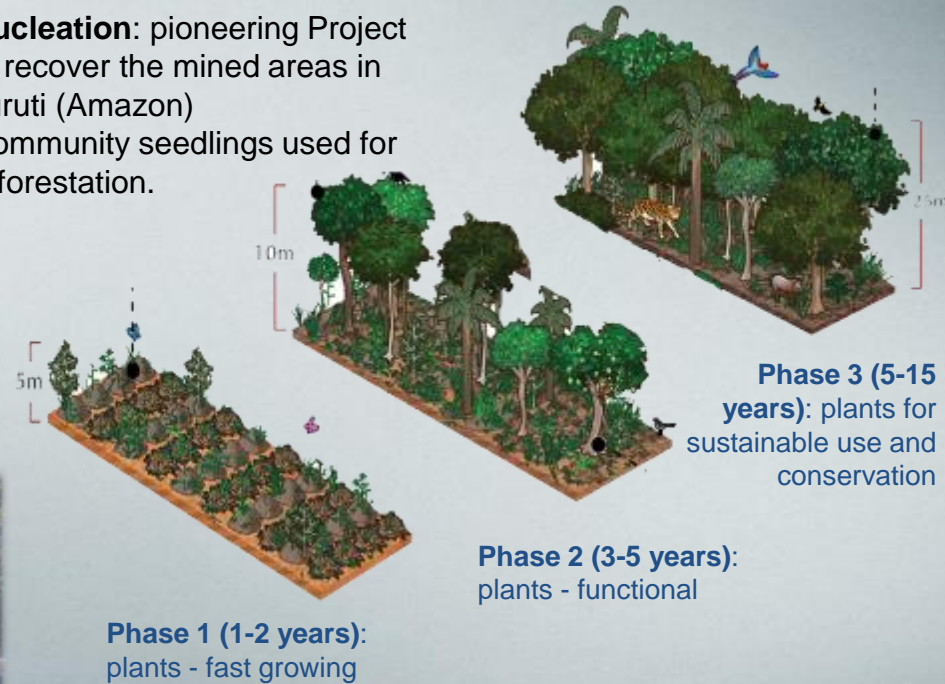
AWAC's rehabilitation best practices implemented in Australia and Amazon



Returning a self-sustaining jarrah forest ecosystem in Western Australia to enhance or maintain water, timber, recreation, and conservation values



Nucleation: pioneering Project to recover the mined areas in Juruti (Amazon)
Community seedlings used for reforestation.



- Step change to convert from dry/wet stacking to pressure filtration & residue cake stacking
- Safer method of storing residue – intrinsically stable residue deposit (eliminates Samarco-type failure)
- Higher opex but saves an estimated half of the capital investment required to build conventional dams over 10 years (Pinjarra) - significant savings in Total Operating Cost
- Extends refinery life where residue storage space is an issue
- Reduced environmental impact for residue storage:
 - Minimises life-of-mine residue footprint
 - Reduces potential for emissions (e.g. dust)
 - Substantial reduction in fresh water usage (1.2 GL at Pinjarra)
- Full-scale operation at Kwinana refinery since Aug. 2016, ramp-up on-going (capex \$115 million)
- AWAC evaluating roll-out at other refineries (case-by-case justification)

Residue pressure filtration- Western Australia

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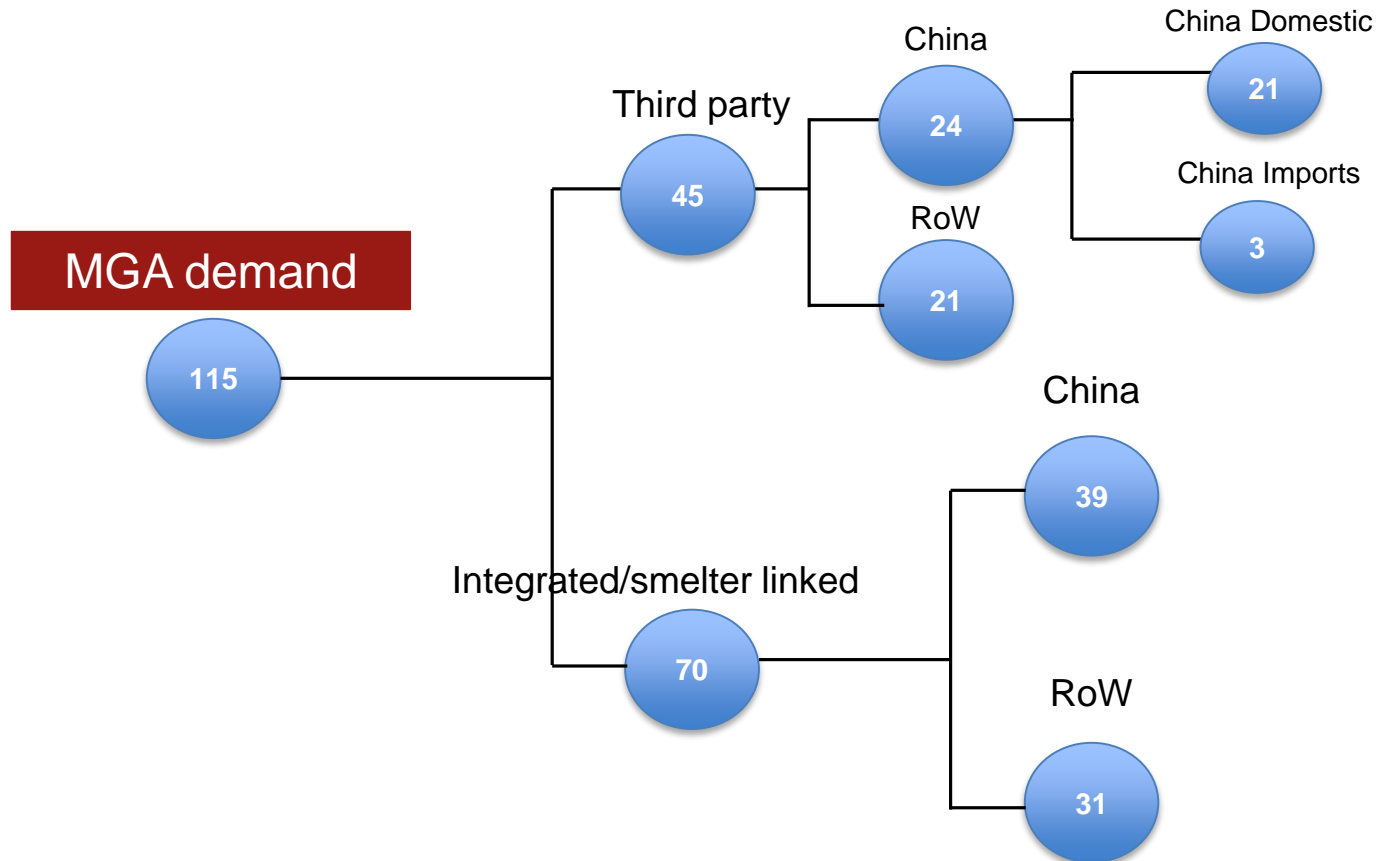
Summary: Australia is well-positioned in bauxite and alumina dynamics

Outlook for Australia

- Australia and China (70% of world's production) likely to maintain leading alumina position
- Australian alumina not reliant on any one customer region and, as market requirements grow:
 - creep opportunities for extra low cost production and
 - potential for expansions with improved energy policies
- China broadly self-sufficient in alumina but Australia the likely main supplier for:
 - expected on-going modest imports by China and
 - potential upside to extent Chinese Government implements pollution-related policies cutting domestic production
- Large rise expected in Chinese bauxite imports from Australia, largely due to Australia's close proximity, stability, reliable quality, choice and sustainable supply

Appendices

2016 Metallurgical Grade Alumina Market Overview



2016 Bauxite Market Overview

