Rio Tinto

Notice to ASX

# BMO Global Metals & Mining Conference

**26 February 2018**

Rio Tinto chief financial officer Chris Lynch is presenting today at the BMO Global Metals & Mining Conference in Miami, Florida.

The presentation slides are attached and will also be made available at www.riotinto.com/presentations.

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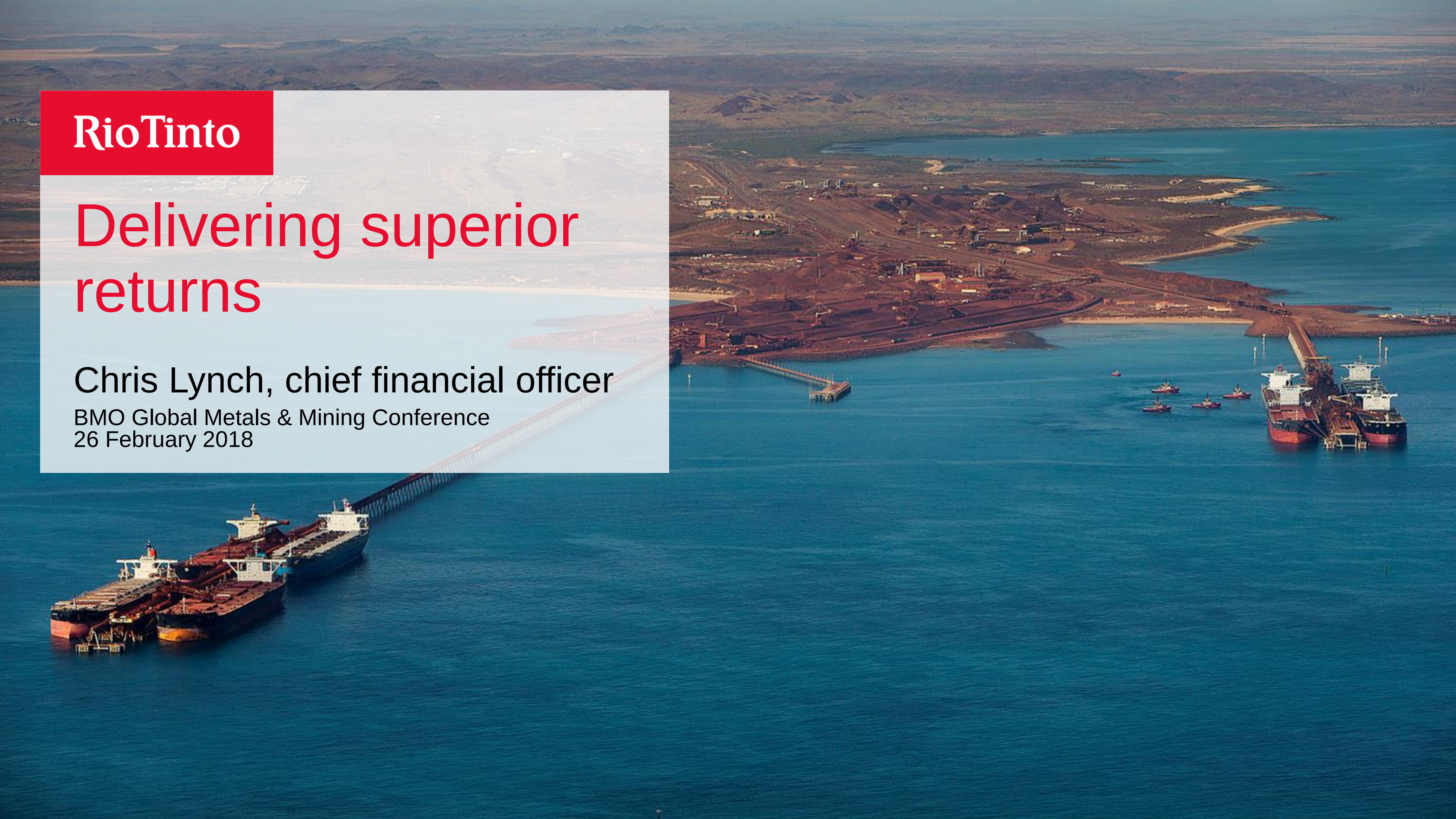

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# Delivering superior returns

Chris Lynch, chief financial officer

BMO Global Metals & Mining Conference
26 February 2018

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# Supporting statements

**Ore Reserves (slide 15)**

Reserve grade for Oyu Tolgoi Underground – Hugo Dummett North and Hugo Dummett North Extension. Probable Ore Reserves for Hugo Dummett North and Hugo Dummett North Extension (499 Mt at 1.66% Cu, 0.35g/t Au) were released to the market in the 2016 Rio Tinto Annual Report on 2 March 2017 and can be found on p224 of that report. The Competent Person responsible for reporting of those Ore Reserves was J Dudley.

Reserve grade for Amrun (formerly South of Embley). Proved and Probable Ore Reserves (1409Mt at 52.4% $Al_2O_3$) for Amrun (South of Embley) were released to the market in the 2016 Rio Tinto Annual Report on 2 March 2017 and can be found on p223 of that report. The Competent Person responsible for reporting of those Ore Reserves was L McAndrew.

Rio Tinto is not aware of any new information or data that materially affects the above reserve grade estimates as reported in the 2016 Annual Report, and confirms that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. The form and context in which each Competent Person’s findings are presented have not been materially modified.

**Production Targets**

The production target for Oyu Tolgoi shown on slide 15 is the average production 2025-2030, including open pit production. This production target was disclosed in a release to the market on 6 May 2016 (“Rio Tinto approves development of Oyu Tolgoi underground mine”). All material assumptions underpinning these production targets continue to apply and have not materially changed.

# Our strategy is delivering

- ✓ **Cash returns to shareholders of $9.7 billion declared for 2017**
  - Highest ever full year dividend of $5.2 billion (290 US cents per share)
  - Additional share buy-back of $1.0 billion to be completed in 2018
- ✓ **EBITDA of $18.6 billion, margin of 44%**
- ✓ **Reshaping the portfolio with divestment proceeds of $2.7 billion**
- ✓ **Invested $2.5 billion in high-return growth**
  - Silvergrass commissioned, Oyu Tolgoi underground and Amrun on track
- ✓ **Delivered $0.4 billion free cash flow from productivity**

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# Strong results delivered in 2017

## Robust financial performance

EBITDA of **$18.6 billion**

Operating cash flow of **$13.9 billion**

Free cash flow of **$9.5 billion**

**$2 billion** cost savings programme completed early

## Disciplined capital allocation

Full year 2017 dividend of **$5.2 billion**

Share buy-backs declared of **$4.5 billion**

Net debt reduced to **$3.8 billion** at 31 December

Capital expenditure of **$4.5 billion**

## Positioning for the long-term

Silvergrass iron ore mine commissioned in Q4 2017

Oyu Tolgoi underground development on track

Amrun development progressing to plan

Divestment proceeds of **$2.7 billion** in 2017


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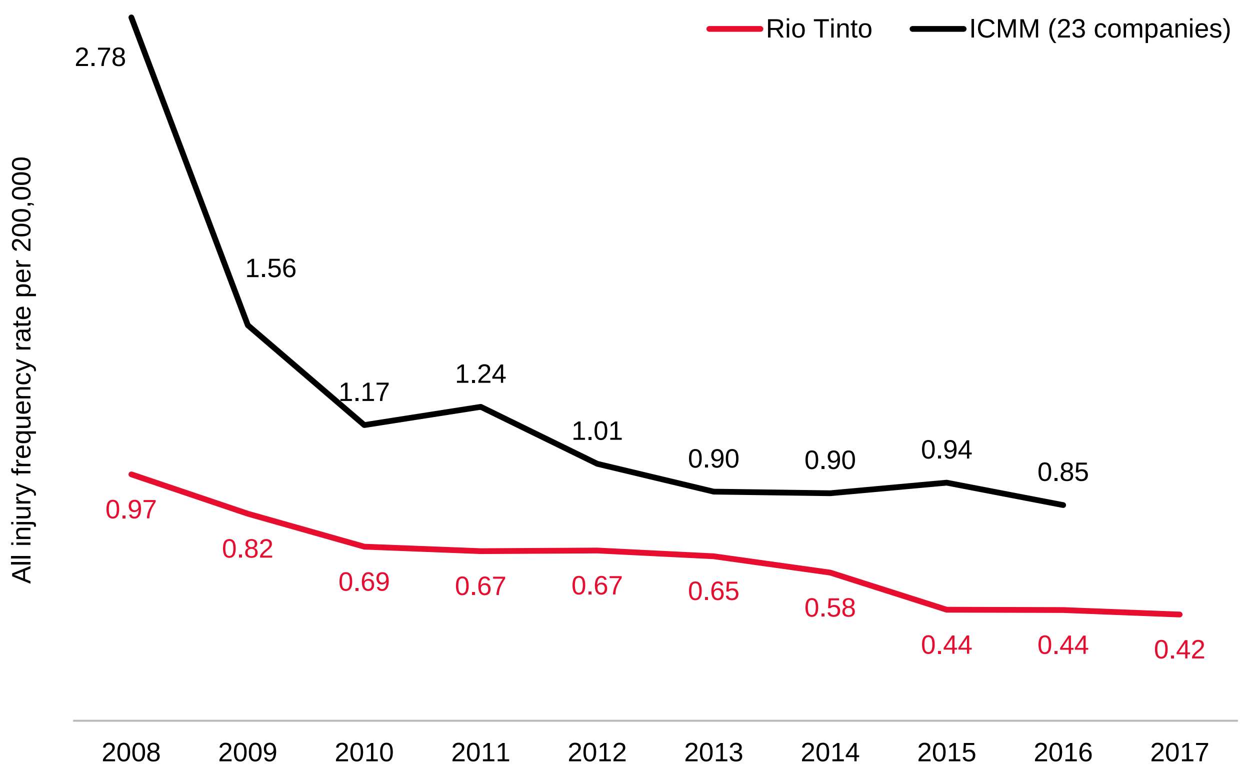
# Safety and health come first

## Continuing history of improvement




**Safety fatality at Kennecott Operations and Health fatality in Pilbara Exploration in October**

Focusing on **fatality elimination** –
1.5 million CRM verifications in 2017

**Reducing injuries** –
Targeted hazard elimination campaigns

**Catastrophic event prevention** through control of major hazards

**Mental health**, wellbeing and fatigue management

Connection with engagement, leadership and **productivity initiatives**

**Critical Health Risk Management**

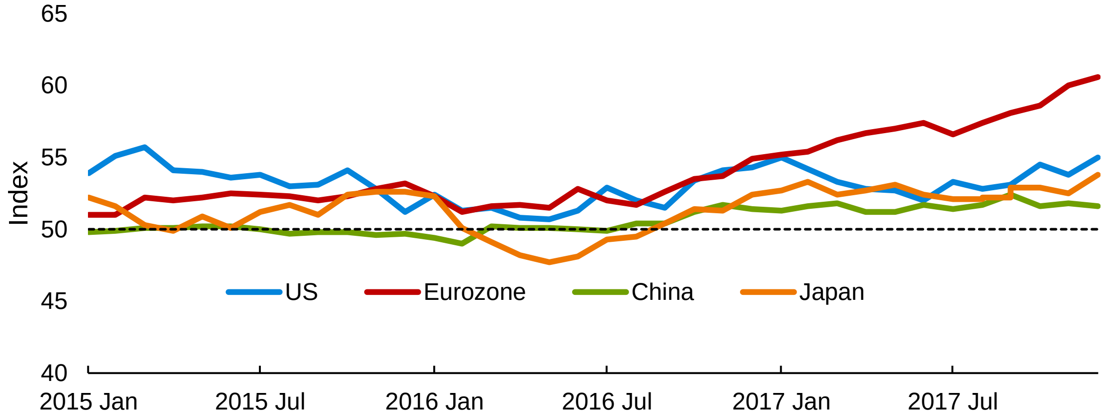
# Superior returns from world-class assets

| | Iron Ore | Aluminium | Copper & Diamonds | Energy & Minerals |
|---|---|---|---|---|
| **Margins** | **68%**<br>Pilbara operations FOB EBITDA margin | **35%**<br>Integrated operations EBITDA margin | **39%**<br>EBITDA margin | **36%**<br>EBITDA margin |
| **Cash flow** | Cash flows from operations of **$8,466m**<br>Development capex of **$653m**<br>Free cash flow of **$7,265m** | Cash flows from operations of **$2,648m**<br>Development capex of **$654m**<br>Free cash flow of **$1,380m** | Cash flows from operations of **$1,695m**<br>Development capex of **$1,159m**<br>Free cash flow of **$319m** | Cash flows from operations of **$1,939m**<br>Development capex of **$32m**<br>Free cash flow of **$1,467m** |




# Global macro indicators remain supportive

## PMIs remain elevated




**Global** growth momentum remains healthy

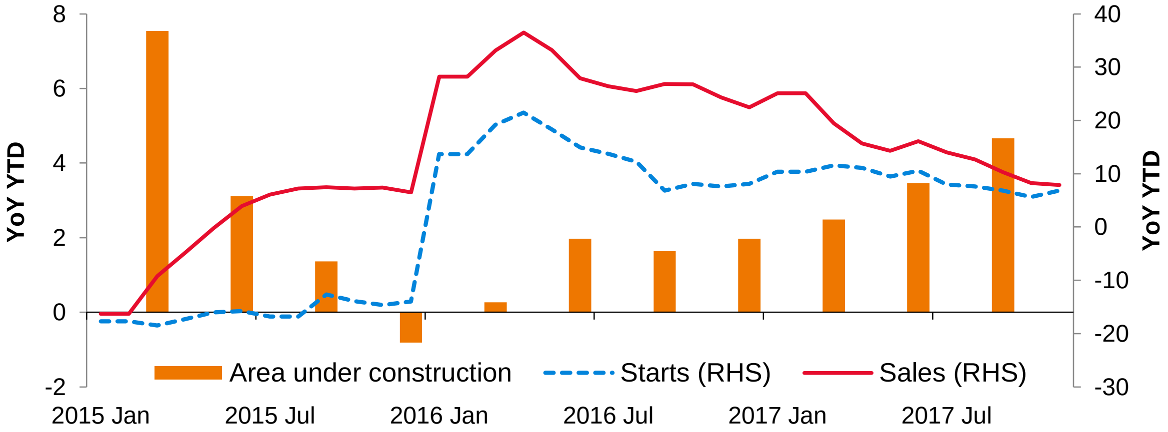
**US** growth supported by record high consumer confidence and healthy manufacturing and investment

**EU** performing better than expectations on stronger manufacturing and consumer confidence

**China** may slow modestly over the next six months but outlook remains positive in the medium to long-term

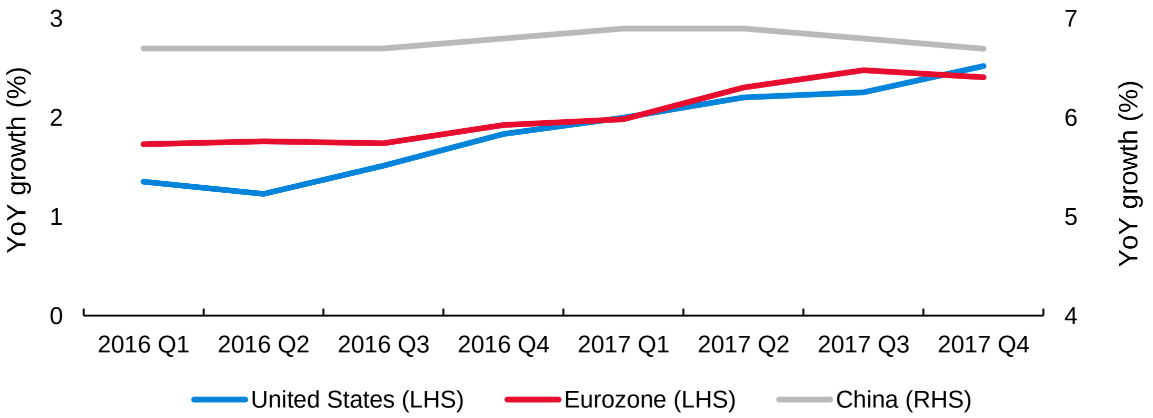
**Chinese** environmental policy measures are increasing demand for higher grade iron ore and reducing new aluminium capacity

## China housing sales and starts slowing modestly




Source: CEIC, Rio Tinto

## Positive GDP momentum

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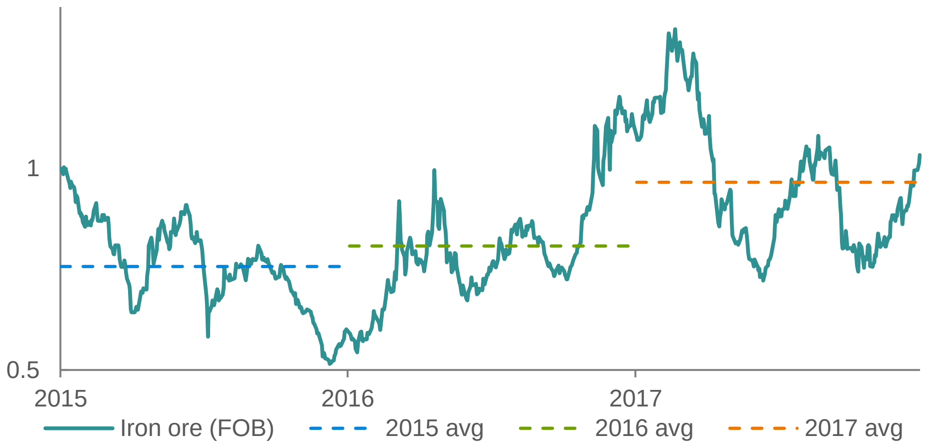
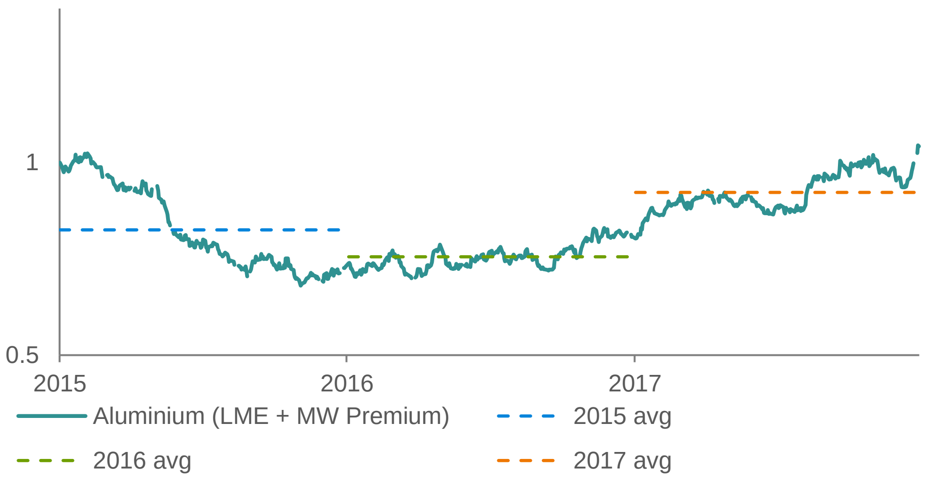
# Robust demand drove stronger prices in 2017

## Iron Ore

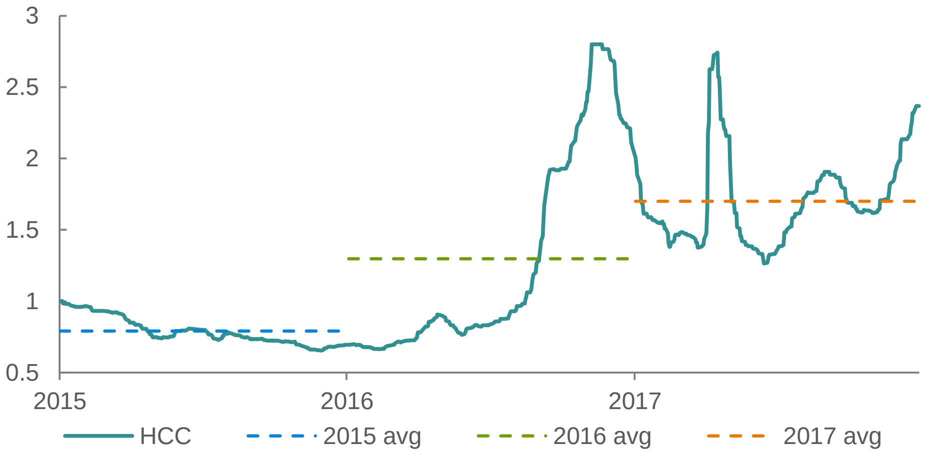



## Aluminium



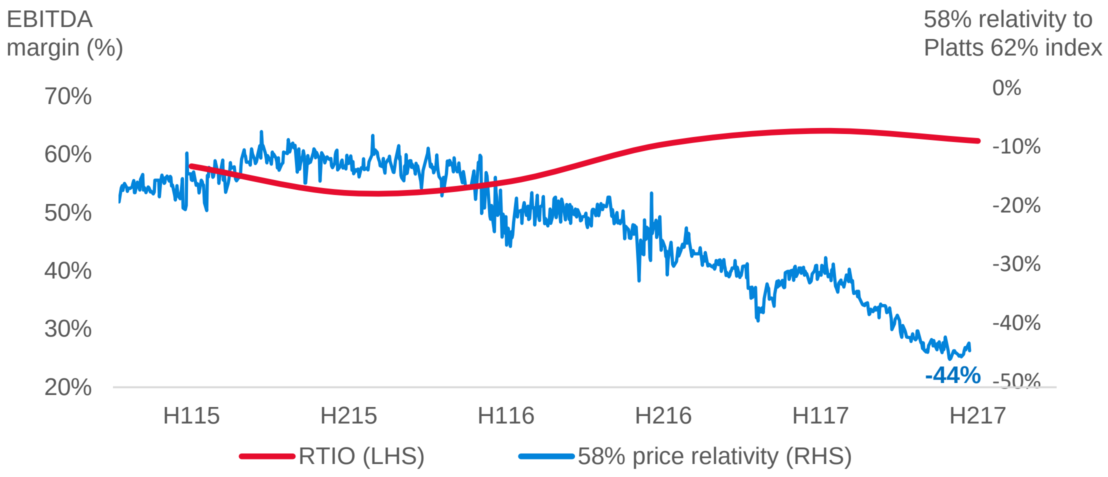

## Copper


## Hard Coking Coal



# Outperforming in key commodities

## Rio Tinto Iron Ore EBITDA performance



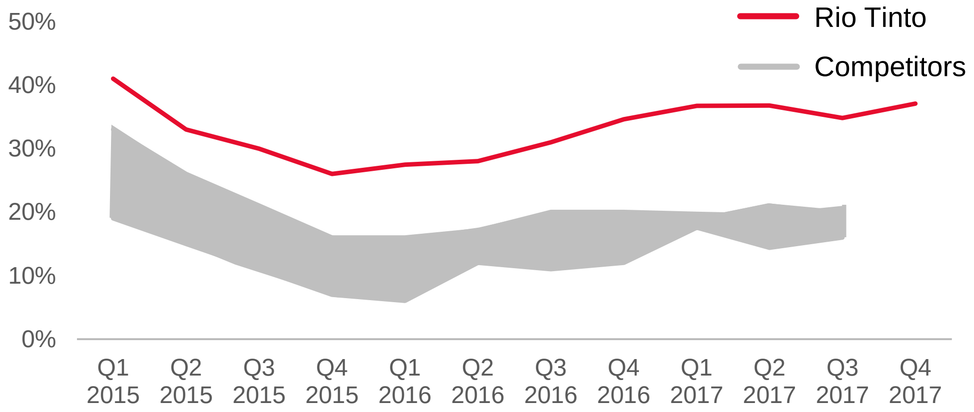

Source: Bloomberg, Metal Bulletin, Platts.

Iron Ore EBITDA FOB margin increases to 68%

Significant spread between high and low quality iron ores

Steelmakers targeting high-grade / low-impurity iron ore products

## Upstream aluminium EBITDA margins




Rio Tinto internal analysis which includes adjustments to externally reported EBITDA margins, trading, procurement and marine revenues to report performance on a comparable basis. Competitors included in the analysis are Rusal, Hydro and Alcoa.

Margin gap: portfolio quality and performance delivery

Aluminium EBITDA margin increases to 35% in 2017

VAP – 57% of primary metal sold, premium of $221/t in addition to the market premium

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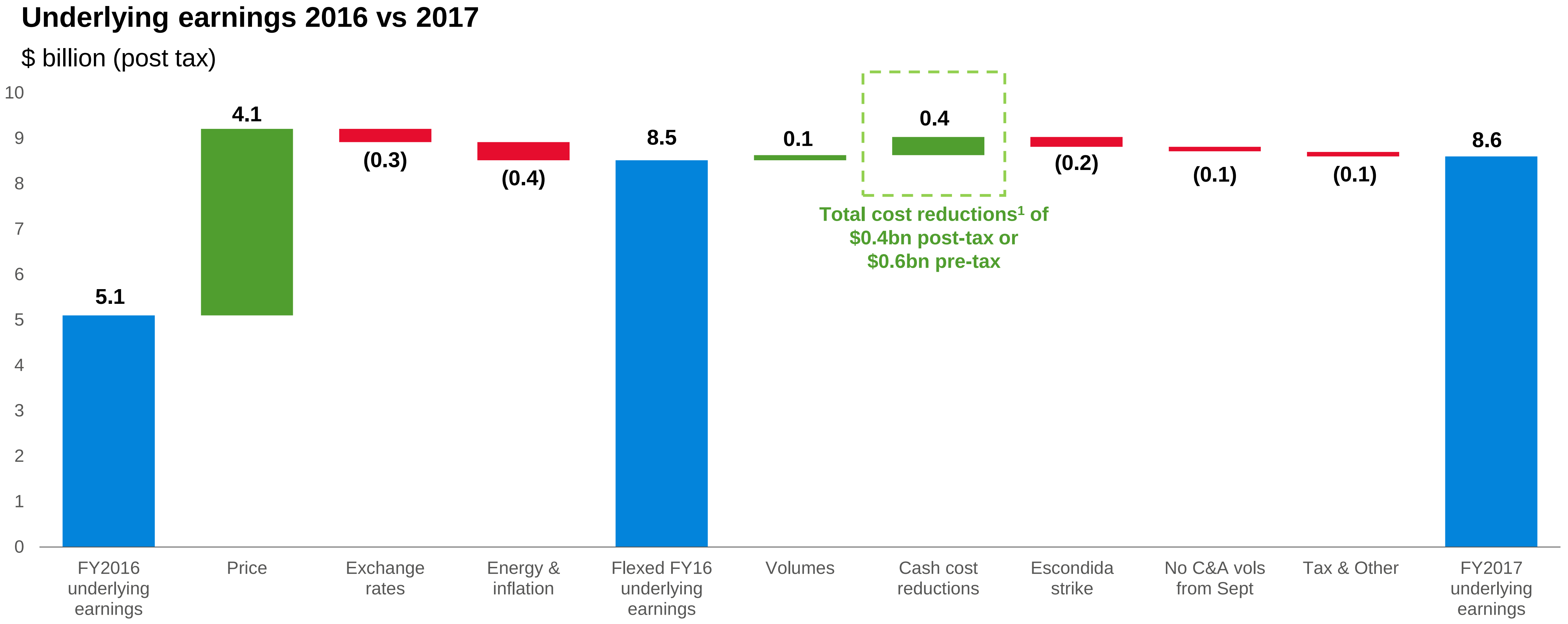
# Higher prices driving increased earnings




[1] Cash cost reductions include reductions in Exploration & Evaluation costs

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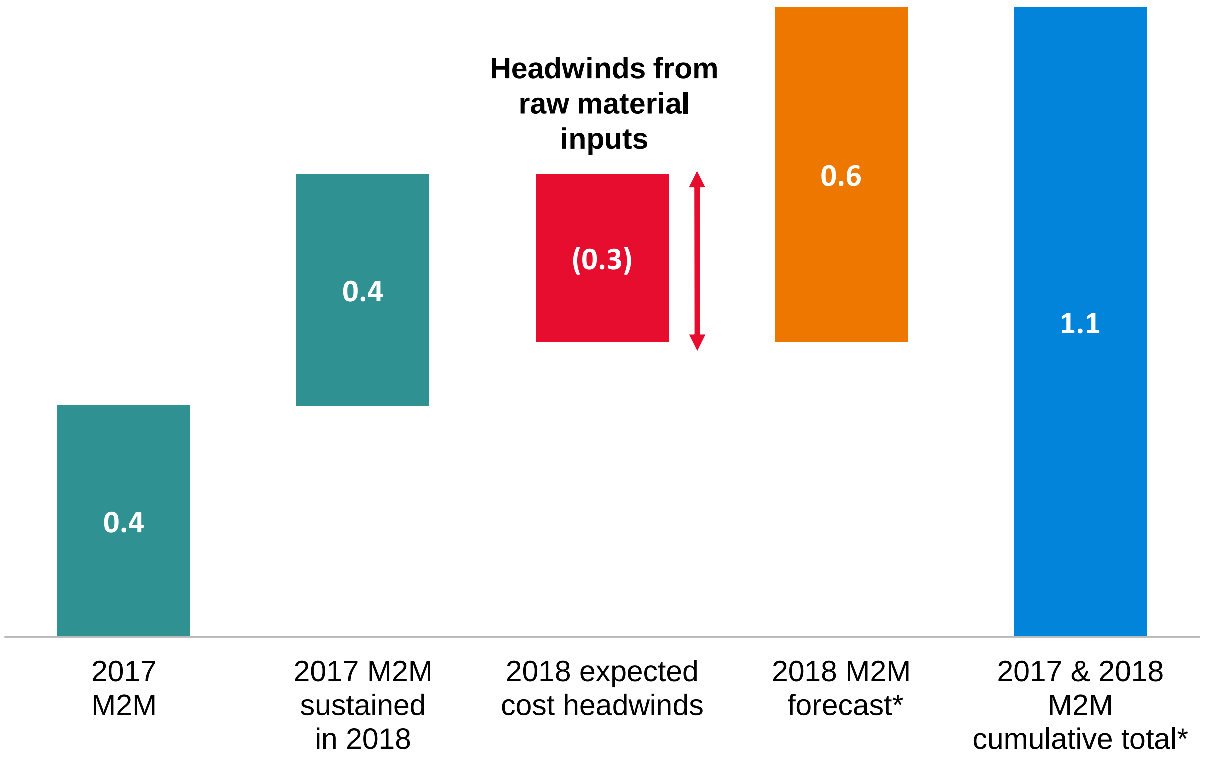
# Productivity programme delivering $5 billion of additional free cash flow by 2021

**Post-tax mine to market (M2M) productivity programme**
($ billion)




* Based on consensus prices and exchange rates

**$0.4 billion** mine to market free cash flow delivered in 2017

Cumulative 2017 and 2018 mine to market forecast of **$1.1 billion**

– **$0.3 billion** mine to market forecast in 2018 despite raw material cost headwinds

Delivering **$1.5 billion** mine to market each year from 2021

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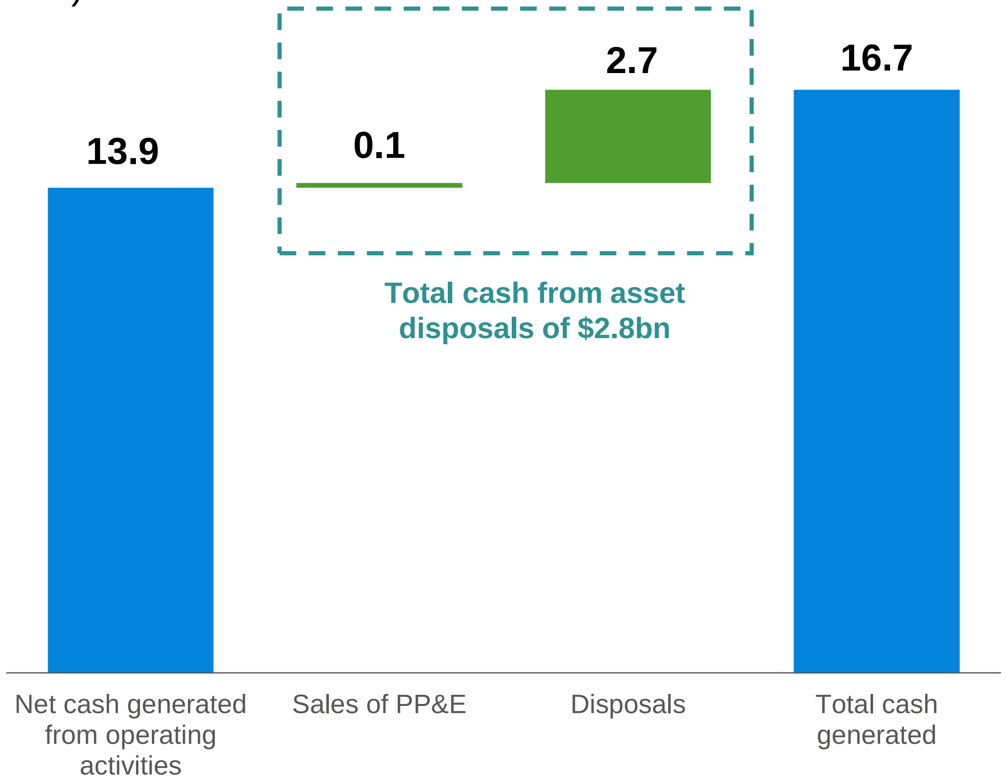
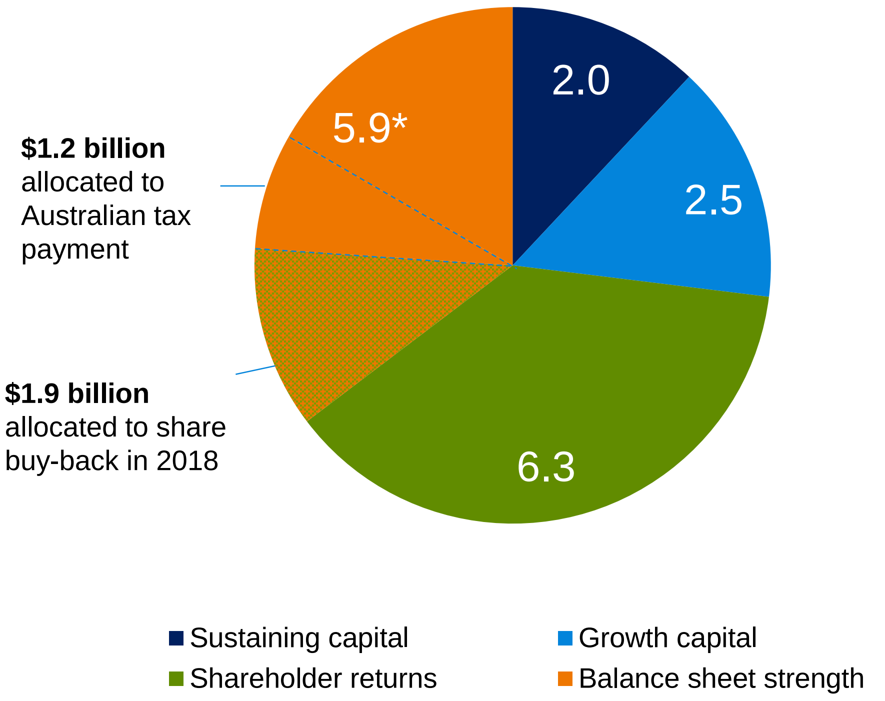
# Disciplined allocation of strong cash flow in 2017

**Cash flow 2017**
($ billion)




**$8.2 billion (49)% of cash generated in 2017 allocated to shareholder returns**
($ billion)




* Balance sheet net debt reduction of $5.8bn comprises $5.9bn of net cash movement and $(0.1)bn of non-cash, exchange and other movements

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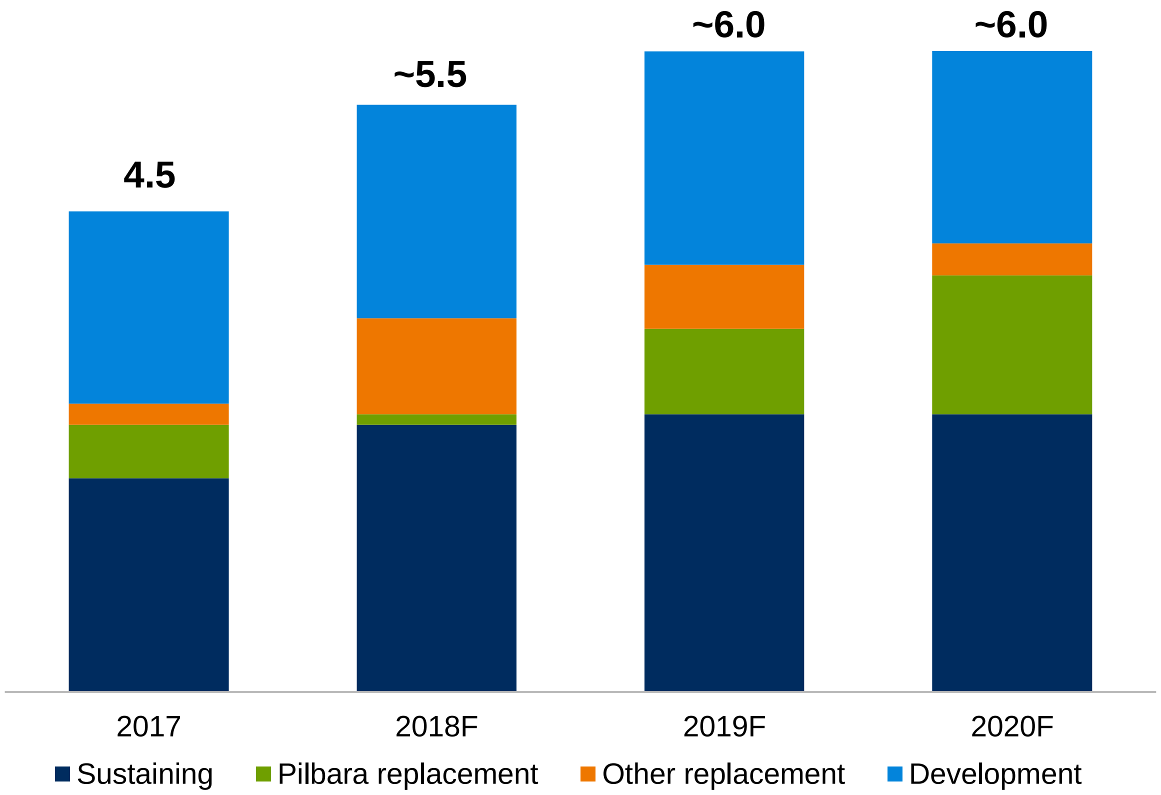
# Sustaining capital and compelling growth

**Capital expenditure profile**
($ billion)




Maintained sustaining capital guidance of $2.0 to $2.5 billion per year, including:

– Iron Ore sustaining capex of ~$1 billion per year

Pilbara replacement capital includes Koodaideri development from 2019

Other replacement capital includes:

– South wall pushback at Kennecott

– Amrun replacement tonnes

– Zulti South

Development capital includes:

– Oyu Tolgoi, including development of power station

– Amrun

– AutoHaul™

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# High-return growth

## Amrun

Creating seaborne bauxite market, high-grade, expandable

>20% IRR

$1.9 billion capex, first quartile opex

22.8 Mt/a, project ~60% complete, commissioning H1 2019

52.4% alumina content[1]

## Oyu Tolgoi Underground

Largest and highest quality copper development in the world

>20% IRR

$5.3 billion capex, first quartile opex

First drawbell production: 2020
Full production ~560 kt/a[1] (2025-2030)

1.66% Cu, 0.35g/t Au[1]

## Significant portfolio opportunities

Pilbara iron ore, Queensland bauxite, Canadian aluminium, $TiO_2$

>15% IRR hurdle rate requirement

Pilbara: progressing Koodaideri FS, significant resource optionality, latent capacity and productivity opportunity

Brownfield aluminium options: Alma, AP60, subject to market conditions

Bauxite expansion options

$TiO_2$ latent capacity

## Longer-term growth opportunities

Extensive exploration and evaluation programme and early stage projects

2017 E&E spend of $445 million in 16 countries across 8 commodities

Project options under assessment include:

- Resolution copper
- Zulti South mineral sands
- Jadar lithium/borates

[1] Refer to the statements supporting these reserve grades and production targets set out on slide 3 of this presentation

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# Continuing to deliver on our promises

- ✓ Cash returns to shareholders of $9.7 billion declared for 2017
- ✓ Operating cash flow of $13.9 billion
- ✓ Reshaping the portfolio with divestments completed of $2.7 billion
- ✓ Invested $2.5 billion in high-return growth
- ✓ Delivered $0.4 billion free cash flow from productivity
- ✓ Strong balance sheet with net debt of $3.8 billion