

JAKOB STAUSHOLM (Chief Executive):

We are now happy to answer questions you might have?

QUESTION:

Thank you and good morning, Jakob and Peter.

Jakob, I have a few questions on your iron ore assets, and starting with the Pilbara a question on heritage and capex. On top of the four mines currently under construction roughly how many additional replacement mines need to be approved from 2021 to 2023 to maintain current production beyond 2023?

The second question is on Simandou. The chat is some minor work at the mine site has commenced. Can you confirm again that you are considering an infrastructure joint venture with the Northern Chinese consortium through this technical optimisation work? And then also can I ask apart, how do you think or what scenario does Simandou create value for shareholders considering it will impact the value of the Pilbara? Thank you.

JAKOB STAUSHOLM:

Thank you. Let me start with your second question about Simandou. I can confirm that we are doing as much work as possible in order to establish a project and we have an open mindset on how the structure will be, if not as determined by our two consortiums, and how those two consortiums will work together time will tell. Our view is to be part of that development, so it is too early to conclude anything.

I don't see that it is necessarily being negative for our Australian business, because the global seaborne iron ore market is 1.8 Bt and so much need for replacement mines in the decade to come that there is a space for a Simandou development.

But look, we need to first have a project and look at the possibility of it before we can determine a path forward.

Why don't I ask Peter to answer the capex question in the Pilbara?

PETER CUNNINGHAM (Interim Chief Financial Officer):

Thanks Jakob and thanks for the question.

As I talked about, this year we will bring in the three new mines in the Pilbara and then Gudai-Darri comes in and ramps up in 2022. They are the core. So as we go into 2022 we go in now with a clear spread of assets and capacity there which is aligned with our infrastructure.

What we will start then, it has started already, is the next phase of studies. We have talked about Gudai-Darri Stage 2, we have talked about Western Range. Those studies will progress and they will start to come in, in 2022-2024. We have already built those into our capex given that we have given guidance for 2023. But you should expect the sort of next set of mines to come in starting in that period.

QUESTION:

Good morning everybody. Thanks for the call this morning. Just a bit of a simple question on iron ore production targets. Once upon a time we were told that your iron ore business had a nameplate capacity of 360 Mt a year; lately it seems to be more like 330 Mt, and that's even with some pressure on product quality. How should we think about this in the medium term?

JAKOB STAUSHOLM:

Thank you. Look, I think actually what you see here is entirely consistent with our Capital Markets Day a year-and-a-half ago when we talked about where we were, about our capacity which is probably around 360 Mt. You know you have got like a different capacity on the port but with that capacity we have thoroughly improved the maintenance of the way in so that's less of a restriction.

But we did say a year-and-a-half ago that 2020 and 2021 would be tough for the mines, we would have to run the mines hard before Gudai-Darri goes onstream, and that's exactly what we are doing and therefore in a way I'm very proud today to tell you that our production last year increased by 2 per cent compared to the previous year and if you take the mid-point of our range for this year there is further growth this year compared to last year.

So I think we are faring exactly as we laid out at the Capital Markets Day and, yes, next year when Gudai-Darri comes onstream we have much more flexibility, but we are only guiding for one year. Thank you.

QUESTION:

Jakob, if I could just follow up, and in a way this comes back to an earlier question. Do you think there is a risk here that with the new focus on these heritage sites that your production, and for that matter Pilbara production in general, struggles to stay flat, never mind growth?

JAKOB STAUSHOLM:

Look, I cannot remove all risks here and I don't know what will be the outcome of the new legislation in WA (Western Australia) of course. But I must say, and it is only two days ago I was mine side at Brockman and visited Juukan Gorge, when I talk to people, when I talk to the Traditional Owners, when I talk to our people onsite, still see lots of opportunities.

We need to really develop the relationship, be really respectful, but there is a big opportunity for us to develop things together so I remain optimistic. I think so far we have proven that we have been able to continue to produce and that's what we are indicating with the production guidance this year.

QUESTION:

Thanks and good morning Jakob.

Just a question on the management change and I'm looking at understanding your comments before about you think there are now the right people in the right roles. I mean, are we expecting to see material changes to these divisions and the assets within them? Do you think with the new sort of positions they have been given licence to do that or is it about sort of getting costs down and getting production consistency, as you said, and license to operate? I am just interested in your thoughts around that. Thanks.

JAKOB STAUSHOLM:

Thank you. Look, it is a matter of preserving all the good things of Rio Tinto and driving the four priorities I laid out in the presentation here. I am very keen on making the big significant change to the Executive Leadership Team quickly and stabilise the organisation having as little change as possible. I gave it full thought: should I change for example the product group structure? And I, together with consulting with the board, we decided not to change that.

So it is a similar structure. There are small changes. You'll have seen we have moved Diamonds to Minerals so it is no longer Energy & Minerals and Copper is purely copper. And we brought the Simandou project together with Copper. But these are small adjustments to your model; otherwise I want the same structure.

Quite frankly, the worst thing you can do at this point in time I think is a big reorganisation. We need now stability to pursue the agenda that I have laid out today. Thank you.

QUESTION:

Good morning Jakob. Firstly just to follow up on Simandou, just on the timeline, can you shed any light on when you will have to make, or could have to make, a major investment decision on the project, or a decision not to participate? Is it this year or is it beyond 2021?

And then secondly, on the climate front, you are clearly making tangible progress given the recent partnerships we have seen. But in the context of the results you have just announced, do you think Rio is spending enough on downstream initiatives and could that \$1 billion climate budget that you have, could that be revised higher in the near term? Thank you.

JAKOB STAUSHOLM:

Thank you. Look, we are not going to make a massive investment decision in Simandou this year, but I certainly expect the project to focus a lot and we should get much more clarity about how it will look like and how we will work together. So it's full steam ahead, but it is a very big project.

Going to climate change, look, we are all in on climate change. We are very committed, the Board, the Executive Team. I think you have seen our commitment now, our emissions last year and now with the Scope 3. But you also have to be realistic, the world doesn't have all the answers yet and you can only focus on certain things.

So we could try to spend more money on research and development but the risk is that we will just burn money. I actually think it is very meaningful, the joint ventures, and it is meaningful money we are spending here.

And back to the \$1 billion, really so far we have taken good investment decisions that reduce our carbon footprint and actually are also profitable, and as long as it meets those criteria I see no reasons why we shouldn't be able to accelerate.

But again, it is difficult. It is a learning process, it is a ramp up, we are all in and we are trying to do as much as we can but I think we are no different from many others in this world, that this is a big, big transition where we all have to learn a lot.

So I think you have got the right guidance and I think the numbers you are seeing here demonstrate a full commitment. Thank you.

QUESTION:

Thanks very much. Look, the first question is just about the Pilbara. There is a comment in the release about the 90 Mt of capacity ramping up this year. That's a lot of capacity. I'm just wondering if we can unpack that a little bit and talk about some of the risks around production and how you are dealing with that? And I guess once that's done are you prepared to sort of put out there that system capacity at the mine, port and rail would all be matched to 360 Mt?

The next question is just on Simandou. I guess before we ran what the scope looks like, can we talk a bit about their community and heritage issues over there? There is

a lot of community within the general line of the rail. And I am just wondering from an ESG perspective is this a project that Rio can actually undertake and would shareholders support a multi-billion dollar investment decision in Guinea? Thanks.

PETER CUNNINGHAM:

I might take your first question there just on the 90 Mt. So we have taken that into account in both our guidance on production and our guidance on unit costs, that we are doing those tonnes this year. It is a lot of capacity to bring into the system and what you have got to remember is effectively this is tying in capacity of existing hubs where we are building new mines and then connecting them into those existing hubs.

So they will come on progressively during the year at those three mines. But it is all proceeding to plan, clearly some risk but all taken into account and guidance.

In terms of looking forward to 2022, as Jakob said, we are pretty much exactly going into 2022 where we talked about the Capital Markets Day in December 2019, but with Gudai-Darri in place that lifts our mine capacity up and if the market is there we will have capacity to go higher in the mines and match that with port and rail. Thanks very much.

Over to Jakob I think on the second question.

JAKOB STAUSHOLM:

Yes look Simandou, let me take that one. I have been there and it is a big learning experience to go there. It is going to be a very big infrastructure project, above anything, and the answer to your question is I don't know what the answer is, that ESG is one of the reasons we think we can add a lot of value to the development of Simandou.

I also strengthened my conversations with the Government of Guinea. They think as much on these matters as we do, so I see here is an area where we can make a contribution. But you can rest assured that we, I, the Board, are not going to take an investment decision that compromises our ESG credentials. Thank you.

QUESTION:

Good morning gentlemen. One question from my side is on capital allocation. Your balance sheet is nearly in a net cash position. You will probably generate in excess of \$20 billion of free cash for this year on spot with no obvious 'big tick' items on the horizon. While you have been consistent with your strategy so far, do you think it is now time to revisit your capital allocation framework or introduce more flexibility on how you think about capital returns? Thank you.

JAKOB STAUSHOLM:

Look, we don't know how we are on prices. We know what the iron ore price is today, we don't know what it is tomorrow, so it will be a bit of a theoretical calculation. But honestly, yes, net debt is very low right now and obviously the stronger the balance sheet the easier it becomes to allocate our cash. But I actually think that our capital allocation plan works and serves us also in a high price scenario.

I think you already see here, if you look at what we have done here with the dividend adding up to \$9 billion and our free cash last year was \$9.4 billion, we are certainly not stingy on paying back dividends and we are also slowly but surely, as we have said over the last few years, ramping up our investments. So I think it works and I think we have the balance right. Thank you.

QUESTION:

Thank you. I've just a couple of questions around Oyu Tolgoi and then the Scope 3 goals that you have set out today.

First of all, with Oyu Tolgoi, are you prepared to put more money into Mongolia, buying out the government's stake, increasing your equity ownership one way or the other? And, if the discussions don't progress to plan is it beyond the point now of freezing spend and stopping underground work? Are you prepared to scrap the Dubai Agreement? A little bit more colour around the latest with Oyu Tolgoi and how that could evolve?

And then with the Scope 3 goals that have been set out, how are you going to measure the sort of achievements, the 30 per cent reduction in carbon emissions or intensity of

your customers? Is that going to be a part, you have mentioned that the climate goals are part of management incentives, is it going to be Scope 3 as well as Scope 1 and 2 that will be part of the incentivisation package? Thank you.

JAKOB STAUSHOLM:

First of all on Oyu Tolgoi, we are very committed to it and we are actually putting in more money every single day because we are investing in the underground development, and it is progressing, but there is nothing in the cards that we should start buying out anyone here. We are here very comfortable with the risk-sharing and the stake that we have in Oyu Tolgoi.

What it's all about right now is to have the right conversation and find the right solutions and, quite frankly, I don't know exactly what the solution is. We are just setting a new team here, a little bit of a refit, and we are working very hard on building relationships. As I have said, we have constructive discussions and the good news is there is a big 'win-win' here for both the country, the Government of Mongolia, and ourselves.

So I just remain convinced that we will find solutions to a very complex topic, so I really don't know exactly what the solution is. But if it is right, if we both have an incentive to find a solution and we have the right relationship, I remain convinced we will get to solutions. So that's where we are on Oyu Tolgoi at this point in time.

Scope 3, yes, we are just entering today. It is an important one and I think the way you should look at it is a full commitment from our side to work on this. I also think the world has changed quite a lot over the last 12 months. We now see a much more united world attacking the climate change agenda.

We see that China is at the forefront with the latest commitment to being neutral in 2060, which is going to be a massive challenge given the magnitude of the industry in China. We see demands from our customers that we together work on solutions. So I will say to you we don't know exactly how but when we join forces and everyone has the commitment I am sure we will find solutions.

QUESTION:

Good afternoon Jakob and welcome to Australia. Just on the Simandou project I guess I am just a little unclear. So you are doing the studies before you engage or have you engaged with the SMB Winning consortium at least in the first place? Because they seem to be moving ahead fast, they have already started construction on the port and intend to start construction on the rail this week, based on what we are hearing. Are you at risk of being left behind? That's the first question.

And then the second one is just on dividends, if I look at it pro-forma with what you have announced today, the tax catch-up and your net debt at year end, it leaves you with pro-forma net debt of about \$8 billion.

So should I think about it, going forward you mentioned you've paid out almost 100 per cent of free cash flows, is that how I should think about it? I know your policy is unchanged but is that sort of how I should think about it and in dividends and not buy-backs going forward? Thanks.

JAKOB STAUSHOLM:

Peter, why don't you take the dividends and I come back on Simandou?

PETER CUNNINGHAM

Thanks Jakob. I think on the dividend you really should just review what we have done within in the context of our policy previously. It has been very, very consistent the application of that policy and I think it served us extremely well over time. So it really is that 40-60 per cent over the cycle of pay-outs with additional payments as and when the overall settings make it conducive to do that, and I think that's exactly what we have done this year.

In terms of form, we will review it each time, you know different shareholders have different preferences there, we are very aware of that, but we have gone for, or the Board has gone for, a Special Dividend this time, and I think that's where we'll leave it. So thank you very much.

Jakob, back to you.

JAKOB STAUSHOLM:

Look, I'm maybe not very helpful on this, on Simandou, but as you probably can imagine discussions and negotiations we like to keep inside closed doors, but I would say that a lot of engagement is happening and I think it is becoming more and more clear how we best can contribute to the development there. I am looking forward to giving you an update but I am not able to really give much more at this point in time. Thank you.

QUESTION:

Good morning Jakob and Peter. Thanks for taking my questions. I have got two. The first one is on Pilbara iron ore. Look, you had a small reserve cut today in the iron ore reserve statement. I just wanted to focus here a bit on the reasons for that. I take it that it was likely heritage issues and the mine plan for the next 12 to 24 months. So does this cut now de-risk your production for the iron ore business at least for the next 24 months, and is there any future re-calculation risk here to reserves from heritage issues? That's the first one.

The second one is on Jadar. I understand a portion of that \$200 million was budgeted for land acquisitions. How far down are you on that path and also these direct land acquisitions? Does this potentially add to the complexity in terms of royalties to land owners and then also perhaps the Government, and also is there a framework in place with the Serbian Government for the project? Thanks.

PETER CUNNINGHAM:

Thanks very much for the question. In terms of the Pilbara, yes, we took a small reserve write-down, 54 Mt, which we talked about in the release. I think that has to be put in the overall scale of the business, so when you compare that to the overall reserve position, especially then the resource position, it is a relatively small change.

I think what you are really seeing is now that we have really done a reset about our approach to heritage in the Pilbara it is going to be a continual process of us working through this, engaging with our Partners and Traditional Owners to make sure that we are absolutely in the right place around ongoing heritage approvals.

I think the only thing that clearly we haven't factored in there is the fact the WA heritage laws are under review, so we just don't know how that will flow through as well. So that is not factored in.

But I think what you are seeing in the big picture is just the sheer scale of the business and the options that we have, the ability to internalise these challenges and just work through them over time and retaining a very robust production based map. So thank you for the question.

In terms of Jadar, studies are progressing. Yes, there is a portion there of land acquisitions that will be embedded and will be progressed this year as we go through. It is probably just best to say that the study programmes are progressing as we would expect towards a decision at the end of this year and probably that's the sort of background we can give you at this moment in time. So thank you very much.

QUESTION:

Thank you very much. A question from my side is I believe on the potential removal of under-performing assets, and the announcement of the closure of the aluminium smelter J B Aluchemie in the Netherlands earlier this week underpins the move of cutting out under-performing assets. Did you already identify all of the under-performing assets and do you have a percentage of sales number for those businesses that are Group sales you currently review? That will quite helpful.

JAKOB STAUSHOLM:

Thanks for the question. I joined 2½ years ago and I felt just before I came that a tremendously good piece of work was done – we sold assets for almost \$15 billion and we sold them at good prices at a good time in the cycle – and that actually both simplified and purified our portfolio, so we don't have a lot of under-performing assets.

We have been through a very tough time, particularly for the aluminium smelters and I am particularly proud. You probably will remember around a year ago we put two of our smelters up for strategic review, and recently over the last few weeks we have just announced an energy reset both at our smelter in New Zealand and our smelter in Iceland, which secured employment and improved the competitiveness.

So yes, we are very committed to addressing under-performing assets but that doesn't mean closure or it doesn't mean necessarily a sale, there are different ways as well. But rest assured we are not just accepting to have under-performing assets for the long haul in our portfolio. We still have some work to do on energy resets for particularly some of our Australian smelters. Thank you.

QUESTION:

Good morning guys. Just two questions, the first on the Pilbara and turning to costs. I wonder if you could maybe unpack the unit cost guidance for 2021? The increase year on year is largely attributable to FX but the top end of the range would look a little bit high based on our own forecasts just on FX alone.

So I wonder if you could just talk about some of the cost pressures that you are maybe experiencing in the Pilbara, particularly around labour, haulage and water table? And then with that incremental 90 Mt of capacity coming in over the next two years can you confirm that we should be expecting unit costs to start to fall again?

The second question is on Simandou, we've got capex guidance of \$7½ billion out to 2023, can you give us an indication of what the capex is in each of those years for Simandou?

PETER CUNNINGHAM:

Thank you very much. I might take the first question there on Pilbara costs. In terms of the unit costs, as I said most of that increase is driven by exchange, so it's exchange that effectively resets us to about \$16. I mean, what is effectively the exchange rate in the market today is 77 cents.

From there, as we said, this year is a big transition year for bringing in those incremental tonnes into the system and also to the commissioning of Gudai-Darri, and also for ramping up into the next phase of studies, so we have highlighted there that we have study costs that are also increasing our overall cash unit costs as well.

What we see is when we get to the end of 2021 into 2022 we are in much better shape. Those one-off costs are behind us. So when you think about the profile of unit costs, think of us going into 2022 with those costs for commissioning in the 90 Mt then dealt

with, but forward guidance from there at a higher exchange rate. I think that's probably the best guidance I can give.

And I'll handover to Jakob on Simandou.

JAKOB STAUSHOLM:

Look, I guess your question is how much we have in our capex guidance and, quite frankly, we don't disclose that because the way you should think about our capex guidance is that we risk a portfolio and, as you can imagine, every time you take a decision it becomes a binary. Here it's 100 per cent or it's zero per cent, so there is a risk path for each of our projects and that's what it constitutes for us, so I am afraid I can't help you much on that one. Thank you.

QUESTION:

Thank you very much and congratulations on the numbers. Three questions. The first one, Oyu Tolgoi, as you look out into Panels 1 and 2 as the mine progresses where's your header in terms of having to sub-divide those panels into separate sub-panels for geotechnical stability and what are the risks around that?

The second one is, and I appreciate I'm probably trying on something which you are not going to give, but are you able to give us any kind of ranges for capex for Jadar and Winu please just because they are kind of near term and it would be useful to have a handle on what kind of capex numbers that those projects are going to take? Thanks.

PETER CUNNINGHAM:

Thanks very much for the question. In terms of OT, the studies on Panels 1 and 2 are still ongoing so we are not yet ready to talk in detail about those designs because we still have a lot of work to deal with. We are very, very clear as we described to the market on Panel Zero and we have got the definitive estimate there, but studies are ongoing on Panels 1 and 2. So for those two be a bit patient with us for that while we do the work.

In terms of Winu and Jadar, again we are not yet ready to give fuller guidance on capital. The work is continuing and, as we've said, that should come to an end near the end of this year when we will be taking decisions on those projects. So just again I'll just ask for your patience on those two as well. Thank you very much.

MENNO SANDERSE:

Great! Peter, Jakob and Simon, thank you very, very much. Everybody, thank you for joining this morning and this evening and we hope to see you soon in the round tables or in one-and-one meetings. Have a good day and a good evening. Thank you.

(End of Q&As Session)