

Bank of America Global Metals, Mining & Steel Conference – Q & A transcript
17 May 2022

JASON FAIRCLOUGH (Head of EMEA Metals & Mining, BofA Global Research):

We'll now move to the fireside chat part of our programme. Let me open up with a question here Jakob. When you started as CEO you inherited more than one tricky situation. There's a couple. Do you want to talk a little bit about those? And then how do you see your mandate; and what progress have you made in terms of solving those problems?

JAKOB STAUSHOLM (Chief Executive, Rio Tinto):

Jason, thanks. I actually look at it completely different. I think I was extremely lucky because I came into a job in a company, an incredible company with a very impressive history. Has got amazing people, amazing assets. And you know what? We could do a little bit better. And that's basically what we are trying to do.

I had the opportunity to set a new team and I think we have got an incredible leadership team in place. I got the full freedom to set that team up; and together we have started on a journey that is – yeah, it's challenging, but it's also quite exciting, quite frankly. Because if you look at it, there is very few companies who has this kind of opportunity set, can work with things like Oyu Tolgoi and starting a new iron ore mine in Western Australia the size of 43 million tonnes.

We're working on the Simandou development [in Guinea] and lithium in Argentina. It's amazing. We take it step by step and we are slowly but surely making progress. I find it fascinating that when you get into an opportunity set where you actually can do better.

Bank of America Global Metals, Mining & Steel Conference – Q & A transcript
17 May 2022

JAMES REDFERN (Australia Metals & Mining, BofA Global Research):

Thank you. Jakob, I wanted to ask you about the Oyu Tolgoi copper project in Mongolia that's also had a few issues with the government and technical issues. Can you please talk about the progress at OT and also the rationale for bidding for the minorities in Turquoise Hill?

JAKOB STAUSHOLM:

Look, it was a quite tricky situation and we owe much thanks to our Global CEO of Copper, Bold Baatar who really went all in. And we figured out what was really the needs of the government of Mongolia and the people of Mongolia. And we suddenly realised how much of a win-win there was. And that reset we actually did hand in hand with TRQ for all shareholders. So we did it together with TRQ and we have both reaped the benefit from that reset and starting up the underground mine.

Now that is underway and there's still a lot of technical risks for the projects. But it's a very complex structure. And that's why we have suggested to take the company private. We believe we have made a very attractive offer to the shareholders; but we are also very respectful for the very clearly laid out process in Canada. So we'll have to await that process. And we'll see. We will be disciplined. We'll see whether we will take it private or not; but we thought we should give the shareholders a choice. We believe that it's the right thing to simplify the structure.

JASON FAIRCLOUGH:

Jakob, I don't want to pre-empt our ESG panel later on too much. So that's later on this morning. But just as a teaser, can you tell us how you think about fixing ESG? So is it people; is it structure; is it something else? How long does it take?

JAKOB STAUSHOLM:

Look, it's all of it and there are certain things where we are doing outstandingly well. I mean we haven't had a fatality for three years. That's quite an achievement in such a big business. And obviously we should never have that, but it is the first three years in the company's history where we have been fatality free. So that's a good example.

Some of the other things are actually similar journeys that we have to go on, like the safety journey. We published a report about the work culture with some confronting information. It's the same thing. Get it out in the open. Talk about it, learn about it learn to intervene, etcetera. That's the journey all companies have been on safety for the last 25 years. That's a journey we are here. And I can't change the tragic events around Juukan Gorge, but I can learn from it. I think our company has learned tremendously from that and we are different company today.

And just as late as two weeks ago when I was at Gudai-Darri, we started off meeting with the elders of Banjima and we have a completely different dialogue than what we used to have. It's very rewarding and it does come down to values. And I can sense on the whole organisation they want this. And together we are also getting better business outcomes.

JAMES REDFERN:

Jakob, let's talk about iron ore, which accounts for roughly 70% of EBITDA for Rio Tinto. There's a view rightly or wrongly in the market that the iron ore business might be undercapitalised over the years. Do you think that's a fair assessment? And then also maybe if you can please comment on the new mines that are going to be tied in: Gudai-Darri, for one. What that means for the iron ore business in terms of revenue, costs and quality.

JAKOB STAUSHOLM:

I think several mining executives today talked a bit about how difficult it is to balance supply and demand. Duncan mentioned it, Gary mentioned it. And the reality is, it's very, very difficult to predict. China's demand for iron ore has been surprisingly strong over the last couple of years. Had I known that, we might have sanctioned Gudai-Darri a year or two earlier. But you know, now it's there and when we have finalised commissioning, we will ramp it up and that will take pressure off and we will be able to produce more iron ore out of the Pilbara.

JASON FAIRCLOUGH:

Let's just see if there's any questions in the room. Anybody want to ask a question? We've got lots. Okay, let me keep going. We'll talk a little bit about aluminium, something of a hidden gem in your portfolio. Actually, we're here, aluminium. So Rio Tinto is seen as having overpaid for the assets back in 2007. But now in a carbon-constrained world, is this investment finally coming good? How do you think about aluminium? Does it attract capital within Rio Tinto?

JAKOB STAUSHOLM:

I think it is an amazing business, but it has been through some tough years. The competition from China has been relentless and the decarbonisation in the world hasn't happened that fast. Don't forget that what we have in aluminium is not just a full chain of aluminium. We've also got the hydro power associated with it. And I think that asset in itself is hugely valuable.

Bank of America Global Metals, Mining & Steel Conference – Q & A transcript
17 May 2022

And when you look at the demand for aluminium it's actually one of the commodities that faces the best growth prospect, perhaps even better than copper. Over the next 20 to 30 years there's an enormous need for aluminium. The only problem with aluminium is it's probably the most energy-intensive industrial process on Earth. And therefore it's so important to decarbonising. And the fact that we already have much, much lower carbon than any of our competitors is a huge advantage. And I think that you would increasingly see value from that in the future.

JASON FAIRCLOUGH:

At the risk of sounding like an investment banker, do you think the value of the business is maximised inside Rio Tinto?

JAKOB STAUSHOLM:

No, I don't think we will ever get there. There are so many opportunities. Look, I said it just a moment ago, we're still not firing on all cylinders. You go around and look in our operations, we can do better and we will do better with our Safe Production System that we're implementing all across [the business].

We also have to take up the challenge and make sure that when we develop new projects we do it as capital efficient as possible. Your question just before about aluminium, one of the tricky things is really how can we invest in aluminium in a capital efficient way? So we need to stretch ourselves in projects and we can do better in operations.

QUESTION FROM AUDIENCE:

If your ELYSIS technology plays out it should be tremendously profitable. How do you realise the profit?

JAKOB STAUSHOLM:

Yeah, of course we're thinking a lot about that. But right now we are basically just trying to figure out how we can scale it up. And there's something around just manufacturing of the inert anodes, but more than anything, we have to figure out can we retrofit in an efficient way and how fast can we do that, and at what size of pots should we do that, etcetera. But it's a fact that right now we have fairly industrial scale pots running up in the Saguenay and they have been running since October [2021]. And they've produced the highest quality aluminium. So we kind of know it works.

We're now focusing on how do we fast scale up. The full potential I don't dare to talk about yet. But you think about it. It's pretty obvious that it's becoming more and more difficult to invest in conventional technology. If you can see around the corner, you'll have a technology that actually is carbon neutral.

And I don't know whether you saw – I hadn't brought my iPhone here, but Apple announced the other day that the next version of the iPhone will be based on CO₂-free aluminium. The other thing to think about. We tend as miners to think about the technical part; but there is a big marketing issue around this as an opportunity. Because it's very difficult for consumer goods not to be prepared to have as low carbon aluminium as possible.

So I see a lot of commercial opportunities as well. But I don't dare to talk about the profitability yet. We haven't really proved the upscaling yet.

JAMES REDFERN:

Maybe a quick question on – or quick comment on lithium. The Jadar project in Serbia has been cancelled effectively. What's the pathway to having Jadar restarted? And also the timeline on Rincon to first production please in Argentina?

JAKOB STAUSHOLM:

Yeah, look, there was some discussion about the cost curve of lithium. The only thing I know is that the world needs 10 times more lithium by 2030 compared to 2020. And that means that it must be possible to attract capital into developing lithium. And that gives me some comforts that it actually could end up being quite attractive. And then on top of that, there is a lot of lithium in the world. But the two assets we have, Rincon project and Jadar, I consider some of the best assets in the world. Maybe not the very best, but amongst the absolutely top assets. One in brine and one in hard rock.

The Rincon project we are ramping up. We're having people on the ground progressing the project and that will – we will learn much more about how that will turn out. And the trick is, of course, to try to optimise production as quickly as – as much as possible. Ever since the acquisition, there hasn't been bad news in that way. It's just confirmed that it's a very good asset.

Jadar, look, the thing about Jadar is just – we just have to recognise it's not easy to sanction new greenfield mines. It's a societal choice. It's a great opportunity for Serbia. And I really feel we have a project that meets our high bar of impeccable ESG credentials. So we are just basically ready to engage with everyone in society about the project. And I think at the end of the day, society will realise that it is a mutual benefit. I still remain cautiously optimistic. But yes, it has been a bit volatile the last year.

Bank of America Global Metals, Mining & Steel Conference – Q & A transcript
17 May 2022

JASON FAIRCLOUGH:

Thank you. Could you join with me please in thanking Jakob for his presentation?

(End of Q&A Session)