The Pilbara Blend

Bold Baatar, managing director, Iron Ore Sales & Marketing and Marine
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First Iron ore shipment from Dampier
August 1966
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Weakness in China and developed markets impacted ore demand in 2015

China’s net steel exports stable at ~100Mt/a
Million tonnes annualised

Developed market weakness impacted ex-China
Million tonnes annualised

China’s imported ore remained steady
Million tonnes annualised

Majors accounted for ~51% of 2015 supply
Percentage of contestable iron ore market

Source: Company reports, GTA, WSA, Mysteel and Rio Tinto analysis.
High-cost iron ore supply continues to exit the market

**Iron ore market balance**

- Million tonnes

- 2014 New Supply Marginal Seabome China supply 2015 Demand vs 2014

- There was ~110Mt of additional low cost ore supply added to the market in 2015, displacing higher cost ores

- We expect new supply entering the market in 2016 to be offset by continued exits of marginal production

- Seasonally low steel stocks at traders and mills - limiting downside to steel demand

**China’s iron ore production**

- Million tonnes

- CY2014 Production (Mt) CY2015 Production (Mt)

**China steel stocks at traders and mills**

- Million tonnes

- 2012-2015 2016

Source: Mysteel, CISA, Rio Tinto Analysis
China’s steel mill profit margins have improved considerably this year, stimulating production.

- **Chinese Government stimulus since mid-2015** in the form of lending, monetary easing, and support to property and infrastructure sectors, has boosted Chinese steel demand and prices.
- **China’s steel demand and production** increased in March and April.

**Source:** Mysteel, RTIO Analysis
The Pilbara - a fully integrated system…

- **Leading edge technology**
  - **1 Drill & Blast**: >12,000 kilometres drilled each year
  - **2 Load & Haul**: ~1 billion tonnes rock moved per year
  - **3 Process**: >400 kilometres of conveyors across the Pilbara
  - **4 Rail**: >15,000 kilometres rail travel per day
  - **5 Ship**: >300 million tonnes ore shipped annually

- **Note**: approximate comparative estimates based on publically available information
Blending consistently reduces variability

Stockpile stacking and reclaiming
World class analysis and sampling

- We ensure our customers get the products we have promised.
- Cape Lambert B has the world’s largest fully automated iron ore port laboratory.
- Each shipment is sampled every two minutes and over eight tonnes of material is collected and handled by robots that analyse chemistry, size and moisture, ensuring accurate invoicing.

2015 product quality variability from mean

<table>
<thead>
<tr>
<th>% Improvement</th>
<th>Phosphorus</th>
<th>Silica</th>
<th>Alumina</th>
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<td>80%</td>
<td>70%</td>
<td>66%</td>
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The market

Our Pilbara business

The Pilbara Blend

Fully automated iron ore port laboratory at Cape Lambert B ensures world class analysis and sampling.
Pilbara Blend Fines is the industry reference iron ore

- Spot liquidity is fundamental to support price formation
- The 62% Fe segment is the most liquid segment in the spot market
- PBF is the most traded product in the 62% Fe market
- Anecdotally, some of our customers refer to the Pilbara Blend as the USD equivalent in the iron ore industry
- PBF spot price outcomes consistently outperform the market on a fixed price and floating price basis

Reported spot transactions

Reported spot transactions of 62% Fe products

Source: S&P Platts, Metal Bulletin, Argus, Rio Tinto analysis
Lump is an important value driver

- Premium lump products remain in scarce supply
- The YTD Platts lump premium has averaged ~$8/dmt above the 62% Fe index
- Lump demand in China should outperform iron ore growth due to:
  - Exit of domestic concentrate
  - Evolving burden practises
  - Increased environmental regulation
- Rio Tinto is the largest supplier of lump with 89 Mt of Pilbara Blend lump and Robe Valley lump shipped in 2015

### Jan-Apr 2016 iron ore price range
US$/dmt CFR

- Ave: $51
- Ave: $59

### Major iron ore lump products in 2015
Million tonnes

- **Rio Tinto**: PBL, RVL
- Peer 1
- Peer 2

Source (top): S&P Platts
Source (bottom): Company reports, Rio Tinto analysis
Summary of the value of Pilbara Blend

Credibility
- 62% Fe segment is most liquid reference point with Pilbara Blend Fines as the market’s leading brand

Consistency
- Integrated planning and blending sustains class leading quality control for our products

Predictability
- Allows us to optimise volume, mine development, and production planning over the long-term

Currency
- Pilbara Blend is the industry reference iron ore