Rio Tinto

Metal Bulletin’s 20th International Copper Conference

“Structural change and challenge in the copper industry”

Bret Clayton

Chief Executive Rio Tinto Copper

June 2007

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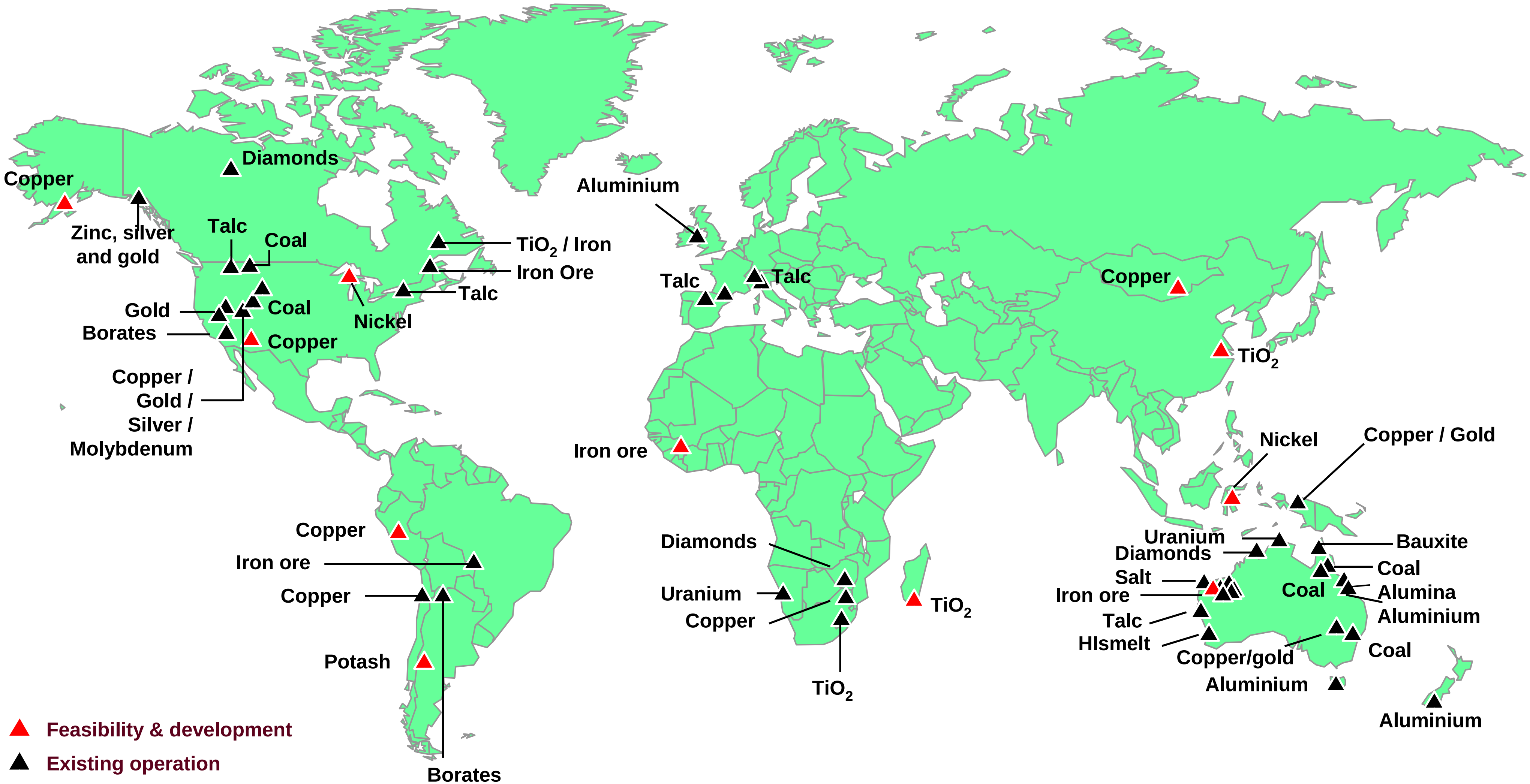
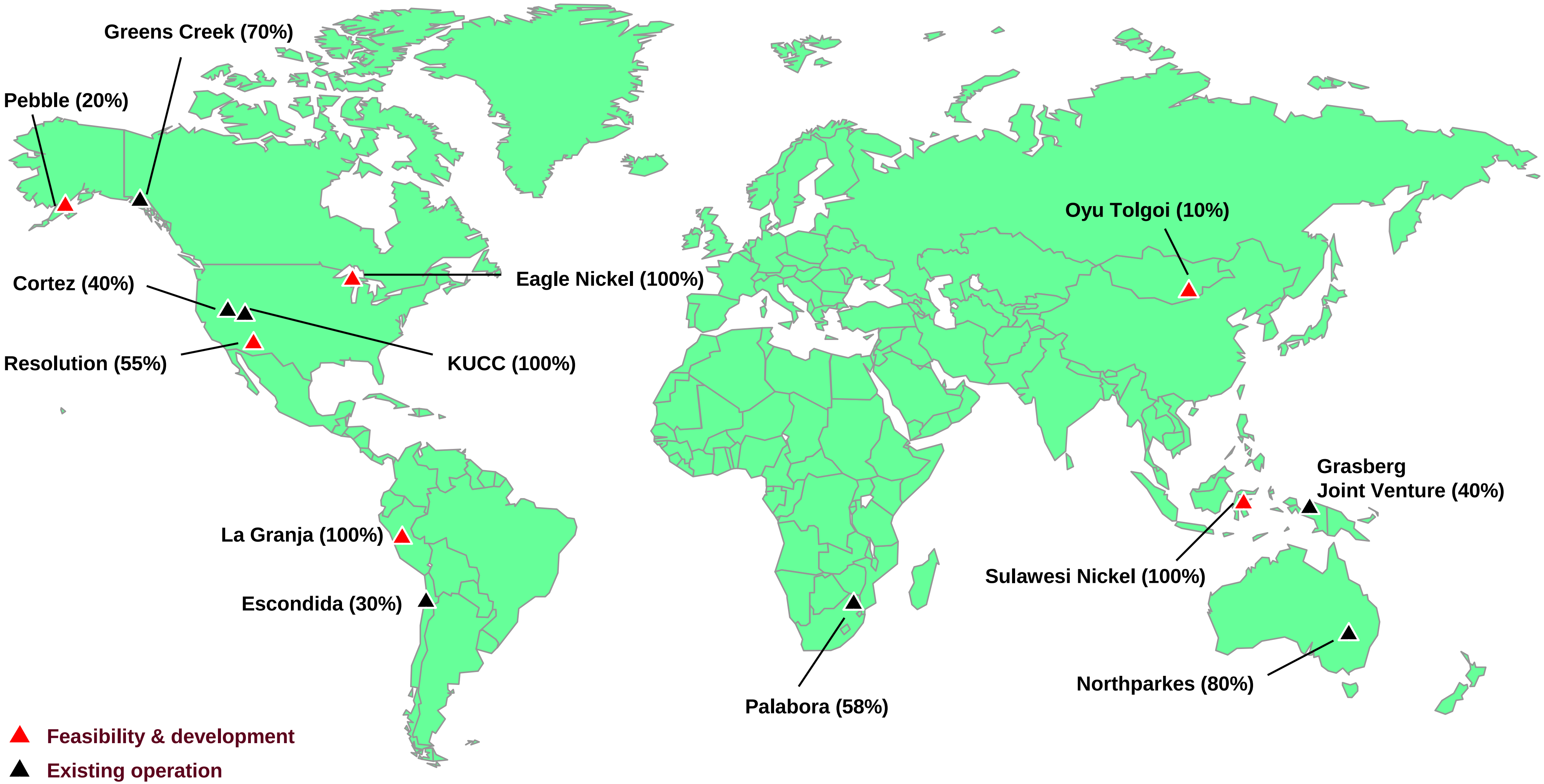
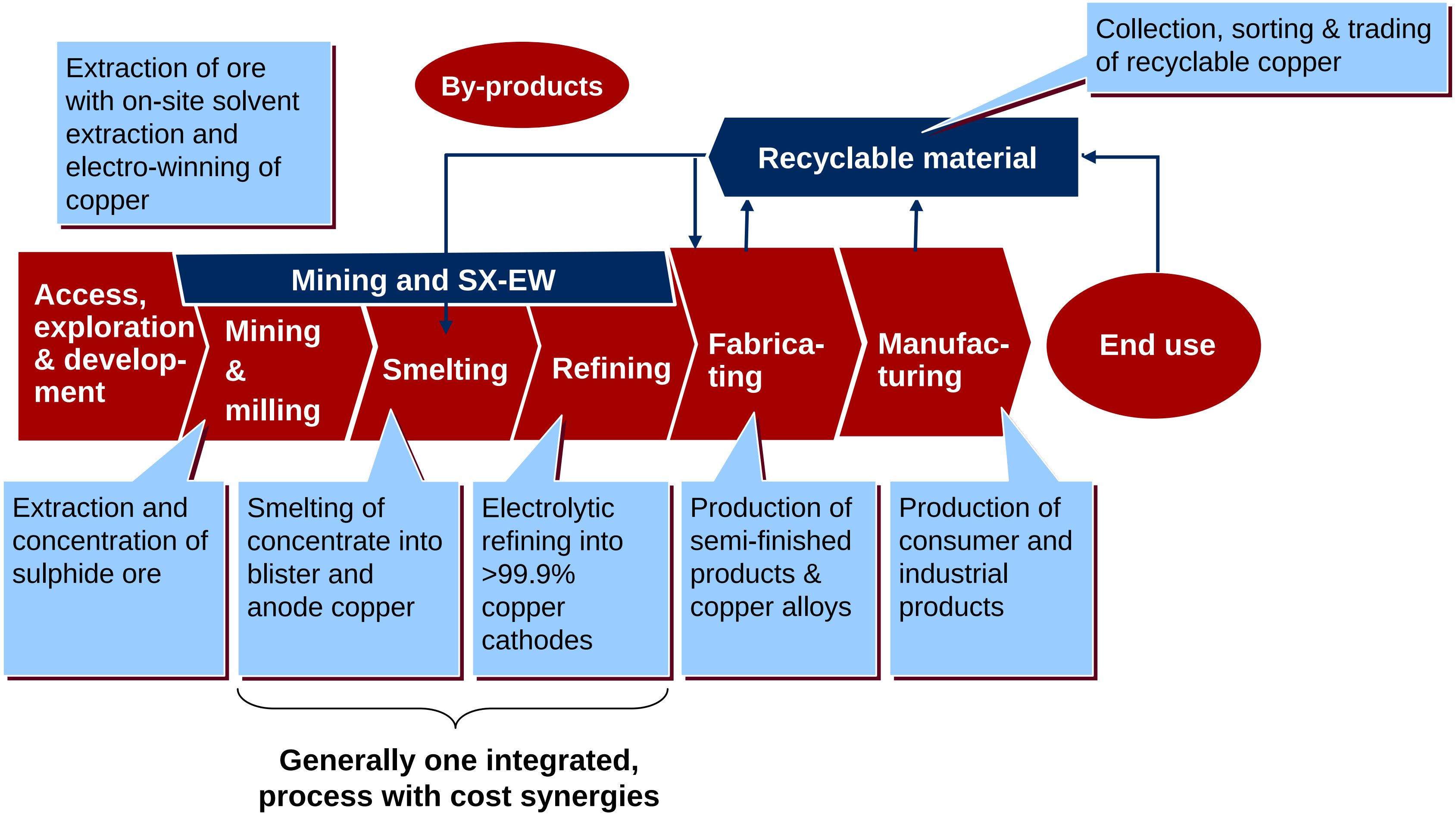
A broad geographic spread of operations



Copper group locations



Major activities along the value chain



Comparison across the value chain

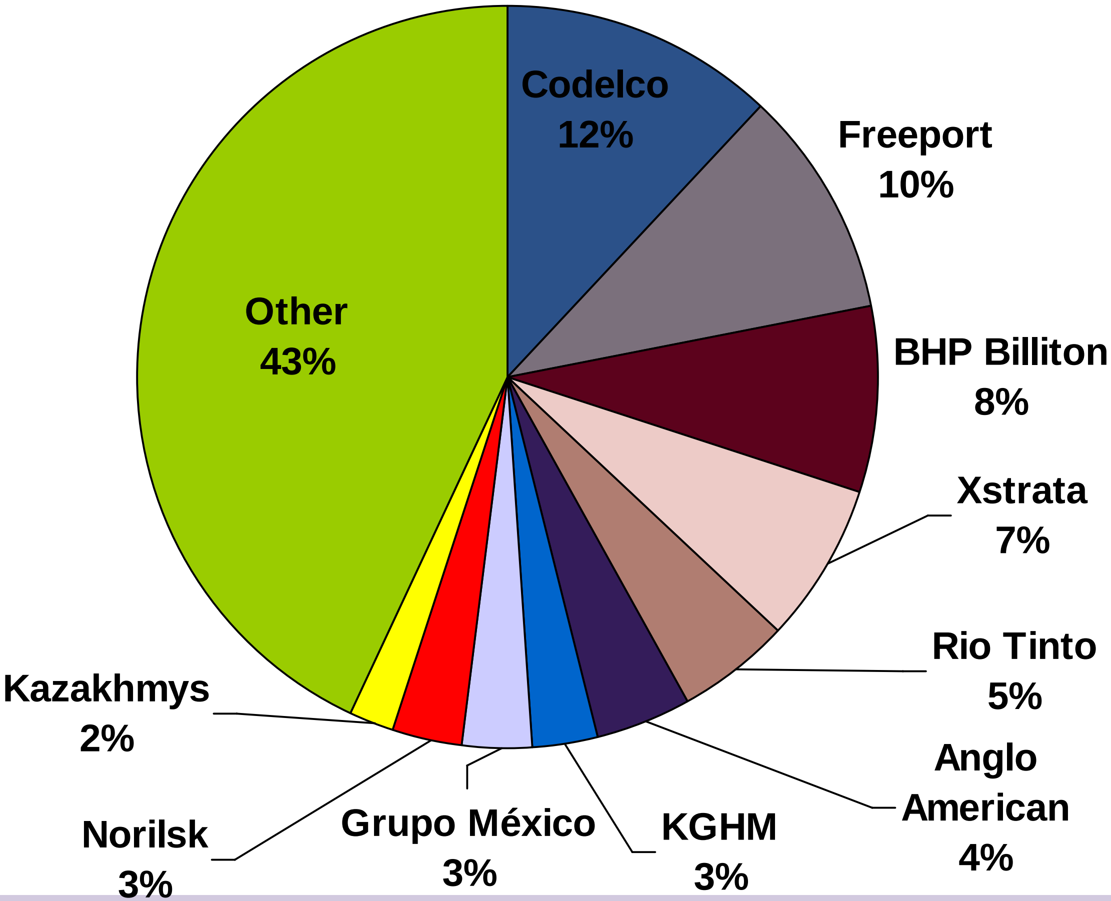
	Mining	Smelting and Refining	Fabricating	Manufacturing
Scale	Medium to large	Large	Small	Various
Location	Geological →	Integrated Custom →	Near consumer	Low cost area Clusters
	Leaching →			
Investment Horizon	Long term	Long term	Medium term	Medium term
Capital Intensity	High	High	Low	Various
Product	Commodity	Commodity	Commodity/ Specialist	Branding
Product life cycle	Long	Long	Wide range	Short
Concentration	Declining →			
Barriers to entry	Declining →			

Copper is becoming harder to find and mine

- Deeper ore bodies with complex metallurgy and lower grades
- Lead time between exploration and production
- Movement from OECD countries
- Social and environmental license to operate
- High up front capital costs
- Increasing operating costs
- Technological advancements
- Security of tenure
- Increasing closure obligations

Corporate growth in mining by acquisitions

2006 total copper production
15.1 million tonnes



Copper Mine Production	million tonnes	%
World production		
2006	15.1	100%
2001	13.7	100%
Top ten producers		
2006	8.6	57%
2001	7.7	56%

Note: 2006 production adjusted for subsequent consolidation of Freeport & Phelps Dodge and Xstrata & Falconbridge.

Evolution of top ten smelters

	1992		2007	
Smelter output	270,000 tonnes	Increasing capacity	455,000 tonnes	average capacity
Custom versus Integrated	Integrated 40%		Custom 80%	percentage of top ten
Location of ten largest smelters	Japan x 4 Germany x 1 US x 1	Custom	China x 3 Japan x 2 Korea x 1 India x 1 Russia x 1	7 of 10 largest smelters now in Asia
	US x 1 Peru x 1 Chile x 2	Integrated	Chile x 2	

Sources of distinctiveness in fabricating

Refined Copper

Copper Wire Rod
- General and Industrial
- Utility/Power
- Telecom/Data
- Other Insulated Wire
- Winding Wire
- Other

Other Copper Products
- Tube
- Sheet and Strip
- Rods, bars, and sections
- Other

Copper Alloy Products
- Wire
- Tube
- Sheet and Strip
- Other

Sources of downstream success

Specialised alloys
Custom alloys for electrical power, electronics and telecom uses

- Patent or brand based
- Specialised customer needs
- R&D for innovation

Specialised products
Specialist manufacturing for heat exchangers

Development of proprietary forming processes

- Capabilities-based
- Specialised customer needs
- R&D for process

Commodity products
Focus on lean and efficient production of standard, commodity products

- Price-based
- General customer needs
- Lean manufacturing

What encourages/discourages integration?

Miners moving downstream

- X Efficient, large scale custom smelting
- X Outside the core business of mining

Moving upstream

- ✓ Guarantee of concentrate supply for smelters
- ✓ Resource rents of mining
- X Risks of mining
- X High upfront capital cost of greenfield mines
- X Mismatch of investment horizons and scale, particularly for manufacturers and fabricators
- X Multi-commodity focus of manufacturers and fabricators

Is lack of integration a problem?

- Global trend of less integration
- Increased specialisation, expertise, efficiencies etc
- Increased responsiveness to price signals

- Capturing the benefits of integration through the ICA

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