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A mission in the marketplace

Peter Brigg meets Harry Kenyon-Slaney, the newly appointed chief executive of Rio Tinto's Diamonds & Minerals product group.

Harry Kenyon-Slaney, 49, might easily have become a farmer instead of pursuing a career in the minerals industry. Along with his two brothers he was raised on a farm in Shropshire, close to England's border with Wales, where his father grew crops such as sugar beet, potatoes and barley. But it was what lay beneath the Earth's surface, rather than on it, that really appealed to the young Harry.

“I've always been fascinated by geology,” he says. “As a child, out on walks with my mother, I used to pick up stones and take the shiniest, most curious ones home with me. So it was no surprise to my parents that I ended up in the mining industry.”

That lifelong interest in rocks has now led him to the position where he heads Rio Tinto's newly formed Diamonds & Minerals product group, a unit whose assets range from century old businesses to the very newest in the Group and which extend from the frozen Arctic Circle in Canada to the arid deserts of Western Australia.

The creation of Diamonds & Minerals represents a return to the five product group structure Rio Tinto had in place prior to 2008 (the other groups being Aluminium, Copper, Iron Ore and Energy). The aim is to ensure that Rio Tinto's structure allows a broad range of investment opportunities to be generated, regardless of the Group's portfolio mix.

“During the intense corporate financial activity that took place in 2008 and the first half of 2009 our focus was very much on Rio Tinto's three main product pillars: aluminium, copper and iron ore,” says Harry. “However, when the dust had settled and we revisited the ‘three pillar’ strategy we could see the benefits of returning to our traditional approach, to being more open minded about the opportunities available. In other words we concluded we should be seeking the highest quality Tier 1 assets rather than just restricting ourselves to three individual metal groups. So it made sense to create



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Harry argues that what sets Diamonds & Minerals apart from the other four product groups is that it takes in the whole value chain and in particular that it places a strong emphasis on marketing and brand. “We go from mining, through significant processing activities, to selling to end users in markets where brand is a key factor and where in many cases we enjoy ‘supplier of choice’ status,” he says. “We produce a vast array of products which touch a lot of people in their daily life – from agriculture to fashion and from home improvement to the talc that’s used in chewing gum.” (See panel, page 13).

Thanks to the relationships which Harry’s marketing teams have established with hundreds of agents and distributors in every part of the globe, the Diamonds & Minerals business serves as Rio Tinto’s window on the real economy – a feature on which Harry places great emphasis.

But, as he is the first to acknowledge, there’s a downside to this close connection to consumer demand. “Our performance is tied to the construction and automotive industries and to agriculture and fashion – sectors that have been among the hardest hit by the severe economic downturn,” he says. “The resulting drop in consumer confidence has been difficult for all of my group’s businesses. However, our strong brands, high quality products and global distribution networks put us in an excellent position to take advantage of the economic recovery that I am confident lies ahead.”

Another important characteristic of the Diamonds & Minerals group is that its products differ from those of some of Rio Tinto’s other product groups which produce vastly more in tonnage terms but do not have the same degree of product specialisations or niche markets.

Harry admits that for the year just ended the results in the industrial minerals sector suffer by comparison with a particularly strong performance in 2008. Key factors in that year were the especially strong demand for products like pig iron, zircon and borates and an exceptional spike in the price of high purity pig iron, which briefly exceeded US\$1,000 a tonne compared with a long run average of nearer US\$250. It was a short lived boom, however, and in 2009 pig iron prices were back in the US\$300-350 a tonne range.

As for the diamonds sector, a strong performance in 2008 was replaced by very difficult market conditions in 2009 as discretionary spending plunged. To cope with the reduced demand Rio Tinto Diamonds closed down production for up to three months to control operational costs and conserve cash.

Although new to the world of diamonds, Harry’s extensive experience in many other parts of the mining business, notably in industrial minerals, should stand him in good stead as he grows into his new job.

That experience began in 1984 when, after taking a geology degree at Southampton University in the UK, he joined Anglo American at its Western Deep Levels gold mine in Carletonville, South Africa – one of the deepest mines in the world. After three years at Carletonville he moved to Anglo’s head office in Johannesburg. There he spent four years gaining valuable experience moving round different divisions, including the industrial relations department, as a dealer in the foreign exchange department during the 1987 crash, as personal assistant to the chief financial officer of Anglo’s Coal division, and finally ending up in the company’s New Mining Business division.

In 1990 Harry joined Rio Tinto Mineral Services, the marketing arm for Rössing Uranium in Namibia, working from a small office opposite Harrods department store in London. After a spell on a graphite project which never came to fruition due to the severity of the competition

Off duty: Harry with his family on holiday in Australia.



from China, he was appointed as Rössing's marketing manager for Asia, handling sales principally into Japan, South Korea and Taiwan.

In 1997 he transferred to the Palabora copper mine in South Africa, initially as its marketing director before moving across in 1999 to run the mine's industrial minerals business, then the open pit copper operation, finally taking over as general manager, Copper, in 2001.

At the end of 2003 Harry attended the INSEAD business school at Fontainebleau in Paris before transferring, early in 2004, to Darwin in Australia, where he was appointed chief executive of ERA (Energy Resources of Australia).

"Virtually my first job there was to go to Canberra to explain to the minister for Trade and Industry why he shouldn't shut our operation down," Harry recalls. "Process water from the uranium plant had entered the drinking water system – potentially a very serious incident. So our task over the next couple of years was to rebuild ERA's reputation. And I'm glad to say we succeeded because the minister signed off our improvements, saying he was very happy with what we'd achieved and giving us his full support as Australia tried to encourage the opening up of new uranium mines.

"All in all it was a tough assignment, with a high public profile, but it was an immensely valuable experience that has stood me in good stead."

He returned to London in 2007 as managing director of Rio Tinto Iron & Titanium, the job he was doing until his new appointment as head of Diamonds & Minerals in November.

Harry and his wife, Laura, live in rural Oxfordshire and have three children: Miles, 12, Laetitia, 11, and Elodie, 9. The family is replacing an old cottage with a new house, with Laura acting as project manager. "I have been very insistent that we need to avoid 'scope creep' on the house," smiles Harry. "That's something we constantly have to guard against in our projects in Rio Tinto too."

Not surprisingly, as the son of a farmer, Harry is an outdoor person who enjoys running, cycling and playing tennis. In Australia and South Africa he did a lot of cycling, regularly taking part in the Argus event in Cape Town, whose 120 kilometre course round Cape Point and Chapman's Peak, with some 36,000 starters, is the world's largest cycle race.

He enjoys reading, often having several books on the go at the same time. In advance of a trip to India he is deep into the life story of the founder of Infosys – Nandan Nilekani – and is also reading Niall Ferguson's *Empire: How Britain Made the Modern World* and a biography of

Nelson. "I am increasingly drawn to biographies, wanting to explore the life and times of leading historical figures," he says.

Turning to the challenges ahead for his Diamonds & Minerals group, Harry points to the need to recover and rebuild the production base after the major slowdown in 2008/9 and to see the underground developments of the diamond mines at Argyle and Diavik brought to their planned conclusion.

"There's still plenty of work to do on both," he adds, "but we also need to look for new diamond opportunities that will take us beyond the life of those two underground mines." One such is the Bunder project in India and there is also scope for expanding the Murowa mine in Zimbabwe, though political considerations are obviously a critical factor there.

Then, on the borates front, there is the Jadar lithium borate deposit in Serbia, discovered by Rio Tinto Exploration in 2003 and now part of the Diamonds & Minerals group's portfolio.

Another important item on Harry's agenda is finding the right buyer for Rio Tinto's talc business. "We had several buyers interested a year or so ago but the downturn meant they had difficulty raising the necessary finance," he says. "We continue to evaluate a range of options in the expectation that we can secure a price which reflects the business's true worth."

A project in which Harry, as the former head of Rio Tinto Iron & Titanium, had a close involvement and of which he speaks with some pride, is the QMM coastal mineral

Setting out the stall



Rio Tinto Diamonds produces more than 20 million carats of diamonds every year – or about one fifth of the world's natural diamond output. Its two main mines are Argyle in north western Australia and Diavik in the

Northwest Territories of Canada but increasing quantities are now being produced at Murowa in Zimbabwe.



Rio Tinto Minerals (RTM) supplies more than 40 per cent of the world's demand for refined borates from its mines in California and Argentina. Borates are used in a vast array of products and processes. In the glass industry,

boric oxide prevents oven to table cookware, vacuum flasks and pharmaceutical, laboratory and industrial containers from breaking when exposed to rapidly changing temperatures. RTM's borates are also a key component in the manufacture of glass fibre and in vitreous enamels and ceramic glazes. In the bathroom, soaps, make up, shaving cream, face lotions, contact lens solutions and eye drops are just a few of the day to day products made using boron related compounds. In agriculture, borates are a source of boron, a trace

element essential for healthy plant growth. RTM's talc mines, the largest of which are in France, supply nearly 20 per cent of the world's demand for the product. Talc is an important raw material used in the manufacture of a wide range of products extending from paper, paint and plaster to cosmetics and car tyres.



Rio Tinto Iron & Titanium (RTIT) products find their way into a host of materials essential to modern life. Titanium dioxide (TiO_2) is used to impart brilliance and opacity to paints, plastics and paper. Non toxic and biologically

inert, it is also used in sweets, cosmetics and toothpaste. Rutile (95 per cent TiO_2) is used to produce pure titanium metal, which is employed extensively in the aerospace and aviation industries as well as in many other applications such as artificial hip joints and spectacle frames. High purity pig iron made by RTIT goes to foundries producing ductile iron castings, which are then used to make automobile parts such as brake callipers. Zircon produced by RTIT is used in the manufacture of ceramic tiles and sanitary ware as well as TV screens. RTIT's main operations are: Rio Tinto Fer et Titane in Canada, Richards Bay Minerals in South Africa, Rio Tinto Powders in China and QIT Madagascar Minerals.

sands mine in Madagascar. The first shipment of ilmenite was exported last June for processing at Rio Tinto Fer et Titane's plant at Sorel in Canada and production will be ramped up steadily over the next couple of years. Already the finished slag product (91 per cent TiO_2) has been well received by world markets.

"The impact of QMM on the local environment and infrastructure has been nothing but beneficial," he says. "Over the three years of construction the project is estimated to have contributed two per cent to the GDP of the country, and the development in the town of Fort Dauphin is wonderful to see.

"There are new roads, a large and efficient new port which is allowing the growth of fledgling fishing and agricultural export opportunities, and a new water system which feeds clean water across the town. There's the prospect of linking our power station to the town, too." He adds that, given Madagascar's high environmental profile, the company's commitment to ensuring the mine makes a net positive impact on the

biodiversity of the region is of particular importance.

Looking to the future of the Diamonds & Minerals group, Harry says: "The greatest challenge will be to draw this association of strong and influential businesses, with great management teams, into a cohesive group that is able to deliver consistent value growth to the broader Rio Tinto Group.

"I want to see Diamonds & Minerals as the place where we can develop new businesses which do not necessarily fit into the other four commodity groups."

Read more about the Diamonds & Minerals group at
www.riotintodiamonds.com
www.riotintominerals.com
www.sorelmetal.com

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