

Oyu Tolgoi Underground Development Supplier Forum

Ulaanbaatar, Mongolia



Speech by Andrew Woodley, President and CEO, on Oyu Tolgoi Underground Development Supplier Forum

4 November 2015

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Sain baitsgaan uu, and good morning excellencies, ladies and gentlemen, distinguished guests.

It's my pleasure and privilege to welcome you to the Oyu Tolgoi Underground Development Supplier Forum.

Today we have a gathering of nearly 600 companies from 29 countries, including 396 Mongolian businesses.

This Underground Development Forum is an important milestone and major step forward in the development of Oyu Tolgoi Underground.

Over the course of today, you will hear more about what it will take to build this complex and challenging project, how we will do this safely and efficiently, and in a way that brings value to our various stakeholders and contributes in a real and meaningful way to Mongolia.

But before we get into underground, I want to take the opportunity to talk about who we are, our vision, mission, and what we have already achieved as a very young company.

At the very outset, we are a Mongolian company.

This is enshrined in our mission – to build a globally competitive copper business that contributes to the prosperity of Mongolia.

This is something that is reflected in every part of our operation:

- Over 95 per cent of Oyu Tolgoi's workforce is Mongolian
- In 2015, we worked with approximately 885 suppliers, of which 576 were national businesses. Behind these companies stand over 35,000 workers, and their families, from all over Mongolia.
- Our in-country spend, since major construction began in 2010, has crossed US\$5.13 billion. This has come in the form of salaries, payments to Mongolian suppliers, taxes, and other payments to the Government of Mongolia – making a real impact here in Mongolia.
- We have built strong relationships with our neighbour communities – including through the signing of a Cooperation Agreement with partner communities earlier this year. This agreement

paves the way for an annual investment of US\$5mn in social development and infrastructure projects.

However, it is also important to remember that we are a company that is performing to global standards on the world stage:

- We have strong safety record – among the best in our peer group.
- We have robust environmental performance. We are among the most water efficient copper mines in the world – using less than half the water of comparable operations worldwide, and with a recycling rate exceeding 85 per cent.
- In September, we crossed 1.5 mn tonnes in concentrate shipped, having delivered our millionth tonne in February. This underscores the pace of our growth – especially for such a young business.
- In today's market environment, we are focused on improving productivity and reducing costs – responding to volatility and ensuring that we are sustainable in the long term.

And it is in that context that we are gathered here today: to build a sustainable, profitable future.

Over 80 per cent of Oyu Tolgoi's value lies underground and mining it is essential to our long term success.

Our underground will access one of the best copper resources worldwide, and, in time, will make Oyu Tolgoi one of the most important copper producers on the world stage.

We are on a journey to unlock this value – accessing and treating high grade ore through cost efficient production.

Building such a complex project will require strong partnerships and real commitment.

With the underground mine, we will draw ore from approximately 1.3 kilometres beneath the surface.

To reach the ore, we must build over 200 kilometres of lateral tunnels, and commission five shafts – totaling over six kilometers of vertical development.

Construction will require a great human effort – a workforce that will peak at about 3,000 – of which the majority will be Mongolian.

The combination of the open pit and Hugo North Lift-1 u/g is estimated to provide ore reserves into the mid-2050s – and with the potential of accessing further resources, the mine life could extend past 2100.

When fully ramped up, we expect to produce approximately 1,800,000t of concentrate annually – compared to ~700,000t today.

This translates to about 600,000t of copper each year, compared to about 180,000t today.

To build and drive this expansion, our procurement for the underground will be managed from, and based in, Mongolia.

You will shortly hear more from colleagues about the potential of Oyu Tolgoi, our commitment to our stakeholders and the community, what it will take to build the underground mine, and how we will do it.

You will also have the opportunity to engage with members of the Rio Tinto and Oyu Tolgoi teams and understand how you can be part of this development.

As you look to the future, I would like to leave with you our vision as a company – from natural wealth to enduring knowledge, value and skill.

This is a unique moment and opportunity.

Where we are part of a truly great enterprise – the ore we mine and product we ship will, in various ways, play a real part in shaping the world for years to come: from taking electricity to the remotest communities, to enabling the next generation of medical and communication technology.

What we build will reach around the world beyond our lifetimes.

It is no secret we operate in a challenging sector.

But what we have at Oyu Tolgoi – today – is a world-class operation.

The team has built the very strongest of foundations.

So we thank you for coming here today.

We appreciate your positive spirit.

And we hope, very much, you will find an opportunity to join us in the future as we develop the next exciting stage of Oyu Tolgoi's journey.

As we say in Mongolia 'Dem demendee, dees erchindee' [*Rough translation: Making progress combining efforts*].

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