

Mongolian Investment Summit, Hong Kong. 19, November 2013

Craig Kinnell, President and CEO, Oyu Tolgoi LLC

Honoured Ministers, guests, Mongolian and international friends.

It is a great pleasure to be here today. My name is Craig Kinnell, and I am President and CEO of the Oyu Tolgoi project.

Some of you are familiar with Oyu Tolgoi, some of you less so. So I wanted to begin by showing you that very quick video introducing the project which we normally show to visitors to Oyu Tolgoi.

You may have noticed from what we tell our visitors at the end of the video, safety is the core value and single most important thing at Oyu Tolgoi. We have a good safety record, but avoiding complacency is essential, and I'll talk a little more about that shortly.

I took up the position as CEO just seven weeks ago, having previously led the marketing and commercial activity for Rio Tinto Copper.

Many of you know Mongolia much better than me.

I'm still learning about my new home, and about my role as CEO of a Mongolian company.

Together with my family – my wife and daughter – I'm honoured to be building a new life in a country full of excitement, tradition and passion.

It is a country that has significant history, but is also determined to build a future based on what's best rather than what has been done before.

Nothing has embodied my positive preconceptions of Mongolia more than the hardworking team I lead at Oyu Tolgoi. The commitment and passion of our 8,500 workforce is an inspiration.

While I've previously run and managed business units for Rio Tinto, the one thing that people said to me before I moved to Mongolia is that OT is a special project.

We're talking about a very big business – potentially the third largest copper mine in the world - in a unique geographical, cultural and socio-political environment.

And we are aware of the serious responsibility that comes with our progress being closely intertwined with the economic growth of the country.

We're now an operating copper business bringing in revenue from international customers.

Already, OT has been an active contributor in making Mongolia a stronger choice for others as a long-term investment destination.

- Foreign Direct Investment increased from 55 million dollars to over 470 million dollars once we received the green light to build the project.

- Our 1500 suppliers have grown and developed and brought new products, services and skills to the country since we began construction.

- We have brought world-class technology and practices to the Mongolian mining industry. From safety to environmental technology to rehabilitation - and I hope that we have helped the whole industry develop in these areas.

But all that has been in a short time compared to the many years ahead for the business and it falls to me to lead the next phase of the life cycle.

So, as I begin my time in Mongolia and OT progresses in its journey from construction and planning to operations and expansion, I have four areas that I will concentrate on.

- Safety
- Value
- Social license to operate
- and preparing the business to grow.

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First – safety.

The safety of our team is what we put ahead of anything else. No increase in revenue, no amount of business success can ever be worth harming our workforce. If we can't do something safely at OT, we will not do it.

Since Rio Tinto has become active manager of Oyu Tolgoi, we have worked over 85 million man hours without a fatality.

That is a strong record of safety, even against Rio Tinto's globally high standards, but we cannot be complacent.

Through hard work and commitment, we will continue to put safety at the forefront of everything we do.

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Second – Value. Optimizing the business to be the most efficient and well run that it can be.

It's important to focus the energy and momentum achieved in seeing our product leave the site en route to customers into the new challenge - of maintaining and increasing the efficiency of operations.

However, you don't just turn a multi-billion dollar complex on and expect it work perfectly.

The immediate challenge for us will be to run the project through its first winter. This will be tough.

While Rio Tinto has built and operated projects in both minus 40 celsius and plus 40 celsius temperatures, I do not think it has ever had to build a mine which operates in both.

It will take hard work and innovative approaches to consistently operate in such tough conditions.

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Thirdly – We need to strengthen and maintain our social license to operate.

I know for some of you in the room, you'll see all this as just a cost line. But at OT, it is a critical part of who we are.

- The Government has received over a billion dollars in taxes, fees and pre-payments, even before we began exports.
- We invested in training and education – 126 million dollars – which will positively impact the entire workforce, not just in mining, but in other sectors too.
- We have been genuinely engaged when it comes to managing our environmental and social impact. Bringing the world's best technology to recycle water, and doing our best to improve the lives of our host communities.

We need to spend much more time in dialogue with our neighbours in the local communities in the South Gobi. They want to know more about what we are doing as a business, but more importantly, they need to see that we are engaged and listening.

We have to prove to everyone - in the South Gobi, and across Mongolia- that we are sincere in our commitments to the country.

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My fourth and final priority will be to prepare the business for future expansion and growth.

I appreciate that everyone here wants me to answer one question.

When will the uncertainty about the timing of project finance and continued underground development be resolved?

I don't have the answer to that question.

Like everyone, I am expectant for the day that the issues under discussion will be resolved. But speed is not the measure of success.

Success is judged by producing a better and stronger Oyu Tolgoi, built on a trusting partnership that will stand the test of time.

The week before last, I visited the underground mine for the first time. I was struck by the pride that our small remaining underground workforce has in what they have achieved. The quality of the work that has already been completed on the underground is remarkable.

And we will prepare for the day when work can be restarted. The Oyu Tolgoi underground mine will undoubtedly be a successful project on a global scale.

To prepare for that day, we will continue to invest in the development of our workforce, and in particular OT's future leaders.

We've just taken a number of promising, young Mongolian Managers out of their comfort zones and challenged them to become the senior leaders of the future.

They are spending eighteen months working in challenging, high pressure roles in parts of the business beyond their own experiences. They are learning at the sharp end and will complete the programme well placed to lead OT in the future.

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So that is my plan as CEO. Whether it's delivering value now, or preparing for the future, we will make decisions carefully, not quickly.

The OT team are the early stewards of an operation which will last for forty, sixty or even a hundred years.

We are doing this for our children and grandchildren, and possibly even our great-grandchildren.

It is better to take a bit longer now, and get it right, than compromise for the sake of speed and face problems for fifty years or more.

We have seen a growing debate about how to deliver OT to the benefit of all, and to secure its future as a business, not just as a relentless political debate.

I wonder if the debate about OT has sometimes missed the mark. Too often, it has been about the partnership at its most simplistic and transactional level - what each side brings to the table - A trade-off between Mongolia's resources and international expertise and investment.

But that description detracts from the fact that Oyu Tolgoi is not about two different parts, it is about the whole.

Yes, international investors and the Government are separate equity shareholders, but through Oyu Tolgoi they are one.

What each brings to the project is important, but once together, the benefits are mutual and indivisible. We don't rise and fall as the Government, Turquoise Hill and Rio Tinto. We rise and fall as Oyu Tolgoi.

Even now, as Mongolia faces the challenges of economic change and adjustment, the world can look to Oyu Tolgoi for what can be achieved.

We are an operating, world-class business, just commencing the revenue generating stage.

We're focusing on safety and are committed to strengthening our license to operate.

There is much more value to come, and there are many years ahead to realize it – but we are preparing for those years now.

It will take hard work and commitment to make our partnership the best that it can be and to win over those who do not yet see Oyu Tolgoi in the way our workforce sees it.

Those young men and women have inspired me since I arrived at Oyu Tolgoi. They work hard every single day in a tough industry and a tough environment. We are proud of what we have accomplished together. Over the coming years, it is through this commitment and hard-work that we can show even our staunchest critics that OT is a true Mongolian success story on a global scale.

I start my assignment and my time in Mongolia, with optimism and determination.

And for all of you, whether established Mongolia experts, or like me – those with much to learn, there is a simple message about the investment environment.

Whether it is viewed through the lens of OT, or wider business confidence, Mongolia's potential remains huge. It will take time, but we will get things right.

I am honoured to be playing a part in an exciting project in a great country. I hope that many of you can also find your place in Mongolia's exceptional story.

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