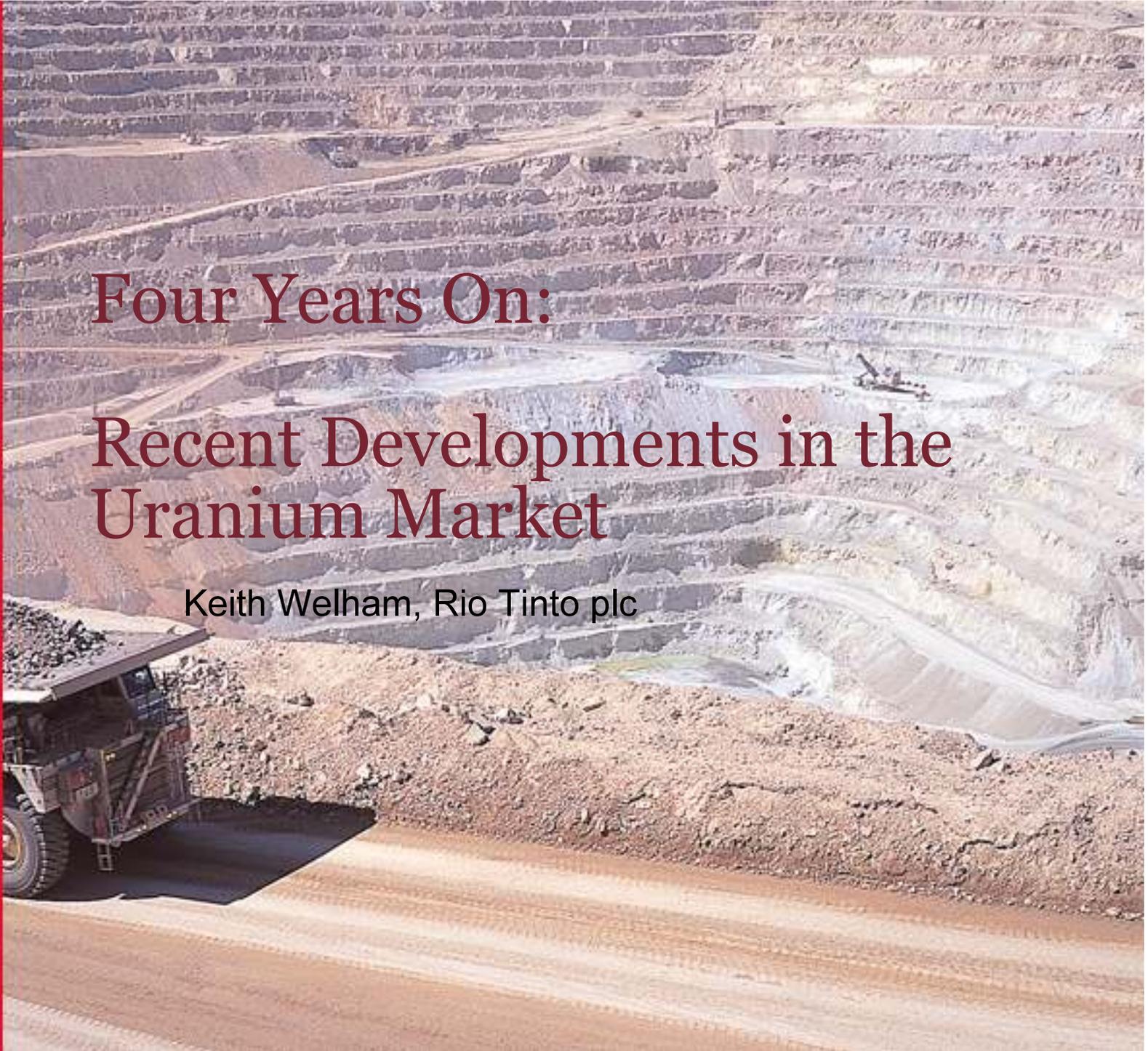


# Rio Tinto

Four Years On:

Recent Developments in the  
Uranium Market

Keith Welham, Rio Tinto plc



## Cautionary statement

*For the purposes of the Forward-Looking Statements Safe Harbor provisions of the US securities laws*

*This presentation contains statements which constitute forward-looking statements within the meaning of the US securities laws. Such statements include, but are not limited to, statements with regard to capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”.*

*By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Rio Tinto’s control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation and those factors set out under Risk Factors in Rio Tinto’s Annual Report on Form 20-F for the year ended 31 December 2008 filed with the U.S. Securities and Exchange Commission.*

## Outline

- Changes in
  - Demand/supply outlook
  - Market prices
  - Participants
  - Perceptions
- (How) does this change our view of the future?

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## Politics - 2005 vs 2009



June 2009



Four Years On

## Politics - 2005 vs 2009



June 2009



Four Years On

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## Politics - 2005 vs 2009



June 2009



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## Economics - 2005 vs 2009



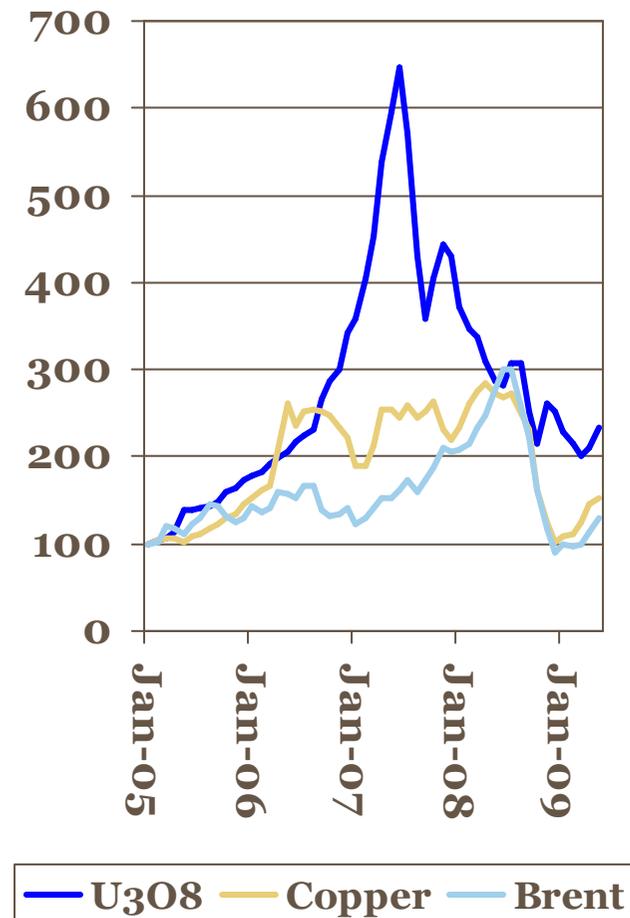
June 2009



Four Years On

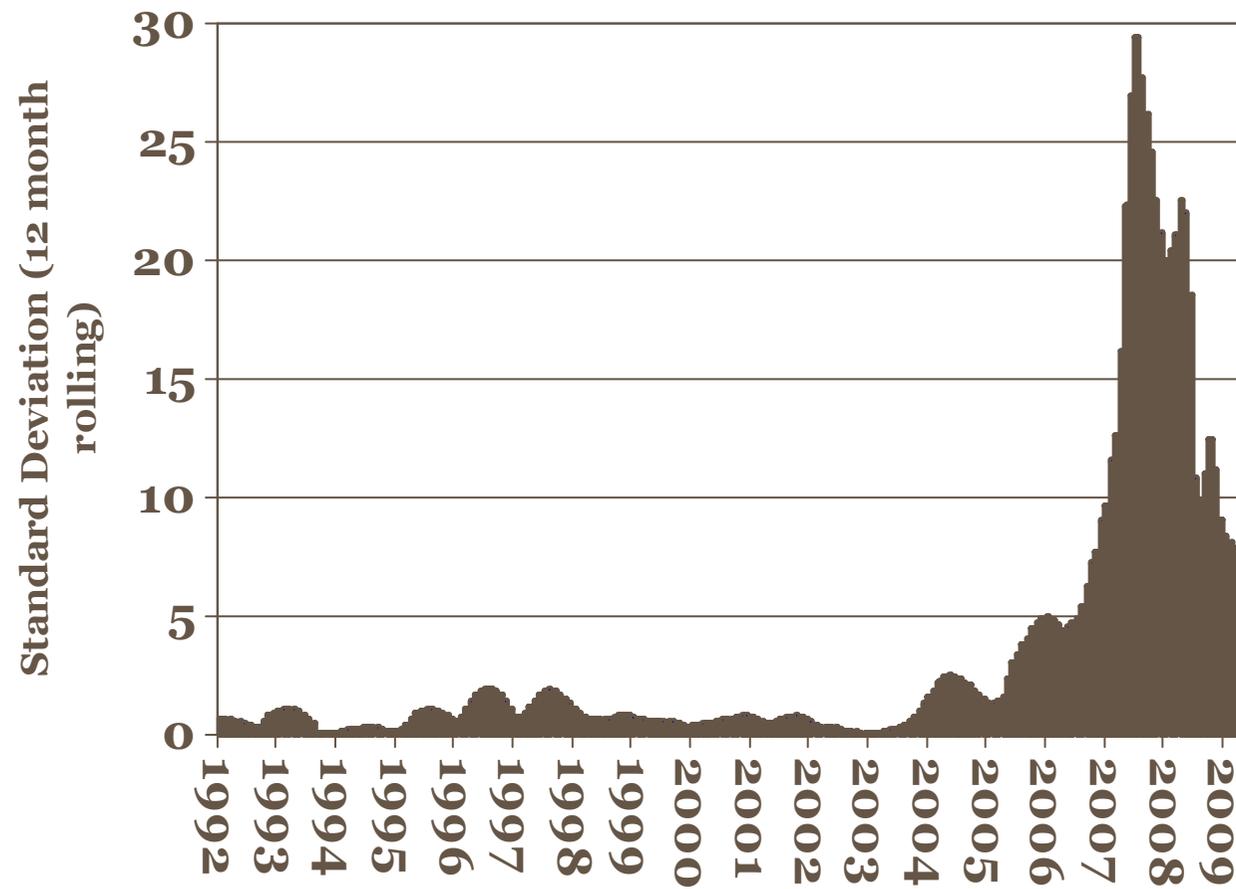
## Uranium is not Immune

- Uranium prices have experienced a decline since mid-2007
  - Withdrawal of speculative demand
  - Liquidation of holdings by speculators to cover positions elsewhere
- Yet uranium is more robust than other commodities
- Macroeconomics does have an impact, albeit indirectly



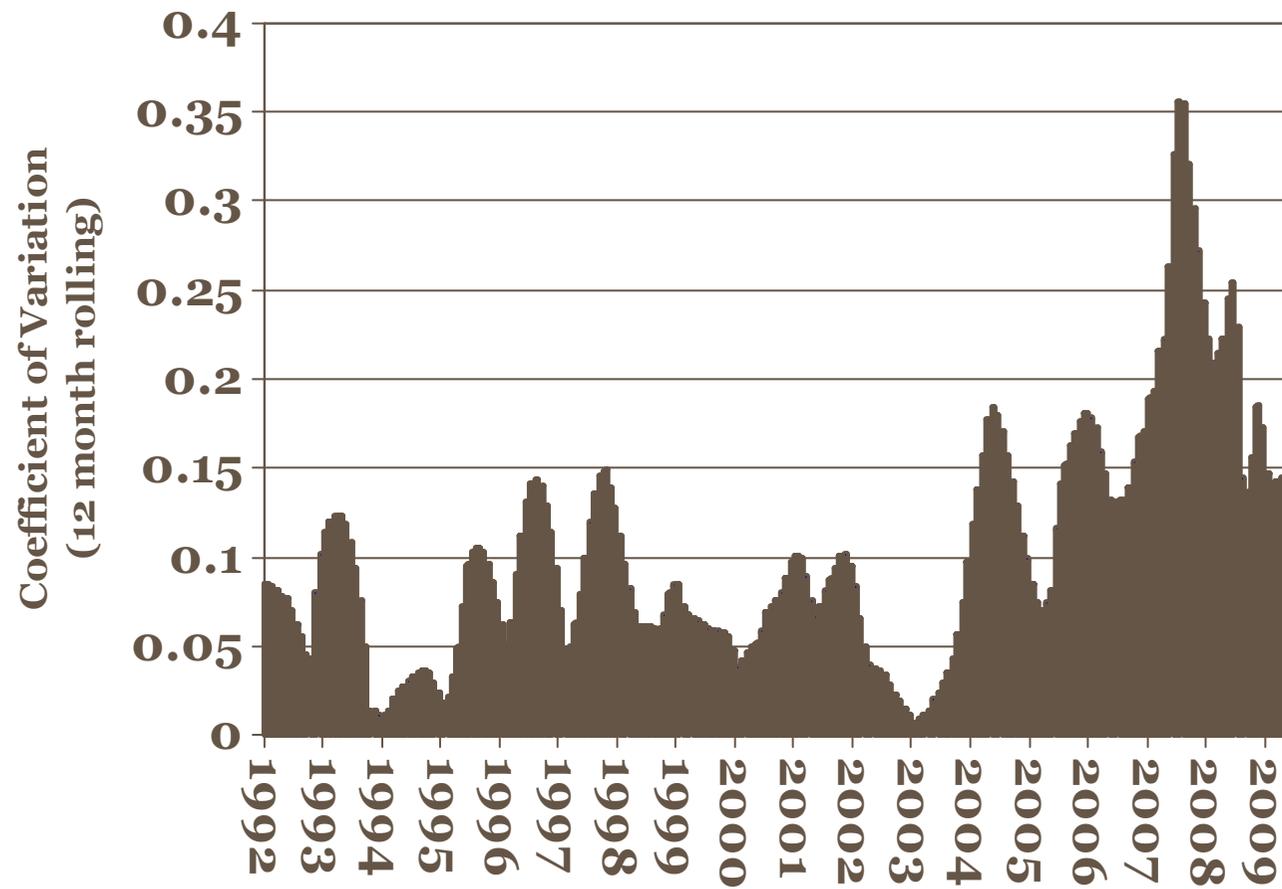
# Rio Tinto

## The Arrival of Speculators Heralds Increased Volatility



# Rio Tinto

## The Arrival of Speculators Heralds Increased Volatility



## June 2005

- Spot price \$29
- Long run price \$30
- In the news
  - Spot price has caught up with the long run price
- Key uncertainties
  - HEU2?
  - China nuclear growth?
  - India?
  - Junior production?
  - Olympic Dam expansion?

# Rio Tinto

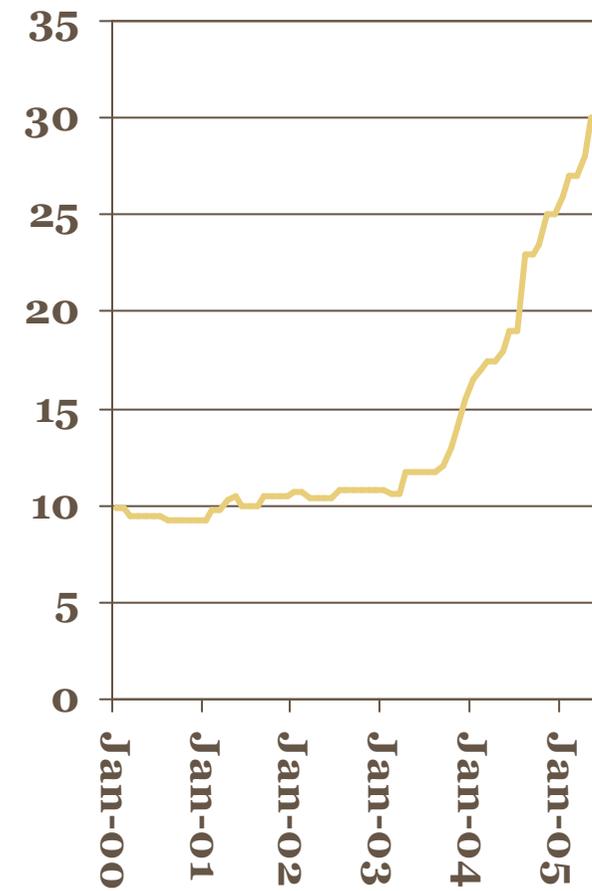
## Spot Price

- \$29/lb at the end of June 2005
- \$10/lb above a year previously
- Steady run up from June 2003



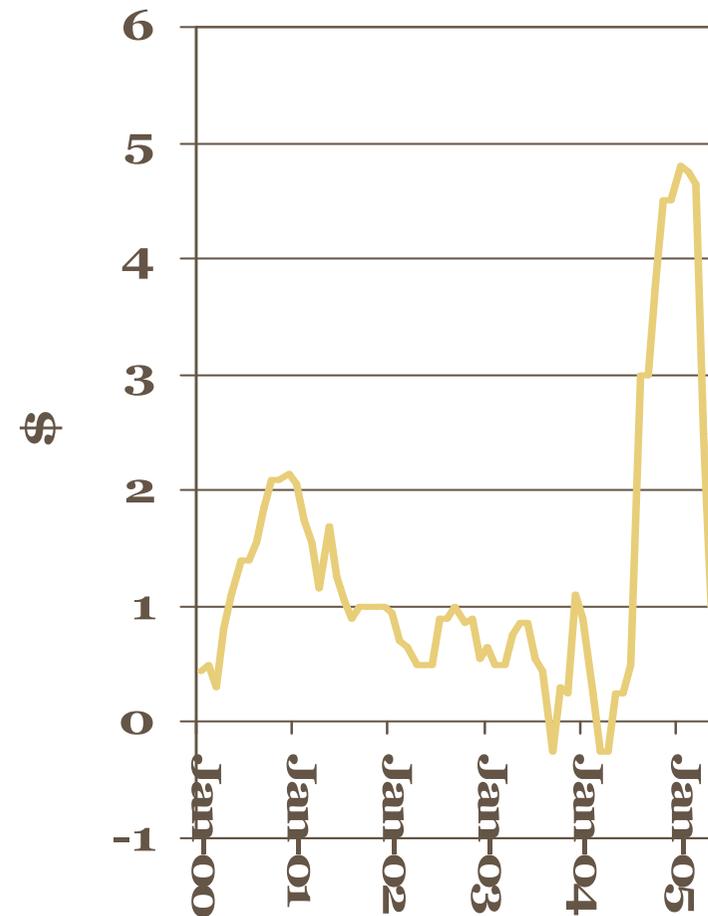
## Long Term Price

- \$30/lb at the end of June 2005
- Up from \$19/lb a year previously



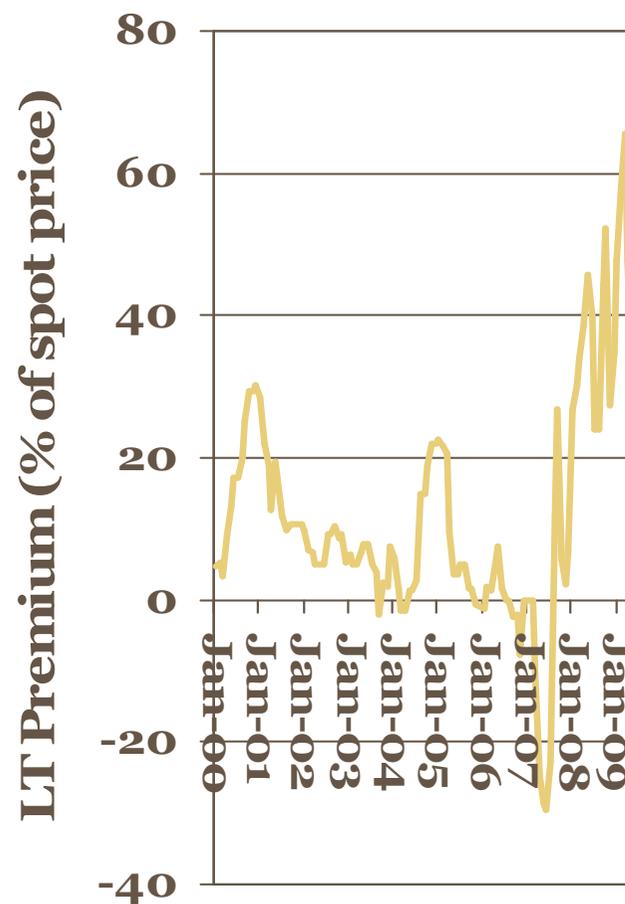
## Long Term Premium

- 2005 saw a run up in spot prices
- Term prices rose earlier and established a “significant” premium
- Today’s premium is \$16



## Long Term Premium

- Premium is greater in absolute and percentage terms than ever before
- How far does this reflect greater uncertainties than we saw 4 years ago
- The anomaly in 2007/8 announces the arrival of speculators in the context of all commodity prices being driven up



## HEU<sub>2</sub>

- 2005
  - Will there be an HEU<sub>2</sub>?
  - How much material would be made available
- 2009
  - START expires at the end of this year
  - Intention to “pursue new and verifiable reductions in our strategic offensive arsenals”
  - Negotiators to report back in July on a new legally binding treaty with agreement scheduled to be completed by December
  - Still unclear what this means for uranium

## Chinese Nuclear Growth

- 2005
  - 6.6 GW installed
- NDRC Plan 2005-2020 aimed for 40 GW in 2020
- 2009
  - “...neither 70 million KW nor 100 million KW from the internet is correct. We haven't announced any numbers yet. Actually, we find that we could do more than the original plan now, and we need to accelerate our development base on scientific proofs in order to strive for the goal that installed nuclear capacity will be increased significantly.”

Zhang Guobao, vice-chairman of NDRC and head of National Energy Administration (March 2009)

## India

- 2005
  - Non-signatory to the NPT
  - Refused to sign in 1968
  - Tested first weapon on 1974
  - Nuclear co-operation withheld from India
- 2009
  - US-India agreement
  - IAEA safeguards agreement (August 2008)
    - All 14 existing reactors to be covered by 2014
  - NSG Approval (September 2008)
  - US Congress Approval (October 2008)
  - Brings India into the fuel-cycle fold

## Olympic Dam

- 2005
  - WMC potential expansion in 5-10 years (2002)
    - Cu from 235kt to 600kt
    - U from 5kt to c. 10kt U<sub>3</sub>O<sub>8</sub>
  - BHP completed purchase of WMC on 8 March 2005
- 2009
  - BHP plan is a 5-stage expansion
  - Stage 1 by 2013
    - optimisation of current pit
    - U to 4500t
  - Ultimate expansion over 11 year construction time
    - Cu to 750 kt
    - U to 19kt U<sub>3</sub>O<sub>8</sub>
  - Potential to export copper/uranium concentrate for processing

## Junior Production

- 2005
  - Little concrete activity
- 2009
  - Uranium One
  - Paladin
    - Langer Heinrich
    - Kayalekera

## Climate Change

- 2005
  - Nuclear power is recognised as one means of addressing climate change
  - International agreements do not favour nuclear power
- 2009
  - Copenhagen represents an opportunity to review the role of nuclear in the CDM.

## Other Positive Signs post-2005

- Significant advances in the conditions for UK new nuclear build.
- Potential for Sweden to overturn nuclear ban
- 17 COL license applications submitted in the USA

## Is 2009 more optimistic than 2005?

HEU2	Maybe
China	Yes
India	Yes
Olympic Dam	Yes
Juniors	Yes

## Conclusion

- The nuclear industry is in much better shape in 2009 compared with 2005.
- The demand outlook is more optimistic and the supply side is rising to the challenge

The conditions for the nuclear industry are ripe for a period of significant growth. The challenge now is for all participants from policy makers, through utilities to uranium miners to deliver.