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Simandou Project

Regional Development Linkages Plan -
Summary



April 2007

Rio Tinto Iron Ore (RTIO) has an advanced stage iron ore exploration project in SE Guinea. The resource under current study is a high-grade haematite occurrence with potential to support a large scale open-cast mine for more than 30 years.

The presence of iron ore in this area has been known for a number of centuries, but has remained undeveloped due to the remoteness from transport corridors. Even now, the infrastructure requirements are a central issue in the development of the project.

This Regional Development Linkages Plan identifies the methods by which the Simandou Project can facilitate and support linkages to regional development activities in Guinea.

1. Goal of the Project

Rio Tinto aims to develop world-class mineral deposits using leading practice. A geological formation of the scale of Simandou is rare, and the opportunity to plan its development even rarer. Rio Tinto is determined to develop this project for the mutual benefit of Guinea and the company's shareholders.

Through successfully developing and mining a world class iron ore deposit, Rio Tinto aims to

- Generate profit for its shareholders;
- Generate sustainable positive development in Guinea in alignment with the Government of Guinea's plans;
- Operate to ensure a net positive biodiversity outcome at the regional level; and
- Build long-lasting partnerships with local and international institutions to progress locally identified development priorities.

Guinea is one of the poorest countries in the world (ranked 155 out of 177 in the 2005 UN Human Development Index (HDI)), and arguably the single most important development goal for the population of Guinea is the alleviation of this poverty. "Development" here is defined to include economic, social and environmental activities, ranging from revenue transparency through to biodiversity protection. Through the Simandou Project, Rio Tinto aims to assist Guinea to advance this goal, by working through development linkages in partnership on areas of mutual interest addressing key issues preventing development and advancement for the local population, and the country at large.

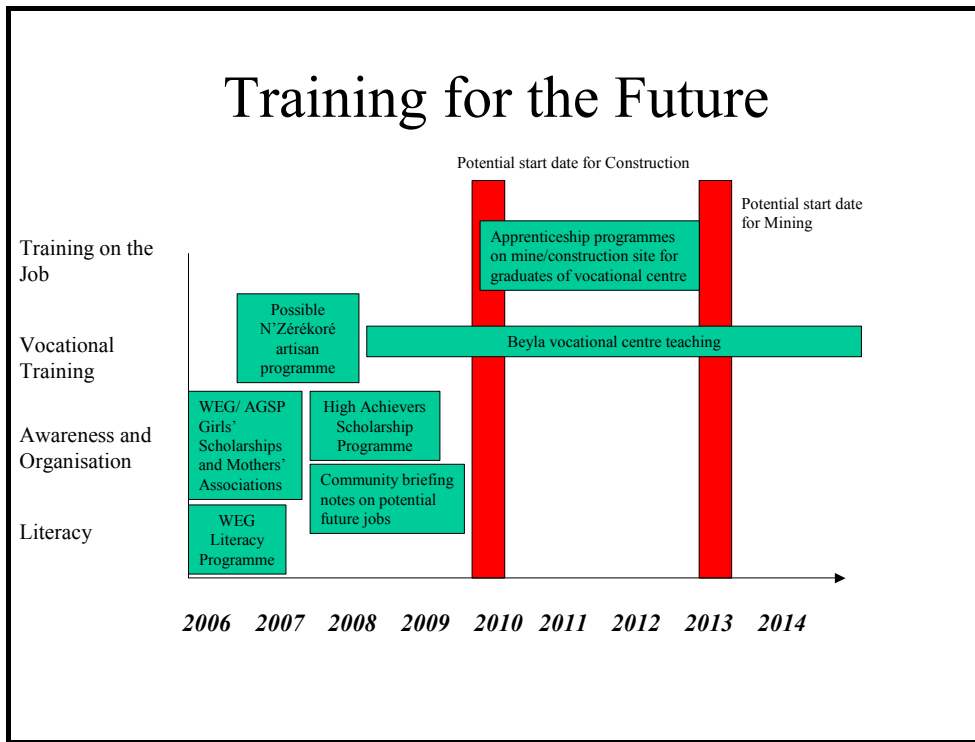
The Simandou project endeavours to ensure that the benefits brought to the local community and to Guinea as a whole are sustainable, independent of the continued operation of the mine. This will be achieved through both the integration of sustainable development considerations into all Project decisions and the commitment to working with partners on additional development issues.

2. Regional Development Linkages

The development of the Simandou Project has the potential to bring about a number of significant changes, from a local, micro-economic level through to a national, or potentially regional, macro-economic level. The types of impact expected from this Project are not unique, however, the scale, timeframe and prior planning of the Project present a rare opportunity to forge linkages with regional development activities.

There are a number of impacts from the anticipated development of the Simandou Project which can be maximised to directly feed into the regional development plans in Guinea. These impacts are summarised below:

- Economic growth – capital investment through infrastructure and the payment of taxes and royalties. The Guinean Poverty Reduction Strategy targeted the promotion of “growth” activities, including mining. The development of the Simandou Project would bring significant foreign investment into the country and feed into the stated goal of economic growth. Planned infrastructure investment for the Project exceeds US\$3bn, putting it in the same order of magnitude as the Guinean gross domestic product (GDP);
- Revenue Transparency – support of the Extractive Industries Transparency Initiative;
- Indirect economic benefit – rehabilitation/development of railway routes and the expansion/development of port facilities will allow for other producers and communities to benefit from investment as well;
- Small and medium enterprise development – To maximise the benefit gained from the Project by the population of Guinea, and in keeping with the principles of sustainable development, Rio Tinto Iron Ore is investigating the development of spin-off industries and small and medium enterprises. These enterprises would be owned and managed independently of the Project, with Rio Tinto Iron Ore providing support and expertise to facilitate initial establishment where required and appropriate.
- Employment – Rio Tinto Iron Ore aims to recruit locally where possible. This is only achievable where local residents meet the skills required to undertake the job. There are a number of elements which need to be progressed in order for Rio Tinto Iron Ore to be able to achieve this goal at the time of mine and infrastructure construction and operation. In order to develop a potential employee base in the operating area it is imperative that the level of literacy increase and with it the potential for students to enter into more advanced forms of education, including technical or vocational colleges. Due to the considerable time element associated with raising education levels sufficient to recruit skilled artisans when the project develops, efforts to improve literacy and education were commenced in 2006. The “training for the future” plan is indicated below:



- Local Community Development – The founding principle behind the community development initiatives undertaken and planned in the Simandou Project is one of community identified priorities. Rio Tinto Iron Ore is committed to working with partners to assist communities to meet development challenges they have identified and prioritised. This support exists at a number of levels, from social investments in impacted and affected villages through to regional scale socio-economic partnership programmes. Full details of the approach to community engagement taken by the Simandou Project can be found in the “Public Consultation and Disclosure Strategy”;
- Environmental Protection – minimisation of impact to the environment from mining operations coupled with biodiversity protection within the Pic de Fon Forêt Classée. The Simandou Project is located in an area with potentially significant biodiversity. Rio Tinto manages its environmental impact closely and has made specific commitments to the protection of biodiversity, which are summarised below in the detailed biodiversity strategy a summary document of which is publicly available.

In addition to the impacts identified above, there are a number of negative impacts associated with major mineral developments, such as in-migration, the spread of disease (including HIV) and increased pressure on environmental resources, which Rio Tinto is working to minimise and management plans are detailed in other strategy documents.

Through planning for these impacts in concert with Government, International Institutions, NGO’s and the private sector, their linkages to positive regional development can be maximised to the benefit of the population of Guinea and Rio Tinto’s shareholders.