

Rio Tinto Simandou Project Information (07/2009)

Simandou is a world-class iron ore exploration and mining project located in south eastern Guinea. The project has completed initial feasibility studies and is pursuing essential mine planning exploration and study work.

Rio Tinto is partnered with the International Finance Corporation, which holds a five percent stake in the Simandou project. As one of the world's leading mining companies, Rio Tinto brings technical expertise derived from the experience of more than 100,000 employees operating in over 50 countries, as well as a commitment to sustainable development that is integrated into all aspects of our business.

The Rio Tinto SIMFER SA Simandou Project

Rio Tinto has already spent over US\$500 million on exploration and evaluation work necessary to develop a world class mine at Simandou. Of this over US\$ 40 million has been in Sustainable Development related projects and studies.

In 2009 the Simandou project employs 1,000 people in Guinea (including 550 full-time employees and hundreds of contractors). More than 90 percent of our workforce is Guinean, and we use many Guinean contracting and consulting companies.

Rio Tinto's commitment to local hiring and procurement wherever possible has already resulted in the flow of tens of millions of dollars to Guinea through wages, taxes and purchasing. The current mine, rail and port plan anticipates creating tens of thousands of jobs during the construction phase and more than 4,500 full-time jobs during the operational phase.

Extensive Exploration Activities

Rio Tinto's exploration and development efforts are focused on our Simandou mining concession area. In 2009 Rio Tinto is continuing essential drilling, exploration and study work needed to keep the project moving forward. Last year in 2008 Rio Tinto:

- Invested more than US\$20 million per month on drilling and support.
- Drilled, to date, 218,000m of core on over 1200 sites throughout the entirety of the Concession.
- Doubled drilling capacity from 2007 to 2008 using 16 drill rigs.
- Submitted extensive technical, environmental and social Feasibility Report to the Government of Guinea (December 2008)

The Scale of the Simandou Project

Studies completed to date estimate that an up-front capital investment greater than \$6 billion will be required to start the construction of world class mine, rail and port infrastructures at Simandou.

At a proposed production rate of over 70 million tonnes per annum, the Simandou mine would pay millions of dollars each year in taxes and royalties to the Government of Guinea, and millions of dollars to a regional development fund. This would amount to billions of dollars over the life of the mine. The expected annual royalties from the Simandou project alone would represent many times what the Government currently receives from all mining revenues in Guinea. This revenue to the Government would increase in proportion to increased production.

Significant Sustainable Development related investment to date

Rio Tinto has spent over US\$40 million on projects and studies that contribute to the Sustainable Development of Guinea. Some examples include:

- Public infrastructure: Rio Tinto has invested over \$US 5.5 million in funding for public road construction and repairs, over US\$7million to build an aerodrome in Beyla and donated over US\$ 2 million of public transport and waste management utility vehicles to the City of Conakry.

- Local community development: We have supported the development of several schools, health clinics and youth centers, community radio infrastructures, medical training and education and scholarships and adult literacy programs in Beyla, Kérouané and Conakry.
- Environmental investment: Rio Tinto has funded projects with the Nzérékoré Forestry Management Centre, extensive biodiversity studies with Conservation International and KEW Gardens, and agricultural development and water infrastructure projects.
- Governance: Rio Tinto worked with the Government to create the Transport Committee and the National Environmental and Social Monitoring Committee (CNSES) through which have funded studies to expand rail service in Guinea and financed capacity building training programs such as ISO 14001 Environmental Management System for government cadres.

Ongoing Commitment to Long-Term Sustainable Development

Rio Tinto is committed to supporting sustainable development in Guinea. This includes exploring potential options to benefit both local communities and the nation as a whole, even during the early phases of the project, such as:

- A partnership with the International Finance Corporation on capacity building: Rio Tinto has invested into a large scale Linkages program that aims at improving local businesses ability to win goods and services contracts with mining companies.
- Electricity Study work: Rio Tinto has studied the feasibility of establishing a generating plant for south eastern region of Guinea that service the mining operations and the region as well as financial and technical assistance for the City of Conakry.
- Providing more than US\$500,000 in planned direct community investments over the second half of 2009 to assist with socio-economic development and environmental quality in the region our Company is continuing exploration work.

Rio Tinto's Mining Concession at Simandou

Actions have been taken by the Guinean Government to remove half the area in our mining concession and allocate it to another company. Rio Tinto continues good faith discussions with the Guinean authorities and seeks the reinstatement of our full mining Concession that was granted to our company in 2006 as a result of the Mining Convention agreement between Rio Tinto and Guinea that was signed in 2002, then ratified by the National Assembly then signed into law by the President in 2003.

Rio Tinto's presence in Guinea began in 1997, when the Minister of Mines invited the company to conduct initial exploration work at Simandou. After 3 years of exploration work that identified areas of potential mineralization within the initial 1488km² research area Rio Tinto gave up 50% of its land area in 2000 when it renewed its exploration licenses. This was done in accordance with Guinean law that requires that remaining permit area contain at best possible all of the mineralization sites identified by the company during exploration work.

Following that retrocession, the Guinean Government designated Rio Tinto's exploration and mining perimeter land area at 738km² through the 2002 Convention and 2006 Concession. These agreements set clear timelines and milestones for the development of the project which were followed and surpassed at times by Rio Tinto.

Between 2006 and 2009 Rio Tinto's Concession area represented only 18 percent of all mining holdings in the Simandou range: 738 km² are held by Rio Tinto and 3,333 km² are held by one other company. During the same time, Rio Tinto's Concession area represented only a fraction of the over 20,000km² of iron ore exploration title that is awarded to other companies in Guinea.

In reliance on both Guinean law and the legal accords agreed with the Government, Rio Tinto has invested hundreds of millions of dollars on the exploration and evaluation work necessary to develop a long-life operation at Simandou. Given the significant mine, rail and port infrastructure development costs Rio Tinto must bear, the restitution of our rights to the whole Concession is necessary to preserve the economic viability of the Simandou project for Rio Tinto and Guinea.

Legal and Legislative Chronology

- **1996** – Rio Tinto Exploration conducts initial reconnaissance work after being invited to Guinea by the Minister of Mines, Fassine Fofana.
- **29 February 1997** – Rio Tinto is granted four exploration licenses for iron ore at Simandou, covering an area of 1488 km². Rio Tinto surpassed the three-year exploration period budget agreed with the Government by over 60%.
- **30 May 2000** – Simandou exploration licenses are renewed pursuant to the Mining Code, with a 50 percent reduction in area to 738 km².
- **21 May 2002** – The terms of the Mining Convention are finalised and initialed, but signing is delayed.
- **29 May 2002** – The Minister of Mines, Ibrahima Soumah, fixes the area to be governed by the Mining Convention pending its final signing by the Government.
- **26 November 2002** – The Mining Convention (*Convention de Base*) is signed by the Government and SIMFER SA. that includes tax and royalty provisions and near and long term investment calendar.
- **3 February 2003** – The Mining Convention is ratified by the National Assembly and is signed into law by President Lansana Conté.
- **25 February 2003** – Upon publication in the Official Journal, the Mining Convention takes effect as a law of Guinea and promises the Mining Concession will be issued within 90 days.
- **30 March 2006** – Rio Tinto's Mining Concession is granted by Presidential decree in accordance with the Mining Convention and the laws of Guinea.
- **12 May 2006** – The Minister of Mines, Dr Ahmed Tidjane Souaré, agrees to a revised project timetable (feasibility report at the end of 2008 and commencement of production at the end of 2013) to reflect the delays in granting the Mining Concession and agreeing on the transport route.
- **20 July 2007** – The Minister of Mines agrees to proceed with evaluation of the southern rail route.
- **6 June 2008** – The General Secretary of the President's department, Sam Mamady Soumah, sends a letter to Rio Tinto raising a series of grievances regarding Rio Tinto's Mining Concession.
- **11 June 2008** – Rio Tinto responds to Mr Soumah with a detailed letter addressing the concerns he raised.
- **1 August 2008** – Rio Tinto receives a copy of a correspondence from the Presidency purporting to rescind the Simandou mining concession. Rio Tinto remains confident that its arrangements are in all respects in conformity with Guinean laws and that it has complied with its obligations and is currently in discussion with relevant ministers with a view to resolving any issues.
- **20 of August 2008-** Rio Tinto has since questioned the legality of the government's withdrawal action by using a mechanism known as a *recours gracieux* and continues to engage in concurrent discussions with the Government to resolve the matter constructively.
- **October-November 2008-**Rio Tinto provides the ministry of Mines all of the geological data requested
- **9 December 2008:** Rio Tinto receives a letter from the Minister of Mines with a relinquishment request of 50% of the Rio Tinto Simandou concession. Rio Tinto believes it is entitled to hold and retain the entire Concession, and will continue working in good faith with the Government of Guinea to seek to resolve this matter on that basis.

- **10 December 2008**- BSGR (based in Guernsey Island) issues a press release from the British Virgin Islands claiming to have been awarded 50% of the Rio Tinto mining concession. This company has no existing Iron Ore mining operations.
- **31 December 2008**: Rio Tinto submits an extensive Feasibility Report to the Ministry of Mines containing technical, environmental and social studies related to the project.
- **Today**: Rio Tinto remains of the view that it has complied with all its obligations in relation to the Concession initially granted to our company, such that it is entitled to hold and retain the entire Concession, and will continue working in good faith with the Government of Guinea to seek to resolve this matter on that basis.

The Future of Rio Tinto in Guinea

Rio Tinto is a promising partner for Guinea. The company ranks second in global seaborne iron ore deliveries and first in global reach. As a company with a proven track record as a global leader in building and managing iron ore operations Rio Tinto is a strategic partner for enabling the sale of Guinea's iron ore to the international market.

Wherever Rio Tinto operates, the health and safety of our employees is our first priority. We have one of the best worker safety records in the mining industry, and we seek to contribute to sustainable development. We work as closely as possible with our host countries and communities, respecting their laws and customs. We minimize adverse effects and strive to improve every aspect of our performance. We employ local people at all levels and ensure fair and equitable transfer of benefits and enhancement of opportunities.