



# **2023 Full Year Results**

Wednesday, 21 February 2024

## Q&A

**Richard Hatch (Berenberg):** Thanks very much, good morning. Richard Hatch from Berenberg. First question, on iron ore costs, can you just talk to us a bit about how you're going to get to that medium term target of \$20? I think the guidance is about, sort of, for this year, is a good, sort of, 10-15% above that, so I guess there's going to be some productivity, some levers, your peers seem to be cutting costs, perhaps that's going to impact their medium term flexibility, so can you just talk about what you're going to do to get there? Thanks.

**Jakob Stausholm:** Yes, so look, I'll ask Peter to explain the exact pathway to get there, but what is absolutely clear, and you might say that this year's unit cost target is not super stretchy; I want people in the Pilbara to get the maintenance done, to get – every time we have an issue, to take the full learning and make sure that we address it systemically because it's a wonderful asset and it deserves to be in the best possible shape. So, you know, the first point is, the first game is not the unit cost, it's the long game where you have to get there. I was just at Tom Price two weeks ago, and when I saw what they are doing there, Tom Price is, like, 65 years old, what they are doing now is fundamentally making the plant much better and can get it back to close to nameplate capacity. Things have changed a lot since – since it was built, etc., but I see that we are structurally doing the right things. So the SPS system is kicking in, much, much more focused on asset management, I'm old school calling it maintenance, spending the money in the right way, having more internal resources to get the job done in the right way. That is just improving us, and that will get us to our medium term target. Peter, do you want to comment on how we get the numbers right.

**Peter Cunningham:** Absolutely. So, I mean, if we look at 2024, I mean, we've taken the bottom of that range based on really what we achieved in the second half of 2023, and then we are still seeing tight labour markets on top of that, and we still have a system where we need to do more material movement and – and some more maintenance, as sort of, Jakob says. So I think that then sets the top, and really the – where we land is going to be how well we drive productivity through the system, and I think there is real momentum, but that's going to be the factor which drives it down. I mean, you know, we said \$20, 2023 terms, I mean, we'll, sort of, then have a set of more investments in the middle of the decade, which helps, sort of, strengthen the system as well towards that – that mid-term. But it's the combination of, sort of, renewing the asset base or the mine base, if you like, and driving that productivity and maintenance that's going to get us to the \$20, real, 2023.

**Richard Hatch:** Okay, helpful, thanks. Second one is just on your TIO2, sort of, business. Zulti South has been on hold for, you know, a long time, if you look at the small cap arena, you know, you've put your foot on sovereign, some of the other small cap names, you know, there's no value in, you know, attributing to the market, you've got this blue smelting for Ilmenite, does – you know, would you consider inorganic opportunities for, you know, mispriced Ilmenite assets such as, you know, like, the Kenmare base, something like that, or is – are you happy with what you've got in the portfolio? Thanks.

**Jakob Stausholm:** I love our titanium slag business, but it is not without challenges. It's actually the product where we have the highest global market share. It's quite a unique ore body, but we need to make sure that our manufacturing sites has got – sufficiently feed from the mining, and therefore we are actually relooking again at the Zulti South, that would be

really, really, really good to unlock that part. I do think that blue smelting is very important because Sorel is the world's largest producer of titanium slag; it has got 1.1 million tonnes of CO2 emission and we think that there is a pathway to fundamentally decarbonise that, so that 70-year-old site could get a complete new life. But around the manufacturing we have at Sorel, and we have at Richard's Bay, it's really world scale, and we just need to be sure we can feed the system. On top of that, there are some challenges in terms of the customer landscape is changing, and we need to sure that our business fit the needs of the customer for the future. So we are looking at things and how to – how to address it. I don't necessarily think that it will require inorganic things. We are doing a bit of exploration as well, and we might actually find some – we're looking at some very interesting prospects there, so I see a great business that does not necessarily require big M&A.

**Paul Young (Goldman Sachs):** Thank you. Morning, Jakob and Peter, I hope you're well. Jakob, the first question is on capital allocation; the balance sheet is strong, the growth pipeline is best in years the dividend payout is at 60% but what's missing from – from here is the buyback, but we know the limitations with the major shareholder, so now that you're committing to Simandou with Chinalco, Jakob have you spoken to Chinalco about them potentially selling into a buyback?

**Jakob Stausholm:** Yes, it's a highly relevant question, and it reminds me, as CEO, I always have things that I haven't done, and it's probably a dialogue that we need to do. It's been very intense and we have very much deepened our ties to both Chinalco and Baowu in going through the Simandou process, but I do think, Paul, it's a little bit less urgent than it was in the past. If you look back in time, we had a decade where we didn't grow, and if you don't grow as a company, then of course it's hyper important on how well you're sending cash back to the shareholders. Now we are growing 2-3% a year, profitable growing, and we are paying at the top of our policy, we are consistently paying 60%, but actually at the end of the day it's 60% of a net income growth – net income stream, so if you can grow the income stream, that's probably a quite good way, and of course, it goes without saying, it requires a little bit more Capex to create that growth than in the past. If you look at the past, our Capex composition was mainly sustainable Capex replacement mines etc., now we have a bigger – a growth component, plus we cannot take away from the fact, Paul, that we do need to put some capital towards decarbonising our business, and that is, kind of, in my view, futureproofing it, but it kind of takes a little bit the pressure off. I don't want to rule it out, and I think you're right, when you look at the numbers, we are a plus \$100 billion company with only a couple of billion dollars of pay – of debt, so we could pay more back. Yes, I'll take – I'll take up the challenge and probably talk a little bit more about that.

**Paul Young:** Okay, that's great. Look forward to that. And then second question, Jakob, is on the copper growth and Capex inflation, Peter called out labour inflation, the Pilbara, US and Canada, but he didn't mention Chile. We saw BHP this week announce they're deferring their new concentrator by one to two years due to Capex inflation, it looks like they're preferring to expand the heap leach, just curious about what's your view on this decision?

**Jakob Stausholm:** Yes, look, I think BHP and Rio has only improved its cooperation in the last few years, both on Resolution and on Escondida, and I think BHP are taking very sound decisions here. We shouldn't forget we have been extracting from Escondida for 20/30 years, and it's still the world's largest copper ore body. It is an amazing ore body, but obviously

what we need to do is get the value out, and therefore if we can find solution that has lower capital intensity, that's great. We are also testing at Escondida, our Nuton technology, and if we can really get leaching to work at scale, it goes without saying that that's much cheaper than the very capital intensive concentrator route.

**Paul Young:** Okay, that's great. Thanks, Jakob.

**Kaan Peker (RBC):** Good morning, Jakob and Peter, first question is on Rio sales, just wondering if you've been able to achieve preferential terms with customers for low carbon products, particularly this year, as we see decarbonisation efforts pick up, and I suppose more talking towards the aluminium, low carbon assets.

**Jakob Stausholm:** Yes, thank you, we do get a premium, but if you ask me – but actually it doesn't matter what the premium would be, I would always give you the answer that is not high enough. But it is – we do get a premium, but it is – it's in the teens of dollars per tonnes and it should be in the hundreds of dollars of tonnes, but – so there's work to be done. It's too early; we only closed the deal with Matalco on 1<sup>st</sup> December, but let's just face it, it is an amazing opportunity to now being at scale, a producer of both primary and secondary aluminium, and our customer loves it. And we need to turn it in so it doesn't just become a win for the customer, but it becomes a win both for the customer and for Rio Tinto.

**Kaan Peker (RBC):** Sure. My second question is on OT, I think over the last six months, underground volumes have been relatively flattish, but development has been progressing, including drawbells, when shall we see the next step up in volumes out of the underground, is it when the conveyer is complete in 2H, thanks.

**Jakob Stausholm:** It goes – I honestly believe it goes extremely well according to schedule. How would you describe it, Peter, the progress ahead of us?

**Peter Cunningham:** Completely right, I mean, I think we'll just see it continue to ramp up into 2024, from – from the first panel, you know, the – that's key, and we're still on track for that ramp up until 500,000 tonnes in 2028. And all the infrastructure development is still on track for all the guidance will be given with the secondary crusher – second crusher finished at the back end of 2025.

**Jakob Stausholm:** I think my short answer is that there's plenty of challenges around in Rio Tinto, but I'm struggling to see the things that go wrong in Oyu Tolgoi, I'm very impressed with that development.

**Jason Fairclough (Bank of America):** Jason Fairclough, Bank of America. Just a question, I guess, about a commodity which I think is absent from your presentation, which is lithium, right, so it wasn't that long ago, everybody was quite excited about it; prices down 85%. Some people would look at this and say, isn't this a great opportunity to do some inorganic growth? So how are you thinking about lithium? How are you thinking about using that balance sheet? How are you thinking about Alcan?

**Jakob Stausholm:** I think, Jason, and Peter is often reminding me that it takes us back to a very good old mantra of Rio Tinto, namely, it's not just about we are excited about a product – a certain product, no, we are interested in getting into the best ore bodies, and we need to develop things at the left side of the cost curve. And we actually believe that the development in Argentina can be a very good development, and we believe that one of the

best ore bodies that exist in the industry is in Serbia, but we do need to get the government's approval, we do need to get social license for – for being able to develop that. So, that's really where our focus is, and yes, it's down 85% but it's actually just back to where it was before the bubble. We have always said lithium prices are bound to be extremely volatile. But I will say to you, when it comes to battery materials, and I think that's very important, and I owe a great thanks to our chief economist that many years ago said to us, it's very difficult to predict how batteries will develop, but it looks like almost any composition will have lithium, and that is exactly what is happening. You have seen in China now, two thirds of batteries are LFP, i.e. without cobalt and nickel, but with lithium in; so I do believe in lithium, but don't expect us just to go out in order to grow lithium, we'll be thinking about what are the strong ore bodies where we can use technology and develop something really, really good. And yes, prices have gone down on lithium companies, but not as much as the price on lithium in itself, so you could argue that they're still very expensive.

**Jason Fairclough:** Can I just push you on this a little bit?

**Jakob Stausholm:** You should.

**Jason Fairclough:** So the – the projects that you're talking about, I mean, for a little while it seemed like the one in Serbia was approved and then it wasn't approved, but when we put it in the model it wasn't really that material, and so I suppose to push you, inorganic growth could give you scale that's maybe more appropriate for \$100 billion company than a little organic growth project in Argentina or Serbia.

**Jakob Stausholm:** I love to be pushed, and sometimes I push back. May I – may I remind you that the world market for aluminium is 98 million tonnes, the world market for copper is 32 million tonnes, and the world market last year for lithium was 0.8 million tonnes, it's just different scales.

**Bob Brackett (Bernstein):** Bob Brackett at Bernstein, you've guided to less than but approaching \$3 billion of growth Capex this year, next year, following year. For the first two years, the moving pieces are quite clear. In year three they're less clear, you've got competing opportunities perhaps, so the two questions would be one, what's competing, sort of, explicitly copper and lithium, but a little more specifically? And two, why do they have to compete? Why are you capping growth Capex at 3 billion if the projects hit hurdle rates and clearly you can fund them?

**Jakob Stausholm:** I completely agree with that. Now Peter has a role to do to make sure – to make sure that there's money in, you know – but I actually look completely different at it. I look at our pool of technical resources and I ask ourselves how much can we do. And I hate if they only have a half time job, so I like to stretch them, but I have tried before in my career, when I was in energy to see what happens to a company if a company undertakes one project too many, then all the projects start falling apart, and I just don't want to get real there. So it's really an assessment of, what are we able to do. I am, for example, very happy that we are doing Simandou with three partners, because that means that we are – our scope is less than half, and that is executable. I'm also very happy that we took in First Quantum to help us, or to – they're actually driving the development of La Granja because when we decided to do Rincon, I realised we could not do La Granja. La Granja is much more

complex project than Rincon, so it's much more that, kind of, what are our technical capabilities? Stretch them but not over stretch them.

**Bob Brackett:** So that was, sort of, the second half of the question, by absence, it's interesting, the word Resolution, I couldn't find it in the materials, and we mentioned some other projects; what are the projects that are competing for that technical capability?

**Jakob Stausholm:** No, no, but Resolution, I really believe in Resolution, and I was in Washington DC last week, and I'm talking to it, but okay it's not a big presentation here today, because the reality is, it's not in my hand for the next step; we need to see the land swap happening. We're doing – I'm so pleased with the local team, we are engaging with all the – the first nation's people and we are making really good progress there, but as you know, there's also a dispute in the ninth circuit, and we'll have to await the outcome of that.

**Menno Sanderse:** Thank you. Before we go back online, Bob, page 15 of the press release resolution and the future options table. You nearly got me in trouble here young man, we'll talk about it afterwards. Nadia, can we have two more questions from the line please, before we go back in the room.

**Rahul Anand (Morgan Stanley):** Oh, hi, good morning, Jakob, Peter, Menno. Look, there are two from me, firstly, in terms of Simandou, you know, this has been well flagged for some time, but looking at the sustaining Capex numbers of dollar a tonne at the mine and two dollars a tonne at the infrastructure side, I just wanted to test you on those estimates a bit, and try to figure out, you know, if we compare these numbers to what's being achieved in the Pilbara, admittedly for older assets, and even if you look at Fortescue's assets which are more recent, the numbers are significantly higher and these are life of mine estimates, so is this asset or project being built that, you know, you can keep those sustaining costs as low? And then for my follow up, you know, slide 10 talks about more flat steel use? I just wanted to get your views on how you see that feeding into additional iron ore demand, this year and perhaps into next year, if you've done any, sort of, internal modelling around scrap use. That's my two.

**Peter Cunningham:** I think you actually said it yourself, in terms of – in terms of those sustaining capital numbers, I mean, these are new assets, we are talking life of mine sort of overall averages that – that will be inflated up because these are real terms numbers that we've given. So I don't think there's anything I particularly point to. I think those are the numbers that we're using and I think pretty comfortable with them, that we're embedded in Simandou modelling.

**Rahul Anand:** Okay, excellent. And steel.

**Peter Cunningham:** Yes, I mean, well I think we've seen four years, as I said, of kind of, steel production – crude steel production, over a billion tonnes, and that's clearly been good for iron ore. This year, clearly – well, '23 clearly the 84 million tonnes of exports were an important component part of that. But, you know, absolutely, we've always said that we would see, sort of, China steel demand peaking, and it's exactly what we've said, and then you just see demands, sort of, from elsewhere, in ASEAN and in India growing as well, so I think all of this is playing out exactly pretty much as we thought it would play out, over time.

**Rahul Anand:** Peter, just to quickly follow up on that. You know, you've flagged how manufacturing is increasing as a proportion, and I guess my question is more around the use of scrap in the mix of steel production, and obviously when you move away from scrap, iron ore units continue to rise, is that a – is that a trend that you think continues perhaps to support the iron ore market? Is that part of your internal modelling as well? Because you presented, you know, solar cell production up a lot, and you know, a lot of other manufacturing uses of steel rising, which then obviously leads to better demand for iron ore units as scrap use, you know, becomes reduced.

**Peter Cunningham:** Yes, so certainly, Rahul, in all our modelling we would see scrap increasing, on an increasing trend as part of those overall iron units, so absolutely, absolutely right. So differentiating between the change in the demand profile, and the – and the iron units that feed it. We absolutely see – we see, sort of, that scrap piece as being an important part of the mix.

**Lyndon Fagan (JP Morgan):** Thanks very much, the first one I had was just on the billion dollar a year spend on closure provisions or cash out the door on closure costs. I'm wondering if you could elaborate on the scope of work there, and I mean are we just dragging that right indefinitely? I'm just trying to get a feel for how we schedule that, and whether it inflates over time.

And then the second question I had was just on the aluminium asset, so I guess still losing money in alumina, PACAL breakeven, I'm wondering whether the new power announcement today will help alleviate some costs, and whether there's any benefits from that repowering agreement. Thanks.

**Jakob Stausholm:** Yes. No, thank you. Peter and the audit committee has very appropriately provided for closure and it is a very big amount you can find in our annual report, but that is what goes with mining, and right now of course, we are doing some of the world's largest closure project on ERA, Argyle and Gove in Australia, and that's the big cash out flow in the years to come. I think the key thing is at the end of the day, it just has to be done very, very well and be executed well, and we're looking at that. I think they're really doing a great job in Gove. I think we have had troubles in ERA but we are finding a pathway forward where we can do things in the most efficient way, and there has also been a big noise on exactly what the scope should be in Argyle, but we are also finding the way there. Ultimately, you should think about it like projects, it just has to be really well scoped, and setting a high bar, but really well scoped and then executed very, very well. Second part, your question on – on aluminium, it's a tough business in that sense, but it also represents a massive opportunity. We are the western world's largest producer of aluminium, the western world is structurally short in aluminium, and we are now also at scale into recyclable, so we are building a stronger and stronger aluminium business, and sometimes it's not a bad thing to do that while the profitability in the industry is low.

It's too early to answer your question on what would it mean to the cost structure with a new renewable deal. So because we have done two things, the biggest solar farm in Australia, we are building the biggest windfarm in Australia, we are building – that was the announcement this morning, but ultimately the next step has to come from the Queensland government and the Commonwealth, namely to offer Rio Tinto, competitively priced firming power, and if we can't get that to work, then we don't have long-term solutions for our pacific aluminium

business, so you will have to wait a bit on getting your answers, but let me be very clear, we are super focused on that, we want to protect the Australian business, but we have to bear in mind that it is not an Australian business, it's an export business that competes with our aluminium in Canada, that competes with aluminium from the Middle East, everywhere. So we need to make sure that it becomes competitive. But it is also probably the biggest manufacturing assets remaining in Australia, so it is, I would argue, we are in the same boat; we should be interested in finding a viable pathway forward for those assets. Thank you.

**Alain Gabriel (Morgan Stanley):** Thank you. This is Alain Gabriel at Morgan Stanley, so the first question is on Simandou. There was a timing disparity between when you pay for Simandou Capex and when you get reimbursed by your partners. Should we expect this disparity to continue going forward, or will it close? That's the first question.

**Peter Cunningham:** So Alain, at closure, the finance closure, when all those approvals are in place, we will get repaid.

**Alain Gabriel (Morgan Stanley):** Thank you, and the second question is probably for Jakob, the spread between your limited and the PLC lines is back into focus given how elevated it is at the moment, should we see this as a catalyst to revisit the whole DLC debate?

**Jakob Stausholm:** The whole which, sorry?

**Alain Gabriel (Morgan Stanley):** The whole collapse of the DLC basically.

**Jakob Stausholm:** Oh, DLC. Ah, that question is for you, but look, it's terrible because I'm going to answer the same question I said before, on my list of CEO agenda items, there's always a number of things I can't hit. And the DLC is the smallest issue to my mind, it serves us well to be a global business, it's not bad to have a headquarter here in London. The DLC works very well, yes, we have two company secretaries, and we could probably save one company secretary, but it's – it makes – it makes no sense for us to focus on – the DLC works very well for Rio Tinto.

**Chris LaFemina (Jefferies):** Hey thanks, good morning. It's Chris LaFemina from Jefferies. So you mentioned First Quantum earlier, they announced last night a long list of measures to, kind of, aggressively repair their balance sheet, and one of them was bring in a strategic partner for the Zambian copper assets as a possibility. My first question is, is that something that you could potentially do something with? Would you be interested in being a minority, non-operating owner of a relatively high quality asset base in copper?

**Jakob Stausholm:** Yes, thank you. We do a lot in Africa, not just in Guinea, and in South Africa and Madagascar where we are operating, but we do a lot of exploration. So we are very close to the governments in the mineral rich countries in Africa, and we are open to look into business in those places, but I always ask myself what are you bringing to the table. And just non-operated minorities here, what are we really bringing to the table? I don't want to rule it out, but it's just my question is, if I can – when my – a lot of people, particularly Bold comes to me and says, 'We should do this, we should do that', etc., so the first question I ask is just, 'What are we bringing to the table here?' And if I can't get an answer to that, you will probably not see us investing in that, but yes, we would love to go deeper into a couple of African countries.



**Chris LaFemina:** And secondly, on SP10, you had a, I mean, the portion of iron ore production that has been SP10 has been rising over the last four or five years, I think last year it was quite a bit higher than initially expected. I think when we were in the Pilbara back in the fall you explained why that was the case, but I'm just wondering how that production mix will shift over the next couple of years. I mean obviously by the end of the decade with Rhodes Ridge that problem, kind of, goes away, but first question is how that production mix shifts. And then secondly, more importantly, how do you expect those price discounts to trend over the next two or three years? Thank you.

**Jakob Stausholm:** But look, this is the \$100 question that we are also working in our strategy, and I don't have a full answer to you. One of the things that we have done, in my view, very well, over the last couple of years is we have really reinstated a good understanding of our ore bodies. And on top of that, the way we're working with traditional owners of the land is just at a different scale than it was in the past, post Juukan. And those two things have unfortunately – you can't fool the rocks, it's a given thing, and on top of that, you cannot freely access land, you need to – it's a partnership, so those two things have led to elevated levels of SP10. And then you have a bit of a choice of how much absolute volume are you producing versus this year of SP10. And that's what we want to spend a bit of time on in our strategy now, saying what is it actually that best served to the market, more volume, and with elevated level of SP10 or other products, etc., so it's an open question. But what I will say to you is we have more information now. We work in harmony with the traditional owners of the land, and we know what we can produce, but you're right, we have learned lessons that it was difficult to just meet the Pilbara blend grade at that scale that we had hoped so. So I will say, we will keep on informing you more about that level, you should expect the next few years, elevated levels of SP10.

**Chris LaFemina:** And price discounts?

**Peter Cunningham:** Well, Chris, what's the steel market going to be like? I mean it's, you know, all I can say is last year it was very good, we were getting relativities above 90%.

**Lachlan Shaw (UBS):** Good morning Jakob, Peter, Menno, thanks for your time. Two questions from me, so just on Pacific Aluminium, decarb and the firming, just interested, what technologies are shaping up there? And then in the way that you're thinking about that commercial negotiation, do you see yourself having to impute a carbon price to get the economics to fly in terms of that decarbonisation process? I'll come back with my second question.

**Jakob Stausholm:** Thank you, it's a super good question, you should probably ask it to the Australian government, because the way I – the way I look at it is – and I would say, I learn a lot and I think we as an organisation learn a lot. We need to learn much more about new energy systems, because renewable energy systems are inherently less stable and therefore more complex to firm up, but it is probably a combination of batteries, gas peakers and maybe some existing infrastructure. Ultimately the firming, as anticipated is how – is accessed the grid, so it's not our firming but it is the Queensland government's firming, so I can't – I mean from my perspective, it doesn't matter. What I'm focusing at is how can I get competitively priced firm power, with the lowest possible carbon footprint?

**Lachlan Shaw (UBS):** Got it. Understood. Thank you. So the second question is just on iron ore, and just around the China mineral resource group. I'm just wondering, are you seeing or experiencing any sort of differentiated pricing terms with CMRG, yet? Is there any sort of difference in the terms that you're realising between CMRG and your existing portfolio of customers? Thank you.

**Jakob Stausholm:** Well it's two sides of the same coin, isn't it? Because our major customers are in China and we work through CMR. We have had entirely constructive engagements. We are trying to find things that can work for both parties, and we are focused on many things; we made an agreement last year and we are progressing on another agreement, etc. And they are by any standard the biggest buyer of iron ore, so obviously we have to listen very carefully to them, and find the mutually acceptable solutions, but I can't really comment on ongoing negotiations.

**Robert Stein (Macquiere):** Thank you, so just a quick question on Guinea. So the obvious dissolution in the government there the other day, the project is still awaiting some approvals but it is, by all accounts, progressing well. What do you think the major risk is to Simandou, off the back of that dissolution of government? Is it that the approvals get delayed, the project gets delayed? Is it that the project continues on but there is a renegotiation of the financial terms of the government? What is the – what are the major risks that you see there?

**Jakob Stausholm:** I don't think so. The President is the President and he wants, and the government wants now, the government is dissolved they all want to progress Simandou. What we have been awaiting has been some approvals in China and that is progressing according to schedule. So – so I don't think that it should lead to delay; I cannot give you 100% guarantees, but that was what I was saying in my presentation, we have actually operated in 50 years in Guinea, with continuous production, despite many changes in government.

**Robert Stein (Macquaire):** And just to follow up, the closed border, will that – will that change how technical staff can come to the project and work on the project? Is there any impact on our operations? Is the question.

**Jakob Stausholm:** You might know more than I know, but I'm not aware of that, no.

**Grant Sporre (Bloomberg Intelligence):** Hi, it's Grant Sporre from Bloomberg Intelligence. It's just a follow up really on a question that's been asked. In terms of your – your, sort of closure costs going forward, are you planning to exclude them from underlying earnings going forward? And the reason I'm asking is, it just strikes me as it's now become, sort of, business as usual, at least for the next few years, so should it actually be excluded?

**Peter Cunningham:** So, the answer is, we don't. For ongoing – for our ongoing assets, we do include them. For closed assets that have been closed, and most of them are legacy assets, we exclude them if they're – if they're material. So we – for most of our assets, the closure cost in the year, the accumulation of the provision goes through the income statement.

**Grant Sporre:** Okay, so just so that I understand, I know it's a technical point, you've basically provisioned for it, and that's why you can – you can exclude it, okay. Got it.

**Peter Cunningham:** Correct. So when you think about the billion dollars of cash flow, there's two components, there's projects we're working on now, but there is also continuous rehabilitation work we're doing around all our assets that is part of that billion dollars. So all of that, the cash flow is part of our operating cash flow, so the \$15.2 billion of operating cash flow is after that cash flow that we spend.

**Jakob Stausholm:** So every time we sell a tonne of iron ore, we take a few cents and provide it for a rainy day when we have – so we rehabilitate.

**Grant Sporre:** Great, thank you.

**Liam Fitzpatrick (Deutsche Bank):** Good morning. Liam Fitzpatrick, Deutsche Bank. First question just on the downstream aluminium strategy, is this Matalco deal, is this like a one and done or could we see more on that front, because particularly on the – on the green premiums theme, it seems like you probably have to go further downstream or back downstream, so would that be something that you would look at?

**Jakob Stausholm:** Well, first of all, I may say that Matalco is not a standstill, I expect Matalco to grow a lot. It is already North America's biggest. I do think it's not that we could of course go in and do recyclable in Australia, but it's just a tiny market compared to North America. So we need to – we need to be in markets where we have primary aluminium and where there is scale, so it is not that there is a lot of other options, but I do think that we have really good growth opportunities. Matalco, I'm going there in ten days' time and I can't wait to see – see how – how we want to grow the market. I like us to deepen that because it's a given that there would be more growth in secondary than in primary in the future.

**Liam Fitzpatrick:** I know there's the history with the Alcan acquisition and the disposals, but would you consider moving back downstream into extrusions and areas like that?

**Jakob Stausholm:** Look, let us digest the Matalco first.

**Liam Fitzpatrick:** And the quick follow up is on Jadar. There seem to be some positive murmurs recently, what's the state of play at the moment?

**Jakob Stausholm:** Yes, so I met with President Vučić, and we had a very constructive meeting and he went out to the press afterwards and said that he wants to see the project progress, so I'm very happy with that. I need to work with the government of Serbia, but he's still to appoint the government because there was an election in December. So, as soon as a new government is being appointed, we expect to engage with them and seeing how we can progress the project.

**Glyn Lawcock (Barrenjoey):** Good morning Jakob. Maybe just drill down a little bit more into lithium, if I could. You said earlier, you know, you want to be – you want strong ore bodies where Rio can use its technology. I mean when you say we've been through a bubble, which I guess we all agree with, but just when you look at the lithium industry, you know, like, you've got upstream, you've got downstream, you know, where do you think the value lies in the industry now? Just your thoughts on how the industry is evolving and where you see the best value, thanks.

**Jakob Stausholm:** It's a very good question, Glyn, thank you. I think it's fair to say that the western world hasn't yet entirely solved its supply chain which is not lithium, it's batteries, and how are you going to build the future supply chains? And we can see that we, kind of,

could be part of that puzzle, and it is emerging. But I think it's also pretty clear that most countries that has lithium in the ground would like to have – will only accept that to be extracted, if there is also the processing happening there. And therefore, our present in lithium is likely to be both mining and processing, but I have to say, after you have produced battery grade lithium, whether it's, carbonate or hydroxide, it doesn't matter, but then it stops for us. We are not going to go into cathode and anode productions etc. So we're quite clear about what our role can play, but I think the supply chains are still to be defined, and – and we are just slowly but surely progressing it. Well, I have already answered that question.

**Glyn Lawcock:** Yes, and Jakob, just maybe a follow up to that. Price formation is obviously key when trying to work out what the value is of the lithium asset, you know, the two – or the recent bubble. How do you maybe think about the price formation now, are you reconsidering what you think prices should be?

**Jakob Stausholm:** Not really because when we took the investment decisions, and for example, Rincon, that was before the big bubble, that was probably the same price as you have today, and in any case, we worked with some long-term prices. In a way, the way I would think about it is we are a big company compared to many of the other lithium players and we can probably better take the volatility and I think lithium prices are bound to be volatile in the future. What really matters to us is what's going to be the average price over the next decade. If you know that, I'd like to know it, but we feel that that could be at least the business case here.

**Glyn Lawcock:** Okay. And if I could just, with my second question ask about, just China; there just seems to be some concerns on growth on the ground, I mean, I realise we've just came out of Chinese New Year, but is there anything you're hearing, any observations from your large team on the ground, on the state of the Chinese economy that gives you concern for this year?

**Jakob Stausholm:** Yes, Glyn, it's really sad you can't see me wearing a very red tie today. Happy New Year, it's the year of the dragon. That should – that should be a good indicator for the year to come. Look, I am not an expert in everything in Chinese economy, but the Chinese economy that we are seeing, and that's obviously the very physical part of the Chinese economy, is growing, and we feel quite comfortable about that. I thought the slide that Peter is showing is super good; I was actually trying to nick that slide, because I think it just shows that, yes, there are issues in property, but the infrastructure and some of the industries, like automotive is outpacing that, and net-net, the Chinese economy is growing.

**Myles Alsop (UBS):** So it's Myles here, so just on lithium, could you give us a bit of an update on Rincon and how much you have spent? When you're hoping to get to FID? What is needed to get to FID? You know, how credible is that as a project in the pipeline? That's the first question.

**Jakob Stausholm:** I'm leaving that question to Peter because I'm going to Rincon in 10 days time, so I'll reserve my judgement.

**Peter Cunningham:** I've been there. So Myles, I think we're spending on the lithium the 3000 project, and the capital costs are as disclosed, first production end of this year, so that's all on track. Otherwise, it's studies for the bigger more expanded case which we're working through in parallel with that development of the 3,000. So still to be determined exactly

scale and capital costs of what that looks like. But you know, we have said, we think this is competitive at industry benchmarks.

**Menno Sanderse:** Page 15, Myles, of the project table for the Rincon 3,000 numbers.

**Myles Alsop:** Okay, and maybe as a, kind of, follow up just on, kind of, iron ore and medium term. So production you're still talking about capacity 345 to 360, you know, I mean we haven't talked about value over volume in iron ore. I mean obviously there is a concern out there that the market will be surplus. I mean how are you thinking today around, sort of, managing the Pilbara production, medium/long term, in a potentially softer iron ore price environment with your, kind of, more marginal SP10 volumes, and so on? And should we, kind of, plan for Rio to be more disciplined in the future or to push ahead as Simandou ramps up?

**Jakob Stausholm:** So look, you never hear me talk about value over volumes; we're here to serve customers but we should be disciplined and we should be very disciplined, and everything we develop is at the very low end of the cost curve. And we have now had a number of years with high iron ore prices, and the beauty of that is that there's actually quite a lot of production that has come in at a very high cost, and that means that there is much more support from the cost curve at higher prices than there were some years back.

**Matt Greene (Goldman Sachs):** Hi, Matt Greene from Goldman Sachs. Jakob, on Resolution you mentioned you were in the White House recently, given we're in an election year, do you believe that if we see a change in government you can see an acceleration of the permitting and development timeline? And if I could just follow up, Peter, just on 2026 Capex guidance on the yet to be sanctioned copper. Had you budgeted for Escondida at all? And with that deferral, does that free up some of the budget to perhaps accelerate other copper options with a new portfolio?

**Jakob Stausholm:** Yes. So let me start. I just think that Resolution will happen. We are making progress, good progress with the first nations people. There are 11 tribes that claim connection to the land. We are making really, really good progress there, including with the San Carlos trial. So that's kind of the first thing, because even if you get approval from the government, we also need to have alignment with the First Nation's people. Then there is an approval process which in the US also goes through the courts and is in the ninth circuits right now, and we'll just have to respect that process, but leave no doubt that we are arguing our case. But I think we are arguing to an open door because it's so much in the US interest. Critical minerals have never been more important. The US right now is consuming two million tonnes of copper; it only produces one. It has only got two smelters left, one of them is ours in Kennecott and we can load that up from copper in Resolution. And the US demand of copper, because of the energy transition is likely to go from two to four, and there is not a lot of copper production growing in the US. So I do think that it's actually of national importance to develop it. So I'm very optimistic. The only thing I can't give you is a timeline around it.

**Peter Cunningham:** And on Escondida, remembering the 3 billion when we talk about it is for incremental copper equivalent units, so right across the portfolio, and so the Escondida numbers are embedded in our forward numbers, but not part of that 3 billion.

**Alexander Pearce (BMO Capital Markets):** Thanks, yes, so Alex Pearce, BMO Capital Markets.

**Jakob Stausholm:** Well in fact, let me just have the tough questions now so it's going to be an easy one on Monday.

**Alexander Pearce:** This is an easy one, so on IOC you mentioned actually you got better volumes at the end of the year after a pretty challenging Q2, but it still seems to be running, at least from a guidance perspective, below the long-term target there, and it does seem like it's infrastructure constrained. I just wondered maybe you can comment on some of the initiatives you've got in place to try and meet that guidance that you've got this year, and also can you just provide an update on some of the projects in terms of value add? I think HBI was being looked at, etc.

**Peter Cunningham:** So Alex, I mean it was a tough year for IOC, but I mean they did lose almost a month's full production due to those wild fires. And that, when you sort of take that into account, you can see that gives us more of a platform going into 2024 on production terms. So that's the big piece. I mean haulage, we had some constraint. So we had a bit of extra inventory in IOC as well, just on the haulage, because we had, you know, production actually very good or suddenly going right down and so that made that system a bit unbalanced, and we're working through that. I mean I think they are really, sort of, focused on the safe production system and working this through. I mean there's a big piece of asset integrity at IOC, and a big piece around driving productivity through the integrated system to really get the most out of that. I mean I think on product, I mean it's just the product, the IOC product is, you know, low impurity pellets, high grade pellets, so I mean it will be the world of sort of steel – green steel production that Jakob talked to. I mean, it's right in the, sort of, middle section there for HPI production. I mean it's going to be a product in demand, and that's where we want to position it.

**Jakob Stausholm:** Look, it is by any standard a disappointing production year last year from IOC. Maybe I'm too patient but I am very patient because we are learning from these things. We have – you know that the asset had been on the block, we have not maintained it well for a long period of time, that takes time. And the team is getting on, they're getting more competences, and we just need to get better – better maintenance in place to – to make this stable. I would have loved to have seen it happening faster, but, you know, in a way every time you have a setback with an issue, it has a negative short-term impact but it also has the opportunity for real learning and saying how can we avoid that this ever happens again.

[END OF TRANSCRIPT]