

Rio Tinto to go on the hunt after years of slimming down



Rio Tinto's Oyu Tolgoi copper mine in Mongolia. Picture: Supplied

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1 COMMENT

Rio Tinto will fast-track its Winu copper discovery in Western Australia as part of a shift to convince investors of its growth options, while downplaying the near-term prospects from its Simandou iron ore prospect in Guinea.

The mining giant said capital spending was back above depreciation levels at its assets with growth and innovation boss Stephen McIntosh telling the Macquarie Australia conference the company is “poised for our next phase of growth”.

After years of slimming down, shedding second-tier mines and focusing on productivity at its top-tier assets to deliver returns to shareholders, Rio like its peers is slowly coming back under analyst and investor pressure to demonstrate a growth profile for the years ahead.

Mr McIntosh told the conference Rio's internal growth pipeline was strengthening as it ramped up exploration and feasibility studies on future assets already in its portfolio, as well as squeezing more from its operating mines.

"In 2016 we invested below depreciation, particularly in iron ore where significant expansions were finished in 2015," he said.

"We are now seeing investment rising above depreciation and we are developing our asset base for future shareholder returns. Existing guidance is retained for 2019 and 2020, while we have provided new guidance for 2021 of \$6.5 billion."

Over the next year Rio is expected to release feasibility studies on new aluminium smelting technology, extensions to its Kennecott copper mine in the US, new iron ore mines in WA, the Resolution copper project in the US and its Jadar lithium project in Serbia.

That comes on top of a rising exploration budget, as the company targets copper and new diamond discoveries to replace its ageing Argyle and Diavik operations.

Still, the miner struck a cautious tone on any plans to boost iron ore production beyond its Pilbara mines in Western Australia. Its Simandou project in Guinea looms as a potential route for adding supply, but Rio said it was still studying its options after an attempt to sell its stake in the West African project to Chinalco lapsed last October.

"For Simandou we had made a decision to exit that and that didn't come to pass. We are now looking at our options and thinking through what might be required," Mr McIntosh said.

Top of the priority list for copper is Winu, in WA's East Pilbara, and Rio said it was stepping up its efforts to define a resource at the new discovery.

"We are very encouraged by the initial results. However, the project is at an early stage and we need to complete the work to determine if there will be a project, which is of Rio Tinto scale," he said.

"We are keen to understand this opportunity as quickly as we can and so are stepping up our field and technical work accordingly."

And while discoveries that meet Rio's exacting standards are few and far between, Mr McIntosh said the company's greenfield exploration budget — worth \$231 million last year — is paying for itself.

"In the past decade, we spent around \$1.8bn on centrally controlled exploration and generated about the same amount in divestment proceeds from discoveries not

aligned to our strategy. In other words, Rio Tinto's exploration team has paid its way through the past decade," he said.

Rio shares rose 21c to \$95.58.