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For media release: Wednesday, December 15, 2010
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News Release

Kennecott Utah Copper announces proposed plan to improve air quality in the Salt Lake Valley by upgrading its power plant to a high-efficiency natural gas system

If the Cornerstone Project permits are approved and investment secured, the natural gas plant would begin operating in 2014

December 15, 2010

Magna, Utah – Kennecott Utah Copper (KUC) today proposed plans to dramatically reduce air emissions in the Salt Lake Valley by 2014 and significantly increase energy efficiency. Kennecott is proposing to convert the majority of the onsite, coal-fired power plant to a combined-cycle natural gas operation while dramatically reducing emissions, generating additional power and nearly doubling the efficiency rating. The announcement was made at Kennecott's refinery near the new energy-efficient combined heat and power system (CHP) that will provide approximately 50% of the refinery's power, yet another example of the commitment to improving local air quality and increasing energy efficiency.

"Kennecott's driver in proposing these upgrades is the desire to positively impact air quality in this constrained air shed and we are working hard to develop solutions," said Kelly Sanders, President and CEO, Kennecott Utah Copper.

KUC plans to submit a Notice of Intent (request to modify the existing permit) to the Utah Department of Environmental Quality's (UDEQ) Division of Air Quality (UDAQ) to repower a portion of the existing power plant to combined-cycle natural gas operation. KUC is proposing to replace three coal-fired boilers with one larger turbine and boiler fueled by natural gas. Investment in this new technology means greater energy efficiency (taking units 1-3 from 26% to 49% efficiency), which nearly doubles the power generation efficiency of repowered units. This upgrade will also provide 100 megawatts (MW) of additional power to the Cornerstone Mine Extension Project while significantly lowering emissions of criteria air pollutants, some by as much as 99%. KUC has received initial

investment approval from Rio Tinto to complete the feasibility study required to move this proposal forward.

Kennecott's improved power-generation strategy will be the company's single largest effort to improve air quality in the Salt Lake Valley, since the upgrade of the smelter emissions-control technologies in 1995. The decreases proposed at the power plant for PM10 and PM10 precursors (NOx & SO2) emissions are greater than 20% of Kennecott's total emissions (based on the UDAQ 2009 Air Emission Inventory).

According to the most recent UDAQ compiled Statewide Emissions Inventory, 2008, the decrease in PM10 and Precursor emissions proposed at the power plant is equivalent to approximately 12% of the On-Road Mobile emissions in Salt Lake and Utah counties. Based on this information, the power plant upgrade project decreases are equivalent to removing 1 in 10 cars from the road in Salt Lake and Utah counties.

KUC needs a reliable supply of energy to power the operation now and for the Cornerstone Project Mine Extension plan. KUC is in the process of evaluating, and when necessary, updating approximately 25 key permits to move and crush more rock, store more tailings and produce more energy to extend the life of the operation beyond 2028. This power plant upgrade is contingent on receiving the regulatory permits and additional capital investment from Rio Tinto.

KUC has met with numerous stakeholders over the past five years regarding the potential for mine life extension. KUC regularly engages with stakeholders, including elected officials, community and business leaders, and environmental organizations. KUC has listened to their feedback and has done its best to incorporate it, where feasible. In the end, the proposed solution for Kennecott will benefit the environment, the community and the economy.

"Generating power in a manner that results in significant reductions of carbon emissions is a very positive step forward, reflecting industry leadership by Kennecott in improving air quality and protecting our climate," says Rocky Anderson, Executive Director, High Road for Human Rights. "This is an important example to other industries that far more can be done to protect the public health and reduce the threat of catastrophic climate disruption. Certainly Kennecott can, and should, do more, and we will push them to go even further,

but we applaud the proposed power plant upgrade and Kennecott's ongoing open dialogue with representatives of Utah environmental and human rights organizations.”

“If approved by state regulators, the new power plant will not only meet Kennecott’s need for reliable and additional power, it will free up energy we now buy from the grid for use by other users. Most importantly, it will significantly reduce our contribution to Salt Lake Valley’s criteria air pollutants,” said Sanders.

Proposed power plant upgrade will significantly reduce air pollutants:

While the new power plant has yet to be approved by regulators, KUC estimates that significant reductions (20% of overall KUC emissions) will be made in its emissions of air pollutants. For example, repowering units 1, 2 and 3 at the power plant with natural gas will:

- Decrease annual emissions of sulfur dioxide (SO₂), a particulate matter precursor, by more than 1,900 tons per year – a 99% decrease.
- Decrease average annual emissions of nitrogen dioxide (NO_x), a particulate matter precursor, by more than 1,500 tons per year - a 95% decrease.
- Decrease PM₁₀ emissions by more than 100 tons per year – a 60% decrease.
- Decrease primary PM_{2.5} emissions by 25 tons per year – a 30% decrease.
- Decrease greenhouse gas intensity of our power from approximately 1 ton of carbon dioxide (CO₂) equivalent per megawatt hour produced to approximately 0.54 ton of CO₂e/MWh produced.
- Decrease in truck trips for power plant fuel deliveries – a 60% decrease. Natural gas will be delivered via pipeline directly to the new plant.

As a result of the changes in fuel type, there will be three minor emissions increases due to the year-round operation on natural gas:

- Carbon monoxide (CO) emissions will increase by approximately 90 tons per year. (The EPA’s threshold for a significant emissions increase of carbon monoxide is 100 tons per year).
- Volatile organic compounds/VOC’s emissions will increase by approximately 20 tons per year. (The EPA’s significant threshold for VOC is 40 tons per year.)
- Hazardous air pollutants will increase by approximately five tons. This is a direct result of changing to natural gas.

Key power plant proposal facts:

Kennecott's existing power plant does not operate during four winter months to help reduce air pollution in the Salt Lake Valley during inversions, but it is permitted to operate year-round on natural gas. Historically, it has been more cost-effective to buy power from the grid during winter months. The new natural gas plant will also be permitted to operate year-round with the ability to produce up to 275 megawatts (MW) of electrical power, up from 175MW today. The existing Unit 4 will continue producing up to 75MW of power using coal or natural gas.

To fulfil its additional energy requirements, Kennecott officials studied a variety of options that could meet three criteria: be reliable, secure and cost-effective. Natural gas-powered combined-cycle steam turbines were selected as the best choice to meet these needs.

Kennecott is a leader in energy efficiency projects:

KUC continues to research and implement additional ways of increasing power supply and energy efficiency in smaller ways throughout its operations. For example, today KUC showcased the new \$10 million 6.2MW CHP system. The system is being commissioned at the company's copper refinery in Magna and is more than 80% energy efficient; compared to separate heat and power systems which are estimated to be less than 50% efficient. The natural gas is burned in a turbine that spins a generator to create electricity. The hot exhaust (waste heat) from the turbine goes into a boiler to produce the steam that is used to heat electrolyte at the copper refinery. The combined heat and power system will generate more than half of the refinery's electricity while reducing air emissions by more than 90%. A similar 6.2MW CHP unit will be installed at Kennecott's new molybdenum autoclave processing facility in 2012 bringing the CHP investment to \$20 million.

With the addition of the refinery CHP, Kennecott's power supply from alternative and high-efficiency power sources is now at 13%. When the MAP CHP comes online in 2012, Kennecott's power supply from alternative, high-efficiency power sources will be at 16%. (The state of Utah's goal for alternative power supply is to reach 20% by 2025.)

"Kennecott has a successful track record of implementing highly-efficient cogeneration systems; we've spent \$50 million on cogeneration projects over the past 15 years," says Steve Sands, Director of Energy Programs, Kennecott Utah Copper. "While the power plant upgrade must be approved by regulators, we're very pleased to be moving in the direction

of making large reductions in our emissions of pollutants while continually improving our overall operating efficiency – both of these aspects benefit the entire community.”

The smelter upgrade in 1995 cost \$880-million and was the largest privately financed construction project in the history of Utah. The smelter captures 99.9% of the sulphur, making it one of the cleanest smelters in the world. The smelter can co-generate up to 31MW of power and currently generates approximately 60% of the smelter’s total power needs.

Kennecott has two vehicle idling reduction programs; one for light/medium/heavy vehicles and one for haulage trucks. Both programs have received awards from the Utah Pollution Prevention Association. To date, KUC has saved 1.1 million gallons of fuel totalling more than \$3.3 million in savings by eliminating nearly 290,000 engine hours. By doing this, KUC has prevented nearly 12,000 tons of greenhouse gas to be emitted from 418 vehicles. The reduction in emissions is equivalent to taking 2,000 cars off the road.

Kennecott uses a 30 kilowatt solar array at the reverse-osmosis water-treatment. KUC will continue to evaluate renewable sources, such as wind, solar and geothermal power.

Rio Tinto in the Salt Lake Valley is a leader in energy efficient buildings. In Kennecott’s Daybreak community, there are Energy Star® homes and throughout Kennecott’s portfolio there are five high-performing LEED Certified buildings with five more awaiting certification from the U.S. Green Building Council. The Rio Tinto Regional Center was the first Platinum-rated building in Utah.

For additional information about the Cornerstone Project, visit <http://www.kennecott.com/our-company/cornerstone/>

About Kennecott Utah Copper

As the second largest copper producer in the United States, Kennecott Utah Copper comprises nearly 25 percent of U.S. copper production. Kennecott's Bingham Canyon Mine is one of the top producing copper mines in the world with production at more than 18.7 million tons. In 2009, Kennecott produced approximately 300,000 tons of copper, 500,000 ounces of gold, 4 million ounces of silver, 25 million pounds of molybdenum, and 1.1 million tons of sulfuric acid, a by-product of the smelting process. Rio Tinto purchased the Bingham Canyon Mine and related facilities in 1989 and has invested more than \$2 billion in the modernization since the purchase of KUC's operations. KUC has also spent more than \$350 million on the cleanup of historic mining waste and \$100 million on groundwater cleanup. Rio Tinto employs 2,400 people and influences 14,800 indirect Utah jobs and spends \$900 million in the state of Utah in wages, benefits, taxes and purchases from nearly 1,000 Utah area businesses. www.kennecott.com

About Rio Tinto

Rio Tinto is a leading international mining group headquartered in the United Kingdom, combining Rio Tinto plc, a London and NYSE listed company, and Rio Tinto Limited, which is listed on the Australian Securities Exchange. Rio Tinto's business is finding, mining, and processing mineral resources. Major products are aluminium, copper, diamonds, energy (coal and uranium), gold, industrial minerals (borax, titanium dioxide, salt, talc) and iron ore. Activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and southern Africa. Rio Tinto has owned Kennecott Utah Copper since 1989.

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