

Minutes from Community Forum / QAL Board Meeting
 5.00pm, 12 February 2009
 Bob Druitt Training Centre



Forum attendees:

Simon Wensley (Rio Tinto), Geoff Blatch (Rusal), Chris Sailsbury (Rio Tinto) Phil Campbell, Ross Greenhalgh, Mellissa Case, Courtney Brown, Kelvin Banks, Frank Bowen, Sam Ricci, Brian Ross, Col Chapman, Paul Tooker, Ros Tooker, Errol Page, John Feddersen, Kev Dyer

Apologies:

Andrey Schmelenko (Rusal), Lewis Fellowes, Brian Whelan, Frank Barker, Bruce Hunt, Neil Lymberry,

Agenda:

- Welcome and Introduction – Ross Greenhalgh
- QAL Board views – Board
- Forum discussion points – John Feddersen
- Questions and answers
- Meeting close at 6.30pm

Minutes / Action	By Whom	By When
Feedback information from the Forum meeting will be provided to QAL Community Forum Members and published on the QAL website.	Mellissa Case	20 February
Welcome and Introduction – Ross Greenhalgh		
Community Forum members were welcomed to the meeting and Board members introduced. The purpose of the meeting was outlined which was to provide views from the Board's perspective, cover points submitted from Forum, invite question and answers and then open discussion to group.		
QAL Board Views – Simon Wensley		
<p>The Board provided forum members with an overview of the purpose of the days meeting at QAL and topics discussed with QAL Management.</p> <p>Simon Wensley: 2009 was a challenging year due to the plummeting markets, meaning that Rio Tinto Alcan and Rusal had to respond rapidly due to the difficult business environment.</p> <p>Market prices for product dropped by 70%, which created problems for owners businesses such as QAL who were forced to react to the drop in prices when ongoing costs such as contracts etc still had to be honoured. 80% of all RTA plants were operating cash negative at that time.</p> <p>Uncertainty of the market recovering meant that production had to</p>		

be curtailed and some refineries closed down – particularly overseas. RTA had to make a rapid response and leaders across the businesses were challenged to make changes to become cash positive. QAL was part of that and responded well to the challenge.

There was a poor start to the year with safety and two environmental incidents in the first quarter however QAL performed extremely well in the last three quarters of the year – setting a production record with 3.96m tonnes and half the number of injuries. Cost targets were also met. The board is confident this will carry through to 2010 and there will be a stronger focus on environmental performance.

Aluminium prices have now started to recover, although there is still some uncertainty in the market. It is expected to continue to be a volatile year for volume and price. As a result capital expenditure will remain tight and prioritisation will be given to projects which address risks to operations.

Board is encouraged by feedback and interaction with the community. They understand the key issues of concern being odour and dust. QAL's capital and operating expenditure contains actions to address those issues in the coming years.

Geoff Blatch:

2009 was also difficult for Rusal which is predominantly an aluminium business and as a result, all western capacity except for QAL was shut down or curtailed. Rusal remains committed as an owner and continuing sustainably as a business. The public listing of Rusal raised significant capital, however funds are still tight. QAL is a good asset for Rusal and will be operated, maintained and improved well into the future.

Discussion items – Forum members

Community Forum members expressed to the Board that odour, dust and noise are the key issues in the community. The priority depends on where you live and some areas are more affected than others, therefore the priority needs to be for all three. Caustic blowouts display a lack of competence and community should not be having their property damaged. There is an enormous amount of frustration in community that improvements projects are progressing too slow.

The board responded that the Owners are committed to maintaining balanced sustainability from an economic and community point of view, however it is difficult to have zero noise, dust and odour from any business or operation. Board are aware

that the community feels there is more work to be done and remain committed to continuing with environmental improvements.

Much of the work carried out in the five year environmental plan was carried out in good faith that it would solve the majority of issues and whilst it has been successful to varying degrees, some of the work has also created other issues which need to be addressed. Making improvements is a long and continuous process.

Community Forum Members questioned whether a second thermal oxidiser was planned for QAL to increase odour destruction.

The board responded that odour is the most difficult issue to resolve as finding the exact source which is causing the odour experienced in the community is not that easy. A source that is odourous on the refinery may not impact the community and visa versa.

This year two projects were completed to increase reliability of the thermal oxidiser and destruct more odourous gases. A second thermal oxidiser is in the five year plan however it will not 'double' the amount of odourous gases being destructed, it will only increase reliability and continuous operation of a thermal oxidiser during planned maintenance and outages.

Community Forum members expressed their concern that maintenance was cut from the QAL budget due to the economic climate. They stressed that maintenance needs to continue regardless of budget cuts.

Board responded by stating that in 2009, over \$150m was spent on maintenance and the majority of expense cutting was discretionary funding. Board and Managers are well aware that maintenance needs to remain a high priority.

Costs were trimmed back on capital growth projects only – health, safety and environment remained unchanged. Sustainably operating in the community is the highest priority.

Community Forum members questioned why other Owners businesses have had major capital work done and QAL has not.

Board explained that profitability of the business attracts expenditure and there is a great deal of competition within the business group. The Board and Management Team are currently working on making QAL more profitable so it can attract more

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capital expenditure. Projects such as cogeneration will not be considered until QAL is a first quartile business.

Boyne Smelters has been through significant an improvement program and RTAY a significant expansion. QAL is trying to make the same evolutionary change to move forward as well and the board is confident this will happen.

Community Forum members enquired about the proposal for Cogeneration at QAL and the impact of carbon tax on the industry.

Board explained that Cogeneration is a project to expand capacity. QAL will be in a more difficult position than other businesses in Australia due to the energy used to refine Weipa bauxite. RTA have been very active voicing their concerns to the Government.

Forum and Board held a general discussion on the future leaders of the aluminium business.

It was noted that Brazil operations are expanding rapidly with a 2 million tonne capacity expansion to 6 million tonne over four years with plans to for another 7.7 million tonne refinery.

Forum members expressed their appreciation for the opportunity to speak to Board. On closing, Forum members reiterated that community expectations in Gladstone had changed and the focus for the community is to have a balance between industry and environment. They also made it clear that QAL was being assessed on results as opposed to process.

Board response:

The QAL Board unanimously thanked Forum members for their input and participation in the group.

Meeting schedules:

The next community forum is scheduled for April and will be confirmed closer to the date.

Meeting closed: 6.30pm

Attachments:

- Nil