

Kennecott Update – December 18, 2014

Kennecott Exploration recently completed its exploration work in the Garnet Mountains near Potomac for the year, and we'd like to share some information about our activities in case an update is of interest to the community. Please don't hesitate to contact us with any questions about this information.

We'll start with some context, which may be familiar to many of you, but still may be useful to some.

Kennecott Exploration has been engaged in early-stage exploration for economic copper deposits in Missoula County, in a historic mining district approximately eight miles southeast of Potomac, known as Copper Cliff. Kennecott has conducted seasonal exploration programs in the region on a periodic basis, beginning in 2006-2008, and again from 2012-2014. Exploration work to date has included geophysical surveys and borehole drilling programs.

The work being conducted is early-stage exploration activity, and no mining activity is taking place, nor is it being considered at this stage. More than 99% of exploration projects do not result in the development of a mine.

In 2014, one of the main changes for the project was that we rented warehouse and office space in Potomac, on Morrison Lane. This is where we brought the core samples that were extracted by drilling, and analyzed them for the presence of copper. Having an office in Potomac made it much easier for us to host tours, share information about our activities, and receive visits from community members and the media.

Our work began after the roads to the project were accessible again, in June. We were following up on last year's drilling, and again trying to understand if the area has the potential to host a copper deposit that could be mined economically. We know that there is copper in the region, but just the presence of copper isn't enough to justify the development of a mine. In order to move the project forward, we need high grades and high volumes of copper, and the potential for that kind of resource is what we've been studying.

Is it there? We don't have an answer yet, though we are gradually improving our understanding of the geology of the area. To date, we've received enough encouraging information to keep us exploring, but we aren't yet ready to commit to a more advanced stage of exploration, when we would drill more intensively. If we do get to that stage, we'll let the community know. Or if we make a decision to take a break from our exploration, or halt it entirely and end the project, we would also let the community know.

We are currently working on proposals, plans, and budgets for all of our North American exploration for 2015, and we haven't yet finished that process, so we can't yet tell you what 2015 will bring for our work in Montana. However, we would like to hold a public meeting during the winter, as we've done in the past, to share that information when we have it. We'll work with the Blackfoot Challenge to schedule that meeting, and look forward to seeing many of you there.

Though we don't yet know what the future will bring, we can let you know more detail about what did happen in 2014:

- We started setting up in May, getting the office ready, then exploration and drilling began in June, first with one drill rig, and then eventually increasing to three. We're still exploring in roughly the same area, up near Copper Cliff.
- We had rigs from two companies, Tonatec (based in Utah) and National, (based in Nevada, but with a crew mostly from Montana). They created six drill pads, and we drilled a total of six holes. The depths of those holes varied, but, on average, the holes drilled reached about 1500 meters, or about 4900 feet. Five of those six drill pads have already been reclaimed; one will be reclaimed as soon as we have access to the site next year. We drilled about 9600 meters in all, about 31,500 feet, or almost six miles.
- We expanded our environmental monitoring, which now includes sites in Union, Cramer, and Camas Creeks. We worked to minimize our impact, driving at low speeds to cut down on dust; using existing roads and keeping drill pads as small as possible to manage our footprint; re-vegetating areas where drilling took place; and recirculating water to reduce our overall use.
- We hired eight residents from the area to help us with site preparations, geological work, and cutting of the core samples that we analyze. We also worked with a number of businesses from the area to provide us with a variety of services, including providing water and fuel, electrical work and construction, among others. At its busiest, we probably had about 45-50 people on site.
- A public meeting was held in Potomac in January, and community tours were held in July and in September. We gave a presentation to the Bonner Milltown Community Council meeting in September, and hosted a visit from Potomac School in October. We had an open-door policy at our office & warehouse, and enjoyed visiting with community members who stopped by.
- Regulators from the Montana Department of Environmental Quality (DEQ) the Montana Department of Natural Resources & Conservation (DNRC), and the Bureau of Land Management (BLM) visited us regularly to monitor our activity.
- We finished our activity for the year on December 8.

Between now and next summer, we'll analyze the data that we've generated by drilling these core samples, and consider where we may want to explore in 2015.

As mentioned, we are still very early in this process, and we're very much in the exploration stages - there is no proposal for a mine. But we will keep you posted as to our progress, and appreciate the chance to work in your community. All the best for the holidays, and we'll look forward to seeing you soon.

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