Aluminium group

STRATEGIC OVERVIEW

Alcan Inc. (Alcan) joined the Rio Tinto Group on 23 October 2007. The total cost of the acquisition amounted to US$38.7 billion, including fees. The expanded aluminium product group, formed by the combination of Alcan and Rio Tinto's existing aluminium assets, was renamed Rio Tinto Alcan (RTA).

RTA comprises closely integrated, high quality bauxite, alumina and aluminium businesses with a broad global reach. The business is founded on large reserves of the mineral bauxite, which is refined into the intermediate product alumina, before being smelted into aluminium metal. RTA is a world leader in the production of bauxite and aluminium, with a defined pathway to becoming the largest producer of alumina through the commissioning of the Gove refinery expansion and current expansion of the Yarwun refinery, both in Australia.

RTA is an industry leader in technology which, combined with an ownership position in clean hydro-electric generating capacity of 3,689 megawatts (MW), provides a significant, sustainable competitive advantage of increasing value in a carbon constrained world. The combined group has one of the industry's most extensive bauxite mine, alumina refinery and aluminium smelter development portfolios, comprising 16 major projects in 13 countries.

RTA's strategy is to maximise shareholder return whilst achieving excellence in health, safety and environmental performance; maximising value generated from existing assets; and optimising and opportunistically growing the bauxite, alumina and aluminium businesses. RTA uses its dedicated business improvement programme, called Lean Six Sigma, to improve operations, process stability and eliminate waste.

RTA is currently organised into four business units – Bauxite & Alumina, Primary Metal, Engineered Products and Packaging. In the announcement of Rio Tinto's offer for Alcan in July 2007, it was disclosed that it had been agreed with Alcan that the Packaging business would be divested. The Packaging business has therefore been classified as an Asset held for sale and its results for the period since acquisition have not been included in the earnings of the Rio Tinto Group.

RTA's financial results include Alcan businesses from 24 October 2007. On this basis, in 2007 RTA contributed 22 per cent of Rio Tinto's gross sales revenue and 15 per cent of its underlying earnings. As at 31 December 2007, RTA accounted for 63 per cent of Rio Tinto's operating assets.

At year end, RTA employed 71,600 people of whom 67,000 joined the group with Alcan. About 25,000 employees are employed in the Bauxite & Alumina and Primary Metal business units and approximately 45,000 employees in the Engineered Products and Packaging businesses.

Dick Evans, chief executive, Rio Tinto Alcan, is based in Montreal, Canada.

DIVESTMENTS

As part of Rio Tinto's offer for Alcan on 12 July 2007, it was announced that the Packaging business would be divested. Following a company wide strategic review of the combined Rio Tinto and Alcan assets, on 26 November 2007 the intention to divest the Engineered Products business was also announced.

INTEGRATION OF ALCAN

Rio Tinto's offer for Alcan on 12 July 2007 aimed at after tax synergies of US$600 million per annum by the end of 2009. Within the parameters of relevant takeover regulations, intensive and cooperative integration efforts were made between 12 July and 23 November 2007 which resulted in an increase in the targeted after tax synergies to US$940 million per annum by the end of 2009. A rigorous and comprehensive integration plan is being progressively executed and is overseen by an Integration Steering Committee and an Integration Management Office.

*A reconciliation of the net earnings with underlying earnings for 2005, 2006 and 2007 as determined under EU IFRS is set out on page 15. Adjusted earnings for 2003 have been determined under UK GAAP. All amounts presented by the product groups exclude net interest and other centrally reported items.

SAFETY

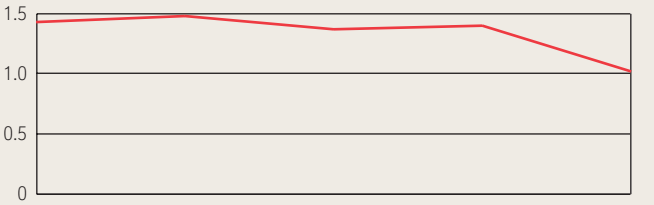
An important factor in Rio Tinto's acquisition of Alcan was alignment across both businesses on the importance of safety. While philosophies were similar, Alcan's definitions were different to those used by Rio Tinto and hence 2007 performance is not comparable. Moving forward, former Alcan operations will adopt Rio Tinto definitions and consolidated data will be presented from 2008.

Regrettably a metal merchant was fatally injured at an Engineered Products operation in December. Alcan's Recordable Case Rate at the end of 2007 represented a 28 per cent reduction over 2006 and an 84 per cent reduction compared to 2001. This performance was 23 per cent better than Alcan's target for the period. The Lost Time Injury Illness Rate also declined by 26 per cent but remained eight per cent short of the 2007 target.

Some notable examples of Alcan's success in reducing these rates include controlling hazardous energy sources from upstream operations and development and roll out of large scale man machine interface programmes in downstream operations.

The former Rio Tinto Aluminium business recorded its best ever safety performance in 2007. The All Injury Frequency Rate improved by 26 per cent over 2006 and the number of Lost Time Injuries reduced by 30 per cent compared to the previous year. During the year New Zealand Aluminium Smelters was awarded the Rio Tinto Chief Executive's Safety Award and Weipa received the award for the Most Improved Site. In 2007, the Safety Leadership Development Programme was introduced across the business and implementation of the Health, Safety and Environment Quality Management System continued.

All injury frequency rate 2003 – 2007
(per 200,000 hours)



GREENHOUSE GAS EMISSIONS

The former Rio Tinto Aluminium sites have approached meeting greenhouse gas (GHG) and energy targets by planning improvements in the key metrics of net carbon ratio, anode effects, power efficiency and fuel use. Projects are undertaken to improve overall site performance, including cost and production, in addition to supporting GHG and energy targets. There are a considerable number of individual projects being undertaken through the business improvement system, each supported by a detailed plan of activities to bridge the gap between current and targeted performance.

To track and encourage focus on target performance, Rio Tinto Aluminium for several years produced and distributed to its management team quarterly tracking of target performance at all sites. Comparing 2007 actual performance with the 2008 targets shows Anglesey is meeting both energy and GHG target performance, Weipa is meeting energy targets and so is Boyne Island Smelters. Other sites are currently not meeting 2008 targets.

Alcan's total greenhouse gas emissions were 27.8 million tonnes of CO_2 equivalent in 2007, calculated on an equity share basis, representing a four per cent improvement in on site greenhouse gas emissions per tonne of product over a 2005 baseline as a result of efficiency improvements, retrofitting best in class technology and shutdown of some underperforming operations. It is anticipated that the contribution of Alcan will be lower when reported under Rio Tinto greenhouse gas accounting rules. The new RTA is expected to make up about two thirds of Rio Tinto's gas emissions in the future.

The expanded RTA group will prepare and present revised plans, incorporating activities and costing, for all assets. The group will combine the best ideas from both Rio Tinto and Alcan and enjoy the benefit of a high percentage of low GHG intensity power sourced from hydro-electricity.

FINANCIAL PERFORMANCE

2007 compared with 2006

In 2007, RTA's contribution to the Group's underlying earnings was US$1,097 million, an increase of 47 per cent. The higher contribution was due mainly to the one off impact of the reduction in the Canadian tax rates attributable to the Alcan businesses, but also benefited from higher aluminium prices. The average aluminium price in 2007 was US$2,646 per tonne compared with US$2,557 per tonne in 2006. The performance excludes results from the Packaging business as it is classified as a discontinued operation.

2006 compared with 2005

In 2006, the former Rio Tinto Aluminium's contribution to the Group's underlying earnings was US$746 million, an increase of 90 per cent. Higher aluminium prices resulted in earnings increasing by US$451 million, with the average aluminium price in 2006 at US$2,557 per tonne compared with US$1,896 per tonne in 2005.

BAUXITE & ALUMINA OPERATIONS

Bauxite

Bauxite production capacity more than doubled during the year, with the group's wholly owned bauxite mine at Weipa (Australia) being joined by Alcan's four operating bauxite mines from around the world (Australia, Brazil, Ghana and Guinea). At year end, RTA's bauxite production capacity was the largest in the industry, at 34.4 million tonnes per annum, up from 16.5 million tonnes in 2006.

The RTA bauxite business benefits from the following:

- The largest reserves and resources in the industry which should ensure sufficient bauxite supply to sustain the group's long term growth strategy.
- Regional concentration of reserves (Weipa, Ely, Gove) which should provide the basis for optimisation opportunities going forward.
- Scope for expansion of annual production which should underpin expected future alumina production growth.
- Interests in three of the four largest mines in the world (Weipa, Porto Trombetas and Sangaredi), located in the top three bauxite reserve countries (Australia, Brazil and Guinea).
- Annual production capacity that not only supports internal alumina production, but allows significant sales to third parties.

The Weipa mine located on Cape York, Australia contains reserves of 1,224 million tonnes and resources of 2,219 million tonnes. It has an annual production capacity of 18.2 million tonnes and is by far the largest bauxite mine in the group. In 2007 the mine increased its production capacity by 1.7 million tonnes from 16.5 million tonnes as the result of commissioning of a second shiploader in late 2006. Alcan's Ely mining lease is situated adjacent to Weipa and is included in the reserves and resources figures for Weipa. Bauxite from Weipa is either shipped to Gladstone for processing at the group's wholly owned Yarwun refinery and 80 per cent owned Queensland Alumina Limited (QAL) refinery or sold to third parties.

RTA's other Australian mine, at Gove contains reserves of 143 million tonnes and resources of 83 million tonnes. It has an annual production capacity of 6.9 million tonnes and is co-located with the group's Gove alumina refinery in the Northern Territory, Australia. Output from the mine is consumed mainly by the refinery, although some amounts are sold to third parties.

RTA owns 12.0 per cent of the Porto Trombetas mine in Brazil. Its share of reserves is 20 million tonnes and share of resources 53 million tonnes, constituting a share of annual production capacity of 2.1 million tonnes. Across the Atlantic, RTA owns 22.9 per cent of the Sangaredi mine in Guinea and 80 per cent of the Awaso mine in Ghana, constituting shares of annual production capacity of 6.2 million tonnes and 1 million tonnes respectively. The reserves and resources positions of these African mines are currently under

review, although Sangaredi has a current disclosed resource (RTA share) of 151 million tonnes.

Alumina

The addition of Alcan's assets during 2007 boosted RTA's total alumina production capacity almost threefold, from 3.2 million tonnes per annum in 2006 to 8.3 million tonnes at the end of 2007. In addition to increasing smelter grade alumina refining capacity, the Alcan assets included specialty alumina production capacity of 740,000 tonnes per annum. Specialty alumina represents a range of products that is used extensively in a wide range of industrial and consumer applications.

The combination of Rio Tinto and Alcan has created an alumina business which is balanced in terms of internal alumina demands from the Primary Metal aluminium business. This is important as a balanced or long net alumina position prevents the group from being negatively exposed to periodic alumina price spikes. Additional advantages of the RTA alumina business include:

- Demonstrated technological capability backed by a strong research and development team.
- Ownership of the Gove, Yarwun and QAL alumina refineries located in north eastern Australia, which along with the Weipa and Gove bauxite mines offer significant scope for optimisation as experience, best practices and supply chain benefits are shared.
- A modern set of assets with expansion optionality.
- Deployment of the latest technology in significant expansions at Gove and Yarwun.

The Gove refinery is a wholly owned two million tonnes per annum plant which is in the final stages of a 1.8 million tonnes per annum expansion. It is expected to take overall capacity to 3.8 million tonnes per annum by the end of 2008. The refinery is located next to the Gove bauxite mine. Associated infrastructure includes a deep water port, township and oil fired power station. Following completion of the expansion, the Gove refinery is expected to operate in the second quartile of the industry cash cost curve. Alternative energy sources are currently being evaluated for use at Gove, which could result in a significant further reduction in cash operating costs.

The wholly owned Yarwun refinery, located in Gladstone, Australia, has current nameplate capacity of 1.4 million tonnes per annum. On 3 July 2007, Rio Tinto Aluminium announced an expansion of the Yarwun refinery to increase capacity to 3.4 million tonnes per annum. First shipments are expected in the second half of 2010. An important feature is the inclusion of a gas fired cogeneration facility. Gas will become the primary fuel source, demonstrating RTA's ongoing commitment to reducing greenhouse gas emissions and improving energy efficiency. There remains potential for the refinery to be ultimately expanded to over four million tonnes per annum. Following completion of the proposed Yarwun expansion, the refinery is expected to operate in the second quartile of the industry cash cost curve.

The combination of Rio Tinto and Alcan has resulted in an 80 per cent interest in QAL, an increase from 38.6 per cent at the end of 2006. QAL, also located in Gladstone, Australia, is one of the world's largest alumina refineries, with a capacity of just under four million tonnes per annum. QAL operates in the second quartile of the industry cash cost curve and has opportunities for further development.

Outside Australia, RTA wholly owns the 1.3 million tonne per annum Jonquière refinery in Quebec, Canada and the Gardanne refinery in France, which produces mainly specialty alumina, but also has capacity to produce 150,000 tonnes of smelter grade alumina per annum. Both refineries are placed in the fourth quartile of the industry cash cost curve. Other wholly owned refinery operations relate to specialty alumina, in which four smaller plants combine with Gardanne and part of Jonquière to provide around 740,000 tonnes of annual production capacity.

RTA owns a ten per cent share of the Sao Luis (also known as Alumar) refinery in Brazil, which has a current capacity of 1.5 million tonnes per annum. The refinery is currently undergoing a 2.1 million tonnes per annum expansion, of which RTA's contribution is expected to be approximately US$200 million and which is expected to be completed during 2009. Once completed, the refinery is expected to operate in the first quartile of the industry cash cost curve.

2007 operating performance

Bauxite production during 2007 included output from Alcan's bauxite mines from 24 October 2007. Accordingly, total production for 2007 of 21 million tonnes exceeded 2006 production by 29 per cent.

Production of bauxite at Weipa reached record levels in 2007, at 18.2 million tonnes (beneficiated and calcined), 12 per cent higher than in 2006. Increased capacity from the commissioning of the second shiploader in late 2006 was the major contributor to Weipa's improved production capability. Adverse weather conditions that impacted production in early 2006 did not occur in 2007. Weipa bauxite shipments rose by 15 per cent, to 18.2 million tonnes.

Rio Tinto Aluminium advised its calcined bauxite customers in December 2006 that it would withdraw from the production of calcined bauxite by 2008 after 40 years of providing this product to the abrasives and oil and gas exploration industries. Calcined bauxite represents about one per cent of Weipa's total bauxite production.

To meet the increased transport needs for bauxite and alumina, Rio Tinto has committed US$210 million to the purchase of five new post Panamax bulk ore carriers to be used on the Weipa to Gladstone run and for international trade. These ships are being built in Japan. The first ship, "Wakamatha" was delivered in the third quarter of 2007. In 2007, Weipa's improved safety performance was recognised with a Chief Executive's Safety Award.

As is the case with bauxite production, 2007 alumina production included the output of Alcan's alumina refineries from 24 October 2007. Smelter grade alumina production for 2007 was therefore 15 per cent higher than in 2006 at 3.73 million tonnes. The addition of Alcan's specialty alumina business during 2007 provided 144,000 tonnes of production from 24 October 2007.

The Yarwun refinery produced at higher levels than 2006 being the first full year of operation since the plant ramped up to nameplate capacity.

On 31 October 2007, RTA announced that it had reached an agreement with Norsk Hydro ASA to expand its alumina supply to Hydro Aluminium from 500,000 tonnes of alumina per annum to 900,000 tonnes from 2011 to the end of the contract. Under a 20 year contract signed in 2003 with Norsk Hydro, RTA is committed to supplying Hydro Aluminium with 500,000 tonnes of alumina per annum from 2006 until 2030. The new contract underpins RTA's decision to expand the Yarwun alumina refinery and is consistent with its strategy of maximising the value of RTA's world class bauxite deposits at Weipa.

PRIMARY METAL OPERATIONS

The addition of Alcan aluminium smelters to the Rio Tinto Group created the world's premier primary aluminium producer, with year end capacity of 4.1 million tonnes per annum representing nearly five times the group's 2006 production capacity of 853,700 tonnes.

The transformation of this business during 2007 was significant. Aside from the enormous increase in primary aluminium smelting capacity, the business added one partly owned and 11 wholly owned power facilities, boosting owned electricity generation capacity by 620 per cent to twice the industry average. In addition, a range of businesses related to aluminium smelting (including technology sales and service, engineering services, smelting equipment sales and smelting consumables production) were added.

Smelting facilities

As of 31 December 2007 the business unit comprised 25 smelters in 11 countries, the vast majority of which are located in OECD countries. The former Rio Tinto Aluminium consisted of interests in four smelters in three countries.

As with any commodity business, the position on the global cash cost curve is important in determining the relative profitability of operations within the industry. In this regard, RTA enjoys an excellent position, with the world's largest share of first quartile production capacity and an overall average position at the low end of the second quartile. This position is particularly noteworthy given the number of RTA facilities and the enormous scale of total production capacity. The RTA smelting system has around half of its capacity located in the first quartile of the industry cash cost curve, with another third in the second quartile. Only one fifth of RTA's current smelting capacity lies in the higher cost part of the industry cash cost curve. This is expected to prove increasingly valuable as the industry's average cash costs rise as expected, influenced by factors such as rising energy costs, potential Chinese currency revaluations and possible greenhouse gas emission costs.

Key reasons for RTA's excellent position on the global aluminium cash cost curve include:

- Ownership and utilisation of industry leading AP series pre-bake cell technology, one of the most efficient aluminium smelting technologies in the world from an energy and operating cost perspective.
- Ownership of around half of the smelting group's electricity generation needs, compared to an industry average of around 30 per cent.
- The existence of a modern smelter fleet, with over 70 per cent of overall smelting capacity being less than 30 years old, a significantly greater proportion than the industry average.
- Operational expertise, as demonstrated during the period since 2001 by both improving safety trends and an ability to extract on average 1.1 per cent per annum production capacity improvement, compared to an industry average over the same period of 0.5 per cent.

The group's largest concentration of smelting assets is located in Canada. RTA has ownership interests in nine smelters in Canada, seven of which are wholly owned and all but one of which are located in the Province of Quebec. Total annual production capacity in Canada, resulting from the acquisition of Alcan, is 1.77 million tonnes as at 31 December 2007. All of this capacity is powered by clean, renewable hydro-electricity, the majority of which is self owned.

In the Oceania region, RTA has ownership interests in four smelters, three in Australia and one in New Zealand. The Bell Bay smelter in Australia is wholly owned, while ownership interests range from 52 to 79 per cent in respect of the other three facilities. The total annual attributable production capacity in this region is 1.06 million tonnes as at 31 December 2007, an increase of 37 per cent over the prior year mainly due to the addition of a 51.6 per cent interest in Australia's Tomago smelter as a result of the combination with Alcan.

RTA also has a substantial presence in Europe with ownership interests in eight smelters, principally in France and the UK. The annual production capacity at the end of 2007 was one million tonnes, an increase of over 1,200 per cent due to the combination with Alcan. Two of the smelters in the UK totalling 221,000 tonnes of annual capacity are powered by wholly owned electricity generation facilities. The Lannemezan smelter in France, which had a capacity of 25,000 tonnes as at 31 December 2007, will be closed during the first half of 2008.

In addition to Canada, Oceania and Europe, RTA wholly owns one smelter in the United States, which, together with interests in smelters in Cameroon and China, represents annual production capacity of 324,000 tonnes as at the end of 2007. Alcan Ningxia Aluminum Company Limited (Ningxia), in which RTA holds a 50 per cent stake in the pre-bake Line 3, is one of the lowest cost aluminium producers in China. Further, the group retains a 20 per cent stake in the 350,000 tonne per annum Sohar smelter in Oman, which is on track to be commissioned during 2008. The smelter will utilise RTA's AP35 technology which, together with RTA operational expertise, will contribute toward the expected position of the smelter in the first quartile of the industry cash cost curve.

Power facilities

Given the long term nature of a smelter investment, and the fact that electricity costs usually represent around one quarter of industry average smelting cash costs, a secure, long life and competitively priced electricity supply is of vital importance in the aluminium smelting industry. In this respect, RTA is very favourably positioned. As at 31 December 2007, RTA owns electricity generating capacity of 5,076 MW, up from 706 MW at the end of 2006. The group owns generation capacity sufficient to meet around half of its electricity needs, a proportion far above the industry average, while long term power purchase contracts account for a further 46 per cent. An additional advantage is that 75 per cent of the total RTA electricity supply is non fossil fuel based hydropower and nuclear power.

As with the aluminium smelters, the significant majority of RTA's power facilities are located in Canada. Six separate wholly owned power stations located on the Peribonka and Saguenay rivers in Quebec comprise a generation capacity of 2,687 MW. The water management system for these power stations, with their associated dams, reservoirs and catchment areas, covers an area of 73,800 square kilometres. The group's wholly owned Kemano power station in British Columbia has capacity of 896 MW and primarily supplies electricity to the wholly owned Kitimat smelter. It is noteworthy that the group's Canadian self owned hydropower assets are the result of construction efforts that took place over a period of 50 years, and that such assets would be extremely difficult and costly to replicate today.

The group owns a 42 per cent share of the coal fired Gladstone Power Station (GPS) in Australia, used to supply the Boyne Island smelter. The GPS interest held by RTA has a capacity of 706 MW.

In China, RTA owns nearly 22 per cent of the Daba power station, a facility which provides electricity to the Ningxia smelter. The group's share of generating capacity from this coal fired plant is 261 MW.

In Europe, the group wholly owns four power stations, three in the UK totalling 500 MW of capacity and one in Norway of 26 MW. Of the total of 526 MW of European generating capacity, 420 MW is coal fired while the remainder is hydro powered.

Technology

The combination of Rio Tinto and Alcan creates an excellent opportunity to exercise undisputed industry leadership in technology. RTA's technology strategy is to:

- lead through benchmark performance in all aspects of current operations;
- maintain and enhance RTA's industry-leading position with respect to the AP technologies; and
- develop new breakthrough, high value future options focusing on significant reductions in energy and environmental impact.

During 2007, design and engineering work continued on schedule in respect of the AP50 pilot plant in Quebec, expected to cost around US$550 million and have a nameplate capacity of 60,000 tonnes per annum. The plant is expected to serve as the basis for commercialisation of the AP50 technology, which incorporates unique design features that make it a superior platform for the fullest exploitation of a suite of breakthrough technologies currently under development.

An innovative portfolio of breakthrough technologies is being pursued with the overall goal of lowering unit energy consumption by up to 20 per cent while reducing and eventually eliminating GHG and other emissions. RTA is focused on step changes in energy consumption, environmental impact and full economic cost, in order to maintain and extend RTA's position as industry technology leader, thereby supporting a key corporate objective of sustainable growth.

RTA also sells technology to third parties. In addition to being a viable business, this product offering has the benefit of enhancing RTA's appeal as the joint venture partner of choice, given the combination of technological and management skills the group is able to offer. This aspect of the RTA business may prove increasingly

Rio Tinto Alcan's Gove bauxite operations and port facilities on the Gulf of Carpentaria, Northern Territory, Australia.

valuable in accessing growth options in the future, as the supply side of the industry trends away from the developed world due to diminishing availability of competitively priced, secure power.

Other businesses

RTA's Primary Metal business unit participates in a number of other businesses related to the smelting of primary metal. These include the production and sale of cathode blocks, anodes, aluminium fluoride and calcined coke, the provision of engineering services and sale of smelting equipment, as well as the sale of electricity where generation is surplus to production needs. These businesses are relatively small compared to the smelting and power operations. During the first half of 2007, they comprised less than ten per cent of Primary Metal's revenues. The various businesses have a presence in most regions of the world, with particular emphasis in North America and Europe.

2007 operating performance

In 2007, RTA produced 1.5 million tonnes of primary aluminium, up 75 per cent from 2006 levels due to the addition of Alcan aluminium production from 24 October 2007.

In respect of the four smelters owned by Rio Tinto Aluminium prior to the Alcan acquisition, RTA's share of aluminium production of 862,000 tonnes was above 2006 production levels of 845,000 tonnes. Much of this improvement was attributable to Tiwai Point, (New Zealand Aluminium Smelters) where production was not hampered by the low lake levels that had been experienced in 2006.

During 2007, RTA smelters continued to produce close to capacity, with the exception of Edea (Cameroon) which operated at levels of around 85 per cent due to power constraints.

On 1 October, NZAS and Meridian Energy Limited signed an 18 year electricity price agreement for 572 MW of continuous consumption at the smelter. The agreement runs from 1 January 2013 to 31 December 2030. The new agreement provides NZAS with the basis for a secure and reliable power supply to meet the smelter's operational requirements during this period. The smelter already has the lowest level of GHG emissions of any smelter of similar technology worldwide and this contract will maintain that position. In November 2007, the smelter received a gold award from the New Zealand Business Excellence Foundation.

BAUXITE & ALUMINA PROJECTS

Weipa (Rio Tinto: 100 per cent)
A 3.5 million tonne per annum expansion of the group's Weipa bauxite mine is currently under way. The expansion is scheduled to be completed by late 2009 and is expected to cost around US$30 million. The expansion is expected to further leverage the world class Weipa bauxite deposit.

Gove (Rio Tinto: 100 per cent)
As of the date of Rio Tinto's acquisition of Alcan, a 1.8 million tonnes per annum expansion of the Gove alumina refinery in Australia was nearing completion, with certain components of the expansion already commissioned and being brought into production. The expansion cost is US$2.3 billion, and is expected to bring the Gove refinery to a total capacity of 3.8 million tonnes per annum, making it one of the largest refineries in the world. Nameplate capacity is expected to be reached by the end of 2008. Following completion of the expansion, the Gove refinery is expected to operate in the second quartile of the industry cash cost curve.

Yarwun (Rio Tinto: 100 per cent)
On 3 July 2007, Rio Tinto approved an expansion of the Yarwun alumina refinery in Gladstone, Queensland in order to more than double annual production, increasing output by two million tonnes. First shipments are expected in the second half of 2010. The expansion is expected to cost around US$1.8 billion. Work commenced on the expansion in the third quarter and is expected to take about three years to complete. First shipments are expected in the second half of 2010. All government approvals have been granted. Once completed, the refinery is expected to be positioned in the second quartile of the industry cost curve.

Sao Luis (Alumar) (Rio Tinto: ten per cent)
A 2.1 million tonnes per annum expansion of the Alumar refinery in Brazil (Rio Tinto share 210,000 tonnes) is under way and progress on construction is approximately 35 per cent advanced as at 31 December 2007. The project will cost an estimated US$200 million (Rio Tinto's share). Alumar is expected to be positioned in the first quartile of the industry operating cost curve once construction is completed.

Guinea (Rio Tinto: 50 per cent)
A 1.6 million tonnes per annum greenfield alumina refinery project in Guinea is being evaluated in partnership with Alcoa Inc. The project is currently at the pre feasibility stage and it is expected that the sponsors will make a decision in the first half of 2008 with regard to undertaking detailed feasibility studies. It is expected that the refinery would be positioned in the first quartile of the industry cost curve.

Ghana (Rio Tinto: 51 per cent)
A 1.5 million tonnes per annum greenfield alumina refinery project is under consideration in partnership with the Government of Ghana. The project is currently at the conceptual study stage and it is expected that the sponsors will make a decision in the first half of 2008 with regard to undertaking a pre feasibility study. It is expected that the refinery would be positioned in the first quartile of the industry cost curve.

Madagascar (Rio Tinto: 51 per cent)
A 1.6 million tonnes per annum greenfield alumina refinery and associated bauxite mine is being considered in partnership with a Malagasy company. The project is currently at the conceptual study stage and it is expected that the sponsors will make a decision in the first half of 2008 with regard to undertaking a pre feasibility study. It is expected that the refinery would be positioned in the first quartile of the industry cost curve.

PRIMARY METAL PROJECTS

Sohar (Rio Tinto: 20 per cent)
In 2007, construction advanced on time and on budget at the 350,000 tonnes per annum smelter at Sohar, Oman. When complete, the 350,000 tonne potline would be the world's largest both in terms of capacity and overall length, utilising the world's most advanced commercial technology, the RTA owned AP35 smelting technology. The smelter is expected to produce aluminium ingot for export commencing in the first half of 2008. Once operational, the smelter is expected to be positioned in the first quartile of the industry cost curve.

A second potline of similar size is currently the subject of discussions among the joint venture partners. Under the original agreement between the partners, RTA has the right to take up to 60 per cent of this second potline.

Hydropower (Rio Tinto: 100 per cent)
On 26 April 2007, the former Alcan announced the investment of US$130 million in a new, power efficient hydro generator to be installed at the group's Shipshaw power facility in Quebec, Canada. The new generator will optimise the performance of the facility and improve the efficiency with which the water flow is utilised. In addition, on 30 January 2008, the group announced an investment of US$90 million in its Lochaber, Scotland hydro-electric facilities, designed to ensure the future of smelting in the Highlands of Scotland for many years to come. The project, which will see the installation of new hydro-electric turbo generators, is expected to commence in 2009 and be completed by 2012.

Spent pot lining facility (Rio Tinto: 100 per cent)
RTA is building a US$180 million aluminium spent pot lining recycling plant in Quebec's Saguenay-Lac-Saint-Jean region of Canada. This unique industrial scale pilot plant is expected to have a capacity of approximately 80,000 tonnes to recycle spent pot lining using Alcan's proprietry technology.

Spent pot lining is the residual material generated in the de-lining of pots following the aluminium smelting electrolysis process. The spent pot lining is composed of carbon and various inert elements and is typically pre-treated and land filled under strict precautions. Through this new process, all of the spent pot lining will be recycable, providing the global aluminium industry with a sustainable re-usable solution for spent pot lining by-products.

The plant's technology was developed at RTA's Arvida Research and Development Centre and is expected to begin pot lining treatment operations in 2008.

Kitimat (Rio Tinto: 100 per cent)
In 2006, Alcan announced its intention to modernise the existing Kitimat smelter, replacing the current Soderberg technology with industry leading AP35+ prebake technology and increasing smelter capacity to 400,000 tonnes per annum. The facility will take advantage of the RTA owned Kemano hydro-electric facility, with a capacity of 896 MW, and access to the Pacific Rim in terms of raw materials and metal markets, while reducing the environmental footprint of the existing plant by 40 per cent by reducing GHG generation by around 500,000 tonnes per annum.

Total investment in respect of the project is expected to be around US$2 billion. On 30 January 2008, the third and final condition for proceeding to board approval of the project was completed with clearance from the British Columbia Utilities Commission in respect of BC Hydro's 2007 Energy Purchase Agreement with RTA. The other two hurdles were the securing of an acceptable labour agreement for construction and start up and assurances on environmental permitting issues. Advanced feasibility studies have been completed and the project is expected to be submitted for approval during 2008, on which basis first metal can be expected in 2011. When completed, the smelter is expected to be positioned in the first quartile of the industry cost curve.

Quebec (Rio Tinto: 100 per cent)
In December 2006, the former Alcan announced a plan to build a US$550 million pilot plant at its Complexe Jonquière site in Quebec, Canada to develop the company's proprietary AP50 smelting technology. The pilot plant is expected to produce approximately 60,000 tonnes of aluminium per annum and will be the platform for future generations of AP50 technology. The first of its kind, the plant is the start of a planned ten year US$1.8 billion investment programme in Quebec's Saguenay–Lac-Saint-Jean region, involving up to an additional 390,000 tonnes annually of new smelting capacity by 2015. The new AP50 pilot facility will be the cornerstone of an industrial strategy developed by RTA with the support of the Government of Quebec. Engineering and feasibility studies are advancing as are site preparation activities, and initial approval is expected around the middle of 2008. When completed, the smelter is expected to be positioned in the first quartile of the industry cost curve.

Coega (Rio Tinto: 80 per cent)
Feasibility studies have been substantially completed in respect of the construction of a 720,000 tonnes per annum smelter at Coega, Eastern Cape Province, South Africa. Although an energy contract with the South African utility, ESKOM was signed in November 2006, ongoing discussions are aimed at ensuring expected timelines for requisite ESKOM generation capacity are matched with the smelter project. When completed, the smelter is expected to be positioned in the first quartile of the industry cost curve.

Saudi Arabia (Rio Tinto: 49 per cent)
In 2007, a heads of agreement was signed with Ma'aden (the Saudi Arabian Mining Company) to investigate the development of a bauxite mine at Az Zabirah, and construction of a power plant, alumina refinery and aluminium smelter complex at Ras Az Zawr, on the Gulf Coast of Saudi Arabia. Under the agreement, RTA is expected to take a 49 per cent interest in the project, with Ma'aden owning the remainder. Pre feasibility work is scheduled to be completed in 2008. The proposed aluminium smelter is planned to have a capacity of 720,000 tonnes per annum and if completed, is expected to be positioned in the first quartile of the industry cost curve. The proposed alumina refinery would have a capacity of 1.6 million tonnes per annum and if completed, is expected to be positioned in the second quartile of the industry cost curve. Most of the smelter output, at least initially, is planned for export.

Sarawak (Rio Tinto: 60 per cent)
On 7 August 2007, Rio Tinto and Cahya Mata Sarawak Berhad signed a heads of agreement for the proposed development of a smelter in the State of Sarawak, Malaysia. Under the signing of the heads of agreement, detailed feasibility studies on the design, engineering, construction, commissioning and operation of a smelter with an initial capacity of 550,000 tonnes are being undertaken. The smelter is expected to have the capability to be expanded to 1.5 million tonnes per annum. It is proposed that electricity for the smelter may come from the Bakun hydro-electric dam, which is currently under construction. If completed, the smelter is expected to be positioned in the first quartile of the industry cost curve.

Abu Dhabi (Rio Tinto: 50 per cent)
Discussions are continuing with General Holding Corporation of Abu Dhabi for a development that could result in a smelter with a first stage production capacity of 720,000 tonnes of metal per annum. Abu Dhabi Aluminium Company (Adalco) has been formed to manage the joint venture. If completed, the smelter is expected to be positioned in the first quartile of the industry cost curve.

Iceland (Rio Tinto: 100 per cent)
During 2007, the community near RTA's ISAL smelter expressed dissatisfaction with a proposed expansion and modernisation of the facilities, by narrowly rejecting a town planning referendum which included the matter. RTA is continuing to assess options for the possible expansion of its smelting activities in Iceland.

Cameroon (Rio Tinto: 46.7 per cent)
A potential upgrade and expansion of the Alucam smelter by 200,000 tonnes per annum, together with the construction of a new 330 MW hydro-electric power station, is being contemplated. Pre-feasibility studies have been completed and environmental authorisations have been obtained. RTA and the Government of Cameroon committed on 29 November 2007 to additional access to water resources to facilitate the launch of technical and pre-feasibility studies for a new greenfield smelter with potential capacity of 400,000 tonnes per annum. If completed, these smelter projects are expected to be positioned in the first quartile of the industry cost curve.

ENGINEERED PRODUCTS

RTA's Engineered Products business unit is a portfolio of inter connected aluminium and non aluminium businesses providing innovative, high value added solutions to meet the diverse needs of its global customer base. In particular, the business is the premier supplier of high value added aluminium products to the world's leading aircraft manufacturers. In Europe, it also produces large profile extrusions for the transportation industry and is a top supplier of beverage can stock. The business is the North American leader in aluminium wire and cable, and a world leader in composite products with a unique portfolio of brands and product solutions. As at 31 December 2007, the business unit comprised 95 operating and sales sites in 34 countries and regions around the world. The unit is organised into seven sub business units; Aerospace, Transport and Industry (ATI), Cable, Extruded Products, Composites, Specialty Sheet, Engineered and Automotive Solutions (EAS) and the Alcan International Network (AIN).

On 8 November 2007, RTA announced the sale of the non aerospace portion of its service centre operations in Europe, Alcan Service Centres (ASC), to Amari Metals. The transaction was completed on 4 January 2008. Rio Tinto announced on 26 November 2007 the intention to explore options for the divestment of the remainder of the Engineered Products business unit. Although Engineered Products is a market leader in many of its largest businesses, and has recently experienced strong growth, the business unit does not fit within Rio Tinto's overall corporate strategy.

PACKAGING

RTA's Packaging business unit enjoys market leading positions in each of the four packaging segments in which it operates; Food Flexible, Pharmaceutical and Medical, Beauty and Personal Care, and Tobacco. It is one of the few participants in its product markets with a truly global reach having executed considerable expansion into emerging countries and regions over the last few years. The business delivers innovative packaging solutions using plastics, engineered films, aluminium, paper, paperboard and glass to customers worldwide. As at 31 December 2007, the business unit comprised 129 operating sites in 31 countries and regions around the world. The potential divestment of the Packaging business unit was being explored by Alcan during the first half of 2007 and was confirmed in the announcement by Rio Tinto of an agreed bid for Alcan on 12 July, 2007. The sale process for the Packaging business unit is ongoing.