Capital projects

Rio Tinto has committed to reduce net debt by US$10 billion in 2009
On 10 December 2008, Rio Tinto announced the following key initiatives and commitments to reduce net debt by US$10 billion in 2009, including US$8.9 billion due in October 2009:

- Reduction of net capital expenditure for 2009 from over US$8.5 billion to US$4 billion, while retaining future growth options.
- Capital expenditure to be reduced to sustaining levels in 2010 in the absence of an improvement in commodity market conditions.
- Reduction of controllable operating costs by at least US$2.5 billion per annum in 2010.
- Reduction in global employment levels of 14,000 roles (8,500 contractor and 5,500 employees).
- Expanded scope of assets targeted for divestment including significant assets not previously highlighted for sale.

The focus for 2009 is expected to be on the following capital projects:

CAPITAL PROJECTS

Rio Tinto share 100% unless stated

	Previously announced approval (100%)	Estimated capital spend in 2009 (100%)	Status/milestones
Completed in 2008			
Aluminium – Development of the 360,000 tonne per annum greenfield Sohar smelter in Oman (Rio Tinto 20%).	US$1,700m		Approved in February 2005, first hot metal was produced in June 2008.
Aluminium – Aluminium Spent potlining recycling plant in Quebec (Rio Tinto 100%).	US$225m		Approved in September 2006, the plant commenced operations in June 2008.
Titanium dioxide – Construction by QMM (Rio Tinto 80%) of a greenfield ilmenite operation in Madagascar and associated upgrade of processing facilities at QIT in Canada.	US$1,000m		Construction is substantially complete. First production of ilmenite took place at the end of 2008.
Iron ore – Cape Lambert port expansion (Rio Tinto 53%) from 55 to 80 million tonnes per annum and additional rolling stock and infrastructure.	US$952m		Approved in January 2007, the project was completed at the end of 2008, ahead of time and within budget. Progressive capacity will ramp up in the first half of 2009.
Ongoing			
Iron ore – expansion of Pilbara iron ore mines and infrastructure to 220mtpa and beyond.	US$3,600m	US$900m	Expansion of Hope Downs from 22mtpa to 30mtpa (US$350 million on 100% basis – Rio Tinto share is 50%) is expected to be completed during the first quarter of 2009. Further capital expenditure is required to maintain the capacity of the Pilbara mines at 220mtpa.
Alumina – expansion of Yarwun alumina refinery from 1.4 to 3.4mtpa.	US$1,800m	US$650m	The expansion of Yarwun will be reviewed in light of the proposed strategic partnership with Chinalco. Subject to a commercial agreement with Chinalco (50% share) it will make its first shipment in the second half of 2011 and complete the project in the second half of 2011.
Alumina – expansion of the Gove alumina refinery from 2.0 to 3.0mtpa.	US$2,300m	US$100m	Gove is expected to reach a 3.0mtpa operating rate in 2009.
Diamonds – Argyle underground development and open pit cutback.	US$1,500m	US$78m	In January 2009 Rio Tinto announced that the Argyle underground mining project will be slowed to critical development activities. Full production is expected to take place in 2013.
Diamonds – Diavik (Rio Tinto 60%) underground development.	US$787m	US$88m	The project has been slowed with first underground production expected to commence in the fourth quarter of 2009.

CAPITAL PROJECTS CONTINUED

Rio Tinto share 100% unless stated

	Previously announced approval (100%)	Estimated capital spend in 2009 (100%)	Status/milestones
Coking coal – Kestrel (Rio Tinto 80%) extension and expansion.	US$991m	US$30m	The project has been slowed to critical development activities. Coking coal production at Kestrel is forecast to reduce by 15 per cent in 2009 in response to the slowdown in the global steel industry.
Thermal coal – Clermont (Rio Tinto 50.1%) replacement of Blair Athol.	US$1,290m	US$300m	The project remains on track with first coal expected in the first quarter of 2010, ramping up to full capacity of 12.2mtpa by 2013.
Molybdenum – Construction of a new Molybdenum Autoclave Process (MAP) facility at Kennecott Utah Copper.	US$270m	US$20m	The project has been delayed but the option to re-start development has been retained.
Aluminium – modernisation of the Kitimat aluminium smelter in British Columbia, Canada.	US$300m	US$100m	Further approval was given in October 2008 bringing the current project funding total to over US$500 million. The overall project timing has been prolonged.
Aluminium – construction of a new 225MW turbine at the Shipshaw power station in Saguenay, Quebec, Canada.	US$228m	US$100m	Approved in October 2008, the project remains on track and is expected to be completed in December 2012.
Aluminium – Arvida pilot plant using groundbreaking AP50 smelting technology.	US$444m	US$100m	The overall project timing has been prolonged.
Nickel – Development of Eagle mine in Michigan, US.	US$297m	US$9m	The project has been deferred until market conditions recover and local permitting is completed.

The previously announced iron ore expansion at Iron Ore Company of Canada (US$768 million for phases one and two) has been suspended until market conditions recover.

In January 2009 Rio Tinto announced the postponement of the US$371 million Automated Train Operations programme in Western Australia and the suspension of the Northparkes US$229 million E48 block cave project.

Sustaining capital expenditure in 2009 for the Group is estimated to be approximately US$2.0 billion.

Capital expenditure plans for 2010 will be reviewed throughout the year, assessing current and future market conditions. Capital expenditure levels will be reduced towards sustaining capital levels, if current demand and pricing weakness continues.

Evaluation work at many of the advanced projects, notably Simandou, La Granja and Resolution has been considerably scaled back in light of current economic conditions.

The central exploration budget for 2009 has been cut by approximately 60 per cent to US$100 million.

DIVESTMENTS

Silver, Zinc – Greens Creek mine (Rio Tinto 70%)	US$750m		Sale completed to Hecla Mining, the Group's minority partner.
Gold – Cortez Joint Venture (Rio Tinto 40%)	US$1,700m		Sold to Barrick Gold, the Group's partner, for cash plus a deferred bonus payment and a contingent royalty interest.