QUESTION:

Jacynthe, I have two questions on aluminium. The first question is on the expected returns of your new generation smelting fleet. Can I highlight the capital intensity of AP 60 Phase I and Kitimat, which were already well above the world average, ex China. I've seen the Kitimat CapEx estimate has now gone up again.

So the question I have, is it based on a long term consensus aluminium price about $1.15 or $1.20 cents a pound? To get a return on these investments, we need to see very, very low operating costs. So can you give us some guidance, apart from just saying that they'll be first quartile as to what sort of cents per pound operating costs we can see these smelters run at long term? That's the first question.

The second question is on your $1 billion EBITDA improvement from the business. I just want to talk about your cost cutting and also your creep. So your cost cutting of $400 million, that seems pretty conservative based on a $14 billion cost base. So can you actually just tell us if that is conservative, that target. Second key point just on the creep, obviously that comes with the -- you need to sustain the CapEx to creep. So of the $1 billion increase in Group sustaining CapEx over the next two to three years, what proportion of that is aluminium? Or what will aluminium, what will this Division's sustained CapEx be going forward? Thank you.

JACYNTHE COTE:

First of all on the capital deficiency of Kitimat, or any new project, I can only say, and Tom and Guy may want to comment on that, I'm competing with iron ore, coal, copper, and it all goes on merit - on return on capital. So if they wouldn't provide good return on capital, it would simply not be approved. It's on merit and the pipeline is pretty rich.

In terms of operating cost of Kitimat, it's going to be the lowest decile position, so if that can help, fairly low costs. Understanding technically no escalation on the electricity cost. So I'm quite confident that the Kitimat project once brought to the Board should be competing well with other projects that are on the table.

Now the $1 billion EBITDA, your question. This is based on the new parameter also, this is based on the post divestment. So it's $1 billion on a smaller parameter.

I think we're having quite an aggressive view, but I have to admit that's roughly $200 million total improvement between revenue and cost. But I have to say that every year we are finding new initiatives that are technically increasing the slope. The $1 billion EBITDA before was on the full parameter. We've been enhancing it and we still have $1 billion under to reduce by 13 plants parameter. So I think we're going to continue working very hard at enhancing it. So I think we're taking a fairly aggressive view, but we're not stopping, we're not pausing.

In term of creep and your question then on CapEx, is that what you want? Typically the squeeze when we move them, is that they've got a very high rate of return normally into the 20% type of higher internal rate of return. This is the typical level that we get on creep because they are very low on capital intensity, and in term of operating cost require virtually the same level of labour, same level of maintenance. One of the things that we can really leverage, as we have learned and as we are continuing learning on the AP 60, that creates tremendous learning to de-bottleneck our current operations - it's giving us a different view on how to continue creeping the current portfolio. This is why we're taking a fairly aggressive view on creeping. AP 60 is pretty significant in that sense. So I hope that answers your question.

TOM ALBANESE:

I might just want to add, last week I was with Jacynthe up to AP 60, the construction, and certainly the capital intensity of AP 60 is one of the ones that would have come in. When you just look at those numbers I'd say a good part of the total facility that's under construction right now would be not just for the initial Phase 1. What you have seen would be a very large rectifier and power gallery. I was very impressed with the quality of construction by the way. That would be basically leverage -- that would leverage off further expansions beyond AP 60 Phase I. So I would expect that subsequent proposals as they come for considering expansion beyond that, would have a progressively improved level of capital efficiency because a lot of that fixed investment would have already been placed.

JACYNTHE COTE:

Maybe if I can add for Kitimat. Remember we've been delaying it which brought some cost. We've been incurring most of the costs of demolition, which is not typical for our greenfield. So when you correct for that, we are on the low side of similar sized building in the Middle East.

QUESTION:

A question for Guy. I think slide 12 it was you had a chart showing ramping up the capital expenditure. Just looking at that chart, the break up between sustaining and growth capital in 2009/2010 the sustaining capital numbers looked quite low and in 2011/2012 we're up at $7 billion. Can you just talk a little bit more about sustaining capital and the context of that chart. Was it particularly low in 09/010? Are we going through a peak, is there some sort of catch up going on or is this now a new, much higher level of sustaining capital?

GUY ELLIOTT:

Yes, there is indeed a shift upwards as you can see from that chart. We did cut back capital of all kinds in late 2008. Where, without compromising safety and environmental performance, we did see a very sharp fall in sustaining capital. I think some of that has undoubtedly come back in times when we've got better balance sheet to pay for it. I think we are seeing a bit of that coming back into the business.

But probably the most important change has been the classification of mines in the Pilbara as sustaining capital. That's something which has, understandably given the scale of operations there, increased the overall level of sustaining the capital. So I think that there's two effects there really. There's a bit of catch up, but I think we should accustom ourselves to a number that is not very far from this level in coming years. This is a very big business now, it needs a level of sustaining capital, something like this.

QUESTION:

Just a couple of questions. Just a very simple one on the aluminium profits for the second half, you say should be about breakeven. Can you just clarify whether that includes the assets for sale, or whether they are separate?

A second question, just on IOC. Can you put that in context of where it actually sits on the global cost curve? Presumably the production from IOC is slated to go into the Asian market. I'm just curious as to where it sits and strategically how you see that going forward.

JACYNTHE COTE:

It includes the 13 assets. The 13 assets are included.

SAM WALSH:

If I respond on the IOC question. IOC is currently sitting in the third cost quartile as we expand the operations it's moving to the second cost quartile. An important element in relation to shipping into Asia is actually allowing for the use of Cape sized vessels and hence the changes that I mentioned at the Port of Sept Iles to facilitate that.

But IOC will be focusing as it expands, on concentrate rather than pellet. The concentrate is a highly attractive, highly desirable product and we've had a great deal of success with that in making shipments into China with the product.

TOM ALBANESE:

I guess that under Sam's leadership over the past year to Zoe Yujnovich on the ground, IOC typically looked at its cost curve relative to the North Atlantic market, the European market and it looked reasonably attractive there. But we've refocussed that organisation and looked at the cost curve to the Asian seaborne market, because to an extent there is a market for growth for those additional tonnes. It's going to be to that Asian market, we do actually need to work harder on what is a more challenging cost curve, given the longer distance to the Asian market.

QUESTION:

I just want to focus on the aluminium business if we can. Firstly Jacynthe if you can talk a little bit about -- you talked about China maybe not being - it's self-sufficient or not being an importer now, maybe until 2020 I think you said. If I look at it, they've focussed on bringing in bauxite more and more which is what you talked about. So I was wondering if you could help me understand your views of China then.

If they're going to be bringing in lots of bauxite and not alumina, and the power curve is going to steepen, is it not better then to be focussed on staying linked rather than maybe moving to index if the power curve is going to steepen? I'm trying to understand how you see it playing out. Because the index price now as I see it is almost the same as the link price. It's been a very big disappointment this year and China hasn't been buying alumina. So that's one thing if you could help me understand that.

Then secondly, Pacific Aluminium, you've talked about it's going to be -- something's going to happen to it, sell it, list it, who knows. But I mean I can't be sitting here in 12 months' time and say, okay, it's been a success if you still own it. I mean this has to be gotten rid of sooner rather than later. You can't hive it off, stick it in one half of the business and then say, well the other aluminium business is doing well. So I'm trying to understand, can I narrow you down a little bit further to say when can we see a resolution to Pacific? Because it's all well and good to have some views, but I would have thought if you simply give it to shareholders as in specie, we can get it done, move on. That's probably the best outcome. So your thoughts on that. Thanks.

TOM ALBANESE:

I would suggest that Guy handle the second part of that question and Jacynthe with talk about alumina in China.

JACYNTHE COTE:

I was going to suggest the same, thank you Tom. China, if I start with the aluminium side. I think our view right now is for the next five years, with the stranded coal that they can still leverage in the North West. We think that they are going to work hard at remaining self-sufficient.

They'll make the arbitrage between bringing in bauxite versus alumina, depending on how well they can transfer it -- transform bauxite. But they will continue importing alumina. So we are not saying that they will stop. As soon as it's open, they're going to continue demanding alumina.

Back to aluminium, it's less clear as the infrastructure gets developed between the east and the west, that that coal will really remain stranded. We do see for the second half of the decade a credible risk of China, the west part of the country getting through the same story as the central and the coastal region went through. With escalation, as coal is more highly priced, and that's going to continue then putting pressure on their production costs.

Labour costs are going up 7%, 10% per year as well, and if you combine that with the renminbi appreciation, we think that towards the end of the decade, there's a credible risk that they will turn into a net importer. So that's our position so this is why we do think that not only will they continue steepening the cost curve, they are not going to be a large exporter and we do see them turning potentially to net import, not only for bauxite, alumina but aluminium. They took a rational approach in terms of producing versus importing over the last decade.

Back to your question on bauxite and alumina. We are going to turn really long with Yarwun. So you can imagine we've been monitoring the market very closely. We're holding to that capacity and we really want to continue seeing what's going to be the best alternative in terms of pricing. We are not rushing that, we want to continue understanding the best mechanisms to make sure to extract the best value. But it's clear to your point that the price is going up, in terms of LME terms, it's up in the 16%.

The Index has been tracking pretty much at 16% because the world hasn't been short in alumina in that period. If alumina gets a bit shorter in three years, five years, 10 years, we could see a much bigger disconnect. So this is why we're favourable to a price mechanism that will continue reflecting the full value of new refineries. We think that turning longer, where we are right now, will put us in a strong position.

GUY ELLIOTT:

Turning to the Pacific Aluminium. I mean we're going to be driven by value, that's the most important thing. There isn't a tearing rush to do this. Of course we want to do it expeditiously but it is going to be value determine.

The point about the action that we've taken is to remove these businesses from [inaudible] focus. They're now under a different management line, working for

Sandeep Biswas and Brett who is sitting in the front row here. The intent is to get that away from the management at Rio Tinto Aluminium - Rio Tinto Alcan.

You are quite right, there are multiple ways in which we could dispose of this business. We could IPO it, we could have a trade sale, we could distribute it in specie, we could do this in stages, we could break it up. There is lots of things that we could do. Each of them has complexities, we're looking at all of those opportunities. I might add that the distribution in specie has an additional complexity because we're a DLC. So you have two sets of shareholders to worry about.

The other thing to say is that the new management has only just taken their seats. We want them to define what the free cash flows that they can get for this business are, in a free standing management situation. That's going to take them a little bit of time to focus on what the plan might be.

We need to do a lot of work on each of these different sale options. Clearly at the moment this is not a very benign environment in which to be selling a business. So we might want to wait for a little bit of an upturn. But having said all of that, you can be sure that we're very keen to move this business, but not at any price.

TOM ALBANESE:

I guess I would just say that I'm going to spend some time with the Alumina team this week. Sandeep and the team, and we've put a good strong group together with that. Sandeep is one of our top MDs around the Group and challenging projects like that, you should put your best people on and that's exactly what we've done.

QUESTION:

Two follow up questions really just on aluminium. We touched on it, potential impairments. I wanted to get your sense of how long you feel comfortable carrying quite a large carrying value for those assets, when the plan to improved profitability is still a little way off in terms of how quickly they come through and what does that mean for your comfort on the carrying values.

Secondly on iron ore, we've obviously had a bit of a price debacle over the last month or so, with customers taking up their potential right to renege on quarterly contract basis. Do we see a fundamental change? Are we now going to a much shorter term clearing mechanism for iron ore? I just want to get a sense of that please.

TOM ALBANESE:

Probably, Guy you're the best for the first one and then cross over to Sam.

GUY ELLIOTT:

Look we have a process that we go through every year which looks at the value of any goodwill that the company has and there's obviously a large goodwill balance in the case of Rio Tinto Alcan.

We also look at any triggering events that have caused us to look at the value of any business during the course of the year. So in point of fact we really do look at all of our businesses, one way or another, just to be sure that we're holding a sensible carrying value. We did that on successive occasions since we bought Rio Tinto Alcan.

We've taken some major impairments and write offs in various ways associated with that already. All I was signalling was that we're about to go through this same process again in the coming weeks before we go to announce our final results in February. My expectation would be that there will be some impairments related to both aluminium and diamonds, because of this review being carried out.

You're allowed to take into account in considering an impairment, a number of important long term factors, such as the projects that you're going to build and defined improvement programmes. That is as long as there's a clear pathway that defines how you're going to carry them out.

So these are the sorts of questions that we'll be reviewing very carefully with the Audit Committee, and with the auditors, to consider whether or not we should and to what extent we should adjust the value of the business.

SAM WALSH:

Thanks for your question about iron ore pricing, which I guess I expected. If you look at iron ore pricing, it's quite complex. There's a lot of moving parts in there. Running a business that is the size of the iron ore business clearly once you've got first class facilities installed, which we have, the key drivers for the business are volume price and cost. Clearly there are trade-offs between that.

I think if I look at the pricing overall during 2011, I think there's been two different price regimes operating. One is based on FE units, obviously driven by the spot market. The other is driven by value in use.

If you look at the indices, they are based primarily on sales from India and primarily based on the iron content of the ore, regardless of the properties of the ore. Some people have focussed on that as being the basis and moving to more and more a market mechanism. I think as you know from my comments previously, there's value associated with selling value in use, rather than just iron units.

In our case, clearly we have the Robe Valley ore, which although relatively modest in relation to iron content, is extremely valuable in terms of low alumina and lower impurity level. Therefore, it is worth more than simply the 58% Indian Iron Ore Index, which takes no account of the other properties.

Same for lump - yes okay, lump is generally going to be higher FE units than fines, but lump being a direct charge product, also has significant value associated with that. People who are selling lump based on an index are throwing away value.

In relation to Robe Valley, again getting that volatility right of the Robe Valley product is important. These issues, we've dug our heels in. I know some of you have said, oh well you've been slow to respond. But you're talking about large dollars here associated with the value in use in the product.

If you take Yandi for example, we're producing at 53 million tonnes. 53 million times ‘X’ is a sizeable number. Likewise if you take lump we produce between 60 million to 70 million tonnes of lump. If you price that on the basis of FE units, you're giving sizeable value.

Robe Valley is producing 30 million tonnes and again if you don't get that relativity right, then you're going to throw away value.

Clearly volume is important to the business, as I mentioned. Volume is a fundamental. It impacts directly on cost structure. As you would have seen from the chart that I put up, which reflected back on 2008, where we didn't achieve full volume.

Now without getting into the specifics, because of anti-trust issues, we saw a major party move in the past couple of months, from a 'value in use' type basis for product to selling iron units. That put us in a predicament whereby how do we optimise the business, but how do we ensure that we remain competitive so that we're actually moving tonnes.

I think that we've reached an ideal position, and you saw the pie chart that I put up. We're roughly 25% of our product is remaining Q-Lag, and that represents Japan, Korea and Taiwan. About 25% is Q-Actual, which is a major steel producer in China. We're selling about 25% monthly, 25% spot.

Now the important issue, and I've had to stress this time and time again to the Chinese. There is no going back. This is a one way street and they have moved down that path knowingly. But importantly for us, I think we've been able to make the transition in such a way that we've maximised value for our shareholders. Also and equally important, we've ensured that we have continued to operate at full volume with 100% of that being shipped. As I mentioned during my presentation, we're sold out through 2011.

This is a very different situation than we were sitting in at the end of 2008. Who knows what 2012 is going to bring, but we're sitting in a pretty good position.

Tom Albanese: Paul just for my comments. We do see, as Sam said, value in use approach. I met with all the Japanese mills over just the past few weeks, and they see the benefit of a quarterly price. So long as they live by that quarterly price that works for us.

But again, as you suggested, I would expect to see that the Chinese are progressively moving towards progressively shorter and shorter term and as Sam says, I want to reinforce that's a one way street.

One more question here and then I'm going to go to the phone lines if we can.

QUESTION:

A couple of questions on iron ore and one on bauxite. Just further to what you were saying then Sam in terms of the lump premium. Is there a risk over time that we see that lump premium eroded, given that the volume ramp up in lump and the lack of historic lump going to China. Is there a risk that the increased supply erodes that premium over time?

Just on iron ore volumes, you said you are sold for 2011, risk on 2012, can you maybe go through your position there in regards to how much of the volume do you actually have contracted, how much is potentially at risk in going to the spot market?

Finally just in regards to bauxite. Is the strategy of bauxite to expand it greater than the rate of alumina? I.e., that you become longer bauxite and does that potentially undermine what is happening in China in terms of feeding them, undercutting you in terms of the alumina and the aluminium side of the business?

SAM WALSH:

Yes, firstly on lump. The market does recognise the value add associated with lump. I mean very simply the value in use equates to the cost saving that the mills make in relation to running coke batteries and sinter plants.

What we expect as we go forward, and as has increased environmental pressure on steel mills, that we expect that value added product will actually increase as the mills are looking for ways to actually offset the environmental impact of particularly running coke batteries.

So over time we expect that value added product like lump, will actually increase in value rather than decrease.

Yes, saw tooth economy, speed bumps, whatever along the way. It's a very interesting job, one never knows what's going to happen tomorrow. But our view is that in the medium term, lump will become more highly valued than it is now.

In relation to contract volumes, we have been in a position of being fully contracted. That of course, changed with market conditions in relation to Q-Lag and longer term pricing elements. But we are in a position, given that we can get the pricing structure right, that we are contracted for the volume.

Importantly if you step back from that, we are first cost quartile, we are the most proximate supplier to China and to the other growth markets. That does put us in a fundamentally strong position and that's the position that we expect to stay in.

JACYNTHE COTE:

Yes, moving to the bauxite. This question we are asking ourselves on a regular basis is that the right strategy to sell bauxite into China. I think we convinced ourselves that the way we see China growing, it is the right strategy. Where despite the volume that we see growing for us in China, we're still going to be roughly 25% of the supply of bauxite. Indonesia and other parts of the world, maybe Indonesia being 75%, unless we would see Indonesia cutting drastically their export of bauxite, which we honestly don't see in the near term. It doesn't mean they wouldn't take other measures from scale position, but we do see Indonesia continuing delivering bauxite to China.

So as 75% comes from elsewhere, we think China will continue growing on bauxite. When we look at our project for Weipa expansion, it's a very robust project. A lot of the value, actually a big bulk of the value comes from the project will be beneficial even without further export because of the much better quality bauxite it brings sooner to QAL and Yarwun Refinery. Really dropping their cost.

All the sales we are looking at, and we think China will need, and whether we are there or not, China will find bauxite, it's adding substantial value on top and above the benefit on the refineries. With things reversed, the capacity of bauxite could become a platform for alumina growth option. So we see that as a fairly low risk investment option.

TOM ALBANESE:

I guess on that also, the strategy which we do debate on a regular basis, allows us to selectively bring the higher grade materials into our own suite. Rather than stockpiling lower grade for some later time, getting some revenues from that.

Are there any questions from the telephones or the webcast or whatever the technology is we're using today?

QUESTION:

Sam, perhaps could you give us a little bit more colour on the potential of going to 100 million tonnes - another 100 million tonnes which would give you the 453. You mentioned that would primarily be Cape Lambert but if there are other options in the Pilbara, if you could give us a little bit more detail around that.

Also with respect to the Cape Lambert, the old car dumper, when you expect to make a final decision on that. Thank you.

SAM WALSH:

Yes, in relation to the additional 100 million tonnes. During our capital projects process, order of magnitude, pre-feasibility study, feasibility study, we look at a range of options as you quite clearly point out.

My view is that Cape Lambert will be the most attractive site, but that doesn't preclude us from looking at Dampier, in particular incremental projects at East Intercourse Island at Parker Point. It may well be that depending on economic circumstances of the time, that instead of 100 million tonnes, if you want to go to a smaller option then you may well look favourably on one of those.

But mainstream at the moment based on medium to long term outlook for the market, is that we will require to bring on the substantial volumes. We, of course, have again an option of bringing on 50 plus 50 with that extra 100 million tonnes. Therefore I guess, progressively bringing on the additional tonnes.

In terms of mine operations, clearly with Pilbara plan going out for 2045, total mine plan going through 2069, it gives us a lot of options to play with in terms of what combination of mines we would bring in. But of course focussing on those mines again that are closest to existing operations and closest to infrastructure.

In relation to a decision point for the Cape Lambert car dumper one, I'm expecting that in the early part of next year, we would be bringing that to the Board. But as I mentioned, it's lower cost tonnes, it's a very attractive project, but of course it relates to a number of factors.

Firstly, the world economic scene and whether we see the continuing growth as we expect in China. Secondly, whether in fact the options for bringing further product out of the Robe Valley, whether that provides the opportunity for us with that car dumper one. Remember that's linked into our Robe Valley system, so it comes hand in glove with expanding Robe Valley.

TOM ALBANESE:

I would just add that once we look at these expansions, 100 something is a big number, it is a big number. When we actually look at these additions, you've been watching us bring them into smaller bite sized chunks of 20 to 50 at a tranche. As long as it's practical to do so and capital efficient to do so, that makes more sense, particularly in the volatile markets that we've got to live with in the short term while we do plan to grow for the long term.

QUESTION:

First question is just on Pacific Aluminium. It's really around the timing. I guess, why now? Is that simply a function of how long it's taken to assess the aluminium portfolio since the Alcan acquisition? Or are there other factors involved?

The next question is just on the capital allocation decisions. You mentioned that Kitimat and Argyle expanded CapEx competes with iron ore and the like. I would have thought on a traditional IRR it doesn't necessarily look that good. Can you talk about the other factors in your investment hurdle decisions?

TOM ALBANESE:

Guy, I think you can probably take both of those.

GUY ELLIOTT:

Yes. Why now, in relation to Pacific Aluminium. Well the first point I'd make is that these assets, come from both stables if I can put it like that. The first, several of the smelters are former Rio Tinto smelters, not Rio Tinto Alcan smelters. But Gove, and one of the smelters are from the Alcan side.

Now we just regularly look at the whole portfolio - not just the aluminium portfolio, the whole portfolio - to ask ourselves is this asset a true Rio Tinto asset that's going to stand us in good stead for the very long term? Is it large, is it low cost, is it expandable? This question has led us, for example, to dispose of the talc business. A perfectly good business, now in very logical hands.

Likewise, I think we looked at these assets in a phase that followed the acquisition of Rio Tinto Alcan, when our first decision was to sell the packaging business and then later a decision was taken to sell the Engineered Products business.

Now we didn't look at immediately, the sale of other parts of the business, but that's something that we have done as part of the whole exercise to transform the portfolio. Why now? I think it's part and parcel of the setting of that 40% target, but again I have to emphasise to you that this has got to be good value transaction when it is done.

So I think it is an appropriate part of that overall strategy. The job is never finished. We will always be looking at our portfolio to find other things that we might sell and I wouldn't be surprised if next year we find some other asset which may, or may not, be in aluminium, which we may sell.

On capital allocation, traditionally, the way in which we do this is based on the assumption that actually any good project can be financed and that in this case it makes sense to do all projects that generate positive net present values.

Now that condition is no longer so -- is not the ordinary condition in which we find ourselves in capital markets. In fact, capital markets are constrained, we've actually got a demand for our capital coming from the business units which is very large. So large in fact that we wonder whether we're going to be able to do all the projects that the business units would like to do. So we are in fact saying ‘no’ to more and more things.

But there are still some high quality projects out there as determined in that present value. If I look at Kitimat, for example, I don't think that I'm aware of a better project in the aluminium industry where smelting is concerned. Because of its very strong power position which we have.

Argyle is a slightly different case, and the fact is that we have advanced quite a long way with that project. When we come finally to assess its costs and so on, I think we will find that it just makes sense to complete that project probably. Just because of what we've already put into it, compared to the alternative.

So yes, we do look at IRR but it isn't the primary mechanism of ranking. I think we have to look in addition to, at the net present value, we have to look at the lifetime and scale of these opportunities and as to whether they're expandable.

So it's not a simple ranking that's based on IRR - important though IRR is. I think that what we're trying to do is to make the best set of choices in a more constrained environment.

I ought to add here that M&A may play a part in this and we may find that there are some opportunities that make sense from an M&A point of view. But in doing that we have a very difficult judgement to make, which is what is the bid ask spread on M&A? In depressed times for equity markets, such as the present, you do find that the premium that people owning the shares want, is much higher than it normally would be. So for those reasons, it's not obvious to me that we will do much M&A, but we're certainly looking at that option when we look at the options that we face and try and rank them.

TOM ALBANESE:

Thank you. Anyone?

QUESTION:

Can I ask a follow up question? You appear to indicate a new dividend policy going forward. I wondered if you could be more specific?

GUY ELLIOTT:

The policy is not new, it is the same policy that we've had in the past. That is to say the policy is a progressive dividend, expressed in US dollars, which is determined once a year - the interim dividend being 50% of the previous year's full dividend. So that's the pre-existing policy and as at present, there are no plans to change it.

The only thing I said about dividends was that we're aware of the importance of income to income shareholders particularly, and that we will look closely at what the dividend will be under this progressive policy in February. You can interpret that how you like, but that's the words which I've successively used to try and convey how much attention we are going to be paying to this in February.

QUESTION:

Two iron ore questions. One, if we could just get a sense of what the size of the typical mine is going to be going forward? If we're going to knock out 350 million tonnes a year, a billion tonne mine doesn't last long. So do you expect a turnover, like a mine every three years or more?

The second is just on the iron ore market in recent times. The sharp gyrations that we've seen down and upwards, suggest some kind of market event. In particular, was Vale in particular dumping iron ore into China and has now gone away? Is there some event of that sort of style that was responsible for that action? Thank you.

SAM WALSH:

In relation to typical mine size. Yes, mines are getting bigger. If you look at, well Yandi, for example, 53 million tonnes, Brockman 4 is heading to 50 million tonnes. Koodaideri is another mine that initially would be 30 million tonnes, but I expect that it will be 50 million tonnes ultimately. Of course, there's another range of mines, for example, around Tom Price where we're eeking out the life of Tom Price, where the mines will be smaller.

We're currently operating 14 mines. I am expecting to see a faster turnover of mines, despite the fact that I've mentioned that there will also be some very large mines in our portfolio.

Importantly we continue to optimise our strategic mine plan as we move forward. So that (a), we maintain the Pilbara for the longest period we can, but (b), in terms of ensuring that we optimise capital, operating cost and proximity to existing infrastructure and operations. So the portfolio is changing. Some people laugh when I say that our mine plan goes out to 2069 and say, well that's pretty speculative.

Yes, it will change but it's important you have a view of where you're actually heading. Because physically the tonnes we're talking about and the 2069 gives us a lot of optionality that we can physically run.

Our Technology and Innovation Group has been very good in terms of supporting us with a strategic production planning process that allows us to optimise all these factors. I think that all of the computers in Perth grind to a halt when I turned this damn thing on, because it generates a huge amount of computing power. But the name of the game is optimising all of the things that I've been talking about.

I think in relation to price gyrations. I think this comes back to the comments we've been making about a saw tooth economy, speed bumps, a whole range of factors. Clearly there's been a number of triggers to what we've seen. Part of it is the fact that with slowdown in Europe, Vale needed to find a home for those tonnes. I wouldn't be as presumptuous as to say that they were dumping, but certainly they're relocating tonnes.

Certainly as I mentioned, we've also seen a margin squeeze on steel mills, as the Chinese government has moved to try and offset increases in inflation and a property bubble with luxury exclusive real estate and so on.

I recently heard Hu Jintao comment at APEC and he has made similar comments that they remain very focused on maintaining the momentum of the Chinese economy. Focussing on domestic growth and domestic consumption and ensuring that a steady as it goes approach.

My personal view is as we see the handover of the old leadership to the new leadership that on both sides we will see that the old leadership will try to maintain this 'steady as it goes' approach, and the new leadership when they take up the batten will want to make sure that they don't drop it.

Growth is important as you've heard Tom comment recently. We are still expecting growth plus 8% in China next year. We are expecting a soft landing and I think from everything we are seeing from the Chinese government, they will be very focussed on that.

Having said all that, speed bumps, saw tooth, we will see the impact of that and at times you see over corrections as it tries to find its new equilibrium.

TOM ALBANESE:

Thank you. I think we have time for one more question and then I think we'll break for lunch.

(pause)

Well I think we must have given you all the information you need. I'm pleased to see we've covered all your questions. If there's nothing from the operator, we will close this meeting.

End of Transcript