

11 February 2016

SAM WALSH (Chief Executive):

Now if I could pass over to you for questions. And I'll sit down and join Chris. We have people on the line so I am intending to take three questions from the room and then take three from the telephone line. There's a question here first.

QUESTION:

Thanks. Congratulations on a good cash result.

The dividend reduction and everything seems quite defensive and preparing for, or cautious for the future. How are you feeling about opportunities for potential acquisitions in the industry? You haven't touched on that in today's presentation.

Does the dividend reduction give you some opportunity to look at some of the distressed assets that might be out there? That's the first question.

Secondly, I think one of the other goals that was set when you guys took over, that Chris referred to, was strengthening the executive bench. I am just wondering how you feel about the strength of the executive bench? Are you prepared for a smooth transition if and when you are ready to put that in place?

SAM WALSH:

Okay, let me get Chris to tackle the first part of your question about potential M&A and let me pre-empt that by saying that getting the balance right between growth and shareholder returns is important to us and, as we have mentioned during the

presentation, focusing on the balance again between short and long term is also very, very important.

Right now there are distressed assets that are out there and they are distressed for a good reason, they're high cost, low quality, no infrastructure. But we are mindful that there could well be opportunities, and Chris why don't you comment?

CHRIS LYNCH (Chief Financial Officer):

Thanks for the question. The fundamental move really is to preserve the balance sheet and make sure the balance sheet remains robust. You have got to recognise that it's part of a package of measures, the dividend change - the cost reductions, the capital expenditure reductions and the dividend policy are a matched set of measures.

What it does is to maintain a robust balance sheet and gets away from the concept of a fixed payment no matter what, and so the Board will have more discretion about matching the dividend to earnings capacity, to cash flow, to balance sheet, to their view of the future at any given time.

No. But the key issue really is around there are some very good assets in what you'd probably describe as distressed balance sheets. They're not on the market as yet but we have got a watching brief on a lot of things and we'll continue to do that.

Whether we'll get to pull the trigger on anything - we'll always look at more than we ever pull the trigger on but we have capacity in the event that we wanted to do that.

It's more about if we were to spend money on an asset acquisition we'd want to have a path back to what our robust balance sheet would look like beyond the acquisition,

and that's the metrics. We've got our eye on a lot of things but nothing specific at the minute.

SAM WALSH:

Thanks Chris. Let me emphasise that we also have a clear focus on exploration.

In the past, exploration has provided us with a number of the high value assets that we've got. We continue to have a commitment to exploration and the opportunities that this could provide.

In the area of copper as Chris said, if there was an attractive project in that area that could be of interest to us at the right price, the right value.

In relation to the second part of your question about strengthening the team and transition ultimately, we've got a very, very strong team. I have an excellent Executive Committee team and, quite frankly, you don't deliver the sort of results that we've mentioned today through just Chris and I, it's through the whole team. They have a very good understanding and knowledge of the total business despite their own particular specialities.

This is important and this will provide succession and transition for the business as I get closer to retirement.

At this stage, it's not a topic on the agenda, personally I'm loving what I'm doing, I believe I'm delivering value and I have said to the Board that the timing is theirs, however short or however long it is I'm here to deliver value to you, our shareholders.

Do we have another question?

QUESTION:

A more general question on the sustainability of the business. You've talked, Chris, I think I heard you say three times that you are making these changes from a position of strength. If we look at the dividend you are talking about for 2016, it still looks pretty close to 100 per cent payout ratio for 2016. Now maybe that's a bridge year but that still doesn't feel that sustainable to me.

If I then look at what you are spending in terms of capex it is much less than depreciation, particularly if I look at your sustaining capex. So the question is, do you feel like the business is stable here and do you think it's sustainable as you've set it up today?

SAM WALSH:

I'll let Chris answer, but clearly the answer to that is "yes". We are coming from a position of strength, a strong balance sheet, Tier 1 assets, a very focused organisation and we have taken the three pro-active steps today to ensure that we retain that. Certainly 2016 underpinned dividend is a transition but I believe that is a fair way of proceeding forward with the revised policy.

CHRIS LYNCH:

Well, just a very brief comment on the transitional arrangements for 2016. Coming off the progressive we've had pretty much absolute certainty under the progressive dividend about the minimum level of the dividend and so the Board discussion focused around the fact that we were taking people from virtual certainty on to a more variable basis. So the transitional arrangements apply to 2016 and we think that's a fair transitional arrangement into the new policy.

The other thing to observe on the dividend is that the weighting. We mentioned it in the speech that the weighting will be toward the final dividend. In the past we've had that mechanistic half of the prior year's final dividend or full year dividend, we are moving away from that to a weighting toward the final dividend. If you think about that logically it's pretty obvious that once the final results are known is the time when you can get absolute precision about exactly where the dividend is going to be pitched.

So they are the transitional arrangements and I think we'll see where the numbers come out. I am sure all the analysts in the room will have a slightly different view about exactly what the numbers are, but I take your point.

The second part of your question was about the sustaining capital. We are in a sweet spot at the moment with regard to the absolute dollar level of the sustaining capital. We are in a very favourable, price environment for that sort of activity and we're coming off the back of having recently completed some major expenditure projects, some major growth projects.

Those growth projects were actually built in a period of fairly heavy price inflation in the construction cost of those projects, so we've got probably a slightly favourable cost structure for the activity. We've got slightly less activity because of the newness of some of the assets and we have got a high depreciation base off the back of recent capital expenditure.

Over time, that activity level will increase and the price will go wherever the price of it goes but there will probably be more activity in the future and probably at a different price level.

The guidance we've given today assumes that we stay at or around the \$2 billion for the next few years, but I think that's quite comfortable, it's tight but it's manageable. Longer term I think you do revert back to depreciation and sustaining capital being closer.

SAM WALSH:

Thanks Chris. Just to wrap up on that, in terms of sustainability that's really the basis of everything we are talking about today. To ensure that we maintain the strength of our balance sheet and the robustness of the business. There is no question as you look forward, as we come out of this down-cycle, that we will be in a very, very strong position to capitalise on the long-term growth for the commodities that we supply.

As the world continues to develop, urbanise, industrialise, there is basically nothing that people use on an everyday basis that can be produced without using our materials, even down to the iPhone that's in your pocket. All of these require us.

Do we have another question in the room?

QUESTION:

Just a few quick questions.

First of all, with the new dividend policy you have got your 'washing machine' chart that says ordinary dividends are a second priority after maintenance capex but you're now not prepared to put any kind of floor to the 2017 dividends. Can you imagine any scenario where Rio Tinto won't pay an ordinary dividend? So if we look beyond this year into 2017?

Secondly, just on your longer term iron ore demand outlook. Has that changed or are you still as bullish as you were last year at the iron ore seminar?

And then thirdly, could you just give us a sense what free cash flow the Pilbara is generating at spot commodity prices? With freight at \$3, with a \$13 C1 cash costs, I suspect there's a substantial amount of free cash flow.

SAM WALSH:

Look, perhaps if I let Chris pick up the first and third question and if I pick up on long-term demand for iron ore.

CHRIS LYNCH:

Well, the question was around can we envisage any situation where we wouldn't pay an ordinary dividend? I think it's highly unlikely but a Board decision and I guess we've given guidance no further than the 2016 transitional arrangements, but I should think it's highly unlikely.

With regard to the Pilbara free cash flow, you know the volumes, we have given you what the spot cash costs would be today and with this I think you can probably figure that out for yourself.

The capex requirement for Silvergrass is going to be much lower as we are seeing it today.

SAM WALSH:

In terms of long-term demand for iron ore, we still have confidence in this. As I mentioned, as the world continues to develop, urbanise, industrialise, whether it's

China, the ASEAN nations, India, the Middle East, South America, Africa. All of these regions will require iron ore and steel as they urbanise.

I think there are some aspects that people are overlooking in relation to the impact of infrastructure spending, across the world and certainly in the ASEAN regions, the one belt, the one road, the new Silk Road, the Asian Infrastructure Investment Bank is focused on opening up trade, opening up ports and infrastructure and of course all of this will require steel. So we are going through a transition period.

Nobody quite understands what the new normal means but I think it means that things are not going to be quite as they were in the past and we need to adjust to it, we need to be responsive to it, and that's exactly what we're doing both in terms of our profile for iron ore future production but also in terms of what we're doing in terms of repositioning the business today, in terms of further improvements to our cost, further reductions to our capital and a revised dividend policy.

With that, let me take a question from the telephone lines.

QUESTION:

Good evening. In regards to the iron ore side, Silvergrass at about \$500 being the updated capex. Is that in the growth projects rather than the sustaining business capex? Also just in terms of sustaining business capex for the Pilbara, on a dollar per tonne basis where does that sit us with the cost reductions?

And finally just in regards to Silvergrass, where does that get you towards filling up your infrastructure capacity of 360 million tonnes and how does the sort of current thinking about when Koodaideri is required to keep that running at 360 million tonnes in the future?

SAM WALSH:

Let me perhaps pick up on those. Silvergrass I think, as you know, we have actually already started Silvergrass in a trucking operation through to the Brockman 4 plant. It was nicknamed by the iron ore folk, NIT 2 and it's actually a trucking of Silvergrass product, around 10 million tonnes into Brockman.

Silvergrass is all about maintaining the Pilbara Blend and retaining the specification/quality, grade, of the Pilbara Blend product.

Pilbara Blend is critical to us in terms of optimising our products. As you're aware, we blend 13 of our products to produce Pilbara Blend, to optimise iron content, phosphorous, silica, alumina and that enables us not only to provide a base for the foundation of burdens for the steel blast furnaces but also it underpins the price establishment in the spot price being such a major element in the iron ore seaborne trade.

But let me emphasise that bringing on Silvergrass is aimed at maintaining spec, not bringing on extra tonnes. Although we have announced that we now have 360 million tonnes of infrastructure capacity, rail and port, in the Pilbara, at this stage we're not taking full usage of that and this is really phasing the implementation to more match the market for iron ore.

In relation to cost per tonne, Silvergrass will be highly competitive against our existing operations and the project has a very, very good return.

In relation to Koodaideri, Koodaideri is a future prospect for us. The iron ore team is looking at exactly when we should implement Koodaideri with a view to continuing to push that out for as long as we can.

Do we have another question on the line?

QUESTION:

Thank you very much.

Just with the dividend cut, there is obviously a lot more available free cash flow, yet the Pilbara isn't running at 360 which is what your infrastructure capacity is. Given the cost reductions in the Pilbara and the attractive margins there why not accelerate a bit of that production to utilise that latent infrastructure? That's the first question.

Then the next one is on coal. You've obviously sold Bengalla and now Mount Pleasant. Should we expect further exits of coal assets or are you committed to retaining a presence in coal? Thanks.

SAM WALSH:

Chris, do you want to pick up these?

CHRIS LYNCH:

Yes, okay. Thanks for the questions.

The issue regarding the infrastructure, I think before we were to commit to capital expenditure we obviously got a big opportunity with productivity gains and that's our primary focus. The Silvergrass project is the one coming through and as Sam explained it's got as much to do with product quality rather than adding volumes, it actually doesn't add much volume. I think we've got an opportunity to take advantage of that surplus infrastructure capacity to see what productivity you can get out of existing operations.

With regard to the coal, as you rightly point out, we did have the two disposals that have been in the market recently, the Bengalla and then the Mount Pleasant project, ~\$800 million of value recycled out of the balance sheet.

Other than that, we have now got pretty much the best thermal coal assets in Australia. If you want to call them a good house in a bad street, that's probably not a bad description of the state of the market at the moment.

We are going to run those for optimising cash flow and earnings and it's important for our team that they get focused on making sure they optimise those operations. If someone wants to come along and pay us more than they worth or a price that we think is a good price then we'd entertain that, but at this stage we are running them for value and for cash and profitability.

SAM WALSH:

Thank Chris. We will have one more question on the line at this stage.

QUESTION:

Hello everyone.

The first question relates to a comment that Chris made in regards to all the assets needing to contribute to the Group, and I think the phrasing was 'a creditable improvement plan'. Could I confirm that means something more than just cash flow breakeven, that there's actually positive contribution and, if so, what time-frame the assets have to deliver this creditable plan?

CHRIS LYNCH:

Well, the plans are in place. We think probably 6 months is a reasonable time-frame for someone to demonstrate progress against the plan. There will be idiosyncrasies against any of these assets that will have to be considered, so it's not cut and dried but what we have got is a focus on making sure that each and every asset in our portfolio can generate cash and that's the first priority.

We would like them all to generate absolute profit but that might be a second step in some cases. So we have got work underway, we have got a very deliberate process going on about it and we'll update the market when there is something to update about.

SAM WALSH:

Was there a second question there?

QUESTION:

Yes, I've got a separate one as a follow-up. The capital expenditure now for the calendar year 2016 has about a quarter of it unallocated. Is there scope that some of this will not spent and therefore we could have a lower capex or is it just projects which are still pending approval?

CHRIS LYNCH:

More the latter than the former. The projects are well and truly identified and expected but not yet finally and formally approved by the Board.

SAM WALSH:

For example, Silvergrass at this stage is not approved. We are probably expecting that mid-year, and similar timing for OT Underground.

Do we have a question in the room?

QUESTION:

A nice change to the policy by the way but my questions are on that.

Over the years the defence of the progressive dividend policy has been "because that's what shareholders are telling us they want". Does this change mean you are getting now a different message from the shareholder base or the Board has taken this decision separate from the shareholders?

Secondly, and probably more for Chris, this change in capital allocation, so we have got the front end of it, what it means to the shareholders in terms of dividends, in terms of your team Chris and the strategic work going forward, how you are changing the systems internally to match, or how has the thinking changed internally in terms of the investment process, the buy-backs versus acquisitions etc?

SAM WALSH:

Firstly, if I could answer on the dividend policy, and Chris if you could pick up on the capital.

I think it would be true to say that there is no definitive view from shareholders as to exactly what the policy should be. Except that a strong balance sheet is important for the business and, secondly, that we recognise the market realities. Of course there has also been a lot of criticism of progressive dividend in a cyclical industry.

I think the action that we've taken, not only on dividend policy but on operating costs and capital, is actually a pro-active step recognising the market environment that we sit in. Quite frankly, it's not just a situation that Rio Tinto sees itself in, the entire

commodity industry does, oil and gas does, various aspects of agriculture, banking, and a whole range of areas.

As you said in your opening comments, we need to be responsive to that. We come from a position of strength, it's critical that we maintain that strength, it's critical that we get the balance right so that we maintain a strong balance sheet while actually taking pro-active action internally in terms of what we doing to contribute to that.

I don't think anybody in this room actually predicted that commodities, oil and gas would be where it is today.

More importantly is that we take pro-active action, in a way you can say we are taking a leadership action, but we taking pro-active action to ensure the strength of the business going forward and having a strong balance sheet is fundamental to what we do.

Chris, capital allocation.

CHRIS LYNCH:

Well, in terms of internal process and systems I think it probably has a genesis really in the overall focus on cash. Any project now will have to go through fairly rigid project planning but also look at ways of optimising the cash outflows on the project in terms of what's the best way and timing to spend that money.

Regarding the dividend, and we've talked before about some of the changes we have put in place over the last couple of years with things like the evaluation committee, prior to investment committee, prior to Board etc.

So I think that rigour is just being reinforced and I think we have got people on these committees that are adding to things like ore body knowledge etc. I think you are entitled to assume that we do that and do that well.

The capital allocation framework, actually works better under the revised policy because as we are planning any sort of period we can look at the sustaining capital, there will always be an estimate about what the ordinary dividend would look like and the rest becomes far more vibrant in terms of other forms of return over and above any ordinary dividends.

It might be a special dividend, it might be a buy-back but it will be situations specific as to what the total form of the overall returns to shareholders would be in any given period. That's the intent of the thinking. There would be an estimate plugged in for the dividend, there would be an estimate plugged in for growth capex, there would be a view about where we are with the balance sheet, there would be a view about do we have capacity for further returns, and that would become a bit more iterative than it was in the past even.

SAM WALSH:

Just coming back to the dividend point, it is important to recognise that the Board represents shareholders and is elected by shareholders and they have a very strong focus on maximising shareholder returns given the economic circumstances, and that's what physically drives them.

If you look over the past 5 years, Rio Tinto has generated \$25 billion of shareholder returns. If you look at the 2015 result, the Board has maintained the commitments, the expectations that you had of a full year dividend.

Recognising the transition to the new policy, the Board recognises that there was a need for a stepping-stone and that's the underpinning of the 2016 dividend with providing at least \$1.10 of dividends per share.

So look, I think we are recognising the realities of the market, we are responding proactively to that, we are watching what our competitors are doing but we are playing our own game, we are playing what actually suits us and will deliver maximum returns to shareholders over the short and longer term.

Do we have another question in the room?

QUESTION:

A quick question again about the dividend and a bit of a follow-up on Chris' answer earlier.

In terms of how certainly income-focused investors think about investing in Rio going forward, the split in terms of the total shareholder returns is going to be important to them.

Presumably, there is a thought, even though you are moving away from a progressive policy, that you probably don't want the ordinary dividend being massively volatile in the first few periods at least. So there must, I would have thought, have been some thinking and discussion in the Board and management around how that split looks from 2017 onwards in terms of where that ordinary dividend kind of spits out.

Now I know you are not going to give us forecasts around what the earnings are but some idea and some context around the discussions on the split between the ordinary dividend and the kind of top-ups to shareholder returns would be great?

SAM WALSH:

Thanks. And you're certainly right there was a massive amount of discussion, as you would expect. But Chris, why don't you try and summarise it?

CHRIS LYNCH:

Look, I think the first conversation is really about total returns. The one point under the new policy is that whilst there will be variability there is capacity for greater participation in the up-cycle and a commitment to a balanced approach – I'm not saying 50-50 – but a balanced approach to allocation of growth capital and allocation of the returns to shareholders.

I think the precise form is always going to be a situation specific conversation whenever the decisions are being made.

You rightly point out that I'm not going to give you a forecast for 2017 and beyond and so on. The key will be the primary ordinary dividend and then there will be the capacity for further returns and the form of those can vary between a bigger ordinary, a special, or there may be buy-backs involved. But the total return to shareholders will be the first decision and the second decision will be about the form of them.

SAM WALSH:

Thanks Chris. Another question in the room at the back.

QUESTION:

Thank you very much. Two questions if I could.

The first is you mentioned every asset sort of earning its own way but then with regard to, say, Kennecott at spot, it doesn't have any benefit of the US dollar exchange rate being a US asset, at spot prices I make cash flow breakeven, if not negative and you are investing \$600 million in the life of mine extension. So, on that basis, did you ever sort of consider deferring or cancelling that given the incremental spend is still all in front of you for that Pushback?

And second, based on that, do you have any estimate for what the future operating costs of Kennecott, post that life of mine extension, will be to sort of put it in a position where it will justify its inclusion in the portfolio?

SAM WALSH:

Chris, can you pick that up?

CHRIS LYNCH:

In terms of the first issue, Kennecott is a cash positive asset for us. It is also earning further cash from processing other concentrates through the smelter. The issue regarding the capex profile at Kennecott is twofold, there is some work going on to continue the de-rating of the East Wall and there are further projects for the South Pushback.

The South Pushback, is something that is under review for whether we can do a different phasing of it and those sorts of issues, but that's the ordinary course of business there. Going forward I think it is one where we have got a period here where we have got a long-term view about the ultimate life of Kennecott being extended significantly by the South Pushback.

So that's one where you would have to have a balanced view about the immediate versus the longer term benefit of it and what would be the transitional arrangements if you were to do something different.

SAM WALSH:

Okay, let's move back to the phone lines. Do we have another question there?

QUESTION:

Hi gentlemen, and thanks for taking my question.

One question maybe when you discuss M&A and your focus on Tier 1 copper assets, do you mean by this that you're more attracted by existing producing assets or would you still consider Tier 1 projects or has the experience of Oyu Tolgoi somehow cooled your appetite for such large projects?

SAM WALSH:

I think our focus with acquisitions would be primarily looking at operating assets that are generating cash flow.

Of course we have our own development projects in the pipeline, as you mentioned correctly, Oyu Tolgoi Underground, but also the Resolution project and the La Granja project are two further copper development projects that we have in our portfolio.

Do we have another question on the line?

QUESTION:

Thanks a lot. Just a follow-up question on iron ore.

I am just interested in your comments around defending sort of the Pilbara Blend and not overly concerned on volumes, just so that we are touching on non-Pilbara Blend assets and particularly Yandi. You have got a mine life there until 2021. Is there a plan to spend more capital there in a sort of free window given that it's going to be another two or three year build to push it beyond 2021?

SAM WALSH:

You are right in relation to iron ore products, in the Pilbara we the Pilbara Blend, we have Yandi and we have the Robe Valley product.

With Yandi there are certainly further options for us beyond the life of the existing projects and we will be looking at these down the track. They are not immediately in the pipeline but of course with our evaluation work we are continuing with our infield drilling and exploration work around existing operations.

The world is a very different place when you are producing about a million tonnes a day out of the Pilbara and we need to ensure that we are in fact front-loading the system with this drilling programme.

Do we have another question on the line?

QUESTION:

Chris, a few questions for you and now that I know JS is in the room this is pretty relevant.

Just on your capex guidance, your \$2 billion drop in 2017, that's huge, that's a big number, part of this is FX and part is lower contracted rates, and I understand that,

and you've given a lower number for Silvergrass. But have you assumed any savings on the OT Underground due to the lower capex environment? That's question number one.

The second question is actually on Escondida. For me this is actually a massive standout in the second half, reported EBITDA just \$89 million during the December half, and costs are well above what we've been guided in the recent site visit, and I just wondering if you have any sense as to why that was? Thank you.

CHRIS LYNCH:

If I address the first one, the capex guidance anticipates Oyu Tolgoi as we have it today, the level of cost today. That feasibility study is still ongoing and so it is being reviewed very, very thoroughly as to whether or not we can get a different outcome on the capex requirement.

With regard to Escondida, JS would you have any particular granularity about it?

JEAN-SÉBASTIEN JACQUES (Chief Executive, Copper & Coal):

Yes, the main impact for Escondida in H2 was grade-related and that's the driver of why the EBITDA dropped. We expect that as and when the desalination plant comes on line in early 2017 we will come back to normal production level and normal cash flows.

SAM WALSH:

Thanks very much. And thanks Chris. Let's move back into the room with the Q&A. We have one here.

QUESTION:

Good morning. Just two brief questions.

The first one is on the price deck and your assumptions behind it and the comment made earlier. The Board clearly would not be human if it did not push back harder on the numbers that the executive board brought to them about long-term demand and price decks and all that kind of stuff.

Can you talk us through what discussions have taken place and if changes have been made to this long-term outlook, especially with Chinese consumption is still shrinking, as you said 4 to 5 per cent, and no change in sight? And if no changes have been made, why not? Why react in the way you did with the dividend, the capex, and the costs which makes total sense, but not on the assumptions underlying all of it?

SAM WALSH:

Okay, let me pick that up. Certainly there were significant discussions with the Board on the outlook and on our dividend policy and the Board quite rightly expected that management would put forward a combination of target areas to improve the outlook for the business.

There is no question, that as an organisation we were surprised with the drop, the extent of the drop surprised us in the fourth quarter of last year and I think that raised interest and concern from the Board regarding the volatility that we're seeing in the market place and ensuring that we maintain the strength of the balance sheet but also providing shareholder returns and growth.

It is volatile. Our economics people I think for the last three months of last year revised their outlook, short-term outlook, each month and it was only heading in one direction.

As you know in the short-term period – 2 years – we use a combination of spot and analysts' views on pricing as the basis of our short-term view, and it's been very, very volatile.

In relation to our long-term look at the market and pricing, we do that progressively during the year. But to be quite frank, the Board's focus was more on ensuring that we move solidly through the downturn cycle rather than necessarily focusing on the long-term view.

I think it was also driven by the fact that a number of people have criticised the progressive dividend policy in a cyclical industry and that criticism I think was worthy. It works, to an extent in the up-cycle, it could work to limit shareholder returns, but in the down-cycle it becomes very, very difficult and that's really why the Board has made the decision that it has.

Do we have another question in the room?

QUESTION:

Very briefly, and it is a slightly difficult one to answer maybe, but how did the Board come to the \$2-\$3 billion of growth capex as the right number? Was that based on this is the cash flow available, the quality of the projects or that there were projects we can't really get out of because we may lose our license to operate?

SAM WALSH:

The capital is what was put forward by management and the projects that we see necessary to continue growth. If you look at the three projects, they do have very good returns. If you look at Amrun, South of the Embley, half of the project is actually replacement tonnes, as we move to the end of the life of East Weipa we do need to have replacement tonnes.

The best option for these, is South of the Embley, Amrun and to operate that you need to put in new infrastructure, you need to put in a new port and other infrastructure facilities. Once you do that, with the expectation of growth in the bauxite market, the export tonnes become very, very attractive. Amrun, is one of our very best projects but it's also required to actually maintain the replacement tonnes for East Weipa.

Silvergrass, particularly with the low capital the iron ore team have developed, and we are challenging them to further improve that, again it's a very attractive project but it's required for us to be able to maintain the specification of the Pilbara Blend. There is huge value associated with maintaining the spec of Pilbara Blend.

It also means that we optimise our capital facilities in relation to the number of stockpiles we require at our ports, in relation to the ability to be able to swap product from the Dampier East Intercourse Island Port structure and the Cape Lambert Port structure. So it means we have a very robust, very consistent supply there.

Oyu Tolgoi again is a highly prospective project. We had already commenced work on the Underground and have invested around \$500 million at the time that we stopped the project due to concerns that the Mongolian Government changing the basic agreement.

We went through a 2½ year hiatus period whilst JS and the team negotiated and I think that a good, fair and equitable agreement has been struck that enables the project to go forward.

We do, as you know, have binding commitments from 25 banking institutions for the project finance for the project. And our view is looking at copper going forward and looking at the difficulty that people have bringing on copper projects that OT Underground is going to be a very important part of copper supply going forward. So it's really a combination of those factors that the Board has taken into account.

Now of course the Board will individually approve projects as we bring these forward.

I am expecting that both Silvergrass and OT will go before the Board around mid-year, but the same process works across the entire organisation whether in fact it's sustaining capital or development capital, depending on approval levels and amounts, it goes through the same process.

So even though we develop an annual plan for the organisation there is no capital amount, no project, that is actually approved as a result of that. Business units still have to develop the business case and prove that the project is in fact attractive and one we should be investing in.

I think we've probably got room for one more, and you have got your hand up first.

QUESTION:

Thanks.

Over the course of the year we saw a contraction in the equity book value of the company of about \$10 billion. Part of that was obviously driven by the dividend but

also by impairments and currency movements. So I was wondering sort of what the scope for replication of that impairment and currency move trend is into 2016 and the associated implication of that on the gearing ratio?

CHRIS LYNCH:

That's a very good point. I think the one you missed out on in your causes was the buy-back as well.

It is something we have got to watch, the currency one in particular. We get that the benefit into the operating cost side of things but this amount can vary from balance to balance is a bit of a problem for us in that regard.

We will be looking at ways that we can minimise that volatility, we have it as an outcome in that process but it's not something that we get overly concerned about because the underlying US dollar debt and the underlying US dollar interest cost is unchanged, so there is no real economic impact to it.

It is something we can monitor and watch but, as you saw in the data today, it probably cost us at least one percentage point on net gearing, maybe a bit over one percentage point in that regard.

So it is something that we are monitoring, but not a lot we can do about it, and then the question would be what would be our response if it took us too far? This has been a pretty heavy period with the Australian dollar and the Canadian dollar which was probably the bigger impact of the two.

SAM WALSH:

Thanks Chris. If I could thank everybody for being here today and thanks for those that are on the line.

We have announced today strong results in a very challenging environment and I hope that our presentation provided you with the focus that we are not sitting back resting on our laurels. We are an organisation that's very focused in taking pro-active action, an organisation focused on the future and ensuring that we can continue to provide long-term sustainable returns to our shareholders. Thank you very much.

(End of Q&A session)