J-S JACQUES (chief executive):
That's the end of the formal presentation and we will take the Q&A if there are any. What I propose is we take a few questions from the room first and then I'll move to the people on the line.

QUESTION:
A few questions for you J-S and also Chris on the Iron Ore division. A lot of talk about I guess your approach to how you look at volumes and costs and cash flow. If I look at slide 36 - the slide you have on when you build Silvergrass and complete Silvergrass - and with productivity gains across trucks and the processing plants etc., you will be at 360 Mt and understanding that reliance on Autohaul® targets being achieve.

So your target for next year is 330-340 Mt, you'll be in 2018 clearly at around the 360 Mt mark, so the question I have is if the market is not there are you prepared to implement the value over volume strategy by actually curtailing operations? That's the first question please.

J-S JACQUES (chief executive):
Maybe I'll say a few words and then I will turn to you, Chris, if that's okay.

We are very clear, value over volume; it is about the optimisation of free cash flow. That's what it is about. As we explained, the volume is an outcome of the optimisation; it can go up or go down. That's the first one.

The second point I want to make, is the Pilbara system is a big system and there are three buckets, and Chris will come back to this point. We have got the port, we have got the rail which is a bottleneck today, and we have got the mines. What we are trying to do in order to ensure that we maximise the value from our system is to create optionalities along those three buckets: the ports, the railway and the mines.

Once we have the optionality what we will do is to make sure we understand fully what is the best outcome, what is the best set of parameters in order to make sure we maximise the free cash flow coming from the system, and if it means reducing the volume we will do it.

But at this point I'll turn to you, Chris, to explain how with your team you are going to look at it – well, you are looking at it already – and how you are going to look at it going forward if that's okay with you.

CHRIS SALISBURY (chief executive, Iron Ore):
Thank J-S. You are absolutely right, with Silvergrass and a small amount of productivity improvement we will have mining capability for 360 Mt, as I explained in the slides, remembering our rail is the bottleneck. The bottleneck is improving Autohaul® and other capital improvements. I want to emphasise we are expanding the use of Autohaul®, it's not something that's on-off, so it is not going to be as crisp as we get to 2018 and suddenly we have achieved our goal. It will still be further optimised beyond 2018.

Your question around volume over value or value over volume, if there is value in expanding through productivity then of course we will do that; if not, we would then bank any further productivity improvement that we can achieve in the mines as cost, to find a way to operate the mines at a rate that suits the volume we are operating, to bank that as a cost down opportunity.

QUESTION:
For the second question, actually I'm going to switch focus and ask a question to Alf just on the bauxite market. Clearly the outlook looks pretty positive and you are saying China will be importing 100 Mt of bauxite in whatever year that is, probably post 2020.

There is a lot of activity in Guinea at the moment, not just for yourself but other companies, for example Weiqiao has gone from zero to 20 Mt in exports out of Guinea in a very short space of time. You have got Rusal there looking to develop projects, and other Chinese companies, and you yourself are looking at expanding CBG I think from 14 Mt/a to 20 Mt/a or thereabouts.

Are you concerned about the level of exports out of Guinea? And also if you 'press the button' on CBG is that not actually just eroding value on Amrun? Thanks.

ALF BARRIOS (chief executive, Aluminium):
Thank you for the question. First of all on CBG, just to be sure of a bit more information, yes, the project was approved and is underway to increase production in CBG from 14.5 Mt to 18.5 Mt. That volume is already committed to EGA's refinery in the Emirates, so that will not be going into China, and it's new demand that is being generated by that refinery being commissioned.

In terms of our outlook for the bauxite market, yes, we see potential increase in imports of about 100 Mt by 2030. When we look at all the possible alternative sources of bauxite and the mines and the depletion of mines we still see opportunities for growth taking into account the projects underway in Guinea, taking into account that Indonesia will sooner or later come back on to the market one way or the other. Malaysia it is more of a short term supply option. As you know, the resources there are limited but that will come back into the market, but clearly by 2030 that will not have an impact.

So when we look at all the different potential additional supplies we still see significant room for new parties and ourselves to capture additional inputs into China.

As I was saying in the break as well, I think we are very careful in terms of how we move forward and make sure that we are focused on value over volume. So we will be ready with the options we have. We have a number of options in Cape York, we have options in CBG and we have options in MRN. We will get these options ready and we'll decide at the right moment in time, and when we see that opportunity with our customers we will then decide to proceed and continue increasing our volume.

J-S JACQUES (chief executive):
Maybe just to combine the iron ore question and the bauxite question, value over volume doesn't mean pursuing market share for its own sake. Let's be clear, we are not driven by market share, what we are driven by is our ability to max out, to maximise the free cash flow from our system. It can be the iron ore system, it can be the bauxite system, it can be aluminium. We are not driven by market share and that's what you heard both from Chris and from Alf.

In the bauxite space it is all about optionalities and as and when the markets develop what we want is to be in a position to bring online the right capacity with the right quality of product for the right customer at the right point in time. But we are not in a rush; we need to be ready for that. And in the context of iron ore it's the same but in a slightly different way. It is to say let's make sure that we understand exactly what our decisions are in order to make sure we maximise the free cash flow.

The productivity end goal, maybe just to go back to your first question, is the following and is to say, as and when we improve the productivities we have two ways to value it. There are two ways, either you produce more with the same cost base or you produce the same volume with a reduced cost base. The decision-making process will have to be specific to each community, each asset, in function of the market conditions. That's very important and that's why we need to understand and that's why the commercial return is so critical for us. We need to understand exactly what is happening in the market place in order to make sure that we take the right decision on how we are going to translate the productivity improvement in terms of dollars either with an increased revenue or there will be a reduction of cost. They are both the scenarios, and beyond there we will have better margins and we will have better free cash flow. I hope I've answered your question.

Any other questions in the room?

QUESTION:
Just following up on iron ore again, in one of your slides you had I think 30 per cent of your product currently has been beneficiated, so I just want to get a sense in terms of the challenges for your and other businesses in the Pilbara. Through time, over the next 5-10 years, how will that number change as you go further below the water table in more mines and how will strip ratios change through time? I want to get a sense of understanding what the challenges are to maintain or even better your current cost position. Some of your competitors do make that information available.

J-S JACQUES (chief executive):
Let me make the point very clearly again, what we are trying to drive is the margin. We are trying to optimise the margin. Cost is important but the quality of the product is very important as well because in a very uncertain environment when the market goes down, if you have a low quality product, then guess what will happen? So once again it's about value over volume.

And in the context of iron ore, people should not forget that the quality of a product, for all the reasons that Chris mentioned before, is absolutely essential because I can tell you otherwise if you sell low quality product in the next downturn in order to place your volume you are going to have a big discount.

But on this and back to your question now, maybe I will turn to you, Chris.

CHRIS SALISBURY (chief executive, Iron Ore):
Thanks for the question. Just firstly on strip ratio, and I understand that people like to know strip ratio because it's an analogue for operating cost. But I would like to say that it's not necessarily the best analogue at times because operating costs can also be influenced by, as you pointed out, the degree that you have below the water table, haul length, mine cycle life and so on, so we don't place a lot of weight in just looking at strip ratio. But perhaps to give you some comfort, over the next few years we see our strip ratio remaining constant.

Your second question, below the water table, yes, we will see increases in the proportion of below the water table treatment that we have, hence come back to our really laser-life focus on the productivity, particularly of our plants, improving both the operating cost but more importantly the productivity, the recovery, the maintenance effect and all of those things, because it is going to be an increasing burden for us.

J-S JACQUES (chief executive):
Thank you, Chris. John, if we can take a question from the line.

QUESTION:
Thanks very much. Two more questions on iron ore. One of your slides looked at 20 per cent of the mine fleet being automated. Can you talk a bit about how much you expect to roll out automated trucks given the 15 per cent cost saving that they generate? Is it possible to get that up to, say, 80 per cent or can't it necessarily be rolled out at certain mines?

Then the second question was just on the broader iron ore outlook. There wasn't as much detail in this presentation pack about that. Are you still expecting Chinese steel production to peak at a billion tonnes? Thanks.

J-S JACQUES (chief executive):
Chris, if you can pick up the first question and I will deal with the market outlook.

CHRIS SALISBURY (chief executive, Iron Ore):
Thanks. In terms of your question, we are at 20 per cent AHF, automated truck fleet. We are continuing to expand the fleet, albeit slowly. For instance, in Silvergrass we are seeing a very small expansion in the trucks that we require and they will all be automated.

But I think to be realistic if we want to make a step-change we need to look at retrofit, because we are not going to throw away the trucks we have, and we'll make an assessment each time the opportunity comes up about replacement. But I think that's why we are exploring the retrofit option particularly where we have common trucks fleets, so that's a piece of work we have underway.

J-S JACQUES (chief executive):
Alright, so I am gong to pick up the second question about the iron ore market and maybe I'll have a broader answer here. I will cover the Chinese outlook and then move to the iron ore. We are spending a lot of time in China. Chris and I were there two or three weeks' ago for the 50th Anniversary and we had the opportunity to meet with all of our customers, and not only customers but suppliers as well, and we are clear, we are as we said cautiously optimistic about China, with a measure of concern about the Chinese economy in the foreseeable future.

I put a caveat for obvious reasons depending on what may happen from a geopolitical standpoint and a few others, so I put a caveat there. But everything being equal the Chinese economy, the underlying Chinese economy, is going well and as we mentioned earlier today there is lots of credit, lots of cash being put through the economy and including the so-called old economy and therefore the Chinese economy is very healthy.

Now in relation to the different steel market scenarios, the big uncertainty that we are facing today in relation to China is the speed of the restructuring of the so-called SOEs, the State-owned enterprises, and there are some good examples and there are some bad examples as always. I am sure everybody in this room has been surprised about Coal, and I can tell you we have been surprised, by what the Chinese Government did on the coking coal market this year; nobody saw it.

I think you can say now that for sure at some stage the Government increased capacity and coking coal prices will go out, there is no doubt about it. But here it is very important to understand that there is lots of uncertainty and when we spend lots of time talking to our customers/suppliers – the beauty of Rio is we have a shareholder, which is China Inc, so we have got some pretty good insight on what's happening.

There is a key source of uncertainty about the speed of restructuring of the SOEs that could have a positive impact or a negative impact, and in the scope of the SOEs you have got steel, you have got aluminium, you have got coking coal, you have got iron ore. The capacity, the installed capacity, for iron ore is 400 Mt. If you would have asked me the question 6 months ago I would say we believe this year they are going to produce 230 Mt. Today all the signs are they are producing 260-270 Mt.

In relation to steel, clearly the Government have stated that they will restructure the high-cost operations, but when I look at the statistics today everything seems to be working at full capacity.

So in relation to China because of these uncertainties we are working with multiple scenarios. We have lots of fancy names, 'Chinese malaise', 'kicking the can' and what else do we have, Chris? I am sure you know some of the names.

CHRIS LYNCH (chief financial officer):
Well, we will come up with those later!

J-S JACQUES (chief executive):
The point I just want to make here is a very important one, with the level of uncertainty in relation to the State-owned enterprise restructuring, no-one can work with only one scenario and all our plans are tested against different scenarios. What we want to make sure is that under any kind of market and pricing environment or iron ore pressures through the right cross-position and the right product quality all our free cash flows are positive and therefore we can create value for shareholders.

So to answer the question in a very blunt way in relation to China and in relation to steel making in China, we work with multiple scenarios. I had the same question in August and I said that we work with multiple scenarios and our central case is not 1 billion tonnes. To be very explicit, our central case is not 1 billion tonnes, and I will leave it here.

Why don't we move to another question from the phone and then we will come back to the room?

OPERATOR:
On the phone there are no further questions at this time.

J-S JACQUES (chief executive):
I assume it's a good sign everything is clear, so why don't we go back to the room.

QUESTION:
I have two questions if I could. Firstly, I just listened to the presentation and you talked about having a low-cost, low-carbon position in aluminium.

ALF BARRIOS (chief executive, Aluminium):
In Quebec and in Canada.

QUESTION:

Okay. What I want to ask about I guess is clearly the Australian business is not bottom quartile, it is good to hear that it's cash flow positive, it runs off coal-fired power generation, and I'm just trying to understand what's the future for that business? We are seeing some of your peers close their smelting capacity now in Australia. That's the first one, just sort of how do you think about that part of the portfolio going forward?

Then the second one just looking at your comments about operating cash flow for next year being $10 billion, I just want to make sure I understand correctly what that number is - is that post tax? So therefore if I take out the $5½ billion of capital I've got $4½ billion I can distribute, so over US$2 a share.

I just want a big comfort that as company in my mind when I look at the market this year it has been all supply driven, not demand, that has got better prices, so as a company are you comfortable that that's what you are seeing as well and therefore there is no real need to invest and so that $5½ billion capex you have given us for the next three years is probably an upside case right now given the environment we find ourselves in?

J-S JACQUES (chief executive):
Before I turn to Alf on the aluminium question, I think we are very clear which assets we regard as world class in the context of aluminium. Now as you know not all the assets in our aluminium sector are first quartile, and you mentioned a few of those. Today they are in the portfolio, and you know what I am going to say anyway but thanks for asking the question, today they are in the portfolio and as long as they are part of the family and effective and free cash flow positive the future will be what the future will be. And you know I won't be able to say anything else.

We believe that there is an attractive market for aluminium and we have been very clear and have restated the position today. Our aluminium smelters are first quartile, or even first decile, in Canada because of the hydro-energy We have the base that we can build on and that will create value for our shareholders for the long term. Now we have assets outside – by the way, we sold one during the night and I hope you like it and understand that the price was very good.

QUESTION:
Yes.

J-S JACQUES (chief executive):
Thank you. At this point maybe I should turn to you, Alf, to tell us how we are going to make sure we create value on all our existing assets.

ALF BARRIOS (chief executive, Aluminium):
Thank you, J-S. Thanks for the question. I think the kind of assets that you are referring to here, the four smelters that we have in Australia and New Zealand, taking account of where they are in the cost curve if you look at the performance, and I have said it before, not only were they free cash flow positive in the last few years but even in the first half of this year those four smelters with the tough environment we're in were free cash flow positive. So moderately for the full year they will be free cash flow positively as prices have improved since the first half.

As J-S said, these assets are challenged from our perspective. They are assets which don't have the competitive advantage that some of our other assets in Atlantic have and, as I said in the past, we will continuously look at options for those assets which are not in the first quartile but don't have a clear path to get to the first quartile.

We are continuously looking at, and will continuously look at, options which are value-creative for our shareholders. In that regard clearly we are continuing to explore options on PacAl, but meanwhile they are a part of the family and they are delivering a very strong safety and free cash flow performance and they are very focused to continuing doing so in the years to come.

In terms of Lochaber, just to add on that, and thank you for the comment, I think the team has done an outstanding job in not only delivering on a value-creating sale but also very prominently on one of the priorities that we had set as a team, which was to try and find a solution which provided a sustainable future for Lochaber and economic benefit for the community.

We are very pleased with the number of interested parties in the assets but especially with the partner with which we signed the deal yesterday, which has committed to continue operating the smelter and invest in the area to continue delivering further economic benefit to the regional. Thank you.

J-S JACQUES (chief executive):
Thank you, Alf. Chris, you want to take the second question about the $10 billion?

CHRIS LYNCH (chief financial officer):
Okay. So first up, let's qualify that the $10 billion is based on Q3 this year's pricing and our expectation of volumes next year. None of that will be exactly what happens in 2017, as we all know, so let's worry about that when we get there. But the main thrust of your point, long before we get to decide what the 2017 cash flows are we have got to deal with the 2016 shareholder return argument as well, and that will happen in February. What we have got on the table at the moment is that it will be not less than $1.10 and that's the only sort of firm undertaking that's in the market.

But if you go back, and I will refer you back to the February's disclosures about the dividend policy or the returns policy, and the idea really is that the Board now has the opportunity and our purpose for us and the organisation that we work with is really to generate as much cash as we can and then give the Board hopefully a Type A problem about what to do with it.
So we have given the guidance about capex, and that's fairly modest as you point out, and if the $10 billion were the eventuality then that $10 billion is available to capex and then the cycle of balance sheet strength, further returns or other growth options and the like.

But when the Board sits down in February to decide, and that's February next year 2017, to decide about the final position for this year the issues they will have in front of them will be: what's been the performance for 2016; what's the state of the balance sheet; what's the state of the industry; what's our prospects for going forward; what are our growth opportunities etc? A lot of those parameters are in the market in the guidance. But that's the view.

Then the other thing that's there is the Board would like to reserve to itself an opportunity to have a balanced conversation between growth and shareholder returns. Basically everything I've just said has been published in February about what our returns policy is.

Right now we are in good shape balance sheet wise, I don't mind being a bit stronger with the balance sheet to be perfectly frank, and we shouldn't see the gearing range that we've talked about which is a range, if we are below that range at any stage I wouldn't see that as a problem – you know, the volatile market like we are in – and there's a lot of geopolitical uncertainty out there right now.

So that's where we are. I guess the next burst of news on that will be in February when we announce whatever it is, is the outcome for the 2016 year.

J-S JACQUES (chief executive):
Thank you, Chris. Any other questions?

QUESTION:
I have got a couple of questions, one on iron ore and one for Alf on aluminium.

On iron ore, we have talked a little bit about the value over volume. Silvergrass is generating an IRR of over 100 per cent, which tells us that as we sit today with all your capacity already installed at the port that the value argument is a volume argument. Clearly getting tonnes out once you have got that signed capital in there is creating value, you are getting those IRRs. It is difficult to see a situation I guess then post-2018 where in any sort of reasonable iron ore market you wouldn't be maximising that output. Can you talk about any scenarios where that wouldn't be the case?

Then on aluminium, I guess the industry has kind of disintegrated over the last few years. Do you need to own alumina refineries today and to have your bauxite business or could you close or dispose of alumina refineries and have a completely un integrated business?

J-S JACQUES (chief executive):
On the first question I will start and then I move to you, Chris. I am going to come back to Silvergrass. On Silvergrass, the value of Silvergrass is not its cost position, it is the quality of the ore. It is low phosphorus and therefore that involves us to do blending with higher phosphorus material in order to make sure we meet our Pilbara Blend chemistry, and that's why we actually believe – and I have talked to Chris on this one – is I actually believe that Silvergrass is not a volume play at all, it is a value play.

It is about doing the Blend and to deliver the best possible product to our customers in China and therefore being able to extract the best margin, the best cash flow for those products, and that's what we mean by value over volume. If we were only to be driven by volume then you push anything in the market place and that's not what we are doing at all but maybe, Chris, if you want to add on this one?

CHRIS SALISBURY (chief executive, Iron Ore):
J-S, I think you have touched on most of it anyway. Sure Silvergrass does add a little bit of volume, that's true, but as J-S pointed out it's also a very important part of our Pilbara Blend value-creation, the right product, and then of course it is also a cost play because it produces an expensive road haul operation with conveyors and so on.

When we get to 2018 we will be going through that cycle of testing what is the right volume to be operating at and if there is value there that's something we can consider at that time. So that's exactly what we are talking about.

J-S JACQUES (chief executive):
The other element which is very important, and I think we have tried to explain it, if you are only driven by volume and max out your volume what will happen is you are going to have to bring forward opening new mines and you may have an impact on the market as well in

terms of prices. What we are trying to do in the context of the Pilbara is to match up free cash flow and free cash flow is a combination, as we said, about the cost position, the relativity or the criteria of the premium and the capex.

The capex is becoming, and Chris gave some numbers today, a very important component. So producing everything you want will mean that you will have to open up new mines very quickly and new mines can be very expensive - you had a few metrics on the slide - and that's why value over volume is really about the optimisation of the free cash flow and just adding volume for the sake of it because we have some capital doesn't work.

We need to think through the equivalent of the "washing machine" (slide 19) in order to make sure we always study the impact on the market and we understand what it means in terms of depletion of the mine and what it means in terms of additional capex in order to max out the free cash flow. That's what value over volume means.

So the second question I think is on aluminium and I will leave it to you, Alf.

ALF BARRIOS (chief executive, Aluminium):
Thank you very much. Currently with the short term market outlook that we have on alumina we are very comfortable with our balanced position which we have and we believe it's important to secure alumina for a Tier 1 smelter position. The focus which we have in that segment is all around performance and improving that performance. You have seen the numbers. When I arrived, Yarwun was producing about 2.5 Mt/a; now it's between 3.1 and 3.2 Mt/a and we continue to increase production.

Similarly if you look at where QAL was at 3.4-3.5 Mt/a, it is now at 3.8 Mt/a, so we have really improved the production and stabilised it and in 2016 we were really focused on improving cash flow, and that's a focus we have in that segment. That said, we are not really stuck to the integrated model.

As you mentioned before, the market is evolving, will evolve, it's not very clear in which direction exactly, but it will evolve. But we will continuously evaluate it and make sure we are doing the right thing for our shareholders. In the future it makes sense to be shorter on our alumina position, we will evaluate it and obviously make a decision. But at this moment in time with the short term market outlook we have we are very comfortable with a balanced position.

J-S JACQUES (chief executive):
Thank you, Alf.

QUESTION:
I was looking at Steve's slide, number 73, the effective utilisation on the trucks, with a 30 per cent upside to the target. That seems like a notable gain to be pursuing. I was curious to know what effective utilisation captures and, just to confirm the time horizon, is that over a five-year period as there was a reference to the five-year goal when you were talking to that slide?

J-S JACQUES (chief executive):
I will pass that to Steve.

STEVE McINTOSH (group executive, Growth & Innovation):
In essence, the effective utilisation captures I guess just that for our truck fleet, so you know

how they are actually being used in those cycles across our different mines. One of the things we have to say is that to a degree this does depend on a whole host of different imports, different mines, and in some of our mining operations actually the haul truck is not particularly important in the overall scheme of things. They tend to represent the lower end of the numbers, it's probably more about the top end, so where we are seeing the highest utilisation rates.

In fact, one of the highest in the company at this time is Oyu Tolgoi and that's an interesting one for us because it's a new mine, four years old, and I guess to a degree it's been about implementing a culture in that mine of performance where to a degree they don't have bad habits, so they are very focused on trying to deliver the highest level of performance in the mines. They are very innovative. They want to be at the top of that league table, which they are today.

And so what we are looking at is the comparables to that and probably the variance issue that Chris talked about in his presentation. So even in the iron ore business we have a significant variance between all of our mines and we have level of variance between manned and autonomous fleets as well, so remembering that this also contains autonomous numbers and not just manned numbers.

The thing that we are really driving towards is to get everybody at least to the median, so let's not 'go for gold' necessarily, but if we move all of our trucks from where they are today to a median position and then you just simply look at the tonnes that would deliver through your system the reality is we're actually talking about hundreds of millions of tonnes of potential earth movement with the existing fleet. So no new capital, nothing done differently except really pushing on the optimisation piece.

The real key I think for Growth and Innovation is, what is the best performing operation doing with their fleet that we are not doing in our other operations? So really it is about unpacking the foundations for success for those: What are the tactics? What are they doing? It should make it clear to a large extent. It's the same equipment we are talking about as well. It is about taking those learnings from the best performing operations and moving that back seamlessly across all of ours.

I think this goes to the sort of horizontal excellence piece that J-S has talked about and the role that Growth and Innovation has, which is to connect the Product Groups to make sure that we are going forward really showing best practice and really delivering also tight forms where we capture the data in real time and we present that information both to the drivers, to the supervisors and to the managers in those operations so that they can actually use that information to help them improve the performance.

But it is a complex series as you unpack equipment and utilisation but, as I said, we are talking about a potential movement in the ranks of hundreds of millions of tonnes of additional earth movement with the same fleet.

J-S JACQUES (chief executive):
Thank you, Steve. I think what is very important is to say that the $5 billion is the first step, because here what we are talking about is about continuous improvement. That is what we are talking about. It is about making sure we share practices, we are consistent in the way we operate our trucks, our shovels and so on and so forth. So before we run we have to start to walk and that is what the $5 billion is about. Let us see if the $5 billion saving is sustainable, it doesn't disappear after year five and it's a backlog.

We have started the journey. We are absolutely confident, back to what Steve was saying a few minutes ago, that the potential, the priority, is massive in the next five years. Where we are today we are comfortable in saying we will be able with the pipeline of initiatives that we have, which is in the business, should be able to earn an additional $5 billion of free cash flow, and then we will take it from there.

I am sure as and when we continue this dialogue we will be able to provide you with more guidance beyond the $5 billion, but always we need to do things in a very phased and structured way. I am not going to, as we say in French, 'promise the Moon', but we are going to commit to the $5 billion, we have the way to do that, nothing is going to be easy and there is a lot of hard work to get there but we see a pathway to get there. So let's get the $5 billion under-the-belt, let's improve our cost, let's improve our product, let's improve our asset utilisation, and then we take it to the next phase.

QUESTION:
I have got two questions and sort of moving away from the productivity and optimising operations and perhaps looking a lot more at strategy. The Group is perhaps pulling out of Coal and I am curious to know in light of that what your thoughts might be on uranium? You are also winding down on ERA. You've probably been a little disappointed with your progress in Canada on the uranium front, but potentially a very, very important commodity at the bottom of the cycle. So I would like your thoughts on uranium and where it might fit in the Group?

And secondly, there may be M&A opportunities. We haven't really talked much about those, the emphasis has been very much on productivity and controlling what you can control, but there must be M&A opportunities all the time and I'm curious to wonder if the management team was to put that to the Board irrespective of scale whether or not you might get a good hearing considering the Board's possibly a touch jaded on that particular matter?

J-S JACQUES (chief executive):
Thanks for the question. I will pick up the second one and then I will move to you, Steve, on the uranium one.

On the M&A question, it's very simple. The model we have is you could say operates as a SMART Buy, and I using the word SMART in capital letters. We will pursue M&A only if there is a clear business case that creates value for shareholders - we will pursue any M&A only if there is a clear business case that creates value for shareholders.

Let me give you an example on Copper. If I look at the recent transactions, Zaldivar, Tenke, Morenci, a good price for the sellers. So we will continue to have an M&A watching brief, but I want to be very clear the threshold for us to pursue an M&A acquisition is going to be very hard. The 'alignment of stars' is going to have to be the right one and if there is not a sound and clear business case that will create value for shareholders we will not pursue M&A for the sake of it.

It's back to the discussion earlier today about value over volume and so on and so forth. We are not pursuing market share for the sake of it. There's lots of speculation about copper and we can grow copper and so on and so forth. We love copper but we are not going to pursue an acquisition in copper for the sake of it.

So, as I said, if I want to summarise the strategy from that perspective it is really about operating, productivity, improving the cash flow of the whole asset, and I hope you have heard that we believe there are lots of options, lots of improvement, and the $5 billion in the next five years. We feel we have a pretty healthy portfolio, we have three projects underway with highly attractive returns, Oyu Tolgoi, Silvergrass and Amrun, and we pursue M&A - SMART M&A - only if there is a clear business case.

Those discussions took place with the Board in September. You know that every year in September we spend two or three days with the Board where the management present their strategy. The strategy was re-endorsed and what we presented to you today and clearly we will have a watching brief in the M&A space with a facial which is all about value – that's where the value versus volume kicks in again – it's about value, it's about creation of value for our shareholders and not volume in the sense of seeking market share for the sake of it. So if I turn to you, Steve, about uranium if I may.

STEVE McINTOSH (group executive, Growth & Innovation):
Thank you, J-S. You specifically raised the issue about uranium in the Canadian context and clearly we still have the Roughrider resource which sits out there. It is a high-grade, high-quality resource, that sits in the Athabasca in Canada. For the last few years we have done a fair amount of work in terms of refining our overall knowledge, so we are comfortable that we understand the resource, and clearly as you said with a commodity that is near perhaps or approaching the bottom of the cycle.

Certainly there is no incentive to move that project forward at this time. We have done sufficient work to understand what our options are, to understand that resource and we just hold that, if you like, until we see the market conditions improve. We have a broader portfolio of land that we acquired both through the Hathor acquisition and also RTX which it has under its own right.

We continue to do a modest exploration programme in the Athabasca, partly because in fact the best time to explore is at the bottom of the cycle where access to high-quality ground like in the Athabasca is actually at a relatively low level, low-cost of acquiring good tenements. We are working our way slowly through, if you like, again because we don't see the market improving at any time soon. We have time on our side so we do set a pace that matches what we think or, well, is prioritised against the rest of the overall portfolio.

So we are comfortable with what we see in the Athabasca, we see some other opportunities, and then obviously at the right time we would have to bring that option to the Investment Committee, to the company, to decide what they want to do with it. And potentially again a very good fit in the concept of the incubator group, and it is already Energy & Minerals today, so I think it aligns very nicely.

J-S JACQUES (chief executive):
Thank you, Steve. I understand we have time for one last question.

QUESTION:
It's a quick one and it's actually one for Chris Lynch. One of your biggest assets, which you haven't talked about today, and that's your franking balance which is obviously quite relevant to Australian shareholders. Chris, what's the latest? And also on how you could deploy that given a strong free cash flow going forward?

CHRIS LYNCH (chief financial officer):
Yes, it is a perennial and if anyone's got the 'silver bullet' I'm more than happy to hear it. But

clearly there is an expectation of fully franked dividends going forward in the Australian jurisdiction and, as you are aware, the last share buy-back we did included the off-market transaction in Australia which utilises quite a bit of franking credits and allows that discount, a 14 per cent discount, to the market at the time.

But one of the charges is really keeping the balance of the DLC such that we don't dilute the Australian stock too much. So we haven't got a clear path to how to get the franking credits into the hands of the shareholders any more than we are currently are doing, so they continue to build given the profitability of the Australian business.

It's an area that we continue to monitor and it's one that we understand the value of those, and they are more valuable in the hands of the shareholders than they are on our balance sheet so it would be good to get them in motion, but I don't have a 'silver bullet' for that.

J-S JACQUES (chief executive):
Thank you, Chris. I have got to close the meeting, so thank you for your questions. Before we close I would just like to restate our strategy centres on our key strength, world class assets, strong balance sheet and operating excellence. Our focus is on generating cash and together with our relentless capital discipline this means you can expect us to deliver superior shareholder returns through the cycle and invest for the long term. For us it's all about delivery in every corner of the business day in and day out. Thank you.

(End of Q&A Session)