London Investor Seminar

Slide 1. Sam Walsh - Delivering sustainable shareholder returns

Slide 2. Cautionary Statement

Good morning and welcome to our London 2014 investor seminar.

Slide 3. Delivering on our promises

Today the focus is on our Aluminium, Copper and Diamonds and Minerals businesses.

However, to put everything in context, Chris and I will set out some key points and Andrew Harding will then provide some key highlights on iron ore.

So before I hand over to the members of my executive team here today, let me share some of the highlights of the progress Rio Tinto has made since Chris and I took over in early 2013.

We've improved our business by reducing our costs. $4.4 billion to date, and by the end of 2015 this reduction will total $5.4 billion.

We've also reshaped the portfolio, recycling $3.5 billion of capital through selling non-core assets, since the beginning of 2013. And, as you would expect, we'll continue to optimise our portfolio over time, as we look to recycle capital, where we believe assets no longer form part of our core portfolio.

We've strengthened our capital allocation and expect our capex to be under $8.5 billion this year; a third less than last year. And this is not at the expense of value-adding growth - by spending wisely, we've delivered copper equivalent growth this year of six per cent.

Taking these steps, enabled us to reduce our net debt by $6 billion over the last 12 months, reaching our mid-teens target and bringing our gearing ratio down to 22% at the end of the first half.

These are all seriously impressive achievements, which are transforming our business into a more streamlined, accountable organisation – positioning us well to deliver materially increased returns to shareholders on a sustainable basis.

Slide 4. Our commitment to shareholders

Our confidence in our ability to deliver industry leading sustainable returns, is due to our portfolio of tier one assets, our financial discipline, and operating and commercial excellence. All of this is founded on an absolute commitment to integrity and safety.

Slide 5. Safety is fundamental to our business

Indeed, safety for us is fundamental to what we do. For any mining company, there can be few more visible and outward signs of operational capability and integrity, than safety. And our aim is to strive for a zero fatality work place, and maintain it.

Slide 6. Succeeding in a challenging market

Although the long term demand fundamentals for our commodities remain sound, the near term is more challenging.

But against this backdrop, Rio Tinto thrives. These dynamics only play to our strengths. It's when our competitive advantages come into their own.

Our strategy of investing in long-life, low-cost, expandable assets means that we'll continue to generate strong cash flows from our key commodities.

We also lead the industry in technology and innovation, which is a clear competitive advantage. Operating excellence will sustain our leading low cost position and drive our operations even further down the cost curve.

Our relationships with customers and partners have been built over many decades. Supplying high quality products, which have been developed to meet their needs, is the basis of our business. The strength of these relationships should not be underestimated.

Lastly, our strong and efficient balance sheet, gives us confidence in our ability to deliver sustainable returns throughout the cycle, and to continue investing in value-adding growth.

Slide 7. Energy

In Sydney, Harry Kenyon-Slaney set out the improvements that we have made in our Energy business.

This division is now leaner, more productive and more commercially-focused than ever.

The business has been re-engineered around a simple and clear objective of maximising sustainable value to shareholders.

Demand for energy from Asia is forecast to grow, and our businesses are well positioned to meet this demand. Coal remains the cheapest and most easily available source of energy. Increased environmental requirements favour our suite of higher quality products.

Our operations and marketing teams are delivering excellent results. Between 2012 and June 2014 Harry and his team have produced almost $800 million in cash cost savings. And further product development to meet customer needs has ensured the capture of additional premiums across our product range.

Last week Harry announced the increase in reserves at Hunter Valley. Considerable work has been done to leverage our prime position in the Hunter and to extract operating synergies from across existing mines, and potential new production capacity.

This will be done by running our mines, and the associated coal logistics network, as one system, which will improve efficiencies, offer greater value and be under-pinned by our strong and enduring relationships with customers.

This work has already commenced, and will be our main focus in 2015.

The business environment for coal and uranium remains tough but the actions we have, and will be taking, are delivering the desired result of a leaner business that is positioned to deliver better results for shareholders when conditions improve.

Slide 8. Technology & Innovation

Last week Greg Lilleyman set out the work that has been done in Technology and Innovation. Our capability in T&I is a clear competitive advantage, which is difficult for others to replicate. Operating excellence will sustain our leading low cost position and drive our operations even further down the cost curve.

The industry is increasingly faced with more complex geology, higher environmental demands and cost pressures.

Our commitment to technology and innovation will continue to set us apart from our competitors, and allow us to take advantage of opportunities that may not be available to others.

We are creating significant value by leveraging technology and innovation to deliver projects, improve productivity and introduce innovations.

With our driverless trucks improving utilisation by 14% and decreasing load and haul operating costs by 13% we know that we are on to something that can deliver substantial value.

<u>Slide 9.</u> **<u>Pilbara 360: ~40% IRR and five year payback</u>**

Now let me turn to Iron ore. Since 1966, our Pilbara assets have generated an average EBITDA margin of 50 per cent. This is one of the most attractive businesses in the world. And I am not just referring to mining.

We've created a business that will generate strong returns at ALL points of the cycle.

Global demand for iron ore will continue to increase, and our view of long term pricing remains robust. We're ideally placed to meet this demand, due to Pilbara 360's exceptional combination, of low capital intensity and low operating costs.

With an IRR of around 40 per cent, and payback period of 5 years, this expansion is highly value-accretive.

Our investment is driven by maximising value, not by market share considerations. In fact over the past ten years, we've merely maintained our position at around 20 per cent of the seaborne trade.

The 360 development extends the cost advantage we have over our peers. Our all-in costs delivered to China are set to reduce to around $35 per tonne by 2020.

And at consensus prices, our Pilbara business generates strong returns, with an average EBITDA margin of 56 per cent from 2015 to 2019.

Iron ore is an open and competitive market, and we're always aware of the supply and demand drivers of the industry. Our key objective, however, is to maximise value for shareholders as you'd all expect. And delivering 360 does exactly this.

<u>Slide 10.</u> **<u>Compelling project pipeline beyond iron ore</u>**

Our iron ore projects are well documented. But we also have a compelling pipeline of near-term projects beyond iron ore.

By reinforcing capital discipline, we've reduced our capex to around $8 billion a year, whilst still retaining growth.

My team has spent a significant amount of time and effort, gaining greater line of sight as to how we invest each and every dollar for an even better return.

And in some cases, this means we're reshaping our projects and undertaking value-engineering.

The pipeline is further enhanced by additional attractive options, including La Granja and Resolution and, of course, we also have Simandou.

Almost all of our projects have IRRs in excess of 20 per cent and collectively represent compound annual growth, in copper equivalent terms, of around 5 per cent out to 2019.

<u>Slide 11.</u> <u>The Rio Tinto value proposition</u>

There is a clear focus behind everything that we're doing. Our goal is to deliver strong and sustainable shareholder returns, and to continue to do, what we say we'll do.

I look forward to saying more about shareholder returns in February, but for now let me hand over to Chris.

<u>Slide 12.</u> <u>Balance sheet strength and flexibility</u>

Thank you Sam

In these seminars last year, I set a net debt target of "mid-teens" and stated that reducing debt would be our focus for 2014.

This has been a very strong rallying point within the company and proved very successful.

I also talked about significant reductions in capital expenditure, which would create a base for generating enhanced growth in our cash returns to shareholders in future periods.

I also said that we would move to a more ratio-based net debt target going forward which would recognise balance sheet capacity as our equity base grows.

We will be using a range of ratios internally, but for public communication we will be using a net gearing ratio.

We define this as net debt divided by net debt plus book equity.

We would expect this ratio to operate within a range of 20 to 30 per cent.

We continue to believe that a strong balance sheet is essential in a long term industry such as ours, so you should expect us to stay in the bottom end of that range at the current point of the cycle.

We believe that this is the best way to ensure that our capacity to generate shareholder wealth is maintained. We also believe that our planned actions are consistent with a Single A credit rating, but, at the end of the day, we acknowledge that this is a matter for the rating agencies to opine on.

Slide 13. Our capital allocation framework maximises shareholder value

Our capital allocation framework should, by now, be very familiar to you.

Our first allocation is to necessary sustaining capital, which we estimate at around $3 billion per annum for the next few years.

Next, comes our primary contract with our shareholders, the progressive dividend. The full year payments this year amounted to $3.7 billion. We expect this to increase in 2015 and the rate of increase will be decided by the Board and announced in February with our full year results.

We then enter the iterative cycle of compelling growth, debt reduction and further cash returns to shareholders.

Compelling growth will require around $5 billion per annum, all on strong returning projects. Not all of this has been approved at this stage, but that is our expectation.

We have no further need for debt reduction in 2015, having achieved our “mid-teens” target at the half year results this year.

So our focus in 2015 will be on further returns to shareholders.

This is delivering on what we said in the seminars last year, and reinforced at the half year results.

The quantum and form of these further returns will be decided by the Board and announced in the full year results presentation in February.

Slide 14. Focus on capital efficiency

In the seminar last year we talked about significant reductions in capital expenditure

Having reduced by 26% in 2013 to $12.9 billion we now expect this year to be below $8.5 billion, a 34% reduction on last year.

As you can see, on the chart on the left, not all of the expected growth capital is formally approved as yet.

In each of the next 3 years, whilst we expect to spend at projected levels, opportunities still need to pass through robust decision making processes.

These levels of capital expenditure are not at the expense of growth. In the period from 2013 to 2019 we anticipate compound annual growth rates of copper equivalent units to average 5.2% per annum.

Slide 15. Enhanced free cash flow generation

In summary, our world class asset portfolio is continuously being enhanced by productivity improvements, cost reductions and volume expansions. Our aim is to always be in the low portion of the cost curve.

In spite of having reduced our capital expenditure, we continue to invest in compelling growth

Our cost savings have generated $4.4 billion by the half year and we have committed to a further $1 billion before the end of 2015.

We have strengthened our balance sheet by reducing net debt which came down by $6 billion in the 12 months ended 30th of June 2014. Our balance sheet is now very robust.

We have significantly reduced our capital expenditure profile. This year we now expect to spend less than $8.5 billion which is a reduction of more than 50% from the 2012 level.

All of the above actions enhance Rio Tinto's capacity to generate free cash flows, and underpins our confidence for materially increased cash returns to shareholders both now and in the future.

With that, let me hand over to Andrew.

Slide 16. The World's best iron ore business

Slide 17. Our Pilbara Iron ore business is a compelling value proposition

Thank you Chris.

Given that many of you will have seen my presentation from last week's seminar in Sydney, I want to use just a few slides to reinforce the compelling value proposition of our Pilbara iron ore business.

I say compelling, because no matter which way you analyse the business, the clear conclusion is that it is world class and substantially value accretive:

- World class assets, with unencumbered optionality
- World class operating performance
- World class resources that will support quality product offerings
- World class specialist sales and marketing expertise
- And world class, leading edge application of technology and innovation

It is exactly 'world class' that we need to deliver the maximum amount of value to shareholders, across all market cycles.

Pilbara at 360Mt/a rests comfortably with our consideration of the longer - term demand for iron ore.

Our view remains that the developing world will continue to drive demand for iron ore, through urbanization, industrialization and increasing domestic consumption patterns.

On the supply side, we have already seen significant curtailments of iron ore supply from the Chinese domestic sector, as well as reductions from non-traditional suppliers such as Indonesia and Iran.

We expect around 125 million tonnes to leave the market this year in response to lower prices.

Yes, the present price compared to recent prices is depressed, but the value proposition of our iron ore business runs over decades, not today and not tomorrow.

Slide 18. Pilbara – the world's best iron ore business

Rio Tinto's Pilbara presently comprises 15 mines, 1,700 kilometres of rail and 4 independently operating ports and a self- contained power grid.

All are fully owned or managed and singularly used and operated by Rio Tinto which, among Pilbara producers, offers unique optionality.

As we prepare to supply one million tonnes of quality product each day, It is a system designed to seamlessly deliver to around 100 customers globally- with many, many differing requirements.

Its economics are most persuasive.

The Pilbara EBITDA margin has been industry – leading for some time and the first half 2014 margin of 66% is no exception.

A 2015 CFR China consensus price of $85/ t would deliver an EBITDA margin of about 55%.

Going further forward, it is also our intention to remain positioned at the very low end of the 2020 contestable market cost curve.

On a China- delivered basis, we are targeting around $35/t unit cost.

First- mover advantage in technology and innovation has assisted in this regard, particularly with cost- outs and productivity improvements right across the supply chain.

And, in a world of increasing environmental constraints, strong steel- maker demand ensures the continued focus on our premium Pilbara Blend, representing approximately 70 per cent of the 2020 Pilbara portfolio.

We aim to produce Pilbara Blend from multiple high grade hematite/goethite deposits across the Pilbara, for many years to come.

The drive for value creation across the business is supported by an experienced executive management team with an exceptional track record.

In turn, quality people and a collaborative culture are ensuring that world class assets are performing as they should.

Slide 19. Value maximisation to 360 completion and into production

On a 100% basis, I would expect the full Pilbara expansions, from 220Mt/a to 360Mt/a, to be delivered at an industry- leading capital intensity of $110- 120/t.

The infrastructure part of the 290 to 360mt/a programme is about 75% complete and generally in line with the nominated budget and 1H 2015 schedule.

This time last year we decided to embark on a rapid, low-cost growth pathway from existing mines, the likes of West Angelas, Brockman 2, Nammuldi and Yandicoogina.

This is in full swing, with around 40Mt/a approved and implemented, being achieved at an average mine production capital intensity of around $9/ t.

The value proposition of brownfields, debottlenecking and productivity improvements has further implications for when and how we develop our next greenfields mines.

This includes Silvergrass, the mine which is required for the ultimate pathway to a larger volume business.

An investment decision on the development of Silvergrass, which has a cost of about one billion dollars, can again be deferred, until 3Q 2015 at the earliest.

This maximises free cash flow and optimises value in the business, including the maintenance of our production targets of 330mt in 2015 and 350Mt by 2017.

Slide 20. Leveraging innovation and technology to maintain productivity and cost leadership

Innovation and next generation systems and technology applications are significant value-drivers for our business.

We are creating value where others just can't.

By way of example:

You would have heard me speak previously about our autonomous truck fleet.

It is not just that it is the largest in the world; nor is it just operationally safer.

At the Hope Downs mine, autonomous haulage is exceeding manned effective utilisation by around 14%, with about a 13% decrease in load and haul operating costs.

Many low- cost capacity improvements are also being unlocked.

Over the last two years at Parker Point, for example, the total time taken to unload a train has decreased by 13%.

It is the result of a 35% reduction in the time taken to present trains to the dumper and a 9% reduction in the time taken to dump a train.

And sustainable cost management itself is embedded in our culture, with intense focus across operations, maintenance and planning.

At about $20/ t for our cash unit cost in 1H 2014, we are already where others hope to be in the future.

This is 11% lower than the first half of 2013.

For example, we've increased employee productivity this year, on a shipped tonnes basis, by 17%; we've reduced contractor costs by 4% year on year; and reduced by 20% year on year the use of external service providers and consultants.

Suffice to say that productivity and cost improvements remain a relentless quest in the overall drive for value generation.

The culture is strong and there are so many 'pinch points' across such a big system, the overall results can and will continue to be very marked.

And of course, we won't stop here.

<u>Slide 21.</u> <u>Focusing on our customers and optimising our resource base</u>

Competently managing such a great integrated asset base enables us to give our customers what they want, when they want it.

Much of the industry growth in seaborne supply during this year has been low-quality material, leading to increased discounting by some producers.

However, Rio Tinto's focus has been, and will continue to be, on our premium Pilbara Blend, which allows us to optimise our business size, mine development, and production planning.

It also provides our customers with certainty of product quality over the long-term.

It is consistency of product quality that customers' desire and a key reason why Pilbara Blend is the reference for 62% Fe indices.

Pilbara Blend Lump and Fines represent approximately 70 per cent of our Pilbara portfolio and, as with our Pisolite product offerings from the Pilbara, have had high levels of demand across varying market conditions.

We also continuously optimize our market placement through segmentation, as well as a targeted commercial contracting approach.

This provides us with not only mitigation of credit exposure, but allows us to do business with enterprises which, like us, are here for the long-term.

I am confident in saying that Rio Tinto is the supplier of choice to the Asian steel industry.

<u>Slide 22.</u> <u>Capturing full value – product suite and marketing expertise</u>

Let me outline the spot sales performance of our Pilbara Blend fines, relative to the Platts 62% Fe index, which is currently the starting point for the pricing of Rio Tinto products sold under long-term contracts.

Our spot sales on the right hand graph highlight that Pilbara Blend fines consistently achieve a premium over the Platts 62% Fe index.

To further illustrate that we capture full value from our product suite and marketing expertise, our analysis of public reports indicates that we received a higher average price than other Pilbara producers in the 1H 2014.

Long-term, meaningful relationships with steel mills remain paramount to our marketing strategy.

Rio Tinto's contract portfolio focuses on:

- Diversification of markets and customer segments

- Matching products to segments that value them the most
- Ensuring full offtake, and
- Close management of credit exposures

We predominately ship to large, financially-stable steel mills with large off-take capability- Nippon Steel Sumitomo Metal Corporation, Baosteel, POSCO, and JFE, to name a few.

We listen to their needs and then closely integrate these with operational demands to ensure the optimal development of our ore bodies and the highest return for our shareholders.

I am confident that our customer relationships, our technical expertise, and our market insights, none of which are easily replicable, allows for the optimal placement of product, both in terms of price and volume.

And considering the volume we ship, and the volume we will ship, I am also confident that our marketing strategy is the most value accretive strategy for Rio Tinto.

Slide 23. Significant shareholder value generated through the cycle

The developing world will continue to drive the demand for iron ore.

Our number one business objective is to deliver the maximum amount of value to shareholders, which will continue through market cycles.

It is a business of compelling value:

- We have world class, fully integrated systems with unencumbered optionality
- Optimal investment pathways receive our regular and close attention, evidenced by the deferral of Silvergrass, in favour of brownfields, debottlenecking and productivity
- Our focus on customer relationships and requirements makes Rio Tinto the supplier of choice for Asian steel producers
- Our marketing expertise is capturing full value from our premium product suite and resource base

- Commitment to and application of technology and innovation is key to Rio Tinto's competitive edge
- At $20.40/t our unit cash costs are already where others hope to be in the future

And the opportunity for further upside potential is both evident and large.

Thank you and over to you JS.

Slide 24. Creating a leading copper business (JS cover)

Good morning everyone.

Since I was appointed to my role in February last year, I have been working with the team to simplify and strengthen our copper business to improve safety and maximize value for our shareholders.

A great deal of work has been done and today I will share with you some of our achievements. I will also outline the next steps on our journey to create a truly world class copper business based on the strength of our assets and our people. I am confident we are building a business that will be well positioned to make the most of the strong opportunities the copper industry has to offer.

Slide 25. A clear strategy

We have made great progress in delivering our strategy of setting the copper industry benchmark for profitability. In the past two years, we have repositioned the copper portfolio, through divestments of non-core assets. By reducing our cost base and improving productivity across the group, we have built a more agile and competitive organization, one that is cash focused. In parallel, we have been working on driving a safer organization, focusing on fatality prevention. We have continued engagement with our partners and communities as we establish ourselves as a trusted partner.

In the coming years, we plan to build on these achievements, focusing on three areas:

Firstly, improve earnings quality - through ongoing cost improvements and productivity gains

Secondly, exploit the next copper market cycle – by developing our attractive brownfield growth opportunities such as KUC South Pushback and Oyu Tolgoi underground.

Thirdly, create world class long-term growth options – through a phased approach to developing our two greenfield projects, namely La Granja and Resolution.

By positioning the copper group as a low cost producer in the short and medium term, we can invest in attractive growth opportunities, gain a clear advantage versus our competitors and build a business model that creates value through the economic cycles.

Slide 26. Delivering results: earnings quality

Let me start by telling you more about the work we have done in the past two years to transform the Copper group. At the end of the first half of 2014, we:

- Increased our **EBITDA margin** from below 30% in 2012 to 40% today in a declining market and thus closing the gap with our competitors,
- We improved our **cost competiveness** from the fourth quartile on the industry cost curve to the third quartile.
- And became **free cash flow** positive for the first time in the three years.

We achieved these results by generating sustainable cost reductions of more than $800 million in 2013 and 2014. In parallel, we improved productivity in our core operations and, by centralizing and streamlining our support functions, delivered meaningful improvements in efficiencies and drove down costs. We also divested non-core operations for 1.8 billion dollars of cash proceeds.

In parallel, we have ramped up low cost operations and shipments at Oyu Tolgoi, which generated more than 1 billion US dollars in revenue in the first nine months of 2014.

As we improve the quality of our earnings, our focus on commercial and operating excellence will continue to serve us well and will give us a solid foundation for future growth.

<u>Slide 27.</u> **<u>Production and market outlook</u>**

As we move into 2015, the copper industry will continue to be over-supplied in the medium term which will drive continued volatility in prices. In addition, we do have other operational challenges to overcome in 2015.

- Following the Manefay wall slide at Kennecott in 2013, we are implementing measures to mitigate the geotechnical risks on the East wall. Measures will include investment to further unload the wall, accelerate dewatering activities, and use of temporary buttresses to support the wall as mining progresses. We are confident in the safety and effectiveness of the plan, but it will have a material impact on copper production guidance for next year. At Oyu Tolgoi, we will maintain our sharp focus on performance and productivity so the mine can deliver consistent rates at nameplate capacity and meet its 2015 plan.

With these challenges ahead of us, we will be more focused than ever on delivering sound financial and commercial performance in the near term, and on preparing our business to maximize the opportunities created by the market's strong mid and long-term fundamentals.

In the coming 10 years, global semis consumption will increase by more than 8 million tonnes, at a rate of 2.3% per annum, net of substitution. This growth will be mostly driven by China and other emerging markets as urbanization and industrialization continues at pace. It is estimated that roughly one quarter of the demand increase will be met by scrap and the rest will have to be met by an increase in mined copper.

On the supply front, bringing new mines online will remain challenging due to lower grades, high capital intensity, increasing labor and energy costs, remoteness and water scarcity, and new opportunities based in riskier jurisdictions. Given our internal capabilities and commitment to leveraging technology and innovation, we are well placed to take advantage of opportunities that may be closed to others.

In this context and according to Wood Mackenzie data, 3.3 million tonnes of additional capacity will need to be brought online just for production to stand still and an additional 6.5 million tonnes of capacity to satisfy increased demand. As a result, we forecast a gap of 10 million tonnes of capacity to meet the world's growing demand for copper.

At this stage, there are around 1.4Mt of projects already under construction, meaning that to close the gap, the industry will need to incentivize more than 8 million tonnes of new capacity – the equivalent of bringing online 8 new mines the size of Escondida.

Following a few more years of over-supply, we expect to see the copper market turnaround in 2018.

<u>Slide 28.</u> <u>Value accretive brownfield growth projects</u>

Rio Tinto Copper can leverage the market upturn by delivering value accretive brownfield projects – in particular, the KUC South Pushback project and the OT underground. Each has a compelling business case in the right investment environment.

- Our Kennecott South Pushback project will allow us to maintain Bingham Canyon's current production profile through additional copper units. We expect to be in a position to make a final funding decision with this project in the first half of next year.
- Oyu Tolgoi has an attractive ore body and the underground development at the mine contains 80 percent of the value. Hugo Dummett underground deposit contains reserves of circa 500Mt at 1.66 percent copper equivalent. Discussions with the Government of Mongolia will continue once the new Cabinet is in place. The negotiations are taking some time, however it is important we get the investment settings right to maximise value for our shareholders and our partners, before we restart the underground development. We will build on the progress we have made so far with the new Government to unlock the situation and resolve the four conditions required to restart the underground development. We must:

- Resolve all outstanding shareholder issues
- Finalise a comprehensive financing package
- Ensure the Feasibility study is approved by all parties
- Obtain all critical permits

These two projects will strengthen our cost competitiveness and move us down the cost curve from our current position. They will provide additional copper units required to leverage the next copper market cycle.

Slide 29. Greenfield options

As we work hard on delivering solid performance in the short and medium term, we need to create options for future growth.

Our objective is to maximize value, while managing risk and capital exposure and preserving optionality. We will achieve this by prioritizing capital expenditure and by staging the development pathways of our high quality projects.

Let's turn to our two world class greenfield options – La Granja & Resolution.

- Located in northern Peru, La Granja is the largest undeveloped greenfield copper project in Latin America. It has the potential to be a very large, long-life operation and one of the group's highest value opportunities with expected production peaking at 500kt p.a. at a very low operating cost. The project strategy is focused on developing La Granja into a world class mine, in a risk-managed and phased way. We are managing social, environmental and technical challenges by addressing the risks first, starting small and preserving options to grow the project over time. We are confident that we will develop a commercially viable development pathway in 2015, creating value for our shareholders.
- Let's now turn to Resolution. We are working to unlock the value contained in the world's third-largest undeveloped copper resource. Once fully developed, the mine will achieve up to 600kt of copper per annum at a low operating cost, presenting an attractive long-term growth option in the United States. We are looking at options using a multi-phased approach.

In parallel to the project shaping work, we have initiated the federal permitting process by submitting a General Mine Plan of Operations late in 2013. Just weeks ago, our shaft sinking crew completed sinking the first shaft. This is the deepest shaft ever sunk in the US and shows the type of long term commitment to the project. We are willing to invest in development over many years to bring high quality, long life copper assets into production.

Both these greenfield options have world class potential that would put us well ahead on the cost curve.

Slide 30. A clear strategy

The copper industry has strong long term fundamentals and we have a clear strategy to navigate short term volatility and position our Copper group very well for profitability and cash flow generation.

As I mentioned we are focusing our efforts in three key areas:

- Maximizing value of our existing operations to strengthen profitability of the business and create solid foundations for the future
- Exploit the next copper market cycle by bringing online additional copper units
- Progressing our pipeline of greenfield growth options

This strategy is set to deliver value for many decades for our shareholders and will position Rio Tinto Copper as the most profitable business in the industry.

Thank you. We will now take a 15 minute break.

Slide 31. Well positioned for consumer driven growth (AD cover slide)

Welcome back, it's great to see many of you again.

The Diamonds & Minerals product group is extremely well positioned to continue delivering increasing free cash flow, to benefit from favourable economic fundamentals and to be rewarded by our demand led operating philosophy.

Slide 32. Delivering on our promises

Since 2012 we have transformed our business into an industry leading commercial organisation. We have aligned production to demand and restructured our cost base.

As a result, we have delivered significant value, so let me take you through some of the highlights.

We have reviewed both our cost and working capital including a complete review of the supply chain.

We have put actions in place and, since the start of 2013, we have taken over $600 million out of our cost base and have reduced working capital by around $270 million.

We have strengthened our business by implementing a more focussed capital expenditure programme, with an emphasis on cash generation. This has resulted in a reduction of almost $550 million in capex since 2012.

Going forward we are focussed on key sustaining projects and completing the projects we have underway, including the Argyle Underground Expansion and the A21 development at Diavik which was recently announced.

We are also progressing new, highly valuable opportunities with an IRR greater than 20%. These include feasibility studies for Zulti South and Simandou.

As a result, we have a set of strongly cash generative businesses. You can see that at the half year we had delivered an almost $1 billion uplift in free cash flow since 2012.

Slide 33. Well positioned for consumer driven growth

Our market-leading businesses are well positioned to grow margins in line with increasing demand for our products.

The longer term demand fundamentals are extremely strong.

This is supported by increased consumption spend driven by the emergence of the middle class in China and other emerging economies.

The total number of urban households in China is expected to increase by 100 million over the course of the next decade.

As our products are largely used in consumer and high-end industrial applications, we are geared to the rising wealth of emerging economies.

Slide 34. Strong market position in attractive industries

Over the next six years, we are expecting demand for each of our key products to exceed global GDP growth.

In TiO_2, we are seeing some return to historical inventory levels and a recovery in developed market demand.

In zircon, as market conditions stabilise, we expect to see demand growth coming from a recovery in the traditional markets of Western Europe and China.

In borates, our business is well positioned to supply the rebounding US housing industry and to support urbanisation and agriculture in Asia.

In diamonds, we see sustained demand growth from both established and emerging markets, particularly from demographic shifts in China and India. The supply story is well known. There have been no tier one discoveries for 15 years and therefore demand is expected to outstrip supply for some time.

Slide 35. Maximising value through customer and market orientation

Our businesses are uniquely consumer and industrial driven in nature.

They are closer to end-use markets and are dependent on consumer discretionary spending.

We have a deep insight of our markets, which is used to formulate our operational plans and commercial strategies.

We are shaping our industries through research and development of new products and applications.

In 2013, we opened our Technology Centre in Suzhou, China, which allows us to work alongside our customers in our most prospective market.

Earlier this year, we opened a metal powders plant, also in Suzhou. This plant is ideally placed to supply high margin products for niche applications, particularly in the car industry.

For example, a recent innovation was the development of a biocide treatment, using borates. This treatment is used in wood components for US housing and other applications and extends the life of the product by many years.

We should not underestimate the significance of the industry changing market development for champagne diamonds and fashion jewellery and, of course, the connoisseur market for the high value pink diamonds from Argyle. The overall prices of our signature pink diamonds have more than tripled since 2000.

Our work created fundamentally new segments of the diamond industry.

In TiO_2, we have the flexibility to supply either the chloride or sulphate markets, all with high grade products. We are evolving with the growing industry in China, working with new customers and establishing an efficient supply chain to serve new markets.

Our pricing is value based, derived from an in-depth value chain understanding. Where appropriate, we specialise our products, adding value to a commodity reference price.

For example, due to the specialist qualities and characteristics of our iron co-products, we have achieved significant premiums to the pig iron reference price, through segmentation and focussed marketing.

Slide 36. Demand led operating philosophy

We run our businesses with a demand-led operating philosophy in order to maximise value.

This means reducing production when we are not able to realise appropriate value for our products.

For example, over 2010 to 2012 in the zircon industry we saw a significant build of inventory downstream which resulted in much higher prices.

This led to significant substitution of zircon in ceramic applications, resulting in in sharply lower demand from late 2012.

As you can see on the top chart, we reduced our output, which saved costs and preserved margins

Other examples can be found in all our businesses.

We continue to defer the rebuild of furnace 5 at RTFT in Canada, and we are optimising our other furnaces to maximise production during periods of low cost power.

We continue to flex UGS production in line with market demand and have instituted temporary shut downs at Havre-Saint-Pierre and QMM throughout the year.

On the other hand, our diamonds business is enjoying favourable market conditions and we are increasing production. Carats from the Argyle underground will continue to increase and the A21 development will maintain supply from Diavik.

Slide 37. Cost and productivity improvements

We are positioning ourselves to be the most competitive supplier by reducing cost, improving productivity and focussing our capital expenditure programme.

We have stripped considerable costs out of our business and expect to deliver a 15% decrease in cash operating costs since 2012.

We have also reduced labour by almost 2000 employees.

We are taking a “back to basics” approach with our operations, getting back to what we do best – running safe, reliable, efficient and process controlled businesses.

This includes ensuring our businesses are fully integrated and optimised across the value chain with a focus on quality and reliability.

Some really innovative thinking has been done by the teams in this area.

At Boron over the last 24 months, we have increased the effective utilization of our mine truck fleet by 44% through productivity improvements and dispatch optimization. This has allowed us to stand down 8 trucks, or 40% of our haul truck fleet and delay the purchase of any trucks by 2 years.

As I mentioned earlier we have also optimised our capital spend to improve free cash flow with a 50% reduction in capital expenditure since 2012.

We are also maintaining a number of early stage projects which will provide us with a robust portfolio of growth options as market fundamentals improve.

Slide 38. Compelling project pipeline

In addition we are currently developing two highly value accretive, brownfield projects.

Just last week we announced the development of the fourth pipe at Diavik known as A21. This development will provide an important source of incremental supply to maintain existing production levels.

A21 is estimated to cost US$350 million, with first production in 2018.

We are also continuing our feasibility study for Zulti South at Richards Bay, which we view as one of the most attractive undeveloped mineral sands assets in the industry

It will allow us to maintain capacity at the low cost Richards Bay smelter.

If approved next year, commissioning at Zulti South is planned to be in 2017.

Slide 39. Delivering Simandou feasibility study

Simandou is a truly world class resource.

It is a rich deposit of high grade iron ore with very little stripping and no processing.

Signing the Investment Framework was a great milestone which formally establishes the separation of the mine and the infrastructure.

We will focus on the development of the mine, and to bring in third parties to own and finance the infrastructure.

Before any capital allocation decisions can be made, we must complete the feasibility study to establish the capital estimates, construction period and technical requirements of the project.

In addition to progressing the feasibility study, activities to assemble a consortium of infrastructure investors are underway.

Let me finish with a few words on Ebola.

Ebola is a critical issue for Guinea which has had tragic human consequences. Our priority has been the health and safety of our employees, contractors and their families. We have been supporting the Government of Guinea and international organisations and have donated more than US$3.4 million worth of equipment and in-kind donations to facilitate the response.

Slide 40. Strong cash generation

In summary, the Diamonds and Minerals product group is a diverse portfolio of sector leading businesses which is delivering value for shareholders.

The businesses will generate significant cash for our dividend over the coming years.

By implementing a demand led operating philosophy we are creating agile and reliable businesses that are profitable throughout the cycle.

Through research and development of new products and applications we are reshaping the industries in which we operate.

We have streamlined and simplified these businesses with a relentless focus on sustainable, continuous improvement which is having real impact on cash flow generation.

As a result, we are positioned to generate a significant cash uplift for the group going forward.

Thank you and with that over to you Alf.

Slide 41. Building the world's best aluminium business (AB cover)

Thank you, Alan, and good morning everyone.

I am very pleased to be here in London today to give you some insights on how we will continue transforming Rio Tinto´s aluminium product group to strengthen our position as the world's best aluminium business.

When I joined six months ago, I was struck by the quality of the assets, the quality of the people and the momentum in this business.

Slide 42. We are transforming our business

In the last few years, we have made significant progress transforming the business by driving out costs, improving productivity and restructuring the portfolio.

At the end of the first half of this year, costs in the business had been reduced by $802 million dollars compared to 2012, and this is excluding the impact of the portfolio changes.

Productivity improvements and creep initiatives have also played an important role in the transformation of our business. In the bauxite export business, we have increased exports from 12 to 20 million tonnes per year since 2011, becoming a major player in the Chinese seaborne market. This has been done through creeping at our Weipa mine and the transition of Gove to an export bauxite operation earlier this year.

From a portfolio perspective, the product group has closed, curtailed or divested over one million tonnes of smelting capacity since 2009 – a reduction of 25 per cent. On the alumina side, three million tonnes of capacity have been removed from the portfolio - a reduction of 33 per cent.

The team's efforts have resulted in material improvements to the cost position of our smelting portfolio where around 80 per cent of our smelters will be in the first quartile in 2015 following the re-commissioning of Kitimat. This compares with 40 per cent back in 2011.

Slide 43. Increasing our margins

These are significant achievements which are a testament to the world-class people in the aluminium business, with deep operational and technical expertise and a strong commitment to safety as an overriding priority.

The transformation of the business and improvement of the portfolio has allowed the product group to increase its margins and stand out from its peers in the upstream aluminium industry.

This positions us very well to capitalize on improving market fundamentals.

Slide 44. Improving markets

Demand growth for aluminium is expected to increase at four per cent per year through 2025. This is supported by growing intensities in many applications – most notably the transport sector where manufacturers are planning to use significantly more aluminium in the future.

On the supply side, global markets are expected to be in deficit in 2014 and later years, which will lead to a progressive reduction of inventory levels back down to seven to eight weeks, in line with pre-global financial crisis levels.

Consensus estimates suggest that this will provide a strong foundation for sustained price uplift, building on what we have seen this year.

The recent price uplift has been driven by the LME and the market premiums, which have continued to increase sharply, reflecting the tightness in the market. The current “all-in” price is around $2,500 per tonne, in line with the most recent consensus prices for 2015.

Let me also emphasize that we sell approximately two thirds of our metal in value added form, capturing an attractive product premium on top of the all in price.

I would like to make a brief comment about the attractive Chinese import bauxite market which is set to increase by over 100 million tonnes in the next 15 years, an expected growth rate of 8 per cent per year. This significantly outpaces the growth of aluminium, as demand continues to grow and domestic reserves are depleted and grades decline.

In summary, the improving market conditions provide an attractive backdrop for Rio Tinto’s aluminium group moving forward.

Slide 45. Clear focused strategy

Let me now move to our new strategy. In the next few years, we will be transforming our business around our two key pillars, our industry leading bauxite assets and world class first quartile smelting position.

We intend to operate with a clear focused strategy where each of the three businesses in the aluminium group – bauxite, alumina, and aluminium – will be managed separately and each has a specific role to play.

In our bauxite business we will now focus on driving market-paced growth, as well as, continuing to drive performance improvements in our current operations.

In our smelting business we will reduce our cost position further, by driving performance and portfolio improvement, but with an enhanced focus on free cash flow generation and return on capital employed.

For alumina, we have a cautious view in the short term. As such, we are focused on our balanced alumina supply position, where our objective is simply to drive operational excellence providing competitive alumina supply security for our first quartile smelter portfolio.

These three separate businesses will be supported by a single strong global Commercial organization focused on maximising value from mine to market.

Finally, as Sam mentioned last week, when we release our full year results in February, for the first time we'll report the performance of these businesses separately, which I know many of you are keen to see.

The ultimate goal is to further strengthen our position as the world´s best Aluminium business, delivering industry-leading performance through the cycle.

Slide 46. Leading bauxite position

Let's take a closer look at the first of our two core pillars. In bauxite we will leverage our tier one asset position to drive value accretive growth.

As you can clearly see on this chart, Rio Tinto has the largest bauxite position, with interests in three of the world's largest bauxite mines, and with outstanding growth options. These options include active development projects, favourably situated to supply China's significant future bauxite import needs, as well as the potential demand growth in the Middle East.

These growth options, located in Australia, Guinea, and Brazil could allow us to more than double our current global production, of 41 million tonnes per year, in the next ten to fifteen years.

For example, the Cape York Peninsula, in northern Queensland, Australia, where we have our current East Weipa and Andoom mines, holds 1.5 billion tonnes of bauxite reserves and 2.0 billion tonnes of resources - a long life, low cost, expandable asset, wholly owned by Rio Tinto.

This asset is well located for the Chinese market and this enormous resource offers a wide variety of development options and pathways, with low first-quartile operating costs and EBITDA margins in excess of 50 per cent.

With the curtailment of the Gove alumina refinery, Rio Tinto aluminium is already the largest player in the Chinese seaborne bauxite market. Today we export the equivalent of 20 million tonnes per year from Weipa and Gove. In the last two quarters we have supplied more than 50 per cent of the bauxite imports into China.

As you would expect we are leveraging our commercial capabilities to establish Cape York bauxite as the product of choice for the China seaborne market with consistent quality, security of supply, and strong technical marketing support.

Slide 47. South of Embley

As you can see from this comparative map, which has been superimposed on the UK, to show the scale, our Cape York resource offers remarkable growth options, and given the market opportunities, we are now prioritizing the South of Embley project.

With mining costs in the first quartile and with attractive returns, this is a Tier 1 investment opportunity.

The project includes mine, port and infrastructure elements, with a planned initial output of 22.8 million tonnes per year and options, utilizing the same infrastructure, to later expand up to 50 million tonnes.

We are working through the feasibility study and we are targeting first production in 2018. Rio Tinto's T&I team, led by Greg Lilleyman, is deeply involved in the project and will be responsible for execution. We will therefore benefit from the replication of best practices and mining expertise from the Pilbara expansion programmes.

We are working to bring South of Embley to the board for approval in 2015 and are preparing to start early works as soon as a decision is made. For example, we are already doing geotechnical and environmental studies, and pre-mine drilling.

Slide 48. Low-cost smelting business driving cash generation

I will now shift to our second core pillar - our sector leading low-cost smelting business.

Rio Tinto operates one of the largest, most modern and lowest-cost smelter portfolios in the industry.

Around 80 per cent of our smelters will be in the first quartile of the aluminium cost curve with the re-commissioning of Kitimat which is on track for the first half of next year.

Around 80 per cent of our power comes from low carbon sources, and 50 per cent of our power needs comes from self-generated low cost hydro power, most notably in Canada where we are nearly self-sufficient through our wholly owned hydro power stations. This is a strong distinctive competitive advantage in an increasingly carbon-constrained world.

Let me be clear that our first quartile positioning is key to our smelting strategy. 20 per cent of our smelters are still not in the first quartile and they will need to have a clear pathway to get there going forward. If not we will explore other value accretive options for our shareholders.

In the short-term we will have a relentless focus on free cash flow generation and return on capital employed. Operational excellence will drive continued cost and productivity improvements, disciplined use of sustaining capex and working capital reduction.

Our technology position will support low-capital, high-return creeping projects like the Alma creep project, which we recently announced in Canada.

Our Commercial organisation will be focused on enhancing revenues through supply chain optimisation, contracting and pricing, and product and market development allowing us to continue delivering value-added product and services to our customers.

Finally, in the longer-term, we also have tangible brownfield growth options in Canada, on available low-cost hydro power. For example, the expansion of our AP60 smelter which is built on the latest technology, low carbon platform. Development of these options will be conditional upon strong returns and market conditions.

Slide 49. Building the world's best aluminium business

In summary, going forward we will be transforming our aluminium business around our tier 1 bauxite and smelting positions

Market conditions are improving and we are well positioned to capitalize on this momentum

We now have a clear focused strategy for each business.

Our strategic focus on bauxite is on market-paced growth by developing a pipeline of potential projects, starting with South of Embley.

In the case of our smelting business, in the next few years, our focus will be on cash generation and increasing returns through the cycle.

On alumina, we will focus on our balanced position, driving operational excellence to provide competitive security of supply to our first quartile smelters.

Our shareholders can and should expect Rio Tinto's aluminium product group to deliver industry-leading performance through the cycle and we are well placed to deliver strong and growing cash returns in the years to come.

Now back to you Sam.

<u>Slide 50.</u> **<u>Commitment to shareholders</u>**

Thank you Alf.

Over the past week we have looked at each of our product groups, and set out how we are creating sustainable value and cash returns for our shareholders.

We have a world class asset portfolio. When you look at their EBITDA margins, the quality and longevity of their resources and reserves, and their potential for expansion and growth, there is no question that these assets will generate sustainable returns for decades to come.

Our focus is on tier one, long life, low cost, expandable assets. This provides a firm foundation for sustainable returns. Our skills of operating excellence and technical marketing are ideally placed to maximise the value of this asset base.

Careful investment means that in spite of our reduction in capital expenditure, we continue to invest in quality projects, and we expect to achieve average compound copper equivalent growth of over 5% between 2013 and 2019.

Operating safely is fundamental to what we do – and there are few more visible signs of integrity and capability.

Operational and commercial excellence runs through the entire organisation. We have established a leading position in how we use technology and innovation to deliver more tonnes, with less cost. This has created material value and these gains are not just -one offs. They flow through to the bottom line every year. And when you run multi-decade assets, that is considerable value.

Last year, we said that in 2014 we'd focus our efforts on net debt reduction, and we've done exactly that. We've achieved our 'mid teens' target. Our balance sheet is strong and ideally suited to the current economic environment, and protecting shareholders.

The strengthening of the balance sheet has been assisted by disciplined allocation of capital. Our first allocation of capital is for sustaining capex, but next comes our primary contract with shareholders, the progressive dividend. Every dollar we spend must be spent wisely and in the interests of our shareholders. Our focus in 2015 will be on materially increasing returns to shareholders.

With our suite of tier one assets, strong financial position, our consistent margins and our operating and marketing capability, we believe that we have all the levers in place to ensure strong free cash flow generation.

As I mentioned earlier, there is a clear focus behind everything we do. Our goal is to deliver strong and sustainable shareholder returns. Looking forward, we expect to generate strong free cash flow, and we remain committed to materially increasing cash returns to shareholders. And I truly look forward to announcing this at our annual results in February next year.

But for now over to you for questions.