

Sydney Investor Seminar

Slide 1 - Sam Walsh - Delivering sustainable shareholder returns

Slide 2 - Cautionary Statement

Good morning and welcome to this year's investor seminar.

It's great to see many familiar faces here today - and it's always nice to be back in Sydney.

Slide 3 - Delivering on our promises

Chris and I have now been in our roles for nearly two years. And I'm sure you would agree that in this time the Group has delivered some pretty stunning results.

Let me share some of the highlights with you.

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 restructured the portfolio, divesting \$3.5 billion of non-core assets since the beginning of 2013.

We've strengthened our capital allocation. And as a result, our capex will be less than \$8.5 billion this year. This is a staggering 34 per cent reduction from last year. And yet, by spending wisely, we continue to progress our value-accretive opportunities.

We've also reduced our net debt by \$6 billion and reached the mid-teens target which Chris set out at this seminar last year.

These are all seriously impressive achievements, which are transforming our business into a more streamlined, accountable organisation.

Importantly, we're increasing our production by six per cent this year.

And we've increased our dividend by 15 per cent in each of the last two years.

All up, let me say there is a clear focus behind everything we're doing. Our goal is to deliver strong and sustainable shareholder returns and to continue to do what we say we'll do.

Slide 4 - Our commitment to shareholders

Today, my team and I will share with you, how we'll generate sustainable returns, from our portfolio of tier one assets, through financial discipline and operating and commercial excellence. All of which is founded on an absolute commitment to safety and to integrity.

Slide 5 – Succeeding in a challenging market

Although the demand fundamentals for our commodities remain sound for the long term, 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 our industry in technology and innovation, which is a clear competitive advantage. Operating excellence will sustain our low cost leadership 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 6 – Foundations of sustainable value creation

But let me add that Rio Tinto is not just a set of tier one assets. Importantly, we're a company of truly world-class people – the quality, depth and commitment of all our employees around the world never fails to impress and encourage me.

Every one of our 60,000 plus employees is the foundation for our success.

Our people are committed to accountability, respect, integrity and teamwork. These values are fundamental to the way we operate and engage with those around us.

Of course, other ways of operating may produce easy short-term gains. But from my experience, I've learnt that strong values are the foundation for building a long term, reliable business, which in turn generates sustainable returns for shareholders.

Slide 7 – The Rio Tinto value proposition

Chris and I will now take you through the six critical drivers of value. When combined, these create a unique platform, which enables us to deliver our commitment of sustainable returns to you. Let's start with our world class portfolio.

Slide 8 - A clear strategic framework

We use a clear strategic framework to assess our existing assets and new opportunities. Our decisions are based on whether we like the industry, whether the asset has a competitive advantage and if it can deliver best in class returns.

Our Pilbara assets clearly meet all three criteria and have therefore attracted significant growth capital.

Another example is our diamonds business which meets two of the three criteria. Here, we operate in a highly attractive industry, with best in-class returns but without the benefit of a long-life asset base. We are therefore running this business for cash and will only invest when there are compelling returns and short pay-back periods, such as the A21 project at Diavik that we announced yesterday.

At the heart of Rio Tinto is a set of long-life, low-cost, expandable assets. So let me now add some colour to these.

Slide 9 - A world class portfolio

We have a world class portfolio, from our Pilbara iron ore business, through to our bauxite reserves in northern Queensland, our hydro-powered smelters in Canada and our global suite of copper mines.

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.

Slide 10 - ...of sector-leading assets

And this portfolio, is complemented by further sector-leading assets. Harry Kenyon-Slaney will shortly present on our thermal coal business in the Hunter Valley where, also this week, we announced a significant reserve and resource upgrade. And next week in London, Alan Davies will update you on our Diamonds & Minerals division, which provides us with exposure to later-cycle demand.

Let's now take a brief look at iron ore, aluminium and copper.

Slide 11 – Pilbara 360: ~40% IRR and five year payback

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 the mining industry.

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 market.

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 Pilbara 360 does exactly this.

Slide 12 – Building a world-class aluminium business

Turning now to aluminium.

As I mentioned at last year's seminar, aluminium **is** a core part of Rio Tinto.

We're transforming the portfolio around our tier one bauxite assets and first quartile smelters. I believe that we **will** extract much more value from this business and that our shareholders stand to benefit, from exposure to this commodity. With global demand expected to grow by four per cent a year to 2025, and deficits in western markets, the fundamentals for aluminium look promising.

Alf Barrios will provide more information at our London seminar next week, and in February, when we release our full year results, for the first time we'll separate the revenues and costs of our bauxite and alumina business, which I know many of you are keen to see. So let me share just a few insights now.

We expect our bauxite exports to realise EBITDA margins in excess of 50 per cent. Part of this momentum comes from the anticipated development of South of the Embley which is one of our compelling growth projects.

Through our cost improvement initiatives and portfolio refinement, we have transformed our smelting business, and in 2015, following the re-commissioning of Kitimat, around 80 per cent of our smelters will be in the first cost quartile. This compares with just 40 per cent back in 2011. This is a story of serious improvement.

Our first quartile position is founded on technology leadership, our cost reduction efforts and having the lowest energy costs in the industry. Around 80 per cent of our power comes from low carbon sources, and about 50 per cent of our power requirements come from captive hydro assets. This is a privileged position in an increasingly carbon-constrained world.

Slide 13 – Creating a leading Copper business

Onto Copper.

Jean-Sebastien Jacques, will also be presenting in London next week. So I'll just say a few words for now.

The long term fundamentals for copper remain highly attractive with constrained supply and steady growth in demand. Our interests in six major copper resources underpin our aspirations for a tier one portfolio.

Jean-Sebastien and his team are intensely focussed on cost reductions and productivity improvements. This has driven a strong recovery in earnings and cash flow, and moved our Copper business down the cost curve.

In the Oyu Tolgoi underground project, we have what is potentially **the** next great copper project. And at the right time and under the right terms we **will** deliver a mine of exceptional value for all stakeholders. Further out, La Granja and Resolution will be well positioned to supply units into a constrained market. Resolution, in particular, is an exciting resource with copper grades averaging in excess of 1.5 per cent.

Slide 14 – Rio Tinto value proposition: Quality growth

I mentioned the quality of our project pipeline earlier. So let's take a closer look.

Slide 15 - Compelling project pipeline beyond iron ore

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 best invest 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. I've already mentioned La Granja and Resolution and, of course, we also have Simandou. Despite the current challenges of Ebola, the bankable feasibility study remains in progress.

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.

Slide 16 – Rio Tinto value proposition: Operating and commercial excellence

Turning now to our operating and commercial excellence.

Slide 17 – Safety is fundamental to our business

As you know, Safety for us is non-negotiable. We were all deeply saddened by the recent death of our Canadian colleague, Enrick Gagnon, following a railway incident. Our thoughts and prayers are with Enrick's family at this very difficult time.

For any mining company, there can be few more visible and outward signs of operational capability and integrity, than safety. Our performance, as measured by injury frequency rates, continues to improve and we intend to stay at the forefront of our industry. We believe that a zero fatality work place **is** attainable, and rest assured that we will continue to work harder to achieve exactly this.

Slide 18 - Operating excellence deliver significant value

Over the years, Rio has established a leading position in how we use technology and innovation. And being able to deliver more tonnes, with less cost has created material value for you our shareholders.

This slide shows some examples of the projects we're currently working on, to generate value now, and in the years to come. These productivity improvements are not one-off gains but flow through to the bottom line every year. And when you run multi-decade assets, that's serious value creation we're talking about.

Our Head of T&I Greg Lilleyman will be covering this in more detail later today.

But let me just add, that the industry is increasingly faced with more complex geology, environmental and cost pressures.

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

Slide 19 - Maximising value from mine to market

Before I hand over to Chris, let me say a few words on our commercial activities. Our marketing teams work very closely with our operations, so that our resource management is fully aligned to the market.

The Pilbara is an excellent example of such efforts. We have designed a product that prolongs the life of existing assets, by blending different grades and qualities of ore. This product – the Pilbara Blend - has also been designed with our customers' needs in mind and, as a result, has become the benchmark product for the Asian steel industry.

The holistic approach to our marketing efforts allows us to maximise value across each of the 300 million tonnes of the product we sell.

This initiative is not limited to the Pilbara Blend.

In Resource to Market alignment, these benefits are also seen in other products, including the Hunter Blend, and the flexibility in our titanium dioxide business to supply chloride or sulphate products, depending on market demand at any given time.

Over the years we've created markets for products such as high temperature bauxite from Weipa, and champagne and pink diamonds. This is not just trading, but reflects our deep understanding of our customers' needs, and our commitment to developing new markets.

Our supply chain optimisation ensures we get the product to the right customer, at the right time, while reducing cost and working capital. We have capabilities across a variety of logistics solutions, including at Rio Tinto Marine, where we manage a fleet of 200 ships and will move close to 250 million tonnes of product this year.

Our Singapore Commercial Centre, centralises commercial best practice across product groups and other corporate functions such as legal and procurement. This includes centres of excellence for value-in-use analysis, and pricing and contracting strategies. All with a focus on managing risk and capturing value through all market conditions.

All these efforts maximise the value from our business and differentiate us from our peers.

Slide 20 – Rio Tinto value proposition: balance sheet strength

Today my management team and I want to share with you the depth of our experience, our capabilities and the unrivalled nature of our assets. Let me now hand over to Chris who will talk about the remaining 3 drivers of value.

Slide 21 – Balance sheet strength and flexibility

Thank you Sam

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

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

We also talked about significant reductions in capital expenditure, and in the Sydney seminar on 3rd December last year we said that it was creating 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 conservative 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 agencies to opine on.

Slide 22 – The Rio Tinto value proposition: capital allocation discipline

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

Slide 23 - Our capital allocation framework maximises shareholder value

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” net debt 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. This enables us to move on to enhancing cash returns to shareholders in 2015.

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 24 - Effective capital management drives sustainable shareholder returns

I want to share with you the way that we consider value creation for our shareholders.

We look at this in four quadrants.

First is the major investment that has already been made in our existing suite of top quality assets. We look to maximise value from these assets by volume growth, cost reductions, productivity improvements and efficiencies.

We focus on EBITDA margin enhancement, free cash flow generation and return on capital employed.

We believe assets must be able to achieve a suitable return throughout the cycle. If they are not currently achieving this they must have a credible path to that outcome.

As an overall company we target exceeding 20% return on capital through the cycle.

Our portfolio of growth projects has come under increased internal scrutiny in recent years. We have strengthened our investment assessment criteria, our levels of independent review of opportunities and our investment approval processes.

We treat capital as a scarce resource which must be competed for. Our minimum IRR for projects is 15%. The vast majority of our existing project suite is well beyond that threshold.

We also look at other metrics, such as NPV, Payback periods and capital invested to NPV generated.

Not all opportunities are ready for execution so in some cases we will hold these for future optionality.

Some assets or projects have considerable value but don't necessarily fit in our portfolio. These become candidates for portfolio rationalisation.

External opportunities such as acquisitions and disposals will always be considered in light of our view of value.

We are not interested in acquisition for the sake of size, it must be value accretive for our shareholders.

Equally we will not dispose of assets where we see a better overall value outcome for our shareholders by retaining them.

In regards to capital management we believe a strong balance sheet is a great asset in a long term industry such as ours.

We believe this gives maximum optionality in volatile markets.

Capital returns to our shareholders are the domain of the Board. We are committed to the progressive dividend as our primary contract with our shareholders.

The amount of this will be communicated with the full year results.

Further capital returns will also be determined by the Board in February. These decisions will include both the quantum and form of such returns.

Slide 25 - 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 26 – Rio Tinto value proposition: free cash flow generation

Let's talk about the cash generation capacity of this company.

Slide 27- Continual cost improvement

We said we would take \$3 billion out of our unit cash cost as reported in our variance analysis, compared to 2012. And we delivered \$3.2 billion six months early.

We also said that we would reduce Exploration and Evaluation expenditure by \$750 million from 2012 levels. As at 30th June we had achieved a \$1.2 billion reduction in this item, bringing the combined saving to \$4.4 billion at that time.

We further committed to an additional \$1 billion of savings before the end of 2015, of which we expect to deliver around \$250 million in the second half of this year.

Assuming our endeavours are successful in the coming year we will have reduced our costs by \$5.4 billion by the end of 2015 compared to the 2012 base.

Slide 28 – Enhanced free cash flow generation

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

We expect to achieve average compound copper equivalent growth of 5.2% between 2013 and 2019.

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 this year. 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.

Clearly we can't control commodity prices, but 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 29 – The world's best iron ore business

Slide 30 – Our iron ore business is a compelling value proposition

I want to concentrate today on the compelling value proposition of the iron ore business, some of which Sam has touched on earlier.

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 project management and development
- 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

The business will sustainably deliver considerable shareholder value, which is the premise for expanding the Pilbara to 360Mt/a.

This production level rests comfortably with our consideration of the longer - term demand for iron ore.

Our view remains that the developing world will continue to be the driver, 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 tomorrow.

Slide 31 - Pilbara – the world’s best iron ore business

Our fully operational Pilbara business is also based around robust fundamentals and value.

It is seamless, which it needs to be, as we prepare to supply one million tonnes of quality product every day to a wide range of customers.

And 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 driving value, 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 products, representing approximately 70 per cent of the 2020 portfolio.

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

I have referenced in slides appearing later in your handouts information relating to the longevity of our Pilbara resources and reserves and to our exploration targets. .

Slide 32 – Pilbara – A fully integrated system with unencumbered optionality

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 offers unique optionality.

It is a system designed to seamlessly deliver Rio Tinto product to around 100 customers globally- with many, many differing requirements.

As some of you have seen from past visits, it is a system that offers serious competitive advantage.

Several of the next generation of mines, for example, lay proximate to existing infrastructure and can be added into the system at relatively low cost.

And of course, when at a million tonnes a day, our system will need to operate incredibly efficiently.

Which it will, having the Operations Centre oversee, fine-tune and leverage the supply chain to its optimum level and therefore best value.

It has full visibility and real time – synchronisation, meaning we can optimise our mining, maintenance and logistic activities in a way never before possible.

This system-wide, real-time information provides clear visibility of capabilities and issues, meaning we can protect from downside by rapidly responding to issues.

We can also provide new and clever insights into a myriad of high-return improvement opportunities across our overall supply chain.

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 our world class assets are performing as they should.

Slide 33 – IOC – Delivering a differentiated and high quality product

The 2020 picture at the Iron Ore Company of Canada is similarly robust.

The increasing environmental threats to steel-makers will ensure that the demand for both IOC pellet and concentrate products remains strong.

IOC has a quality 65% Fe product and maintains a relative grade consistency, and one of the lowest phosphorus contents in the industry.

It is a quality and consistency package that we expect can be sustained for many years.

The IOC EBITDA margins have been reasonably consistent through 2012, 2013 and 1H 2014.

A 2015 CFR China consensus price of \$85/ t would deliver an EBITDA margin of about 28%.

The two phases of the Concentrator Expansion Project (CEP) were completed during this year, which has removed pit to plant bottlenecks and provided extra capacity to grow production.

By 2020, I would expect this to be closer to stated nameplate capacity of 23.3Mt/a.

This is a vastly improved operational performance, the metrics for which I will regularly stress- test.

Let me concentrate on the Pilbara for the remainder of the presentation.

Slide 34 – Focusing on our customers and optimising our resource base

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 over the past ten months 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 products.

Pilbara Blend 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 portfolio and, as with our Pisolite product offerings, 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.

Slide 35 – Capturing full value from our product suite and marketing expertise

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.

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 36 – Pilbara growth – delivering exceptional returns on investment

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.

We have continued to maintain attractive margins with, as stated earlier, an EBITDA margin of 66%.

Cost management is embedded in our culture and we have been intensely focused across operations, maintenance and planning to deliver sustainable operating cost savings.

As mentioned at our interim results in August, we have sustainably found savings and contributed over 600 million dollars to cost reduction targets since 2012.

Here are some examples of business initiatives:

- Increasing employee productivity this year, on a shipped tonnes basis, by 17%.
- Reducing contractor costs by 4% year on year
- Reducing by 20% year on year the use of external service providers and consultants.

Of course, we won't stop here.

We intend to remain the most profitable producer in the Pilbara.

Slide 37 – Leveraging innovation and technology to drive productivity and cost leadership

I firmly believe that innovation and next generation technology are significant value-drivers for our business.

We continue our overall automation programme, as well as partner with leading global institutions to improve our human/ automation interface and our data collection and analysis.

It is a leadership position that is valuable for us to maintain and extremely difficult for others to replicate.

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

It is not just that it is the largest in the world; It is 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.

We also continue to unlock many low- cost capacity improvements

By way of example, over the last two years at Parker Point, 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.

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

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

Slide 38 – Value maximisation continues through 360 Mt/a completion and moving into production

Turning now to the 360 pathway and some proof points around how we are delivering extra business value.

Our 360 infrastructure programme is about 75% complete and generally in line with the nominated budget and 1H 2015 schedule.

For a project of this size, this is world-class work by our teams.

That said, there are two projects each a little behind where we would like them to be, albeit of minor consequence in the overall scope.

They are the full fit-out of AutoHaul® and the completion of the West Angelas power station, due to the Forge Group collapse.

In the meantime, the rapid, low-cost growth pathway from existing mines, the likes of West Angelas, Brockman 2, Nammuldi and Yandicoogina, is in full swing.

We presently have around 40Mt/a approved and implemented, being achieved at an average mine production capital intensity of around US\$9 per tonne.

Together with our system debottlenecking and productivity initiatives, real business value is being driven

This value proposition has implications for when and how we develop our next greenfield mines, including Silvergrass, 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 the third quarter of 2015 at the earliest.

This maximises free cash flow and optimises value in the business.

It is fair to say that the risk profile changes with further reliance on multiple brownfield projects.

However, we have shown that we are well- equipped to handle these projects and the delivery of 330mt in 2015 and 350Mt by 2017 remains our target.

On a 100% basis, I am expecting the full 220- 360Mt/a to be delivered at an industry-leading capital intensity of between \$110 and \$120 per tonne.

Slide 39 – 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 sustainable 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
- We regularly review the most optimal investment pathways, as 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
- And finally at \$20.40/t our unit cash costs are already where others hope to be in the future

The opportunity for further upside potential is both evident and large.

Thank you

Slides 40 to 43 – Iron Ore Addendum

Slide 44 – Sector-leading Energy business

Thank you, Andrew, and good morning everyone.

Today I'll provide you with an update on our Energy portfolio, with particular focus on our Hunter Valley operations.

Our assets in the Hunter Valley are world class, and following the deep and aggressive improvement programme undertaken over the past two years, we believe the Energy business has an important role to play in delivering long term shareholder value.

Slide 45 – Asian energy demand growth remains positive

It's no secret that coal and uranium producers have been facing tough market conditions, and the short-term outlook remains challenging as prices remain weak.

Economic growth has slowed in China and the markets for both products are oversupplied.

However, in recent months, we have begun to see signs of a market response to correct this supply imbalance.

If we look ahead, beyond the current difficult conditions, we see a more positive outlook underpinned by strong, long-term fundamental trends.

Today, coal provides 40% of the world's electricity and supports 70% of the world's steel production. It is a cost effective and abundant energy source with an important role to play in the global energy mix.

Energy demand continues to grow. Globally, it grew by 50% between 1990 and 2011 and is expected to grow by a further 40% to 2035.

The next phase of energy demand will be driven by continuing – albeit slower – growth in China as well as through further urbanisation in India and other parts of south-east Asia.

As these nations continue to industrialise, their demand for electricity will increase, with Chinese consumption per capita expected to reach levels close to that of Europe and Japan by 2030.

Much of this increased demand is expected to be met by coal – which is the cheapest and most readily available source of energy. We expect the drive for greater efficiency in power production and improved air quality to generate rising demand for high quality coal. This aligns with our product mix.

The economics of nuclear power are also attractive in China, but the nuclear fleet will only be able to supply a modest portion of the base load power required in coming decades. The recent Chinese free trade agreement will offer opportunities to our Australian uranium operation, and we welcome the federal government's recent

announcement to allow supply of Australian uranium to India once appropriate regulations are in place.

Japan is also on a path to return to nuclear power with two of their reactors recently approved for restart early in 2015.

Slide 46 – Delivering cost transformation and productivity

For some time now we have been in the fight of our professional lives in energy...striving to return our coal and uranium businesses to profitability and to ensure the changes we are making are enduring and sustainable.

A number of our competitors in the thermal coal market have struggled to remain cash positive, with some forced to suspend operations.

At this seminar last year, I outlined the success of the transformation programme that had been initiated across our Australian coal business, which has delivered the bulk of our cost savings.

This work has been hugely important, and given the ongoing challenging environment, we will be targeting further improvements in productivity and costs in the year ahead.

Between 2012 and the end of the first half of 2014, \$28 a tonne in operating cash costs have been removed from our Australian coal business delivering over \$600 million in cash cost savings.

Other businesses in the Energy product group have delivered a further \$200 million in savings, bringing our contribution to Rio Tinto's overall cost saving target to just under \$800 million.

The savings have been derived from both cost reduction and productivity improvement. About 20 % of the savings are from negotiating lower prices from our suppliers, but the rest come from reducing the demand for goods and services and increasing the productivity of our people and equipment.

I would like to illustrate what we have been doing with a few of the many examples.

We have changed our maintenance tactics, locking in \$45m in annual savings by adopting new practices for monitoring the wear on parts, and then replicating these practices across every site.

We have achieved between 30 and 70% cost compression by finding alternative suppliers of parts and equipment in emerging markets

Our employee and contractor numbers are now 22% below the peak in 2012 with reductions made right across the business. Despite these reductions, we are still delivering increased volumes of product.

And finally, since 2012, the Australian coal business has delivered a 10% increase in truck productivity and is moving more material but with 14% fewer trucks.

I'd like to cite one final example that demonstrates the cultural change we have made in this business through the transformation programme.

Our Hail Creek coking coal mine was faced with a very serious challenge as the coking coal market deteriorated. As prices fell the very viability of the operation was in jeopardy and the team at Hail Creek rose to the challenge and have reduced unit costs by more than 30%.

In this case it wasn't just about cost. It was about being innovative in tackling the problem. Not only has Hail Creek reduced costs and improved overall product yield, but by working closely with their marketing colleagues, they developed a new thermal coal product that we are now selling into a targeted market segment in India.

As you can see, this business-wide transformation and the commercial focus and discipline we have engendered in our people, have delivered impressive results which I believe position us very well to improve shareholder value as markets recover.

Slide 47 – Focus on margin and beating the index

The success we have achieved at Hail Creek is just one practical example of our value-driven mine-to-market approach.

Our objective is to combine excellent operational practice with smart commercial judgement so that we are able to maximise the value we derive from each step in the chain.

We've worked hard to improve our operational performance. The increases in productivity, and the associated cost reductions, mean our coal mines all remain cash flow positive and the majority sit in the lowest quartile of the cost curve.

The work of the coal and uranium marketing teams is also very important in delivering value to the business.

We retain deep and enduring relationships with our customers, a position that has enabled us to contract to supply product over longer terms.

Importantly, our marketing expertise has also delivered a price premium to spot market benchmarks.

On average over the past three years we estimate this premium to have been 8% for coking coal, 10% for thermal coal and 35% for uranium.

Another example of our marketing success is development of the semi-soft product, originally created by Rio Tinto for customers in Japan, Korea and Taiwan. Rio Tinto is considered a benchmark producer of semi-soft coal and on many occasions leads market pricing for this category. We have been able to adjust output of this product in recent years to deliver improved margins at our Hunter Valley sites.

Slide 48 – Large, high quality Hunter Valley resource

I'd like to turn now to our world class assets in the Hunter Valley.

Rio Tinto, through its subsidiary Coal and Allied, operates some of the best positioned assets in the region.

On the map on this slide the dotted red lines define the premium coal geology and our assets are shaded in grey. As you can see all are positioned within the premium 'spine' of the coal district.

Widely regarded as the best thermal coal region in the world, our assets in the Hunter Valley are located close to existing rail and port infrastructure. Rio Tinto also owns a share in Port Waratah Coal Services, which is 80 kilometres away at the Port of Newcastle.

We operate three mines in the region: the Hunter Valley and Mount Thorley Warkworth mines near Singleton, and Bengalla near Muswellbrook. The mines are located in an area with favourable geology for open cut operations, with shallow, thick seams and little geological faulting.

Slide 49 – Significant increase in reserves vs 2013

In the last year, considerable work has been done to prove up our resource base in the Hunter Valley, and to assess opportunities for expansion.

As a result of our geological studies, we have today announced a significant increase to our thermal coal reserves and resources in the Hunter Valley.

More than 500 million tonnes of ore reserves and another 370 million tonnes of mineral resources (in addition to reserves) have been added to our Hunter Valley inventory. These additions mean that our current reserves and resources could support 80 to 100 years of operation at current production levels.

An extensive drilling programme over many decades means we have a high confidence level, and understanding, of these assets.

This is a truly rich ore body with significant optionality to deliver value in the future and, as you would expect, we continue to examine all of the assets for further opportunities.

Slide 50 – Unlocking value through synergies

Our world class assets in the Hunter Valley present a number of low-capital, growth options for the future.

We have been working to develop a 'networked' plan for the Hunter Valley to allow us to operate our assets there as one system, unlocking value through synergies.

In a similar way to the network structure in the Pilbara, the Hunter Blend project involves optimising the current operations and increasing production volume at low cost, developing a range of blended coal products that meet the needs of current customers and enable us to target new market segments.

Under this project we are working to deliver value, equivalent to developing another mine, by leveraging our existing assets, maximising infrastructure utilisation and increasing margins.

By progressively developing existing and future mines - both open pit and underground options – we have the potential to keep our wash plants fully utilised for decades to come.

As I mentioned, the system design has parallels to how we operate in the Pilbara, and will include an Integrated Operations Centre to be established in Singleton in early 2015. This centre will manage vehicle dispatch and asset health functions initially for our Mount Thorley Warkworth and Hunter Valley Operations sites. Other open cut coal operations in NSW and QLD will be added later, allowing us to integrate and optimise performance.

We are also making use of existing in-house Rio Tinto technology capabilities, like the Processing Excellence Centre located in Brisbane, to ensure our wash plants are operating efficiently and delivering optimal yields. This work is already delivering results.

Capital expenditure requirements for the Hunter Blend project are an attractive \$10 to \$30 per saleable tonne

Slide 51 – Low capital intensity expansion options

Another attractive low capital expansion option is the Mt Pleasant project.

Mt Pleasant is located adjacent to the Bengalla mine and is in the advanced stages of study. It has a capital intensity of between \$100 and \$150 per saleable tonne with an expected capacity of 8.5 mtpa of saleable product.

It is the largest undeveloped deposit in the Hunter Valley and will produce high quality coal, has a low strip ratio, possesses existing consents and has secured rail and port capacity.

In addition its proximity to the Bengalla mine also presents opportunities and synergies for both operations.

The Mt Pleasant and Hunter Blend projects are both excellent opportunities to further improve the overall efficiency of our operations in the Hunter Valley and to maximise the synergies that exist across the business.

Whilst our world class resource base offers a range of further brownfields opportunities, these two projects, when combined with the existing business transformation programme, effectively deliver 67% volume growth and a 40% cost reduction against 2012 levels.

Slide 52 - Transformed business, well-positioned to meet growing Asian demand

In summary, our energy business has been transformed.

We are much leaner, more productive and more commercially-focused.

We have re-engineered our business around a simple and clear objective of maximising sustainable value to shareholders.

Demand for energy from our Asian neighbours is forecast to grow, and our businesses are well positioned to meet this increase.

Our operations and marketing teams are delivering excellent results, and our resource position is extensive and located within established, high quality coal and uranium basins.

Finally, considerable work has been done to leverage our favourable position in the Hunter Valley and to extract operating synergies from across both 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 started, 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 better business that is better positioned to deliver better results for shareholders when conditions improve.

Thank you.

Slide 53 – Creating value from operating excellence

Slide 54 - Our Technology & Innovation group has a long history of value creation

Thanks Harry.

I've now been at Rio Tinto for almost 25 years and my long experience in the Pilbara has given me direct involvement in many of our major new initiatives.

I am now championing the replication of such best practice across Rio Tinto. And that's entirely in line with the culture of operational and commercial excellence which runs through the whole organisation.

A number of years ago, we saw the significant innovations across other industries and asked ourselves which of these could we apply to our operations, in order to improve safety, reduce costs, and enhance productivity. This journey started back in 2007 and we believe we have built a unique first mover advantage.

Technology is changing the industry. A number of our competitors are adopting similar programmes but remain years behind us. It's not just about using technology, it's harnessing it to deliver material improvements in productivity. Our Pilbara Operations Centre is a shining example – enabling us to optimise our rail, mines and ports across the Pilbara, delivering material value to shareholders.

This timeline here shows that we have delivered a steady stream of innovation projects. The introduction of autonomous trucks began back in 2009 and is now being rolled out across the Pilbara delivering tangible savings and utilisation improvements.

Our fleet of autonomous trucks, the largest in the world, have moved over 200 million tonnes of material.

In 2010, we began to trial automated drill rigs. These give us real-time 3D models of our resources literally at the mine face, so that we can better identify ore from waste. This step-change in technology is delivering meaningful value to the business as we roll it out across the Pilbara. At West Angelas, now the world's first fully autonomous drill site with six autonomous drills in place, we have already used this technology to increase ore recovery by 2 per cent.

Slide 55 ...and these innovation and productivity improvements continue to be rolled out across the Group

And really, we have only scratched the surface of the possible applications of these technologies outside the Pilbara. We have taken our autonomous drills to trial at one of our coal mines in the Hunter Valley which should not only help increase drill labour productivity three times over, it will also give us real time ore body knowledge to improve coal recoveries.

Our Processing Excellence Centre in Brisbane is improving the operating efficiencies at our copper and coal sites around the world using real-time data analysed by world-class subject matter experts.

And Harry has already mentioned the potential benefits of our planned Hunter Valley operations centre.

Slide 56 – Operating excellence delivers significant value...

However, let me be clear, our role is to make technology and innovation deliver real value directly to the bottom line.

Our first consideration is choosing and shaping the right projects for the business to be involved in. I'll talk more specifically about our role in this on the next slide.

The second area is delivering productivity improvements and this has been our main focus in 2014. We've worked with all the product groups to help deliver more, for less. And the real beauty of achieving productivity improvements is that they're not just one-offs, they deliver the same benefits year after year. I'll come onto a more detailed case study with Brockman 4 in a moment and Harry just mentioned the impressive improvements in truck utilisation rates in the Hunter Valley.

The third area focuses on using technology to create step change improvements. Our autonomous trucks in the Pilbara are a fine example. We have 57 in operation today and plan to increase to around 150 by the time we complete 360. Our autonomous trucks deliver 10 to 15 per cent higher utilisation as they don't stop for lunch or comfort breaks. They are more fuel efficient and require less supporting infrastructure. As Andrew said earlier, they are also operationally safer and, at the Hope Downs mine, we're exceeding manned effective utilisation by 14% and have decreased load and haul operating costs by 13%.

We now have our best driver in every autonomous truck.

There are many more examples which we don't have time to go into but I'm more than happy to talk to these in Q&A or over coffee afterwards.

Slide 57 - Extending our superior Pilbara project execution performance across the Group

In early project stages, Shaping is critical and T&I has a key role to play. If a project gets off on the wrong foot, the outcome is at best wasted time and effort, at worst a missed investment or divestment opportunity.

From there, we select the optimum development pathway to maximise the project's value, which in turn will become a business proposal. Sometimes the results don't confirm previous beliefs and projects are stopped or re-engineered as a result. This is also a valuable outcome.

Our independent Technical Assurance team also has a critical role to play as one of the gate keepers in the capital allocation process. They review all investment proposals before any approval takes place.

This is all about doing the right projects.

And now I'd like to talk about doing the projects right.

As you can see from this graph, our Pilbara projects team, headed by David Joyce have an impressive track record in delivering mega projects on time and on budget. It would be fair to say that our comparable delivery performance outside the Pilbara has not been as strong. To replicate this performance, we have now brought David and his team to head the delivery of all major projects across the Group, which now of course includes Kitimat.

This is another example of taking best practices from one part of the Group and leveraging them to the benefit of the entire company and ultimately, shareholders.

Slide 58 - Productivity case study – Brockman 4

Let me take some of the productivity improvements I've been talking about down a level, to give you a bit more granularity

Mining operation involves a number of components like planning, drill & blast, load & haul, crush & screen, stack & reclaim and train loading. Improving only one component in isolation may have limited value and trying to improve all components without a focus on the real bottlenecks can be counterproductive. Our programme identified the real constraints across the entire value chain and removed them to achieve higher system throughput.

80 possible initiatives were identified at Brockman 4 and were quickly narrowed down to 14 key initiatives, to deliver 7 million tonnes of additional saleable iron ore and an additional 45 million tonnes of material moved, without introducing any new assets.

And this is just an example from one mine. Of course we have 15 mines in the Pilbara and more than double that group wide. So you can see the depth of opportunity we have and why it's been such a big focus for us.

Delivering more, with less will be a common theme across Rio Tinto for years to come.

Slide 59 – Delivering significant value to the Group

In summary, let me leave you with a few overarching messages.

We are delivering high-quality investment options at reduced levels of spending.

Our team has a superior track-record in the Pilbara and is now responsible for all project delivery across the Group. We'll leverage our expertise to achieve similar results.

We are creating significant value by leveraging technology and innovation to deliver projects, improve productivity and introduce innovations which can take us to new levels of commercial and operational excellence.

My focus is on taking best practices and rolling them out across the wider Rio Tinto Group to maximise margins and capture this value for years to come.

Our investment in step-change technology and innovation has created capability to deliver improvements and consider opportunities that are closed to many of peers.

Slide 60 – Rio Tinto value proposition

Thanks Greg.

Next week we will be hearing from our three remaining product group heads in London, not least our aluminium business, which we think offers exceptional returns and significant growth.

I'd like to thank my executive team for their support over the past 20 months. They each bring specific abilities and experience, and I am looking forward to reaching further milestones with them over the coming years.

Let me summarise with some key points.

Over the past two years we've invested wisely, we've taken out costs and we've transformed the business.

Last year, we said that we'd focus our efforts in 2014, 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.

Commodity prices are subdued, but our views on the long term outlook, remain unchanged. Our Pilbara 360 project delivers exceptional value to you, our shareholders. And looking forward, we are committed to further reducing our costs.

We run Rio Tinto for the benefit of our shareholders. The delivery of our progressive dividend is a key commitment.

Looking out over the next five years, we expect to generate strong free cash flow, and we remain committed to materially increase cash returns to shareholders in a sustainable way. I truly look forward to announcing this at our annual results in **February next year.**

But for now over to you for questions.