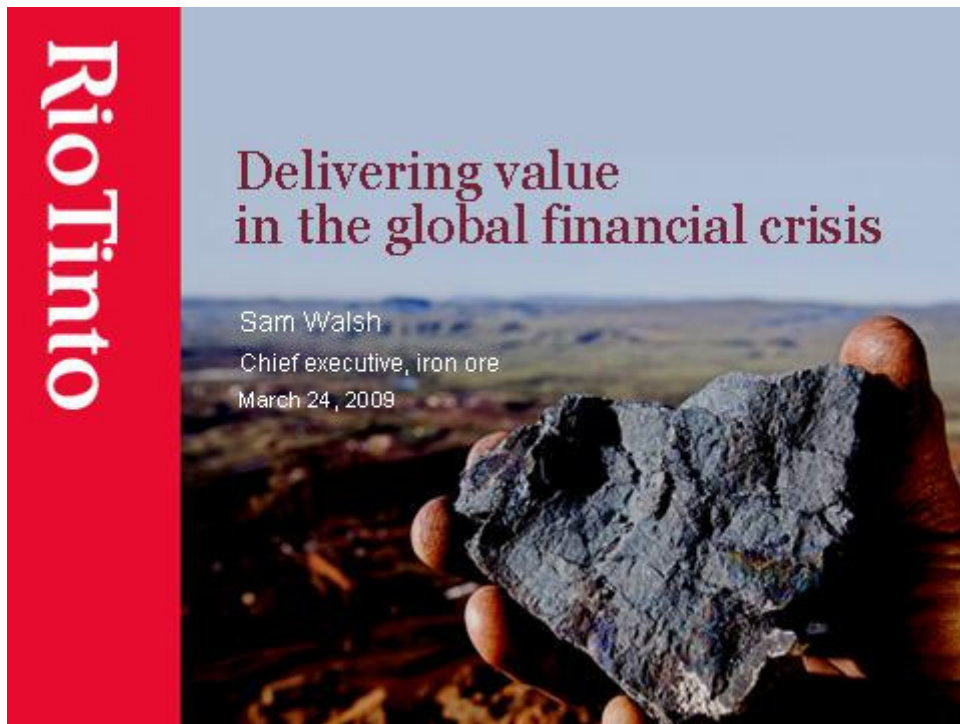


**AJM Speech  
24 March 2009  
Sam Walsh**



Thank you Clark (Wilkins), for the kind introduction. And thank you again the Australian Journal of Mining for this event, one that Rio Tinto has been involved in since its inception.

Even by the iron ore industry's lofty standards, 2008 was an exceptional year, a year that defied all expectations, predictions and estimations.

I note with some apprehension that the name of this event is the "Global Iron Ore & Steel Forecast conference".

Given recent experience, I confidently predict that the forecasting business is facing a few challenges of its own at the moment.

## Much has changed since March 2008...

- Iron ore negotiations result in an average price increase of 86%
- Worldwide shortage of ore carriers, leading to freight cost blow-out
- Spot iron ore prices double that of LTC benchmark levels
- Global financial crisis
- Olympic pause in China followed by a real slowdown
- BHP Billiton withdraws pre-conditional bid for Rio Tinto
- Assets sales stymied by global financial crisis
- Alternative sources of capital open up

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To begin today, let me recall what I said last year at this very conference- I explained how Rio Tinto was seeking to create maximum value during 2008.

This was at a time when:

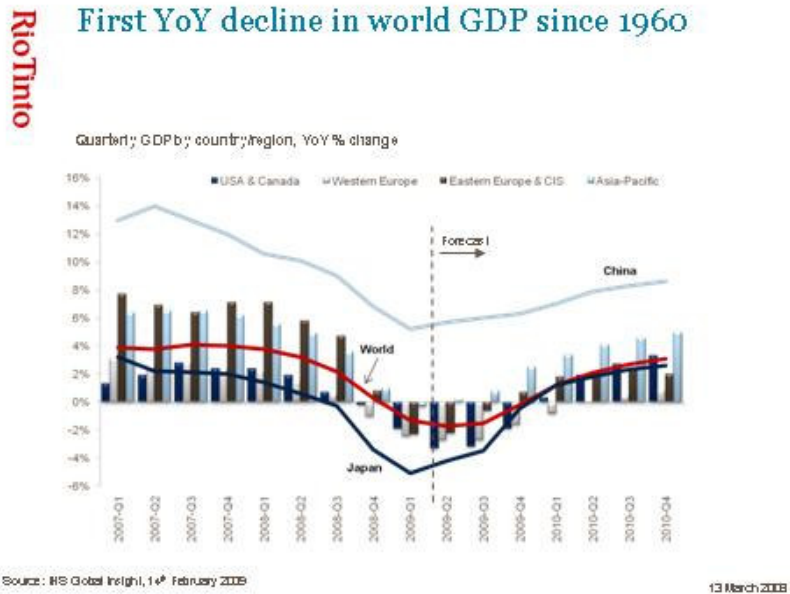
- dozens of iron ore projects were clamouring for market attention and regulator approval
- Pricing negotiations were set to drag on for months, with the spot market providing twice the return than ore sold on long-term contracts
- There was a worldwide shortage of ore carriers to carry the product
- There was a critical shortage of staff
- There were hugely inflated costs and lead times.
- Here in Western Australia, we had a Labor state government, which seemed impregnable

All of which goes to show that times change, and that they can do so with astonishing rapidity.

We all know about the global financial crisis – it's received almost as much media coverage as Rio Tinto over the past year.

There was a time when Rio Tinto was described as “faceless men in dark suits” - alluding that we operated below the radar screen. These days are long gone.

The global financial crisis is brutal, and the commentary is consistently pessimistic..



Global Insight's latest forecast for 2009 is for growth of -1.2%, noting that the world may be entering “by far the worst recession since the second world war”.

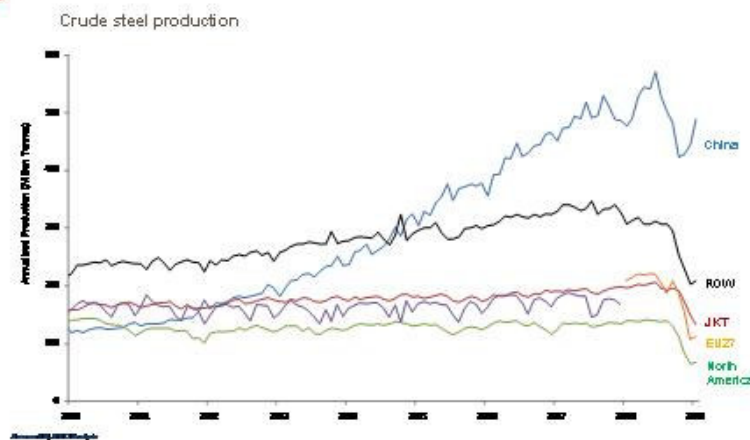
Other respected commentators portray similar views.

In Australia, the impact has now arrived, and we recently learned that the economy contracted 0.5% in the last three months of last year.

What does this mean for our industry?

Arguably more than any other commodity, steel is a proxy for economic growth- what happens to GDP will immediately be reflected in steel production.

## Crude steel production significant decline



This graph is interesting in two respects

- The rapid growth of steel production in China, relative to the constancy of other markets
- The suddenness of the downturn in steel production in all markets.

North America, Japan, Europe and the rest of the world have enjoyed an amazing stability in the last decade, producing steel reliably and predictably.

China bucked the trend, demonstrating another kind of consistency - year on year rapid growth. From a base of not much above 100 million tonnes, China's steel production swelled to more than 550 million tonnes in eight years. Not only were they producing half the world's steel, but they accounted for almost the entire global growth in iron ore in that time.

And although we did see an uptick a month ago, I think it takes quite a leap of faith based on this to 'call' the bottom of the downturn..

As I have said many times over the past two years, there were more than a hundred aspiring iron ore producers in Western Australia, and I even offered a wager that few would actually produce tonnes at the end of the day. Unfortunately despite the protests, I could not get anyone to take the bet. And that offer is still on the table.

Those operations that are high cost, low quality and requiring concentration will have their work cut out to make it through the current conditions.

Rio Tinto has responded prudently to the current market conditions...

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In the mining industry, confidence is just another commodity and there is always some on offer.

Perhaps that's why there was a certain air of denial when the slowdown hit.

Rio Tinto recognised the changing tide in early November, just as the BHP Billiton proposal was coming to a head. Despite that proposal still being 'live', we acted.

## Production adjustments...

### Aligning operations with customer demand

- As a result of the reduced demand from customers, Rio Tinto announced production alignments
  - Revision of Pilbara shipments for 2008 estimate of 190-195Mt/a to between 170 - 175 Mt/a (100% basis)
  - Closure of three pellet lines and a four-week production shut in July for IOCC
- Hismelt Kwinana plant suspension of operations

In November we identified the reduced demand for iron ore, announced revised shipment expectations and adjusted production and sales forecasts. Others followed...albeit slowly.

In the Pilbara we had a two-week production shut and reduced the run rate to equal an annualised run rate reduction by approximately ten per cent. This was not an easy step to take, one involving briefly suspending most operations, shifting some workforces and equipment across the Pilbara and reviewing all operations in the light of the new reality.

But our response extended beyond the Pilbara...

At IOCC, we shutdown three pellet lines until the end of March to slow pellet production and, subject to market conditions, we are also intending to take a four-week full production shut down in July.

The Kwinana Hismelt plant operations were suspended in late December for three months in response to the depressed pig iron market.

These steps were part of an overall Rio Tinto response to unfolding events, which also included savings associated with global capital and operating expenditure and global employment levels

## ...and cash generation initiatives

### Cash generation and conservation

- Announcement of key initiatives and commitments to reduce net group debt by US\$10 billion in 2009
  - Reduction of net capital expenditure guidance, while retaining future growth options
  - Reduction in global employment
  - Corumba

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We announced major reductions in operating costs, including the tough decision to reduce Rio Tinto's global workforce by 14,000 roles. In iron ore, we realigned our business to the new market dynamics, restructuring strictly along our "one mine" organisation and rationalising and integrating service and support activities..

We have also recognised the cooling effect on the over- heated Western Australian mining and construction sectors and are using the market pause to reduce input costs and reconfigure projects.

In addition across Rio Tinto, we reduced capital expenditure plans for this year from US\$9 billion to \$4 billion, slowing projects to meet expected market demand.

In line with this guidance we have suspended expansion projects in Australia, Canada and Brazil.

In Simandou, the political situation has been most uncertain there in recent times, but we have made considerable efforts to ensure our locally sourced workforce has been spared the brunt of any slowdown.

And we continue to assert our rights in what is an improved political landscape.

We have agreed to sell Corumbá to Vale for \$750 million – completion is expected later this year. This confirms the underlying value that our competitors place on our high-quality assets and our ability to unlock value despite tough credit markets and economic conditions.

The logic behind these decisions was simple- Rio Tinto has focussed on shorter-term value realisation and aligning current and planned production with demand.

Importantly, we will come out of the global financial crisis a much stronger and more focussed business.

**RioTinto** **Iron Ore group builds on a world-class business**

<b>Quality Assets</b>	Well positioned with an existing portfolio of world-class, tier one assets
<b>Significant Reserves and Resources</b>	Unrivalled large-scale, high-quality reserves and resources with good proximity to growth markets
<b>First-class Infrastructure</b>	Low-cost infrastructure and planning able to support the development of its large, long-life resource base
<b>Continuing Profitability</b>	High-margin, low-cost business which continues to create and deliver value

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With our quality assets we look forward, not back. Rio Tinto has never pursued growth for its own sake. It has never sought to be “the biggest miner in the world”.

We have:

- Quality assets – not just in the Pilbara but throughout the world
- Significant reserves and resources
- First class infrastructure with sophisticated integrated planning
- A continued focus on creating value

These four imperatives are the strength of Rio Tinto's iron ore business, and we have moved to protect them.

RioTinto

## Well-positioned for market recovery

- The business is focused on responding to current market conditions and business needs, whilst preserving future growth options
- Cash flow conservation measures do not impact on RTIO's future growth options
  - suite of growth assets remain capable of re-activation in line with market demand
  - resources and infrastructure continue to provide an exceptional portfolio of high return brownfield and greenfield expansion options
- Current market conditions provide the opportunity to streamline the business, take advantage of easing input cost pressures and create an even stronger business

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We have said that our expansion plans are postponed “until some definable signs of economic improvement” are apparent”.

While we are confident in an eventual recovery, we will make gains where we can now. Already the downturn is feeding its way into reduced input costs.

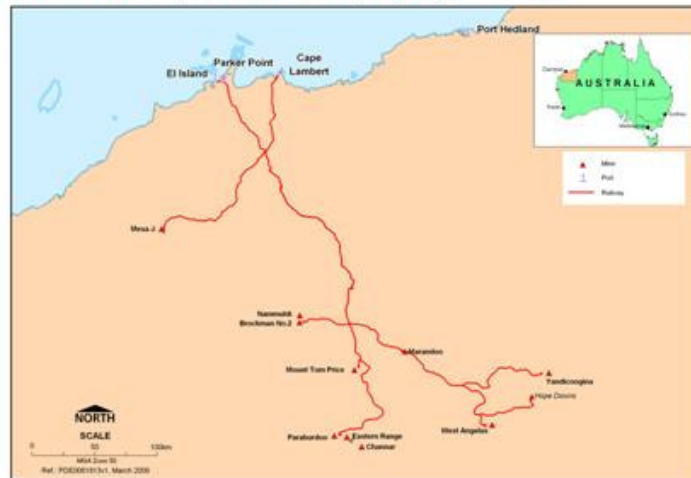
Similarly, although we have had to suspend or cancel some long-lead items, I am confident that when it is time to reinstate the expenditure we will not be unduly disadvantaged.

We have been careful not to impact on our future growth options, which can be initiated or reactivated as and when market demand requires.

This is the value of having high quality Tier-One assets...



## Pilbara integrated operations network – unrivalled, world class, highly efficient



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To concentrate on the Pilbara –

It is easy to see why other companies have sought to secure access to our assets, whether by way of ownership or through government mandate and regulation.

One cannot fault their taste.

No other company has what Rio Tinto has built in the Pilbara.

Our mines are among the world's most efficient – large, low-cost and well understood operations which are thoroughly integrated into our Pilbara infrastructure of 1,300 km of rail and 3 port terminals.

This network is:

- Manageable
- Flexible, and
- Expandable, and
- ...Ours !

## ...feeding the flexible and recently upgraded ports infrastructure



### Dampier

- Dampier port terminals: East Intercourse Island & Parker Point
- Total capacity of 140mtpa
- 5 berths, plus 1 lay-by berth
- 3 shiploaders and 3 car dumpers
- Maintenance free channel with sheltered anchorage
- Parker Point berths not tidal constrained

### Cape Lambert

- Total capacity of 80mtpa
- 4 berths
- 2 shiploaders and 2 car dumpers
- Not tidal constrained & deep water access for bulk carriers in semi sheltered environment

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Our ports are well located, close to major markets. They have added to our strategic imperative to maximise integration and efficiency of our infrastructure.

They have also been extensively modernised, with three major port upgrades completed in four years. And we can easily build on those.

All this presumes, of course, that we are not ordered to allow someone else's trains to "borrow" our rails, creating disruption, distraction and degradation of one of the most efficient logistic systems in the world.

It is very easy and trite to underestimate the sophistication and complexity of our operations, but no other miner in Australia is moving 170 million tonnes of anything through an integrated logistics chain.

We read lots of armchair experts, lots of theoreticians, but these people are extremely light on the practical reality of running Australia's largest export business.

The Rio Tinto iron ore business is never still, but for the moment at least it is possible to "take stock" of its configuration, following five years of heady expansion, and choose our next steps carefully.

In the current environment, we will need to.

## Current business snapshot

- Pilbara iron ore infrastructure has now been expanded to a capacity of 220 Mt/a ahead of time and on budget
- Cape Lambert upgrade to 80 Mt/a completed
- Hope Downs South completed
- Expansions are continuing:
  - Brockman 4 construction progressing to plan
  - Mesa A construction well underway
  - Rio Tinto Operations Centre progressing to plan
  - Mine of The Future innovation projects continue
- Business improvements continue
  - New shiploader at East Intercourse Island
  - New generation GE Evolution Series locomotives and rolling stock
  - New power infrastructure

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Our mines/rail and port capacities are largely in equilibrium, and our necessary replacement tonnages provided from Mesa A and Brockman 4 are on track to replace depleted deposits on time.

Our expansion projects are understood and ready, pending market returns to favour.

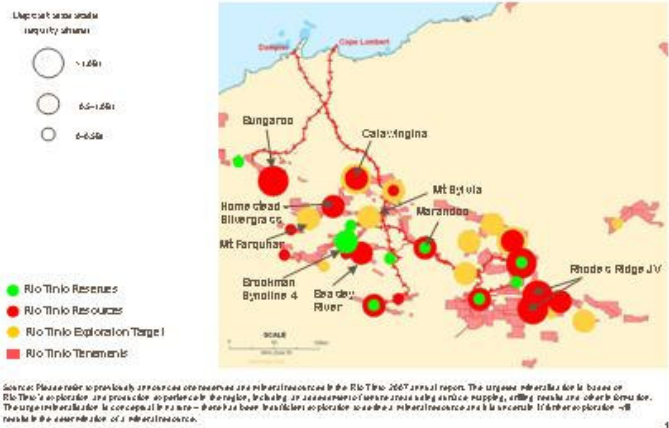
We continue to make necessary business improvements.

Work on our technology and innovation projects, such as the 'Mine of the Future', automating haul trucks and drills and the new Operations Centre and revamped integrated planning - these all continue and we expect real value to be generated from them.

We are continuing to focus on climate change and green house gas reduction with our commitment to new power infrastructure, which will reduce carbon emissions by 25%; with our trial of hybrid locos; and with LNG haul truck trials with lighter weight trays.

The fact that we are continuing with them at this time, when many other worthy projects have had to be suspended, highlights the value we place on maintaining our lead in this field.

## Key exploration targets concentrated in close proximity to our existing infrastructure



It's not just the logistics of moving and loading the ore, of course. but also locating it, evaluating it and studying it in order to establish the optimum long term mine plan. We believe we retain a resource base unrivalled in the Pilbara, in terms of quality, proximity to infrastructure and therefore the development options it provides.

It is no idle asset. Last year we drilled 470,000 metres. This year we expect to drill some 370,000 metres.

This is probably Australia's largest exploration program.

This process is critical for Rio Tinto, and even with a subdued near-term market outlook, it is an essential task.

- Our Pilbara mines are up to 42 years old
- At our current rate, we are moving through traditional mines quickly

## Expansion plans

- Critical expansion studies for mining beyond 220Mt/a continuing
  - Incremental capacity or phased increases under consideration
  - Early works continuing, including rail upgrades
  - Studies reviewing capital spending to allow for easing of input costs
  - ...but subject to market conditions
  
- Non-critical expansion projects postponed
  - IOCC phased expansions
  - Pellet plant at Sept-Iles
  - Automated Train Operations

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Rio Tinto works to a 40-year mine plan. We do not have the luxury of allowing the vagaries of the market, the peaks and troughs of customer demand, to dictate the rate at which we discover, appraise and develop our deposits.

And that means we maintain an active expansion program, and an active exploration program. Although current market circumstances have required some non-critical projects to be set to one side, I can assure you our growth profile remains.

The signs of a definable market recovery are not with us yet. We will not follow those who have declared the crisis over.

Quite clearly, the crisis has some considerable way to go in working through the system. It is a fact of life that any short-term reduction in steel production reduces the urgency of bringing on new sources of iron ore.

Critical expansion studies for mining beyond 220Mt/a are continuing. We will weigh up the virtues of incremental capacity versus larger phased increases to achieve the best fit.

In addition, the reconsideration of expansion plans also has to take into account the much improved cost outlook we face.

Restarting the engines...

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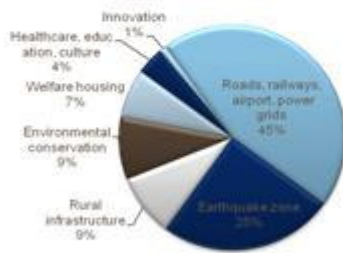
Rio Tinto has needed to reset its business to take account of the global financial crisis, and the implications that held for our business and our future plans

Of course, its capacity to reset and restart is linked with our major markets. Let me highlight the 'fight-back' in our major iron ore market China in a bit more detail.....

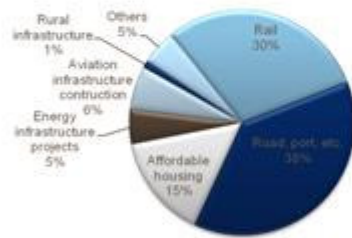
China's RMB 4 Trillion stimulus package is a good start

8%

Breakdown of the proposed RMB 4 trillion stimulus package...



... of which 95% of the spending will impact on the steel industry in 2009



Source: NDRC

20 March 2009

Presentation Title

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The RMB 4tr stimulus package is heavily infrastructure intensive. It includes 10,000 km of new railways, 10,000 km of new roads, 8 million low cost apartments and 60 new airports.

Around the world, the various stimulus packages, taken as a whole, add up to a concerted effort by the world's major powers to re-instill confidence in the system. Recovery may take a long time, and be fragile at first, but re-establish itself it will.

It is a case of “when, rather than if”. Or perhaps, “how high” rather than “whether”.

RioTinto

## Early days but some signs that the China recovery package is starting to take effect

- Urban fixed-asset investment up 26.5 percent to RMB 1.03 trillion YoY
- Railway investment in February if RMB 34.3 billion, up 210.1% YoY
- February M2 growth of 20.5%, up from 18.8% in January
- RMB 2.67 trillion of new bank loans issued in January and February

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Some encouraging figures have started to emerge in China

With January and February combined, urban fixed-asset investment increased by 26.5 percent to RMB 1.03 trillion from a year earlier – and above market expectations.

We have seen railway investment triple from a year earlier – great for iron ore and steel.

The easing of monetary policies taking effect with an increase a spike in new loans.

And so on...

Iron ore, unlike many other commodities, is as close to a staple as there is. You simply cannot build railway systems on the scale China envisages without steel and therefore iron ore. You cannot accommodate the vast numbers of people moving to metropolitan areas without iron ore.

Equally, the long-touted transformation of India and the arrival of Gulf and Middle-East economies as fully fledged developments in their own right will follow..



## Our focus and priorities

<b>Manage the downturn</b>	<ul style="list-style-type: none"><li>▪ Continue to operate low-cost, long-life assets to optimum capacity and efficiency</li><li>▪ Remain well-positioned for a recovery in global economic activity through preserving business flexibility and responsiveness</li></ul>
<b>Prepare for the upturn</b>	<ul style="list-style-type: none"><li>▪ Pricing negotiations</li><li>▪ Reduce operating costs through controlling discretionary expenditure and refocusing the business to align with current market conditions</li><li>▪ Create outstanding future value</li></ul>

20

It would be foolhardy to play a waiting game.

We have a volume business to protect, hard-won gains to preserve, and remain at least as busy during this hiatus – if that's what it is – as we were during the initial expansion phase of the current boom.

Our priorities are to:

- Continue to operate with maximum efficiency

- Preserve business flexibility and responsiveness
- Conclude lengthy pricing negotiations
- Reduce operating costs
- Continue to create outstanding future value for our shareholders

Turning to more recent corporate events.....



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One immediate matter is to see the proposed strategic alliance with Chinalco established, and bedded down.

The proposed investment by Chinalco in Rio Tinto is an integral component of that “reweighting” of the Rio Tinto business, opening up new opportunities.

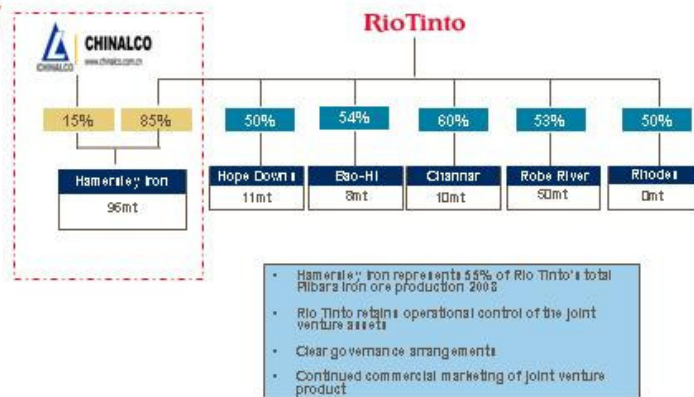
It has certainly led to a recovery in the stockpiles of media commentary

For a few, it was not a good enough deal for shareholders. For others, the majority probably, it was “too good a deal. Indeed, suspiciously so.” It can hardly be both.

For iron ore, at least, the Chinalco proposal does not introduce an unknown.

Most of you would be aware of the deal details, let me expand on the benefits:

## Key features of iron ore investment



All figures are on a 100% basis and represent 2008 Rio Tinto iron ore production.

25

For iron ore this means that Chinalco will take an effective 15% stake in those Hamersley Iron assets which are 100% owned.

As you can see – we already have many JV relationships, such as with:

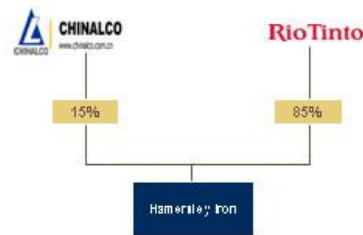
- Hancock Prospecting in Hope downs
- Bao Steel in the Bao HI joint venture
- Sinosteel in Channar
- Mitsui, Nippon Steel and Sumitomo in Robe River

and Hancock and Wright in Rhodes Ridge.

Those JVs are all above 15% participation, which is the limit of the Chinalco stake before us now.

In addition, the strategic alliance opens up the prospect of expansion that we would not otherwise have. They include exploration through China, a major iron ore province we believe is vastly under-explored, and possible a linking through key areas elsewhere in the world of mutual interest. And that includes west Africa, where for example we have the Simandou deposit.

## Rio Tinto Chinalco transaction myths



1. Pricing
  - Prices are not established on asset level
  - Rio Tinto Board is not consulted over pricing decisions
  - Negotiations conducted by senior RTIO management
  - Existing JV relationships have not hindered full and robust commercial discussions
2. Influence expansion plans
  - Strategic alliance committee, three Rio Tinto (including Chairman) and two Chinalco directors
  - Committee will approve programs, budgets, capex
  - Limited minority protection rights

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I am not going to go into any detail on pricing expectations and we never do.

Rio Tinto has always been an active participant in price negotiations in all markets. We will continue to hold our own discussions with customers, and arrive at a mutually agreed price.

Whether others follow, or indeed if they choose to reach an earlier outcome, is a matter for them.

Importantly, nothing will change as a result of any greater involvement by Chinalco in Rio Tinto. Nothing.

Rio Tinto will retain 85% ownership of HI following the implementation of the proposed arrangements.

Rio Tinto negotiated the highest ever price increase (96.5% lump increase) with Bao Steel last year - at the very time when our shareholder registry demonstrated the largest single shareholder in Rio Tinto was...Chinalco.

## In summary

There are three constants in our long-term strategy:

- Delivering value through managing world-class assets and profitable and sustainable growth
- Thinking and operating globally, essential to our success
- Government and community commitment and expectations
- Active engagement with communities

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## In closing

There are three constants that have coloured our strategy for the past decade:

Delivering value through managing world class assets and through profitable and sustainable growth

Thinking and operating globally, essential to our success

Active engagement with communities

We will continue to protect our business, securing the value already invested in the business and seeking to build on our success.

This is exactly what I said this time a year ago, and – notwithstanding the eventful year we have had, and the one in prospect - it remains the case.

We will continue to secure that value.

Thank you.