

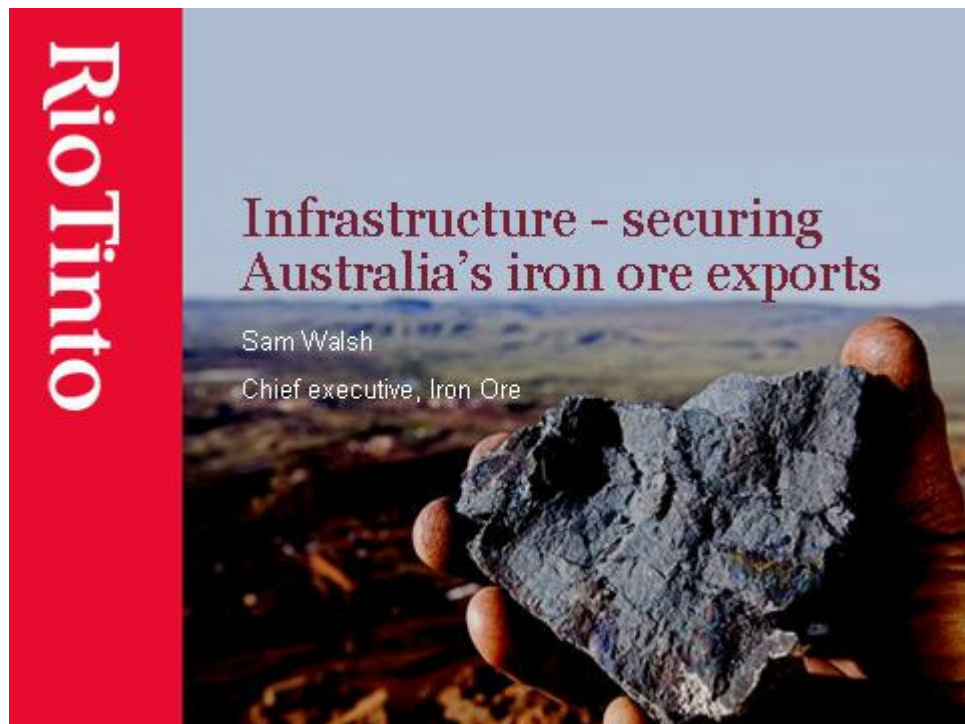
Australian Financial Review National Infrastructure Conference

Sydney

2 April 2009

Sam Walsh

“Infrastructure – securing Australia’s iron ore exports”



Thank you Peter [Roberts]

I would like to acknowledge the traditional owners of this land.

I congratulate the Australian Financial Review for such an impressive line-up.

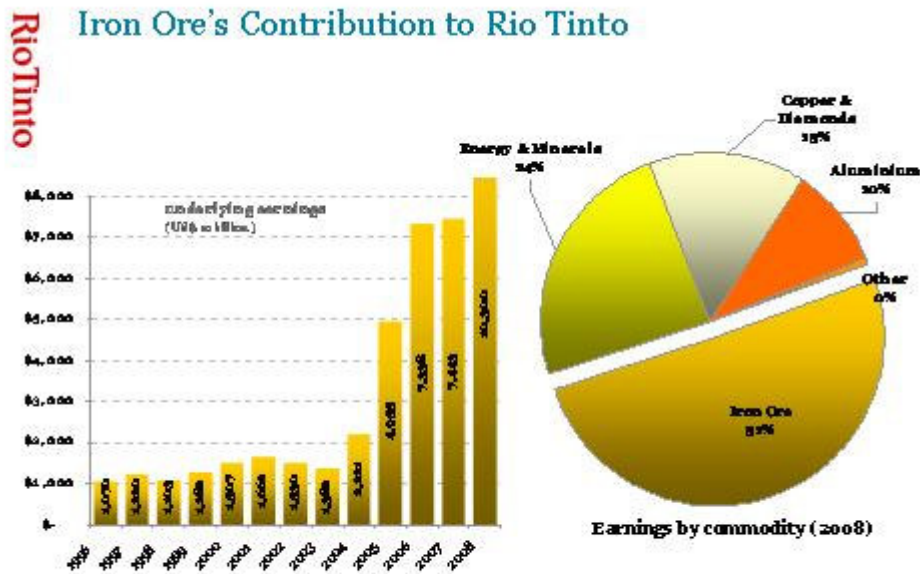
The subject of this conference could hardly be more topical, and the timing never more appropriate, than now.

Australia’s economy, the industries upon which we depend, live or die by their export performance. I’m conscious that this is not a mining conference, and you are not all miners, resource analysts or mining journalists. I am not necessarily unhappy about that!

It gives me a good chance to share my thoughts with you about a part of our resources industries. It is a success story that is hard to appreciate.

Given our capital markets structure, it is inevitable that our operations are reported within an equity markets perspective – as a share price that goes up

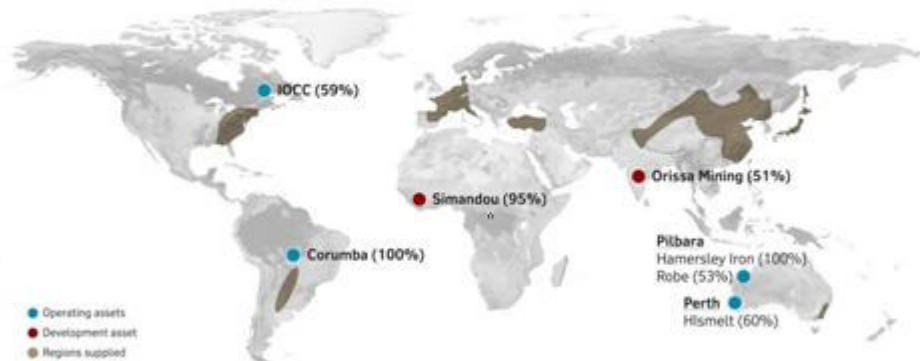
or down, or as a takeover story. But of course they are first and foremost a business, an enterprise seeking to achieve certain goals over time that amount to something of real value. Therefore, allow me a few minutes to explain what we are, and what we do with what we have.



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I run just one “leg” of the Rio Tinto business, but it is nonetheless quite a leg. I speak for more than 11,000 employees. Our business accounts for more than half of Rio Tinto’s entire net profit, and we would comfortably rank among the largest companies in Australia in our own right. We have major operations and sell to markets on all continents.

High quality assets and global markets



IOCC is a joint venture between RioTinto and the Government of Ontario. RioTinto owns 59% of IOCC. RioTinto also owns 95% of Simandou, 51% of Orissa Mining, 100% of Hamersley Iron, 53% of Robe, and 60% of Hismelt. RioTinto also owns 100% of Corumba. RioTinto's total assets are valued at \$756 million as of January 2009.

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Our operations range from the Iron Ore Company of Canada, of which I am chairman, to Corumba in Brazil, to the Pilbara in Australia, and to two of the most exciting iron ore projects in the world today – Orissa in India, and Simandou in Guinea, west Africa.

Our business is globally headquartered from Perth, which is where I live when not on a plane, and Western Australia has precious few businesses that can say that.

While global, the key to our business – like all major businesses – is its simplicity. There are a handful of imperatives which guide our strategic hand.

Iron Ore group builds on a world-class business

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

We have a significant number of world-class, tier-one assets. These include “unrivalled” large-scale, high-quality reserves and resources of high-grade deposits. They are close to growth markets, they are accessible, and they are expandable because we have designed them that way. They need to be, as we operate on a 40-year mine plan. I am not sure of many other industries that can say that.

Though we extend far from Western Australia, our greatest iron ore asset - and the focus for today’s case study - is undoubtedly the Pilbara with an unrivalled and integrated network of mines, rail and ports.

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



Source: Rio Tinto

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As you can see, we have 11 iron ore mines in the Pilbara, the oldest of which was established more than 40 years ago. That was Tom Price, still going strong today.

Our newest mine, Hope Downs, is a JV with Hancock Prospecting, and was commissioned almost a year and a half ago. We are completing a bankable feasibility study on another Hope Downs site, Hope 4.

We expect to open two new mines, Mesa A and Brockman 4, in the next year couple of years – new projects to replace existing mines.

While we operate mines of varying size and characteristics, the key – again – is simplicity. We seek to operate them as “one mine”, much as several water catchment areas might feed into a particular reservoir. How the ore gets to that “reservoir”, and how well, depends on the sufficiency and efficiency of the infrastructure we provide.

... and one of the largest privately owned railways



Rail system is geared to maximize export value and is totally integrated with mine and port operations

Rio Tinto built, 100% paid for, and owns its railway

- 2 rail systems
 - Pooled Fleet
 - Robe Valley
- Total capacity: 220mtpa
- 1,300km of rail w/ 170km backbone dual track
- Integral part of product blending from multiple mines
- All trains operated by one driver only
- More modern demand chain assets are supporting expansion plans
- New-generation of EVO-locomotives
- Significant investment leading to improved performance

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Our rail system was established over four decades, and I would like to remind all here how that was done: very much in partnership with the Japanese steel industry, which underwrote the massive up-front costs on what was an extraordinary vision to open up the Pilbara. Without that support, without that underwriting, it is impossible to imagine that Australia would have an iron ore industry, and our greatest export business would simply not have occurred.

And at various steps along the way, whether through the Robe River JV with the Japanese companies Mitsui, Nippon and Sumitomo or the more recent partnerships with Sinosteel at our Channar mine or Baosteel at Eastern Ranges, we have sought and relied on customers to help underwrite our infrastructure investment.

Given current issues being debated elsewhere, perhaps we should reflect on how positive an experience for the Australian economy that investment has been.

The rail reach has steadily expanded since, in tandem with mine development, slowly spreading out across the Pilbara to link our furthest mines to the east with our three ports. While the mines produce the raw material, and then begin the processing to transform the ore into a product of value, it is the rail network that is critical to the efficiency of our total operation. Which is why we have spent a lot of time, effort and shareholders' funds to get the system right.

...linked to world-class port 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 literally are the gateway to our markets. We have three of them, in two locations: Parker Point and East Intercourse Island, at Dampier, and Cape Lambert about 40 kilometres away to the north east.

We have completed three very extensive port upgrades in the last three years, and have developed a number of advanced plans to expand as required. They fit within a flexible system that enables us to 'shift' between ports as circumstances require, whether it be for specific customer requirements or maintenance or weather issues.

Above being a gateway, the ports serve an important function – blending of our ore occurs at the port, where stockpiles can be configured and accessed in a precise way.

Pilbara Blend consists of ore produced from 9 mines



5 product offerings

- Pilbara Blend fines – shipped through Dampier
- Pilbara Blend lump – shipped through Dampier
- Yandicoogina fines – shipped through Dampier & Cape Lambert
- Robe River Lump – shipped through Cape Lambert
- Robe River fines – shipped through Cape Lambert

Pilbara Blend consists of ore from:

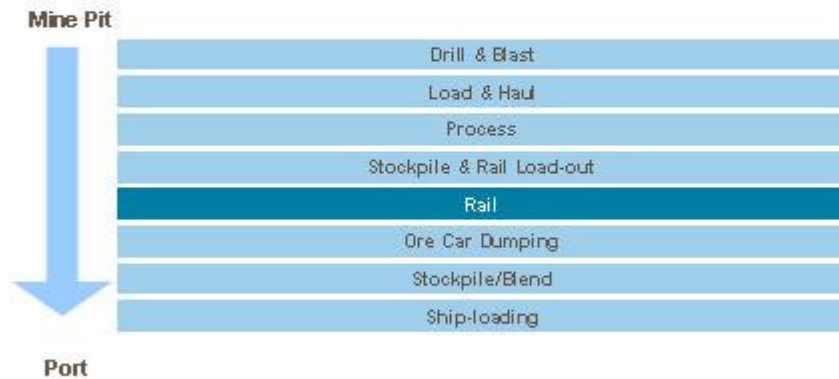
- Tom Price
- Greater Paraburdoo (Paraburdoo, Eastern Range, and Channar)
- Brockman
- Nammuldi
- Marandoo
- Hope Downs
- West Angelas

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Our main product is called Pilbara Blend, and we ship more than 100 million tonnes of it a year. It is a blend we developed over several years, in consultation with our customers, in order to maximise efficiency and provide consistency.

No individual mine meets Pilbara Blend specification; it comprises ore from nine mines, of vastly different composition, with varying degrees of Fe, impurities such as alumina, silica or phosphorous. Stockpiling and blending are critical to understanding the complexity of our operations, and why potential disruption of our scheduling is so disturbing.

A fully integrated production process



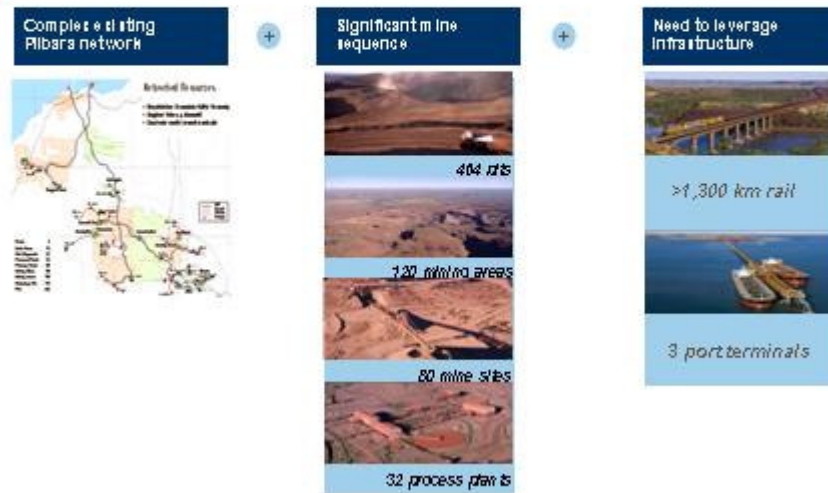
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What I have described, therefore, is a fully integrated production process; one that sees the iron ore:

- drilled and blasted,
- loaded on trucks,
- crushed at least once,
- stockpiled,
- loaded into an ore car,
- transported by train,
- unloaded by a car dumper at port,
- stockpiled to specific blend requirements,
- retrieved by reclaimer, and then
- loaded on to the ship at the terminal.

All this has been done according to a precise schedule – the ‘just in time’ methodology – one that takes into account everything from specific ore composition to tide times.

Operations are large, complex challenges



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The scale of the task is immense – and it is complex.

Take the procedures that I outlined in previous slides, now multiply that with the hundreds of pits and then try to implement a ‘just- in- time’ methodology.

No easy task.

Planning and executing, making this immense network work like clockwork is only possible with total control of the system given the “free radicals” at play such as the Pilbara weather.

And that’s why we are not in the infrastructure business; we are in the iron ore business.

And this capability did not happen by accident, and nor did it happen by osmosis. It took a lot of shareholders’ funds for us to expand as well and as efficiently as we have. We relied on our key customers to share some of that risk, underwriting those investment decisions to help deliver the infrastructure we use today.

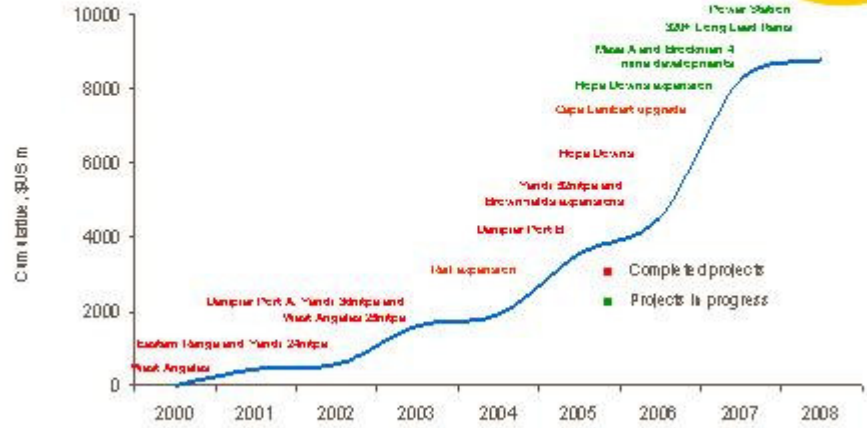
As other companies seek to catch up to the network we have built, we take some comfort from the fact that we reinvested the equivalent of our entire profit over five years into effectively rebuilding this system – some US\$8 billion

Since 2000, Rio Tinto has committed over US\$8 billion to expand its Pilbara operations

Major Capital Commitments

100% Commitment at Risk

Cumulative commitment over \$8bn



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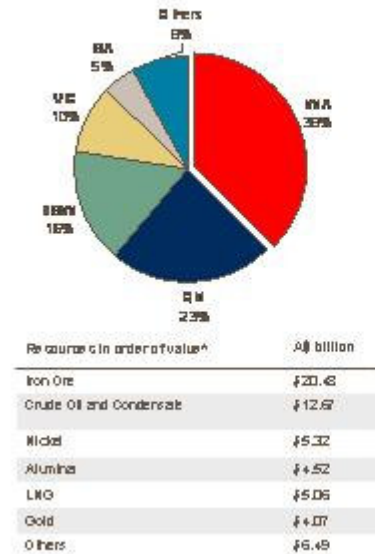
That's reinvestment in the business, and as you can see from this graph, it certainly predated the commencement of the most recent boom in commodity pricing which has accompanied the transformation in China.

You will see, for example, that this business took some critical strategic decisions in the late-1990s, choosing to invest in and expand the iron ore business.

Our major competitors did not.

While we have a lot at stake in running this operation well, so do all Australians. Let me give you a snapshot of this.....

Western Australia – a snapshot



Source: Department of Mines and Petroleum (DMP) 2008

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- Western Australian economy heavily reliant on mining and petroleum
- In 2008, Western Australia exported \$71.8 billion worth of product
 - equates to almost 40% of Australia's exports
- As a result, WA highly dependent on commodity prices and maintaining reliability of supply

Here's just one reason why our sustained reinvestment and drive for efficiency was so important, and why it remains a chief priority of the business I'm responsible for. Western Australia's economy depends upon it, and so does Australia's, which sorely needs the \$13.7 billion in export revenue we alone in iron ore achieved in 2008.

In 2008, RTIO's contribution to the state economy included:

- About 7,000 direct jobs, and almost as many contractor roles
- Almost A\$1 billion in salaries and benefits
- And A\$778 million in royalties
- And much more in other direct and indirect benefits

This record of success has been built on years of hard work and vision, and did not come easily. Nor did it come gift-wrapped, just waiting for us to pick up the returns:

Australia faces strong foreign competition

Iron Ore Reserves

Billion tonnes



Source: United States Geological Survey, UN Economic Commission for Africa

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The world is not short of iron ore. Far from it, as you can see.

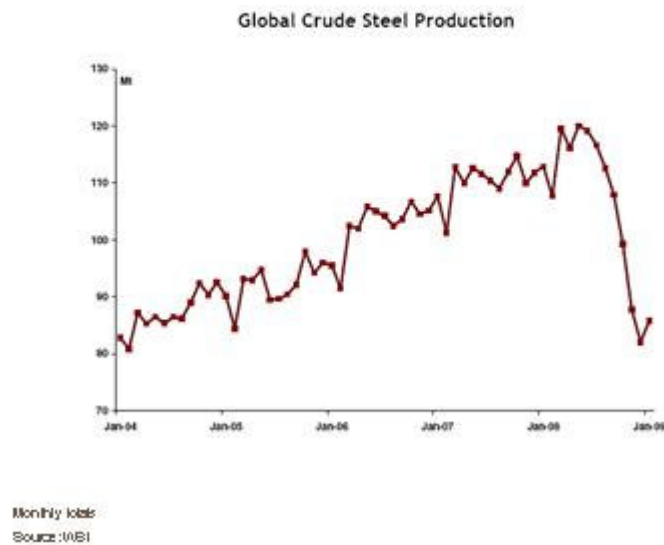
It comes down to how well you extract it, and what infrastructure you have in place to move it, that will determine how much you can sell. And for how much...

And as if that wasn't difficult enough, the world – our world – changed in October and November last year, when we weathered the full brunt of the global financial crisis.

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.

This is no academic exercise for those of us in the iron ore business.

...and the economic challenges of the GFC



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

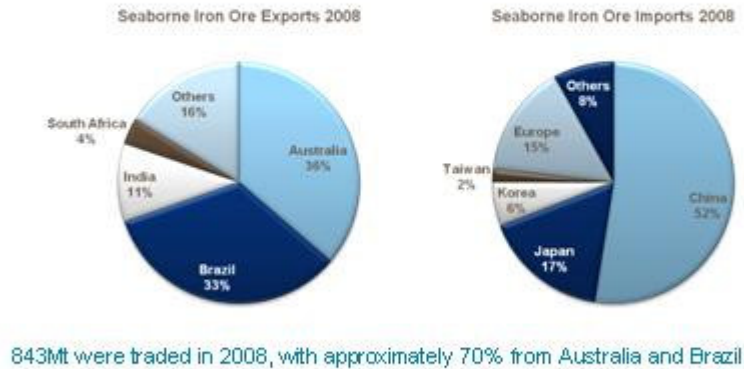
The only aspect more striking than the extent to which the market has grown is the speed of the drop-off. And while we did see an uptick a month ago, I think it takes quite a leap of faith to refer to this graph as reason to be cheerful.

As I have said many times over the past two years, there are more than a hundred aspiring iron ore producers in Western Australia, but that few would actually produce tonnes at the end of the day.

Those operations with higher costs, lesser quality deposits, smaller margins or approvals to gain will have their work cut out to make it through the current conditions. Many will not make it.

Gaining access to someone else's expensive infrastructure must seem like a lifeline for some, or a useful story to tell investors, but opportunism is no substitute for a tested business model that is grounded in reality.

China imports account for more than half the estimated traded seaborne iron ore



Source: CLU-409

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The importance of China within this export effort should surprise no-one here today. Two factors of particular note here:

- The prominence of the Brazilian production and shipping component
- The fact that China accounts for more than half of the seaborne iron ore imported.

Incredibly, from a base of not much above 100 million tonnes, China's steel production had swelled to more than 550 million tonnes in eight years.

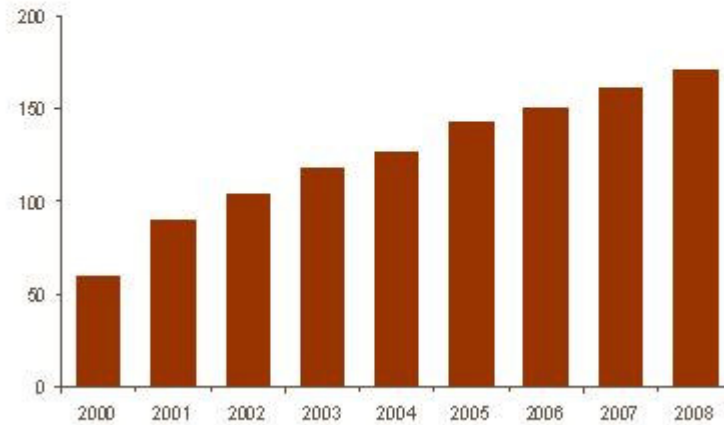
Brazil is dominated by Vale, with very good mines, but a long way from major markets. The principal reason they gained such a foothold is that the customers – our customers – were forced to seek alternative sources of iron ore because they could no longer accommodate the delays from the Pilbara iron ore caused by industrial relations issues of the 1970s and 1980s.

Again, it was customers who underwrote the expansion of infrastructure, and helped Vale develop the Carajas mine complex, the greatest asset of the world's largest iron ore miner today.

This however highlights how security of supply was, and is, critical. Disruption of supply, whether malevolent or by accident, *must* be avoided.

Rio Tinto has almost tripled its Pilbara iron ore sales since 2000

Rio Tinto Pilbara Sales 2000-2008
 Million Tonnes (100% BarK)



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We have managed to do so, along the way establishing a viable and growing business that demonstrates that it is possible to run a complex operation while organically growing it from within.

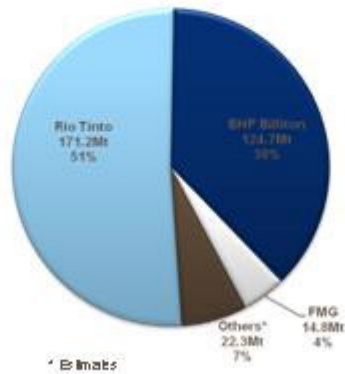
Our Pilbara nameplate capacity in 2002 was only about 100 Mt/a. It is now 220 Mt/a, and will expand further.

Late last year we completed the prefeasibility work into expanding to 320 Mt/a. We are reviewing those findings in light of the current financial crisis and downturn in demand.

Be under no illusion: temporary slowdowns notwithstanding, this expansion – or some adaptation of it – will be implemented as soon as RTIO considers that it is warranted.

Rio Tinto exported a total of 171Mt from the Pilbara in 2008

Total Australian Iron Ore Exports 2008



Source: Port Authority Port of Melbourne, company reports

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Rio Tinto's runs are on the board. We exported 171 million tonnes of iron ore in the 2008 calendar year. We need to keep expanding our operations, and optimising the efficiency of them, for a very good reason: to benefit our shareholders, our communities, and the Australian economy...

Third party access - a pathway to massive value destruction for Australia

- The East Coast multi-user systems have delivered infrastructure chaos
- Access will transfer the East Coast chaos to the Pilbara
- Access will cause an enormous cost to the Australian economy through lost exports
- Mandated access will not benefit Australian economy, or jobs
- Any future expansions will inevitably be more complex and difficult, and therefore delayed or even avoided

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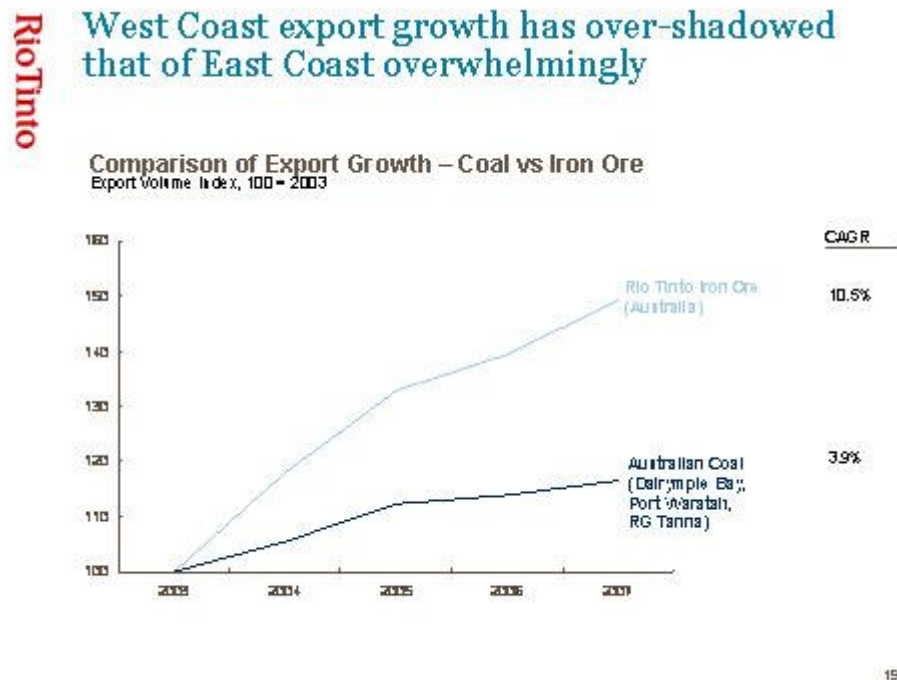
And this efficiency imperative therefore makes all the more incomprehensible the drive to allow competitors' trains on to our train lines linking our mines to our ports.

Almost a decade ago, the Federal Court ruled that Rio Tinto's Hamersley rail link was an integral part of its production process – and therefore exempt from Trade Practices Act provisions.

And there it stood, until 2005, when the increase in global demand for iron ore, and therefore increase in prices, produced a sudden and incorrect chorus of opinion that we had been under-utilising our export infrastructure all that time. There have been several inquiries, conferences and court hearings – all convened to hear from opportunists seeking multi-party use of Rio Tinto's infrastructure.

A week ago in Perth I told a major iron ore conference how we have created value, and sought to maintain it through the current financial crisis.

Nothing better illustrates this than the relative performance of Australia's iron ore and coal exports in recent years.



These are two commodities broadly subject to the same conditions, in terms of market demand and similar factors, and all else being equal, should have expanded in parallel.

Well, all else was not equal – the multi-user character of east-coast facilities made a key difference. In a sense, all those applications and inquiries were unnecessary, as the answer lay on our doorstep.

Or rather, on the doorstep of our coal-producing colleagues to the east, where the disadvantages of multi-user infrastructure have been on view for all to see.

RioTinto

Shifting the ground rules



We have only just emerged from a massive flooding of the Pilbara, one which saw several rail embankments washed away and tracks distorted. Such events go with the territory, and you plan for them and deal with them as best you can. They are known risks.

RioTinto

Acts of nature, versus...



....acts of man

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Imagine the impact of overlaying the unknown risks of another operator's operations on top of what we already encounter.

How a business working to a 40-year plan can accommodate such unknowables is beyond me. The impact would not merely be felt in lost tonnage and market share. It would also be felt in the course of future investment decisions.

And so therefore, as with all proposals for change, two questions must arise:

- is it necessary – or what's to gain?
- why, or who's to gain?

For whose benefit?

- Australian consumers?
- Australian industry?
- Australian workers?
- Investors in infrastructure?
- ...or
- New producers looking to fast-track their business model

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A simple question: how will enforcing third-party access benefit Australians and the Australian economy?

Is the system “broken” at present?

A recent study by Analytic Outcomes estimated billions of dollars foregone in lost expansions and revenue from increased tonnage. The current market uncertainty changes nothing: even in terms of current prices and exchange rates, a one-year delay of a 20 Mt/a expansion would result in a loss to Australia of A\$2 billion.

If this tonnage cannot be recaptured from a low-cost foreign competitor, or because subsequent expansion activity precludes a “catch-up”, the loss is even larger.

Bear in mind that this is in addition to the operating inefficiencies introduced, and the substantial cost, of accommodating a third party within our system.

Is that really a desirable outcome?

Integrated planning and control



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Even when the Federal Court ruled a decade ago that that our rail system was a component of an overall production process, our operations were already very complex. It was a major challenge to achieve the right balance of resources and effort to maximise throughput and returns.

Those operations are infinitely more complex now, not to forget three times larger, but maximum efficiency remains the prize.

Seeking improvements to the optimisation process is never-ending.

The future of iron ore...



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The latest example is the Operations Centre, under construction near Perth airport. This will enable full visibility of our mine, rail and port operations across the Pilbara on a real-time basis.

Our teams will be making key operating and scheduling decisions while working together – same location, same office.


It's hard to integrate a production process any more than that.

In closing, our iron ore business in the Pilbara is important for Australia, Western Australia and Rio Tinto.

Continued investment in the expansion of our business is fundamental and essential. Just as fundamental is a reasoned, sensible debate on this necessity, rather than one clouded with ignorance or self-serving distortion of the issues.

Media treatment of China today is eerily similar to Japan in the 1980s

Similarities between coverage of foreign resource investment

| | Japan, 1980s | China, present | |
|---|---|--|---|
|  | <p>SMH 12 May 1987</p> <p>"...the Japanese have today become what they call Japanese incorporated..." SMH, 17 July 1983</p> <p>"The local community begins to feel foreigners [Japanese] are not playing fair and square" AFR, 7 April 1988</p> <p>"...a single piece of seamless fabric - companies intertwine with government" SMH, 23 May 1987</p> <p>"Japan's 20 biggest companies could buy the entire State (of NSW) using 1st year's profits" SMH, 23 May 1987</p> | <p>"It's understandable that all Chinese companies are tarred with the one 'China tin' brush..." Herald Sun, 20 February 2009</p> <p>"...access to state-backed financing gives China also an unfair advantage" SMH, 14 February 2009</p> <p>"China is an arm of the Chinese government" The Australian, 12 February 2009</p> <p>"...a Chinese state corporation would control towns such as Weipa in Cape York." The Sunday Age, 15 February 2009</p> |  |

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Is it really an issue where the investment comes from?

We have seen all this before, in the 1980s and involving another key customer economy. Japan proved itself a valuable source of capital, and a valued supporter of our export industries, when much of the commentary questioned its worth.

Foreign investment helped create value then, and will do so again now.

Rail access in the Pilbara is not about creating value but destroying value, destroying the efficiency and capacity of Australia's largest single export business.

Rail access is also not about creating competition, there are already a dozen iron ore producers in Australia and a highly competitive world market.

Thank you.