

Check against delivery

The Outlook for Global Commodities
— Opportunities Ahead for Rio Tinto and Canada

Notes for remarks by

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Thank you Dick for that kind introduction.

Bonjour. Good afternoon ladies and gentlemen.

This is a very timely opportunity to address a Montreal audience, given that it was exactly one year ago this week (October 25, 2007) that we completed our friendly acquisition of Alcan.

In addition to creating Rio Tinto Alcan — the global leader in the aluminium industry — the combination of the two companies helped to further strengthen and diversify the overall Rio Tinto value proposition.

As I've repeatedly told analysts and investors, we are delighted with the Alcan acquisition. We viewed Alcan as a long-term, strategic investment, and the fundamental basis for the deal remains sound. The acquisition was earnings accretive in the first half of the year and we believe our aluminium business will only get more valuable, given Rio Tinto Alcan's industry leadership position with unique, irreplaceable hydro assets and excellent growth options.

I would like this afternoon to update you on our strategic priorities for Rio Tinto Alcan — and how our Group remains committed to substantial, value-creating investments in Quebec and Canada.

Taking stock of extraordinary times

First though, I'd like to take stock of the extraordinary recent events in global financial markets — and what they might mean for commodities markets in general and Rio Tinto in particular. In fact, what we are now seeing in the marketplace is the effect of two slowdowns — in China and in the West — that are only partly linked.

In the West, anxiety in financial markets has led to wide swings in stock prices, exchange rates and commodity prices, with the prospect of a substantial slowdown in OECD economies next year. However, the effects of the financial crisis will dissipate over time.

In the near term, the Chinese economy has paused for breath. Obviously, China is not completely insulated from an OECD recession, and we will see an impact on Chinese exports. However, net trade contributes only about six per cent to Chinese GDP and the near-term slowdown of growth is largely due to a tightening of monetary policy introduced by the Chinese government last year to tackle inflation. Looking further out, Chinese GDP will remain largely driven by that country's domestic economy — as opposed to exports — and we expect industrialisation and urbanisation to continue apace.

Consider that, 15 years ago, only 25 per cent of the Chinese population was living in cities. Today, urban dwellers account for about 40 per cent of the total — and that proportion is expected to reach 60 per cent by 2025. We are talking, literally, about hundreds of millions of people who will require new homes, schools, factories, offices, roads and other infrastructure. This “development dividend” will translate into strengthening demand across a range of Rio Tinto products.

Take the example of aluminium, where there remains enormous upside potential. Per-capita consumption of aluminium in China is currently around nine kilos, compared with around 20 kilos in more developed “tiger” economies like Taiwan and South Korea. If China were simply to attain a similar level of per-capita consumption, it would consume an additional 13-15 million tonnes of aluminium per year — the equivalent of 38 per cent of today's total world demand.

Although we will now see a slower rate of growth, we are confident that the Chinese market will recover. Mining is a long run industry, and we still expect global demand for Rio Tinto's key products — including seaborne iron ore, copper and aluminium — to double by 2022. That growth will be sustained in large part by China, along with India and other emerging markets.

So the long-term outlook for Rio Tinto remains positive despite the current upheavals. Meanwhile, our Group is well positioned to deal with an economic slowdown.

In that regard, I will note that despite the onset of the current economic and market woes, our business continued to perform extremely well during the third quarter,

breaking production records for many of the key commodities we produce. This underscores our ability to bring new production on stream.

Rio Tinto is a resilient business, with low-cost, long-life assets that enable us to build value throughout the cycle. In fact, it is when times are tough that the quality of our business really shines through — we're a reliable supplier with flexible production; cost-competitive assets; and a high-quality customer base, with contracts and prices for iron ore and coal locked in.

While it's true that current market woes have combined to send the spot prices of many commodities down to levels last seen in 2006, it should be remembered that at the time, back in 2006, these were regarded as very good prices. And prices for most commodities remain well above historical trends.

Moreover, while spot commodity prices have fallen significantly from their peak, we have also seen reductions in the rate of increase on the cost side, in areas such as freight, energy and some raw materials. Plus, we have benefited from more favourable exchange rates, namely the decline of the Canadian and Australian dollars vis-à-vis the U.S. greenback.

I should note, too, that the current financial crisis will impact the planned supply response with regard to global commodities. Such constraints will favour established industry leaders like Rio Tinto. We expect some of the idled capacity not to return when markets rebound.

At Rio Tinto, we believe that it is prudent and appropriate for us to review the timing of capital spending, taking into account the near-term impact on demand as well as potential opportunities to drive down project costs by capitalizing on lower construction costs, reduced prices for steel, and other declining inputs.

Over the last few weeks we have heard announcements of production curtailment and investment programme reviews from many others in the industry. Those that don't review programs will stand out in not announcing any adjustments, but to think that anyone is immune from this near-term market outlook is simply not credible. I believe

that Rio Tinto's position of providing clear and open guidance is the best policy in today's environment.

We have a strong portfolio of tier one greenfield and brownfield growth assets with unrivalled optionality. This means we have the ability to reduce capital costs without sacrificing future growth. Our capital projects are long-term in nature, and are based on long-run price and demand projections, not short-term market volatility. They are intended to be robust in all economic environments.

BHP bid

Before turning to our plans for Canada, I'm sure our friends here in the Montreal business community have been following the situation vis-à-vis BHP Billiton. On that front, I can tell you that what has happened in markets recently makes no difference to the reasons why we rejected the pre-conditional offer. The long run outlook for our high-quality low-cost assets and flexible growth options remains strong, and our view that the BHP Billiton proposal significantly undervalues Rio Tinto is unchanged.

I noted last week that there was again some discussion of the value of the synergies proposed by BHP Billiton, so let me be clear on this point. The vast majority of these synergies come from Rio Tinto assets, and at the current pre-conditional takeover offer of 3.4 shares, Rio Tinto shareholders are not being adequately rewarded. The fact remains that BHP Billiton need Rio Tinto, while the reverse is not true.

Future remains bright for aluminium

Going forward, our aluminium operations will continue to play a strong role in Rio Tinto's commitment to creating value.

Aluminium is the metal of the future. Not only is it lightweight and fully recyclable, it's also an efficient and durable way to store clean energy. And compared to other commodities, demand for aluminium — along with iron ore — is expected to be relatively robust during any moderation in global economic growth.

Although the price of aluminium on the London Metals Exchange has fallen from its recent peak less than other base metals, the aluminium price is now well below marginal

industry costs. This means that further downside movement for any extended period of time is likely to be limited.

Incidentally, by “marginal”, we are referring to those producers above 85 per cent on the aluminium industry cost curve. I am pleased to say that Rio Tinto Alcan smelters are well down on that curve — more than half in the lowest quarter and over 85 per cent in the lowest half — well below the global average of US\$2,140. We expect the bulk of our aluminium operations to be cash positive at all points in the cycle — even should the current downturn prove severe.

The Rio Tinto Group’s strategy is all about value creation and quality of opportunity — and Rio Tinto Alcan measures up extremely well in that regard. Other critical success factors possessed by our aluminium business include:

- An unrivalled power position — with 94 per cent of smelter power requirements secured on long-term basis, including 64 per cent clean, sustainable hydro and 11 per cent in nuclear energy;
- Acknowledged technological leadership — which is being further enhanced by very sizeable technology-related investments here in Quebec;
- A top-flight team, with a proven track record in terms of both operating know-how and project execution; and
- An enviable global reputation for our commitment to sustainable development.

As well as having the undisputed best assets in today’s industry, Rio Tinto Alcan is fortunate to have a strong pipeline of quality growth projects, both greenfield and brownfield.

Looking briefly at current and near-term projects, the joint-venture Sohar smelter in Oman, which poured its first metal in June, should reach full production in 2009. Sohar features the world’s longest single potline and is the first greenfield project to use the latest version of Rio Tinto Alcan’s cutting-edge AP technology —the most energy efficient and greenhouse-gas efficient in the world. With an initial capacity of 360kt per year, it will fall in the first quartile of the global industry cash-cost curve.

Other greenfield opportunities overseas include a joint-venture smelter proposed for Sarawak, Malaysia, which would incorporate two state-of-the-art AP potlines with a total capacity of 720,000 tonnes per year; and the Ma'aden joint venture proposed for Saudi Arabia. We are also considering brownfield modernization and expansion projects involving our ISAL smelter in Iceland and the joint-venture Alucam smelter in Cameroon.

Some of our most attractive value-creation opportunities are found right here in Quebec and other parts of Canada. As many in this audience are no doubt aware, last week we announced the approval of an additional US\$300-million investment to advance the planned modernization of our Kitimat smelter in British Columbia. Combined with earlier outlays, we have already committed well over half a billion US dollars to this project.

I am pleased to announce today that we also have given the green light for a US\$228-million modernization and upgrading of the Shipshaw power generating station in Quebec's Saguenay—Lac-Saint-Jean region. The project entails installing a new 225-megawatt high-efficiency turbine that will facilitate the more efficient use of water resources. The power station is a major component of Rio Tinto Alcan's extensive hydroelectric network, which has a total installed capacity of approximately 2,900 megawatts in Quebec.

The Shipshaw investment underscores the importance we place on secure, competitively priced energy resources, which are key to realization of the long-term Quebec investment program announced in December 2006. Other elements of that program include the AP 50 pilot and demonstration plants that will serve as a platform for future development of Rio Tinto Alcan's proprietary AP technology, and a proposed expansion of the Alma smelter.

Our super-high-amperage AP 50 technology is designed to deliver a quantum leap in productivity — four tonnes of metal per cell per day, compared with the current benchmark of 2.5 tonnes — providing a reduction in full economic costs. To date, Rio Tinto has committed over US\$430 million to the AP 50 project. More than 150 technicians and engineers are currently engaged on this leading-edge initiative and construction of the first, 60,000-tonne phase is moving ahead. Approximately 160 construction workers are currently on site, engaged in site preparation, infrastructure and

foundations for the installation of a new hydro substation. The process of obtaining environmental permits for phases II and III is also on going, with detailed studies being completed.

The potential expansion of Alma, currently the subject of a pre-feasibility study, would add approximately 170,000 tonnes to its current capacity of just over 400,000 tonnes, making it one of the largest smelters in North America.

While we are focused on the Saguenay—Lac-Saint-Jean region, I should point out that this past summer I participated in the inauguration of the US\$225-million pilot plant to treat spent potlining, which uses proprietary, environmentally sustainable technology developed at our world-class Arvida Research and Development Centre. Once ramped up to full production, the plant will be capable of treating about 80,000 tonnes of spent potlining residue per year from Rio Tinto Alcan and other Quebec aluminium producers. Meanwhile, the Arvida R&D team is continuing its research aimed at the full recycling of by-products generated in the aluminium-making process.

To complement our significant investments in new Quebec production facilities, we are also investing in the communities where we operate. The Rio Tinto Alcan Canada Fund, which will be endowed with C\$200 million over the next five years, was established to continue Alcan's long-standing tradition of giving something back to communities where we are present.

Earlier this month, the Fund announced its first series of grants, totalling over C\$15 million to be distributed over the next seven years. Beneficiaries — most of them here in the greater Montreal area — will include McGill University, Université Laval, Rivière-des-Prairies Hospital, the Cancer Research Society, the Montreal Heart Institute and the OSM (Orchestre symphonique de Montréal). I should note that, going forward, the precise amount of money available for these types of projects will be determined by the level of return on investments earned by the Fund: the C\$200 million being an endowment, not a budget.

As the bearer of still more good news, I am delighted to unveil a partnership between Rio Tinto Alcan and Stationnement de Montréal in the new BIXI self-service bicycle

rental system. The service is similar to that currently available in Paris, and is to be launched next April with 2,400 bicycles available at a network of 300 stations covering central Montreal. BIXI members will be able to use credit cards to unlock a bike and use it for a specified period of time, then drop it off at the nearest station. And the first half hour is always free.

As title sponsor, Rio Tinto Alcan will supply funding for the project and aluminium for the uniquely designed, made-in-Quebec bikes — a prototype of which is being unveiled as I speak. It's a great way to get people out of their cars and it fits very well with our Group's commitment to sustainability. We're happy to be on board — or perhaps I should say astride — and I'd like to congratulate Mayor Gérald Tremblay, Mr. Roger Plamondon from Stationnement de Montréal and all those who have been working hard to make this very worthwhile service a reality.

Although the footprint of our aluminium business has become more global than ever, Montreal continues to play a pivotal role as its nerve centre. Rio Tinto Alcan's global headquarters is here, as is the headquarters of our Primary Metal operations. And Maison Alcan now serves as the hub for the Rio Tinto Group's other extensive Canadian interests. These include a majority interest in the Iron Ore Company of Canada, or IOC, which has been Canada's premier supplier of iron ore for five decades; QIT Fer et Titane Inc., which produces high-quality titanium feedstock; and the joint-venture Diavik Diamond Mine in the Northwest Territories.

In addition to the aluminium projects outlined earlier, Rio Tinto is making sizeable investments in expansions at IOC, QIT and Diavik. These include a total of US\$768 million approved earlier this year to expand IOC's mining and processing facilities in West Labrador and buy additional rolling stock for the company-owned Quebec North Shore and Labrador Railway, which transports product to IOC's deepwater port in Sept-Îles.

Elsewhere, we recently completed a major expansion of QIT's metallurgical complex in Sorel-Tracy, Quebec. In fact, I would like to congratulate our QIT colleagues who, along with the consulting firm Hatch, last week captured the prestigious "PMI International Project of the Year Award" at the Product Management Institute Global Congress in

Denver. The honours were well deserved, given that the expansion project was completed three months ahead of schedule and came in \$13 million below the budgeted cost of \$95 million, while boasting an outstanding safety performance.

At Diavik, Rio Tinto and its partners have approved investments totalling US\$787 million over the past couple of years to develop the underground phase of the diamond mine, which began as an open-pit operation.

As you can see, we are delivering on our commitments to investments in Quebec and the rest of Canada — to the tune of some \$2.2 billion over the past year — and we will continue to do so.

Concluding remarks

To sum up, we find ourselves today in the midst of a serious global financial crisis, while at the same time experiencing the best conditions for some of our commodities in perhaps 50 years. That might seem paradoxical, but we don't think so. That's because we believe the China phenomenon is sustainable, and that it will outlast the cyclical impacts of the mature and troubled financial centres.

From Canada's perspective as a nation richly endowed with natural resources, the long-term picture remains very positive. This country stands to benefit tremendously from taking advantage of the opportunities at hand... and Rio Tinto intends to be a driving force in that regard. Our Group has an exceptional set of assets and growth opportunities — along with a solid track record for project execution and value delivery.

Of course it's important to maintain an attractive climate for investment. Governments can help Canada maximize its share of global demand for commodities by ensuring competitive fiscal policies and tax regimes, and by encouraging investment in crucial infrastructure and affordable, renewable energy sources.

As you may have gathered from the title of my remarks, the good times have not come to an end. To the contrary, we believe that great opportunities lie ahead for Rio Tinto and for Canada.

Going forward, Dick and I, along with Rio Tinto colleagues around the world, are looking forward to working with Quebecers and other Canadians to build value for our shareholders, employees and communities.

Thank you for being such an attentive audience. *Merci.*