DOW JONES NEWSWIRES

**HD** **Rio Tinto Indicates Possible End to Austerity**

**BY** By Rhiannon Hoyle

**WC** 823 words

**PD** 8 May 2014

**ET** 21:07

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English



**LP**

MELBOURNE, Australia--Rio Tinto PLC hinted it might soon be ready to call an end to austerity, with its top management planning to weigh future growth options in 2015 after two years of aggressive spending cuts.

Suggesting the worst of its cutbacks may be in the past, Sam Walsh, the Anglo-Australian company's chief executive, said his team would prepare new investment proposals to be put to the board next year, in a sign the company might be preparing to change direction.

**TD**

The world's No. 2 iron-ore producer has been one of the most aggressive cost cutters among major mining companies, slashing spending and selling unwanted assets after commodity prices took a tumble and investors began to demand greater capital discipline following years of heavy investment.

Mr. Walsh said the focus in 2014 would remain on paying down debt and strengthening the balance sheet. "That brings us to next year, and brings us to options we are providing the board in relation to how the future cash flow (will) be used," he told a press briefing Thursday, following the company's Australian annual general meeting. "Clearly it can be used to build the business and grow the business, or it can be used for returns, or both."

There are significant growth options for Rio's copper business, he said, including the Resolution project slated in Arizona, and added that he remains eager to proceed with the underground development of Oyu Tolgoi in Mongolia. Other options include the La Granja project in Peru and plans for a bauxite operation in Australia's Queensland state, he said.

The company reduced costs by a hefty US$2.3 billion in 2013, a big chunk of a US$3 billion target it had set for the two years through December 2014. It also cut staff, exploration spending and ran around 1,500 initiatives across its business aimed at boosting productivity.

Asset sales have included its stake in the Clermont coal mine in eastern Australia, although plans to sell its diamond business were shelved as bids weren't high enough.

Rio Tinto brought net debt down by US$1.1 billion last year, to US$18.1 billion at the end of December. It reported a net profit of US$3.67 billion in the year through Dec 31., rebounding from a loss of US$3.03 billion a year earlier when it took hefty impairment charges on its aluminum and coal assets. Last year, Mr. Walsh said the company would slash its budget to US$8 billion in 2015.

Chairman Jan du Plessis--who acknowledged the board regularly debates the right mix of commodities to have within Rio Tinto's grip, given around four of every five dollars it earns now comes from iron ore--said he wanted to wait until 2015 to see "the lay of the land" before making major decisions. "We will continue to invest in what we think are the best propositions," he said.

A reliance on iron ore for earnings means Rio Tinto is vulnerable to China's economy slowing, although the company likely will take comfort from Chinese trade data Thursday showing that iron-ore imports in April were up 24% from a year ago at 83.4 million metric tons, their second highest on record. In the first four months of the year they were up 21%.

China buys three of every five tons of iron ore traded by sea and is also a major importer of commodities such as copper--its April imports surged 52% last month to 450,000 tons. Management has long argued that China will need vast amounts of commodities to build new skyscrapers, rail lines and airports in coming years.

Mr. Walsh on Thursday said decisions on new investments won't be based on current commodity prices. "We have to look at the bigger, longer picture," as well as projections for factors like exchange rates and energy prices, he said.

While Rio Tinto's top managers expect continued volatility in world markets for the time being, with Europe facing continued challenges and the U.S. moving through uncharted territory with its monetary-stimulus tapering, they expressed confidence in future global resources consumption.

The outlook for demand will largely remain positive, underpinned by that of China as urbanization continues and then other developing nations, Mr. Walsh said.

"It is going to be strong because of...the continuing number of people moving into the middle class and moving from rural areas into urban areas [in China], and it will continue due to the developing countries continuing to develop," he said. "And that is good, not just for our iron-ore business, it is actually good for every commodity that we supply."

Write to Rhiannon Hoyle at rhiannon.hoyle@wsj.com

(END) Dow Jones Newswires

May 08, 2014 07:07 ET (11:07 GMT)

**CO** rtz : Rio Tinto PLC | craaus : Rio Tinto Ltd

**IN** i211 : Metal Ore Mining | imet : Mining/Quarrying | ibasicm : Basic Materials/Resources

**NS** ccat : Corporate/Industrial News | ncmac : Commodities Asset Class News | neqac : Equities Asset Class News | ntop : Top Wire News | nttwn : Today's Top Wire News | ncat : Content Types | ndj : Dow Jones Top Stories | nfact : Factiva Filters | redit : Selection of Top Stories/Trends/Analysis

**RE** austr : Australia | eurz : Europe | melb : Melbourne | uk : United Kingdom | apacz : Asia Pacific | ausnz : Australia/Oceania | eecz : European Union Countries | victor : Victoria (Australia) | weurz : Western Europe

**PUB** Dow Jones & Company, Inc.

**AN** Document DJDN000020140508ea580020s

 