

**HD** Rio's Walsh unsurprised by price slump

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**LP**

Rio Tinto chief Sam Walsh says the market should not be surprised by factors that have sent **coal** and **iron ore** prices sliding.

And the **mining** boss has sent a message to his Glencore counterpart, Ivan Glasenberg, that the Swiss trader-miner will have to offer more to **merge** its Hunter Valley **coal operations** with that of Rio.

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Speaking at the opening of a **copper** and **coal** processing centre of excellence in Brisbane this morning, Mr Walsh said sliding **copper** and **iron ore** prices were being hit by **Chinese** steel capacity and credit tightening flagged six months ago.

"Some people are surprised but it was signalled by the government," he said.

"They expected about 80 **million** tonnes of steel capacity would come off."

What was important was that **Chinese** growth would remain strong and that Rio's cash costs of \$US20.70 per tonne were the lowest in the game, he said.

**Iron ore** prices, which hit a 12-month low of \$US104.70 per tonne this week, rose 2.4 per cent to \$US107.40 overnight.

"We have seen a recovery in the past couple of days, with **iron ore** prices strengthening - where that ends up the market will determine," Mr Walsh said.

Glencore's Mr Glasenberg last week talked up the potential for a merger of the NSW **coal operations** of Rio and Glencore. He said negotiations between the pair had been going on for a while but it would take time for each party to assess each other's **operations**.

But it appears any offer from Glencore is well below Rio's idea of where it should be.

"Our **coal operations** are long life, quality **operations**," Mr Walsh said.

"If somebody is interested in putting a worthwhile proposal to us, well that's exactly what they should do."

Mr Walsh said the looming end-of-March project finance deadline for the Oyu Tolgoi underground **copper** and **gold** mine in Mongolia would not cause Rio to rush an investment framework through on the stalled expansion.

"We are not about rushing to meet a deadline," he said.

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

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