RIO TINTO PLC
Form 20-F
June 23, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12 (b) or 12(g)
of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the financial year ended: 31 December 2005

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from:_____ **to** _____

or

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this shell company report_____

Commission file number: 1-10533

Rio Tinto plc

(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organisation)

6 St James s Square
London, SW1Y 4LD, England
(Address of principal executive offices)

Commission file number: 0-20122

Rio Tinto Limited

ABN 96 004 458 404
(Exact name of Registrant as specified in its charter)

Victoria, Australia
(Jurisdiction of incorporation or organisation)

Level 33, 55 Collins Street
Melbourne, Victoria 3001, Australia
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Name of each exchange on which registered	Title of each class
American Depositary Shares*	New York Stock Exchange		None

Ordinary Shares of 10p each**	New York Stock Exchange

* Evidenced by American Depository Receipts. Each American Depository Share Represents four Rio Tinto plc Ordinary Shares of 10p each.
** Not for trading, but only in connection with the listing of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of each class	Title of each class
None	American Depositary Shares***
	Ordinary Shares

*** Evidenced by American Depository Receipts. Each American Depository Share represents four Rio Tinto Limited Ordinary Shares.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None None

Indicate the number of outstanding shares of each of the Issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Title of each class	Number	Number	Title of each class
Ordinary Shares of 10p each	1,068,422,633	456,815,943	Shares
DLC Dividend Share of 10p	1	1	DLC Dividend Share
Special Voting Share of 10p	1	1	Special Voting Share

Indicate by check mark if the registrants are well-seasoned issuers, as defined in rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrants have elected to follow:

Item 17 Item 18

EXPLANATORY NOTE

The Rio Tinto Group is a leading international mining group, combining Rio Tinto plc and Rio Tinto Limited in a dual listed companies (DLC) merger.

The DLC merger has the effect that shareholders can be regarded as having interests in a single economic enterprise that is under common control and management. Accordingly this annual report on Form 20-F has been presented on a Group basis with certain exceptions such as the separate discussion and analyses that relate to the Rio Tinto plc and Rio Tinto Limited parts of the Group that have been provided as a supplement to the discussion of the Rio Tinto Group. Shares in Rio Tinto plc and Rio Tinto Limited both provide shareholders with an interest in the earnings and net assets of the total Group, as if they together were a single economic entity. In other words, a share in Rio Tinto plc provides an economic interest in the same fraction of the combined earnings and net assets of the Group as a share in Rio Tinto Limited.

The 2005 Financial statements including reconciliation to US accounting principles of the Rio Tinto Group (the Group) and of the Rio Tinto plc and Rio Tinto Limited parts of the Group (the 2005 Financial statements) provide analysis of the total Group according to its legal structure, but these separate figures are not indicative of the economic interest of shareholders in either of the Listed Companies.

Rio Tinto plc and Rio Tinto Limited also present their annual reports and financial statements to their shareholders, in accordance with both United Kingdom and Australian legislation and regulations, on a Group basis. The current such document is the 2005 Annual report and financial statements.

The 2005 Financial statements and the 2005 Annual report and financial statements were both furnished with the Securities and Exchange Commission on Form 6-K for the month of March 2006 which was furnished on 6 April 2006. The 2005 Financial statements have been incorporated by reference under Item 18 herein.

Rio Tinto plc and Rio Tinto Limited established separate ADR programmes prior to their merger and have maintained both but following a recent review it was concluded that the Rio Tinto Limited ADR programme should be terminated with effect from 10 April 2006 and a notice of termination was mailed to ADR holders. The Rio Tinto plc ADR programme will not be affected by this termination.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA FOR THE RIO TINTO GROUP for the period 2001 to 2005

Dividends declared in respect of each year per share		
US cents	UK pence	Australian cents

The special dividend of 110 US cents per share (61.89 pence or 145.42 Australian cents per share), declared payable at the same time as the 2005 final dividend, has not been included above.

The selected consolidated financial data on pages 4 to 6 has been derived from the 2005 Financial statements of the Rio Tinto Group and of the Rio Tinto plc and Rio Tinto Limited parts of the Group incorporated by reference under Item 18. Financial statements, herein, restated where appropriate to accord with the current accounting policies and presentations. The selected consolidated financial data should be read in conjunction with, and qualified in their entirety by reference to, the 2005 Financial statements and notes thereto.

The 2005 Financial statements were prepared in accordance with IFRS as adopted by the European Union, which differs in certain respects from US GAAP. Details of the principal differences between EU IFRS and US GAAP are set out in note 52 on pages A-92 to A-107 of the 2005 Financial statements.

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RIO TINTO GROUP

Income Statement Data
For the years ending 31 December

Amounts in accordance with EU IFRS (a) **(US$ millions)**	**2004**	**2005**
Consolidated turnover	12,954	**19,033**
Group operating profit (b)	3,327	**6,922**
Profit for the year	3,244	**5,498**
Group operating profit per share (US cents)	241.3	**507.5**
Earnings per share (US cents)	239.1	**382.3**
Diluted earnings per share (US cents)	238.7	**381.1**
Dividends per share (US cents) (c)	66.0	**83.5**
Dividends per share (pence) (c)	36.2	**45.7**
Dividends per share (Australian cents) (c)	90.2	**108.9**
Weighted average number of shares (millions)	1,379	**1,364**

Amounts in accordance with US GAAP **(US$ millions)**	**2001**	**2002**	**2003**	**2004**	**2005**
Consolidated turnover (g)	8,348	8,719	9,545	11,814	**19,033**
Group operating profit (g)	1,821	746	1,041	1,442	**6,196**
Net earnings (d)	1,038	581	1,977	2,823	**4,969**
Earnings per share (US cents)	75.5	42.2	143.5	204.7	**364.3**
Diluted earnings per share (US cents)	75.4	42.1	143.3	204.4	**363.1**

Balance Sheet Data
at 31 December

Amounts in accordance with EU IFRS (a) **(US$ millions)**	**2004**	**2005**
Total assets	26,308	**29,803**
Share capital / premium	3,127	**3,079**
Total equity / Net assets	12,591	**15,739**

Amounts in accordance with US GAAP **(US$ millions)**	**2001**	**2002**	**2003**	**2004**	**2005**
Total assets	22,102	22,600	26,959	28,938	**31,899**
Share capital / premium	2,486	2,580	2,869	2,938	**3,079**
Rio Tinto shareholders' funds (d)	9,571	9,517	12,044	14,462	**17,214**

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RIO TINTO PLC - PART OF RIO TINTO GROUP

Income Statement Data for the years ending 31 December Amounts in accordance with EU IFRS (a) **(US$ millions)**	**2004**	**2005**
Consolidated turnover	5,506	**7,566**
Group operating profit (b)	1,422	**2,596**
Profit for the year	2,336	**3,651**
Group operating profit per share (US cents)	133.3	**242.8**
Earnings per share (US cents)	229.1	**337.1**
Diluted earnings per share (US cents)	228.6	**336.1**
Dividends per share (US cents) (c)	66.0	**83.5**
Dividends per share (pence) (c)	36.2	**45.7**
Weighted average number of shares (millions)	1,067	**1,069**

Amounts in accordance with US GAAP (US$ millions)	**2001**	**2002**	**2003**	**2004**	**2005**
Consolidated turnover (g)	3,783	3,993	4,072	5,298	**7,566**
Group operating profit (g)	548	(481)	(7)	162	**2,176**
Net earnings (d)	618	(206)	949	2,010	**3,448**
Earnings per share (US cents)	58.1	(19.3)	89.0	188.3	**322.5**
Diluted earnings per share (US cents)	58.0	(19.3)	88.9	188.0	**321.6**

Balance sheet data at 31 December Amounts in accordance with EU IFRS (a) **(US$ millions)**	**2004**	**2005**
Total assets	15,364	**18,389**
Share capital / premium	1,994	**2,060**
Total equity / Net assets	8,830	**11,445**

Amounts in accordance with US GAAP (US$ millions)	**2001**	**2002**	**2003**	**2004**	**2005**
Total assets	13,735	13,941	15,180	17,375	**19,791**
Share capital / premium	1,754	1,764	1,784	1,805	**2,060**
Rio Tinto shareholders funds (d)	8,371	7,697	8,931	10,560	**12,984**

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RIO TINTO LIMITED - PART OF RIO TINTO GROUP

Income Statement Data
for the years ending 31 December
Amounts in accordance with EU IFRS (a)

(US$ millions)	**2004**	**2005**
Consolidated turnover	7,448	**11,467**
Group operating profit (b)	1,905	**4,326**
Profit for the year	1,446	**2,812**
Group operating profit per share (US cents)	381.8	**916.5**
Earnings per share (US cents)	273.4	**546.0**
Diluted earnings per share (US cents)	272.9	**543.5**
Dividends per share (US cents) (c)	66.0	**83.5**
Dividends per share (Australian cents) (c)	90.2	**108.9**
Weighted average number of shares (millions)	499	**472**

Amounts in accordance with US GAAP

(US$ millions)	**2001**	**2002**	**2003**	**2004**	**2005**
Consolidated turnover (g)	4,575	4,726	5,473	6,516	**11,467**
Group operating profit (g)	1,273	1,231	1,048	1,280	**4,020**
Net earnings (d)	671	1,267	1,647	1,301	**2,432**
Earnings per share (US cents)	134.6	254.0	330.1	260.6	**515.4**
Diluted earnings per share (US cents)	134.5	253.7	330.0	260.1	**513.1**

Balance sheet data
at 31 December
Amounts in accordance with EU IFRS (a)

(US$ millions)	**2004**	**2005**
Total assets	15,636	**17,309**
Share capital / premium	1,336	**1,162**
Total equity / Net assets	6,153	**6,442**

Amounts in accordance with US GAAP

(US$ millions)	**2001**	**2002**	**2003**	**2004**	**2005**
Total assets	10,770	11,609	15,234	16,964	**18,417**
Share capital / premium	865	964	1,280	1,336	**1,162**
Rio Tinto shareholders' funds (d)	1,920	2,922	4,996	6,247	**6,762**

Notes

(a) In accordance with the General Instructions for Form 20-F, Section G, audited information under EU IFRS is presented for 2004 and 2005 only on the occasion of first time application of International Financial Reporting Standards.

(b) Operating profit under EU IFRS includes the effects of charges and reversals resulting from impairments and profit and loss on disposals of interests in businesses, including investments. Operating profit under US GAAP also includes the effects of charges but not reversals resulting from impairments but excludes profit and loss on disposals of interests in businesses, including investments. Both the EU IFRS and US GAAP operating profit amounts shown above exclude equity accounted operations.

(c) Dividends presented above are those paid in the year in accordance with EU IFRS.

(d) Amounts shown are attributable to equity shareholders of Rio Tinto.

(e) The results for all years relate wholly to continuing operations.

(f) There are no differences between International Financial Reporting Standards (IFRS) and IFRS adopted by the European Union (EU IFRS) that would impact the financial statements of the Rio Tinto Group for the years ended 31 December 2004 and 2005.

(g) Certain jointly controlled assets, which previously were equity accounted under UK and US GAAP, are proportionally consolidated under EU IFRS. The above US GAAP data for 2005 also include these units on the basis of proportional consolidation. Amounts presented for consolidated turnover and operating profit in the years 2001 through 2004 have not been restated and continue to incorporate these units on the equity accounting basis. If these units had been subject to equity accounting in 2005, Group consolidated turnover and operating profit, respectively, would have been $2.2 billion and $1.1 billion lower; Rio Tinto plc consolidated turnover and operating profit would have been $746 million and $425 million lower; and Rio Tinto Limited consolidated turnover and operating profit would have been $1.4 billion and $712 million lower. However, net earnings would have been unchanged.

(h) As a result of adopting IAS 32, IAS 39 and IFRS 5 on 1 January 2005, the Group changed its method of accounting for financial instruments and non-current assets held for sale. In line with the relevant transitional provisions, the prior period comparatives have not been re-stated. See Note 1 to the 2005 Financial statements for further discussion.

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RISK FACTORS

The following describes some of the risks that could affect Rio Tinto. There may be additional risks unknown to Rio Tinto and other risks, currently believed to be immaterial, could turn out to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group s business and financial results. They should also be considered in connection with any forward looking statements in this document and the cautionary statement on the following page.

Economic conditions
Commodity prices, and demand for the Group s products, are influenced strongly by world economic growth, particularly that in the US and Asia. The Group s normal policy is to sell its products at prevailing market prices. Commodity prices can fluctuate widely and could have a material and adverse impact on the Group s asset values, revenues, earnings and cash flows. Further discussion can be found under Business environment and markets on page 13, and under Commodity prices on pages 49 to 51.

Exchange rates
The Group s asset values, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s customers and areas of operation. The majority of the Group s sales are denominated in US dollars. The Australian and US dollars are the most important currencies influencing costs. The relative value of currencies can fluctuate widely and could have a material and adverse impact on the Group s asset values, costs, earnings and cash flows. Further discussion can be found under Exchange rates, reporting currencies and currency exposure on pages 47 to 49.

Acquisitions
The Group has grown partly through the acquisition of other businesses. Business combinations commonly entail a number of risks and Rio Tinto cannot be sure that management will be able effectively to integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have a material and adverse impact on the Group s costs, earnings and cash flows. Furthermore, the Group could find itself liable for undisclosed past acts or omissions of the acquired businesses without any adequate right of redress.

Exploration and new projects
The Group seeks to identify new mining properties through an active exploration programme. There is no guarantee, however, that such expenditure will be recouped or that existing mineral reserves will be replaced. Failure to do so could have a material and adverse impact on the Group s financial results and prospects.

The Group develops new mining properties and expands its existing operations as a means of generating shareholder value. Increasing regulatory, environmental and social approvals are, however, required which can result in significant increases in construction costs and/or significant delays in construction. These increases could materially and adversely affect a project s economics, the Group s asset values, costs, earnings and cash flows.

Ore reserve estimates
There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs. Further discussion can be found under Ore reserve estimates on page 52.

Political and community
The Group has operations in jurisdictions having varying degrees of political instability. Political instability can result in civil unrest, expropriation, nationalisation, renegotiation or nullification of existing agreements, mining leases and permits, changes in laws, taxation policies or currency restrictions. Any of these can have a material adverse effect on the profitability or, in extreme cases, the viability of an operation.

Some of the Group s current and potential operations are located in or near communities that may now, or in the future, regard such an operation as having a detrimental effect on their economic and social circumstances. Should this occur, it might have a material adverse impact on the profitability or, in extreme cases, the viability of an operation. In addition, such an event may adversely affect the Group s ability to enter into new operations in the country.

Technology
The Group has invested in and implemented information system and operational initiatives. Several technical aspects of these initiatives are still unproven and the eventual operational outcome or viability cannot be assessed with certainty. Accordingly, the costs and benefits from these initiatives and the consequent effects on the Group s future earnings and financial results may vary widely from present expectations.

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Land and resource tenure
The Group operates in several countries where title to land and rights in respect of land and resources (including indigenous title) may be unclear and may lead to disputes over resource development. Such disputes could disrupt relevant mining projects and/or impede the Group s ability to develop new mining properties.

Health, safety and environment
Rio Tinto operates in an industry that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Evolving regulatory standards and expectations can result in increased litigation and/or increased costs all of which can have a material and adverse effect on earnings and cash flows.

Mining operations
Mining operations are vulnerable to a number of circumstances beyond the Group s control, including natural disasters, unexpected geological variations and industrial actions. These can affect costs at particular mines for varying periods. Mining, smelting and refining processes also rely on key inputs, for example fuel and electricity. Appropriate insurance can provide protection from some, but not all, of the costs that may arise from unforeseen events. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on the Group s asset values, costs, earnings and cash flows.

Rehabilitation
Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and/or further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect the Group s asset values, earnings and cash flows.

Non managed operations
Rio Tinto cannot guarantee that management of mining and processing assets not subject to its management control will comply with the Group s standards and objectives, nor that effective policies, procedures and controls will be maintained over those assets. Improper management or ineffective policies, procedures or controls could materially affect the value of those assets.

CAUTIONARY STATEMENT ABOUT FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of the Rio Tinto Group. The words intend , aim , project , anticipate , estimate , plan , believes , expects , may , should , will , or similar exp identify such forward looking statements. Examples of forward looking statements in this annual report on Form 20-F include those regarding estimated reserves, anticipated production or construction commencement dates, costs, outputs, demand, growth opportunities and productive lives of assets or similar factors. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors set forth in this document that are beyond the Group s control. For example, future reserves will be based in part on long term price assumptions that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, demand for our products, the effect of foreign currency exchange rates on market prices and operating costs, and activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

In light of these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements which speak only as at the date of this report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

Item 4. Information on the Company

INTRODUCTION

Rio Tinto Limited and Rio Tinto plc operate as one business organisation, referred to in this report as Rio Tinto, the Rio Tinto Group or, more simply, the Group. These collective expressions are used for convenience only since both Companies, and the individual companies in which they directly or indirectly own investments, are separate and distinct legal entities.

Limited , plc , Pty , Inc , Limitada , or SA have generally been omitted from Group company names, except to distinguish between Rio T and Rio Tinto Limited.

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Financial data in United States dollars (US$) is derived from, and should be read in conjunction with, the 2005 Financial statements which are in US$. In general, financial data in pounds sterling (£) and Australian dollars (A$) have been translated from the consolidated financial statements, and have been provided solely for convenience; exceptions arise where data, such as directors remuneration, can be extracted directly from source records.

Rio Tinto Group turnover, profit before tax and net earnings and operating assets for 2004 and 2005 attributable to the product groups and geographical areas are shown in notes 32 and 33 to the 2005 Financial statements on pages A-52 to A-55. In the Operational review, operating assets and turnover for 2004 and 2005 are consistent with the financial information by business unit in note 51 to the 2005 Financial statements on pages A-90 to A-91.

The tables on pages 15 to 29 show production for 2003, 2004 and 2005 and include estimates of proven and probable reserves. Words and phrases, often technical, have been used which have particular meanings; definitions of these terms are on in the Glossary on pages 143 to 145. The weights and measures used are mainly metric units; conversions into other units are shown on page 145.

AN OVERVIEW OF RIO TINTO

Rio Tinto is a leading international mining group, combining Rio Tinto plc and Rio Tinto Limited in a dual listed companies (DLC) structure as a single economic entity. Nevertheless, both Companies remain legal entities with separate share listings and registers. Rio Tinto plc is incorporated in England and Wales and Rio Tinto Limited is incorporated in Australia.

Rio Tinto s international headquarters are in London whilst the Australian representative office in Melbourne provides support for the operations, undertakes external and investor relations and fulfils statutory obligations. The registered office of Rio Tinto plc is at 6 St James s Square, London, SW1Y 4LD (telephone: +44 20 7930 2399) and the registered office of Rio Tinto Limited is at Level 33, 55 Collins Street, Melbourne, Victoria 3000 (telephone: +61 3 9283 3333).

For purposes of service, Rio Tinto s agent in the US is Shannon Crompton, secretary of Rio Tinto s US holding companies, who may be contacted at Rio Tinto Services Inc., 80 State Street, Albany, New York, 12207-2543. Investor relations in the US are provided by Makinson Cowell US Limited, One Penn Plaza, 250 W 34th St, Suite 1935, New York, NY 10119.

Objective, strategy and management structure

Rio Tinto s fundamental objective is to maximise the overall long term return to its shareholders by operating responsibly and sustainably in areas of proven expertise where the Group has competitive advantage. Its strategy is to maximise net present value by investing in large, long life, cost competitive mines. Investments are driven by the quality of opportunity, not choice of commodity.

Rio Tinto s mining interests are diverse both in geography and product. The Group consists of wholly and partly owned subsidiaries, jointly controlled assets, jointly controlled entities and associated companies, the principal ones being listed in notes 38 to 41 of the 2005 Financial statements on pages A-68 to A-70.

Rio Tinto s management structure is designed to facilitate a clear focus on the Group s objective. The management structure, which is reflected in this report, is based on principal product and global support groups:

- Iron Ore
- Energy
- Industrial Minerals
- Aluminium
- Copper
- Diamonds
- Exploration, and
- Technology.

The chief executive of each group reports to the chief executive of Rio Tinto.

Operational and Financial Review (OFR)

Rio Tinto provides a full description of its operational, financial and HSE performance under Item 5. on pages 36 to 80. This description broadly covers the requirements which would have arisen in the UK had the OFR been introduced as originally proposed.

2005 financial summary

On 31 December 2005, Rio Tinto plc had a market capitalisation of £28.4 billion (US$48.8 billion) and Rio Tinto Limited had a market capitalisation of A$19.7 billion (US$14.5 billion). The combined Group s market capitalisation in publicly held shares at the end of 2005 was US$63.3 billion.

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At 31 December 2005, Rio Tinto had total assets of US$29.8 billion: 49 per cent were located in Australia and New Zealand and 28 per cent in North America. Gross turnover in 2005 was US$20.7 billion (or US$19.0 billion excluding Rio Tinto s share of jointly controlled entities and associates turnover). In 2005, the profit for the year and net earnings attributable to Rio Tinto shareholders were US$5,498 million and US$5,215 million, respectively.

History

The Rio Tinto Company was formed by investors in 1873 to mine ancient copper workings at Rio Tinto in southern Spain. The Consolidated Zinc Corporation was incorporated in 1905, initially to treat zinc bearing mine waste at Broken Hill, New South Wales, Australia.

The RTZ Corporation (formerly The Rio Tinto-Zinc Corporation) was formed in 1962 by the merger of The Rio Tinto Company and The Consolidated Zinc Corporation. CRA Limited (formerly Conzinc Riotinto of Australia Limited) was formed at the same time by a merger of the Australian interests of The Consolidated Zinc Corporation and The Rio Tinto Company. Between 1962 and 1995, RTZ and CRA discovered important mineral deposits, developed major mining projects and also grew through acquisition.

RTZ and CRA were unified in December 1995 through a DLC structure. Directed by a common board of directors, this is designed to place the shareholders of both Companies in substantially the same position as if they held shares in a single enterprise owning all of the assets of both Companies.

In June 1997, The RTZ Corporation became Rio Tinto plc and CRA Limited became Rio Tinto Limited, together known as the Rio Tinto Group. Since the 1995 merger, the Group has continued to invest in developments and acquisitions in keeping with its strategy.

RECENT DEVELOPMENTS

Share buy backs and issues 2005

On 3 February 2005 the Group announced, subject to market conditions, an intention to return up to US$1,500 million of capital to shareholders during the course of 2005 and 2006, and that this would include an off-market buy back of Rio Tinto Limited shares through a tender process.

On 9 May 2005, Rio Tinto Limited bought back 27,294,139 shares, representing 8.7 per cent of its publicly held issued share capital, under an off-market tender and 16,367,000 shares held indirectly by Rio Tinto plc. All of these shares were purchased at a price of A$36.70 (US$28.36) per share, representing a 14 per cent discount to the relevant market price, and were cancelled.

During the year Rio Tinto plc bought back 2,600,000 ordinary shares, representing less than one per cent of its issued share capital, on the open market for an aggregate consideration of US$103.2 million, to be held as treasury shares.

Also during the year Rio Tinto plc issued 3,000,155 ordinary shares and Rio Tinto Limited issued 1,130,211 shares in connection with Rio Tinto s share plans.

On 2 February 2006, the Group announced an intention to return up to US$4,000 million of capital to shareholders, of which US$1,500 million would be paid out as a special dividend and, subject to market conditions, the remaining US$2,500 million would be applied to buy backs of either Rio Tinto Limited or Rio Tinto plc shares. This would replace the US$528 million remainder of the initiative announced on 3 February 2005.

Between 1 January 2006 and 31 May 2006, Rio Tinto plc issued a further 2,102,943 ordinary shares in connection with employee share plans and bought back a further 16,375,000 shares to be held as treasury shares for an aggregate consideration of US$832.6 million. Of the shares issued 872,833 shares were issued from treasury. Rio Tinto Limited purchased and issued 1,258,673 shares in connection with employee share plans. As at 31 May 2006 there remained options outstanding over 6,736,565 Rio Tinto plc ordinary shares and over 5,414,193 Rio Tinto Limited shares.

Share buybacks and issues 2003-2004

In the years 2003 and 2004, neither Rio Tinto plc nor Rio Tinto Limited purchased any shares in either Company.

In 2003, Rio Tinto plc issued 1,193,000 ordinary shares and granted options over 2.7 million ordinary shares, and Rio Tinto Limited issued 240,000 shares and granted options over 1.6 million shares, in connection with employee share plans.

In 2004, Rio Tinto plc issued 1,347,000 ordinary shares and granted options over 1.5 million ordinary shares, and Rio Tinto Limited issued 280,000 shares and granted options over 1.3 million shares, in connection with employee share plans.

Operations acquired and divested 2005

In March 2005, Rio Tinto s wholly owned subsidiary QIT-Fer et Titane Inc sold its entire holding in the Labrador Iron Ore Royalty Income Fund (LIORIF) to RBC Capital Markets for net cash proceeds of US$130 million. LIORIF has an equity interest of 15.1 per cent in, and receives royalties from, Iron Ore Company of Canada (IOC), a subsidiary of Rio Tinto. The transaction had no effect on Rio Tinto s 59 per cent direct interest in IOC.

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Rio Tinto reached agreement with Hancock Prospecting Pty Ltd to purchase a 50 per cent interest in the Hope Downs iron ore assets in Western Australia.

Rio Tinto reached agreement with Lihir Gold to relinquish its management agreement with Lihir, effective from October and subsequently sold its 14.5 per cent interest in November for US$295 million.

Operations acquired and divested 2003-2004

The sale of Rio Tinto s 25 per cent interest in Minera Alumbrera Limited in Argentina, acquired as part of North Limited, together with its wholly owned Peak gold mine in New South Wales, Australia, was completed in March 2003. The cash consideration was US$210 million.

The Framework Agreement signed with the Government of Indonesia in 2002 for divestment of 51 per cent of Kaltim Prima Coal (KPC) to Indonesian interests lapsed in 2003 when no assignment of KPC s offer was made or accepted within the required timeframe. On 21 July 2003 Rio Tinto and BP announced that they had agreed to sell their interests in KPC for a cash price of US$500 million, including assumed debt, to PT Bumi Resources, a public company listed on the Jakarta and Surabaya Stock Exchanges. The sale was completed on 10 October 2003 and each company received 50 per cent of the net proceeds.

In January 2004, Rio Tinto completed the sale of its 100 per cent interest in the nickel mining company Mineração Serra da Fortaleza Ltda to Votorantim Metais, a Brazilian controlled mining company. Including an adjustment for future nickel prices, the total cash consideration was approximately US$80 million.

A 20 per cent interest in the Sepon project in Laos, comprising a gold operation and the Khanong copper project, was sold to Oxiana Limited for a cash consideration of US$85 million.

In March 2004, Rio Tinto completed the sale of its shareholding in Freeport-McMoRan Copper & Gold Inc (FCX). Rio Tinto received net proceeds of US$882 million for its 23,931,100 FCX shares. Rio Tinto retains its 40 per cent joint venture interest in reserves discovered after 1994 at the Grasberg mine, which is managed by FCX. The sale of FCX shares does not affect the terms of the joint venture nor the management of the Grasberg mine.

In June 2004, Rio Tinto completed the sale of its 100 per cent interest in Zinkgruvan Mining AB to South Atlantic Ventures. Zinkgruvan was acquired in 2000 as part of North Ltd.

Rio Tinto and Empresa de Desenvolvimento Mineiro completed the sale of their interests in the Neves Corvo copper mine in Portugal to EuroZinc for a cash consideration and a participation in the average copper price in excess of certain thresholds. Rio Tinto s share of the consideration for its 49 per cent share of the mine was US$70 million. The remaining price participation rights relating to copper production from Neves Corvo, which was sold in the first half of 2004, were themselves sold for US$22 million.

In 2004, the directors of Rio Tinto Zimbabwe (RioZim) agreed to a restructuring of Rio Tinto s 56 per cent shareholding in RioZim. The Murowa diamond project in Zimbabwe had been a 50:50 joint venture between Rio Tinto and RioZim. As a result of the restructuring, Rio Tinto owns a direct 78 per cent interest in Murowa and RioZim became an independent Zimbabwean controlled, listed company owning the remaining 22 per cent of Murowa. Rio Tinto ceased to be an ordinary shareholder in RioZim but retains a reduced cash participation in RioZim s assets other than the Murowa diamond project for a period of ten years. The transaction had no material effect on Rio Tinto.

The sale to Nippon Steel of an eight per cent interest in the Hail Creek Joint Venture, and the increase in the combined share of the original participants, Marubeni Coal and Sumisho Coal Development, by two per cent was completed in the fourth quarter of 2004. Rio Tinto will receive about US$150 million for the sale of these assets including the sale of a 47 per cent interest in the Beasley River iron ore deposits to its joint venture partners in Robe River, which includes Nippon Steel. The Hail Creek component of the sale is complete and arrangements for the Beasley River component are progressing.

In December 2004, Rio Tinto Energy America (formerly Kennecott Energy) successfully bid for an additional 177 million tonnes of in-situ coal reserves at West Antelope at a cost of US$146 million. The sale of the Group s 51 per cent interest in Rio Paracatu Mineração, the owner of the Morro do Ouro mine in Brazil, was completed on 31 December 2004 for US$250 million, subject to an adjustment for working capital.

Development projects 2005

Rio Tinto invested US$2.5 billion in the growth of the business in 2005.

At the Diavik diamond mine in Canada construction began in 2005 of a second dike at a cost of US$190 million to enable mining of a third orebody. Also approved was an optimisation study costing US$75 million including construction of an exploration decline to investigate underground mining.

A project to enlarge the Bingham Canyon open pit at Kennecott Utah Copper in the US was approved in February 2005. The East 1 pushback is expected to extend the life of the open pit to 2017. Capital expenditure on the project is budgeted to be US$100 million for mine facilities, a concentrator upgrade and mobile equipment, and US$70 million after 2008 for the relocation of the in pit crusher and dewatering facilities.

First hot metal was produced in the second quarter of 2005 from the expanded US$200 million HIsmelt® plant at Kwinana in Western Australia. Construction began in January 2003 and cold commissioning commenced in late 2004. The full production rate of 800,000 tonnes per year is expected to be reached over three years.

In April, Rio Tinto committed US$290 million to further expand existing Hamersley Iron mines in Western Australia. Expansion of the Mount Tom Price and Marandoo mines and the construction of new mine capacity at Nammuldi, which is adjacent to the existing Brockman operation, is expected to commence progressive commissioning

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from early 2006. These projects will add 15 million tonnes per annum to Hamersley Iron s mine capacity for at least three years.

In the first half expansion was completed of the upgraded slag (UGS) plant at QIT-Fer et Titane in Canada to 325,000 tonnes per year from 250,000 tonnes. The project was completed on time and within budget. Further expansion to 375,000 tonnes is scheduled for completion in the second half of 2006.

Approval was given in August for construction of a US$775 million titanium dioxide project comprising a US$585 million mineral sands operation and port in Madagascar and a US$190 million upgrade of Rio Tinto s ilmenite smelting facilities in Canada. First production from the Madagascar operation in the Fort Dauphin region is expected in late 2008 and the initial capacity will be 750,000 tonnes per year of ilmenite. The ilmenite will be smelted at Rio Tinto s facilities at Sorel in Quebec. This will require an upgrade of storage and handling facilities as well as their associated ancillary services at the Sorel site.

In October, Rio Tinto announced it will spend US$1.35 billion on further expansion of wholly owned Hamersley Iron s Yandicoogina mine and Dampier port in Western Australia.

Expansion of the Yandicoogina mine will increase its annual capacity from 36 million tonnes to 52 million tonnes at an estimated cost of US$530 million. The most recent expansion, from 24 to 36 million tonnes a year, was completed in August 2005. US$690 million will be invested in further expanding port facilities at Dampier, which will increase its annual shipping capacity from 116 million tonnes to 140 million tonnes. The most recent port expansion, to 116 million tonnes, was completed in 2005.

In September, Rio Tinto approved its US$182 million share of the development costs of the Cortez Hills gold project in Nevada, which is 40 per cent owned by Rio Tinto and 60 per cent by Placer Dome.

Comalco committed US$60 million to the addition of a new ship loader at the Weipa bauxite mine in Australia to ensure reliability of bauxite supply to customers. The new loader is expected to be commissioned by late 2006.

The Argyle diamond mine block caving project was approved in late 2005 at a cost of US$910 million, and Rössing Uranium s open pit is to be enlarged with the addition of mining equipment for a total incremental and sustaining capital cost of US$112 million.

Further detail on these investments and projects is provided under Item 5. on pages 36 to 80.

Development projects have been funded using internally generated funds and proceeds of asset disposals.

Development projects 2003-2004

Construction of the Diavik diamond mine in the Northwest Territories of Canada was completed in January 2003 three months early and within budget. Initial production commenced from the contact zone above the orebody with the main orebody accessed during the second half of 2003.

Development of the Escondida Norte satellite deposit at the 30 per cent owned Escondida copper mine in Chile was started in June 2003 to provide mill feed to keep Escondida s capacity above 1.2 million tonnes of copper per year to the end of 2008. First production occurred in 2005. Commissioning of the new US$1,045 million, 110,000 tonnes of ore per day Laguna Seca concentrator was completed in the second quarter of 2003.

In 2003, Rio Tinto Coal Australia completed development of the US$255 million Hail Creek coking coal project in Queensland, Australia with an initial capacity of 5.5 million tonnes annually.

In December 2003, Hamersley Iron announced the US$920 million expansion of its port and mine capacity, with further expenditure on the rail network and power infrastructure being evaluated.

The partners in the Robe River Joint Venture approved US$214 million (Rio Tinto share US$113 million) to dual track a significant part of the Hamersley Iron rail line due for completion in 2006. Hamersley Iron committed a further US$46 million to upgrade power infrastructure in the Pilbara. The port and mine expansions were completed by the end of 2005.

In January 2004, Rio Tinto approved the expansion of QIT-Fer et Titane Inc s upgraded slag (UGS) plant in Quebec, Canada. Total investment was US$76 million and capacity was increased from 250,000 tonnes per year to 325,000 tonnes per year.

The owners of the Escondida copper mine in Chile approved expenditure of US$870 million (Rio Tinto share US$270 million) on a sulphide leach project to produce 180,000 tonnes (Rio Tinto share 54,000 tonnes) of copper cathode per annum for more than 25 years starting in the second half of 2006.

Construction of the US$100 million second block cave at the underground Northparkes copper and gold mine in New South Wales, Australia was completed and production commenced in 2004.

Development of the 54 per cent owned Eastern Range iron ore mine in Australia with a capacity of ten million tonnes per year was completed in 2004, with first shipments dispatched in the first half of the year.

Expansion of the Weipa bauxite mine in Queensland, Australia, was completed, which will result in an increase in production capacity to 16.5 million tonnes per annum in coming years. This supports the requirements of the new Comalco Alumina Refinery. A key component of the US$150 million expenditure is a 9.5 million tonne beneficiation plant for ore from the Andoom deposit. In 2005, a new US$40 million power station was constructed and will be commissioned in 2006. The station will service the Weipa mining operations and surrounding communities.

Construction of the first stage of Comalco s new alumina refinery at Gladstone, Queensland commenced in January 2002 and was completed in late 2004, three months early and in line with its budget of US$750 million. Initial shipments from the 1.4 million tonnes per year plant started in early 2005.

Approval was given in 2004 for expansion of the Hail Creek coal mine in Australia to eight million tonnes per year at a cost of US$157 million.

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Kennecott Land s Project Daybreak in Utah, US, a mixed use land development on a 1,800 hectare site, started in 2003, with the first land sales in 2004 that are expected to ramp up over a period of five to six years.

BUSINESS ENVIRONMENT AND MARKETS

Competitive environment

Rio Tinto is a major producer in all the metals and minerals markets in which it operates. It is generally among the top five global producers by volume. It has market shares for different commodities ranging from five per cent to 40 per cent. The competitive arena is spread across the globe, including eastern Europe, Russia and China.

Most of Rio Tinto s competitors are private sector companies which are publicly quoted. Several are, like Rio Tinto, diversified in terms of commodity exposure, but others are focused on particular commodity segments. Metal and mineral markets are highly competitive with few barriers to entry. They can be subject to price declines in real terms reflecting large productivity gains, increasing technical sophistication, better management, and advances in information technology.

High quality, long life mineral resources, the basis of good financial returns, are relatively scarce. Rio Tinto s ownership of or interest in some of the world s largest deposits enables it to contribute to long term market growth.

World production volumes are likely to grow at least in line with global economic activity. The emergence of China and eventually India as major economies requiring metals and minerals for development could mean even higher market growth.

Economic overview

World economic activity in 2005 grew by 4.3 per cent on a purchasing power parity basis compared with 5.1 per cent in 2004. This was led by the US and China which grew by 3.6 per cent and 9.5 per cent respectively. In Asia as a whole growth was 4.5 per cent while Japan grew by 2.5 per cent. Latin America grew by 4.1 per cent. European activity lagged showing growth of 1.6 per cent.

Inflation generally remained low by historical standards in spite of the large rise in prices of oil and other commodities. This reflected fierce competition in the manufacturing sector and generally weak labour markets.

During 2005 China s growth continued to provide momentum to commodity demand offsetting more patchy demand conditions in some OECD countries. At the same time, with low stocks, production problems, increased input costs and heightened speculative activity in some commodities, the prices of most metals and minerals rose and remained well above the historical trend.

The seaborne iron ore trade continued to grow strongly with China s iron ore imports nearly 32 per cent above their 2004 level. Price increases of 71.5 per cent during the year underlined the tightness of the market.

The cash cost of copper reached new record highs of over US$2 per pound in December 2005. Over the year the average spot price was US$1.66 per pound. Speculative activity over the course of the year led to surges in spot prices as market participants scrambled occasionally to meet immediate needs.

Coking coal prices more than doubled with significant increases in Asian demand. Prices for Powder River Basin coal also more than doubled over the year due to the general tightness of US energy markets and transport issues. Prices for seaborne thermal coal rose by over 20 per cent. Uranium prices also rose strongly during 2005.

Aluminium prices rallied strongly throughout the second half of 2005 averaging 86 US cents per pound for the year as a whole. The renewed upward momentum in prices has been driven in part by fund buying on the expectation of tighter markets in 2006. Factors such as record high alumina prices, announcements of power related smelter shutdowns and a slowdown in Chinese exports all contributed to the increasingly positive market sentiment.

Demand for industrial minerals such as borates and titanium minerals continued to benefit from solid US demand.

Gold prices escalated in the latter half of the year and averaged US$444 per ounce for 2005 as a whole. Many less widely traded metals also benefited from much higher prices, notably molybdenum, which averaged US$31 per pound, a 25 year high.

A discussion of the financial results for the two years to 31 December 2005 is given in the Financial review on pages 39 to 57.

Comments on the financial performance of the individual product groups for the two years to 31 December 2005 are included in the Operating review on pages 57 to 80. Details of production, reserves and information on Group mines are given on pages 15 to 35. Analyses of Rio Tinto s revenues by product group, geographical origin and geographical destination have been set out in Notes 32 to 33 to the 2005 Financial statements on pages A-52 to A-55.

Marketing channels

Each business within each product group is responsible for the marketing and sale of their respective metal and mineral production.

Consequently, Rio Tinto has numerous marketing channels, which now include electronic marketplaces, with differing characteristics and pricing mechanisms.

In general, Rio Tinto s businesses contract their metal and mineral production direct to end users under long term supply contracts and at prevailing market prices. Typically, these contracts specify annual volume commitments and an agreed mechanism for determining prices. For example, businesses producing non ferrous metals and minerals

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reference their sales prices to the London Metal Exchange (LME) or other metal exchanges such as the Commodity Exchange Inc (Comex) in New York. Businesses producing coal and iron ore would typically reference their sales prices to annually negotiated industry benchmarks. In markets where international reference market prices do not exist or are not transparent, businesses negotiate product prices on an individual customer basis.

Fluctuations in these prices, particularly for aluminium, copper and gold, inevitably affect the Group s financial results.

Rio Tinto s marketing channels include a network of regional sales offices worldwide. Some products in certain geographical markets are sold via third party agents.

Governmental regulations

Rio Tinto is subject to extensive governmental regulations affecting all aspects of its operations and consistently seeks to apply best practice in all of its activities. Due to Rio Tinto s product and geographical spread, there is unlikely to be any single governmental regulation that could have a material effect on the Group s business.

Rio Tinto s operations in Australia, New Zealand, and Indonesia are subject to state, provincial and federal regulations of general application governing mining and processing, land tenure and use, environmental requirements, workplace health and safety, trade and export, corporations, competition, access to infrastructure, foreign investment and taxation. Some operations are conducted under specific agreements with the respective governments and associated acts of parliament. In addition, Rio Tinto s uranium operations in the Northern Territory, Australia and Namibia are subject to specific regulation in relation to mining and the export of uranium.

US and Canada based operations are subject to local and national regulations governing land use, environmental aspects of operations, product and workplace health and safety, trade and export administration, competition, securities and taxation.

The South African Mineral and Petroleum Resources Development Act 2002, as read with the Empowerment Charter for the South African Mining Industry, targets the transfer (for fair value) of 26 per cent ownership of existing South African mining assets to historically disadvantaged South Africans (HDSAs) within ten years. Attached to the Empowerment Charter is a scorecard by which companies will be judged on their progress towards empowerment and the attainment of the target transfer of 26 per cent ownership. The scorecard also provides that in relation to existing mining assets 15 per cent ownership should vest in HDSAs within five years of 1 May 2004. Rio Tinto anticipates that the government of South Africa will continue working towards the introduction of new royalty payments in respect of mining tenements, expected to become effective during 2009.

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METALS AND MINERALS PRODUCTION

		2003 Production (a)		2004 Production (a)		**2005 Production** (a)	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
ALUMINA (000 tonnes)							
Comalco Alumina Refinery (Australia) (c)	100.0	—	—	175	175	**835**	**835**
Eurallumina (Italy)	56.2	1,021	573	1,064	597	**1,070**	**601**
Queensland Alumina (Australia)	38.6	3,731	1,440	3,778	1,459	**3,953**	**1,526**
Rio Tinto total			2,014		2,231		**2,963**
ALUMINIUM (refined) (000 tonnes)							
Anglesey (UK)	51.0	141.9	72.4	144.8	73.8	**143.9**	**73.4**
Bell Bay (Australia)	100.0	166.6	166.6	162.0	162.0	**173.8**	**173.8**
Boyne Island (Australia)	59.4	520.9	311.1	540.5	321.2	**544.9**	**326.2**
Tiwai Point (New Zealand)	79.4	334.4	266.5	350.3	279.5	**351.4**	**280.3**
Rio Tinto total			816.6		836.5		**853.7**
BAUXITE (000 tonnes)							
Boké (Guinea) (d)	—	12,060	418	5,773	179	—	—
Weipa (Australia)	100.0	11,898	11,898	12,649	12,649	**15,474**	**15,474**
Rio Tinto total			12,316		12,828		**15,474**
BORATES (000 tonnes) (e)							
Boron mine (US)	100.0	541	541	543	543	**540**	**540**
Borax Argentina (Argentina)	100.0	17	17	22	22	**20**	**20**
Rio Tinto total			559		565		**560**
COAL HARD COKING (000 tonnes)							
Rio Tinto Coal Australia (f)							
Hail Creek Coal (Australia) (g)	82.0	883	812	5,104	4,633	**5,900**	**4,838**
Kestrel Coal (Australia)	80.0	1,873	1,499	2,659	2,127	**2,946**	**2,357**
Rio Tinto total hard coking coal			2,311		6,760		**7,195**
COAL OTHER* (000 tonnes)							
Rio Tinto Coal Australia (f)							
Bengalla (Australia)	30.3	6,203	1,879	5,312	1,609	**5,965**	**1,806**
Blair Athol (Australia)	71.2	12,480	8,890	12,229	8,712	**10,600**	**7,551**
Hunter Valley Operations (Australia)	75.7	12,008	9,091	13,269	10,046	**12,374**	**9,369**
Kestrel Coal (Australia)	80.0	1,449	1,159	623	499	**774**	**619**
Mount Thorley Operations (Australia)	60.6	3,153	1,910	3,548	2,149	**3,962**	**2,400**

Tarong Coal (Australia)	100.0	6,538	6,538	7,004	7,004	**6,470**	**6,470**
Warkworth (Australia)	42.1	5,868	2,469	6,954	2,926	**6,293**	**2,647**
Total Australian other coal			31,935		32,943		**30,863**
Kaltim Prima Coal (Indonesia) (h)	—	12,655	6,327	—	—	—	—
Rio Tinto Energy America (i)							
Antelope (US)	100.0	26,806	26,806	26,928	26,928	**27,174**	**27,174**
Colowyo (US)	(i)	4,535	4,535	5,788	5,788	**5,325**	**5,325**
Cordero Rojo (US)	100.0	32,671	32,671	35,233	35,233	**34,234**	**34,234**
Decker (US)	50.0	7,358	3,679	7,831	3,916	**6,288**	**3,144**
Jacobs Ranch (US)	100.0	32,418	32,418	34,979	34,979	**33,823**	**33,823**
Spring Creek (US)	100.0	8,069	8,069	10,892	10,892	**11,881**	**11,881**
Total US coal			108,177		117,734		**115,580**
Rio Tinto total other coal			146,439		150,677		**146,443**

* Coal other includes thermal coal, semi-soft coking coal and semi-hard coking coal.

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METALS AND MINERALS PRODUCTION continued

		2003 Production (a)		2004 Production (a)		**2005 Production** (a)	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
COPPER (mined) (000 tonnes)							
Alumbrera (Argentina) (j)	—	34.9	8.7	—	—	**—**	**—**
Bingham Canyon (US)	100.0	281.8	281.8	263.7	263.7	**220.6**	**220.6**
Escondida (Chile)	30.0	992.7	297.8	1,207.1	362.1	**1,270.2**	**381.1**
Grasberg FCX (Indonesia) (k)	—	444.1	84.5	396.4	5.5	**—**	**—**
Grasberg Joint Venture (Indonesia) (k)	40.0	271.7	108.7	120.0	48.0	**273.9**	**109.6**
Neves Corvo (Portugal) (l)	—	77.5	38.0	46.9	23.0	**—**	**—**
Northparkes (Australia)	80.0	27.1	21.7	30.0	24.0	**54.0**	**43.2**
Palabora (South Africa) (m)	47.2	52.4	25.8	54.4	26.8	**61.2**	**30.0**
Rio Tinto total			867.0		753.1		**784.4**
COPPER (refined) (000 tonnes)							
Atlantic Copper (Spain) (k)	—	247.1	38.1	58.4	7.0	**—**	**—**
Escondida (Chile)	30.0	147.6	44.3	152.1	45.6	**143.9**	**43.2**
Kennecott Utah Copper (US)	100.0	230.6	230.6	246.7	246.7	**232.0**	**232.0**
Palabora (South Africa) (m)	47.2	73.4	36.1	67.5	33.2	**80.3**	**39.3**
Rio Tinto total			349.1		332.6		**314.5**
DIAMONDS (000 carats)							
Argyle (Australia)	100.0	30,910	30,910	20,620	20,620	**30,476**	**30,476**
Diavik (Canada)	60.0	3,833	2,300	7,575	4,545	**8,272**	**4,963**
Merlin (Australia)	—	62	62	—	—	**—**	**—**
Murowa (Zimbabwe) (n)	77.8	—	—	47	36	**251**	**195**
Rio Tinto total			33,272		25,202		**35,635**
GOLD (mined) (000 ounces)							
Alumbrera (Argentina) (j)	—	124	31	—	—	**—**	**—**
Barneys Canyon (US)	100.0	35	35	22	22	**16**	**16**
Bingham Canyon (US)	100.0	305	305	308	308	**401**	**401**
Cortez/Pipeline (US)	40.0	1,085	434	1,051	421	**904**	**361**
Escondida (Chile)	30.0	184	55	217	65	**183**	**55**
Grasberg FCX (Indonesia) (k)	—	1,456	354	1,377	14	**—**	**—**
Grasberg Joint Venture (Indonesia) (k)	40.0	1,806	722	207	83	**1,676**	**670**
Greens Creek (US)	70.3	99	70	86	61	**73**	**51**
Kelian (Indonesia)	90.0	469	422	328	295	**43**	**38**
Lihir (Papua New Guinea) (o)	—	551	88	599	87	**424**	**61**
Morro do Ouro (Brazil) (p)	—	201	103	188	96	**—**	**—**
Northparkes (Australia)	80.0	49	39	79	63	**57**	**46**

Peak (Australia) (j)	—	20	20	—	—	**—**	**—**
Rawhide (US)	51.0	64	32	50	25	**35**	**18**
Rio Tinto Zimbabwe (Zimbabwe) (q)	—	25	14	11	6	**—**	**—**
Others	—	14	7	13	7	**15**	**7**
Rio Tinto total			2,731		1,552		**1,726**
GOLD (refined) (000 ounces)							
Kennecott Utah Copper (US)	100.0	308	308	300	300	**369**	**369**
IRON ORE (000 tonnes)							
Channar (Australia)	60.0	10,347	6,208	9,759	5,855	**8,644**	**5,186**
Corumbá (Brazil)	100.0	1,074	1,074	1,301	1,301	**1,410**	**1,410**
Eastern Range (Australia)	(r)	—	—	2,970	2,970	**6,559**	**6,559**
Hamersley Iron (Australia)	100.0	63,056	63,056	65,407	65,407	**74,387**	**74,387**
Iron Ore Company of Canada (Canada)	58.7	14,225	8,353	11,139	6,541	**15,647**	**9,188**
Robe River (Australia)	53.0	45,136	23,922	48,459	25,684	**52,385**	**27,764**
Rio Tinto total			102,613		107,757		**124,494**

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METALS AND MINERALS PRODUCTION continued

		2003 Production (a)		2004 Production (a)		**2005 Production** (a)	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
LEAD (000 tonnes)							
Greens Creek (US)	70.3	22.5	15.8	19.8	13.9	**16.9**	**11.9**
Zinkgruvan (Sweden) (s)	—	31.8	31.8	11.2	11.2	**—**	**—**
Rio Tinto total			47.6		25.1		**11.9**
MOLYBDENUM (000 tonnes)							
Bingham Canyon (US)	100.0	4.6	4.6	6.8	6.8	**15.6**	**15.6**
NICKEL (mined) (000 tonnes)							
Fortaleza (Brazil) (t)	—	6.0	6.0	—	—	**—**	**—**
NICKEL (refined) (000 tonnes)							
Empress (Zimbabwe) (q)	—	6.2	3.5	2.9	1.6	**—**	**—**
SALT (000 tonnes)							
Dampier Salt (Australia)	64.9	7,135	4,633	7,380	4,792	**8,480**	**5,507**
SILVER (mined) (000 ounces)							
Bingham Canyon (US)	100.0	3,548	3,548	3,584	3,584	**3,958**	**3,958**
Escondida (Chile)	30.0	4,728	1,418	5,747	1,724	**6,565**	**1,970**
Grasberg FCX (Indonesia) (k)	—	3,659	745	3,077	79	**—**	**—**
Grasberg Joint Venture (Indonesia) (k)	40.0	2,815	1,126	1,961	784	**3,410**	**1,364**
Greens Creek (US)	70.3	11,707	8,226	9,707	6,821	**9,664**	**6,791**
Zinkgruvan (Sweden) (s)	—	1,841	1,841	651	651	**—**	**—**
Others	—	2,511	1,407	2,025	1,187	**1,422**	**843**
Rio Tinto total			18,311		14,830		**14,926**
SILVER (refined) (000 ounces)							
Kennecott Utah Copper (US)	100.0	2,963	2,963	3,344	3,344	**3,538**	**3,538**
TALC (000 tonnes)							
Luzenac Group (Australia/Europe/N. America) (u)	100.0	1,358	1,357	1,444	1,443	**1,364**	**1,364**
TIN (tonnes)							
Neves Corvo (Portugal) (l)	—	203	100	120	59	**—**	**—**
TITANIUM DIOXIDE FEEDSTOCK (000 tonnes)							
	100.0	1,192	1,192	1,192	1,192	**1,312**	**1,312**

Rio Tinto Iron & Titanium (Canada/South Africa) (v)							
URANIUM (tonnes U_3O_8)							
Energy Resources of Australia (Australia)	68.4	5,134	3,512	5,143	3,517	**5,903**	**4,037**
Rössing (Namibia)	68.6	2,401	1,647	3,582	2,457	**3,711**	**2,545**
Rio Tinto total			5,158		5,974		**6,582**
ZINC (mined) (000 tonnes)							
Greens Creek (US)	70.3	69.1	48.5	62.7	44.1	**52.9**	**37.2**
Zinkgruvan (Sweden) (s)	—	64.5	64.5	29.7	29.7	—	—
Rio Tinto total			113.0		73.8		**37.2**

See notes on page 18

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METALS AND MINERALS PRODUCTION continued

Production data notes

(a) Mine production figures for metals refer to the total quantity of metal produced in concentrates or doré bullion irrespective of whether these products are then refined onsite, except for the data for iron ore and bauxite which represent production of saleable quantities of ore.

(b) Rio Tinto percentage share, shown above, is as at the end of 2005 and has applied over the period 2003 2005 except for those operations where the share has varied during the year and the weighted average for them is shown below. The Rio Tinto share varies at individual mines and refineries in the others category and thus no value is shown.

Rio Tinto share %

Operation	See Note	2003	2004	**2005**
Atlantic Copper	(k)	15.4	12.0	**—**
Grasberg - FCX	(k)	13.9	10.8	**—**
Hail Creek	(g)	92.0	90.8	**82.0**
Lihir	(o)	16.0	14.5	**—**
Palabora	(m)	49.2	49.2	**49.0**

(c) Comalco Alumina Refinery started production in October 2004.

(d) Rio Tinto completed the sale of its four per cent interest in the Boké mine on 25 June 2004. Production data are shown up to the date of sale.

(e) Borate quantities are expressed as B2O3.

(f) Rio Tinto Coal Australia manages all the Australian coal operations including the mines which were previously reported separately under the Coal & Allied name.

(g) Hail Creek commenced production in the third quarter of 2003. Rio Tinto reduced its shareholding in Hail Creek from 92.0 per cent to 82.0 per cent on 15 November 2004.

(h) Rio Tinto had a 50 per cent share in Kaltim Prima and, under the terms of its Coal Agreement, the Indonesian Government was entitled to a 13.5 per cent share of Kaltim Prima s production. Rio Tinto s share of production shown is before deduction of the Government share. Rio Tinto completed the sale of its interest in PT Kaltim Prima Coal on 10 October 2003. Production data are shown up to the date of sale.

(i) Rio Tinto Energy America was formerly known as Kennecott Energy. In view of Rio Tinto Energy America s responsibilities under a management agreement for the operation of the Colowyo mine, all of Colowyo s output is included in Rio Tinto s share of production.

(j) Rio Tinto completed the sale of its 25 per cent interest in Minera Alumbrera together with its wholly owned Peak Gold Mine on 17 March 2003. Production data are shown up to the date of sale.

(k) From mid 1995 until 30 March 2004, Rio Tinto held 23.93 million shares of Freeport-McMoRan Copper & Gold (FCX) common stock from which it derived a share of production. This interest was sold to FCX on 30 March 2004. Also, through a joint venture agreement with FCX, Rio Tinto is entitled, as shown separately in the above tables, to 40 per cent of additional material mined as a consequence of expansions and developments of the Grasberg facilities since 1998.

(l) Rio Tinto completed the sale of its 49 per cent interest in Somincor on 18 June 2004. Production data are shown up to the date of sale.

(m) During the second half of 2005, the conversion of debentures into ordinary shares resulted in a dilution of Rio Tinto s shareholding in Palabora from 49.2 per cent to 47.2 per cent.

(n) Ore mining and processing at Murowa commenced during the third quarter of 2004.

(o) Following a placement of shares on 13 November 2003 Rio Tinto s interest in Lihir moved from 16.3 per cent to 14.5 per cent. On 30 November 2005, Rio Tinto sold its interest in Lihir Gold; it had agreed in September 2005 to relinquish the management agreement for Lihir. The production data are shown up to 30 September 2005, from which date the Rio Tinto interest in Lihir was held as an investment rather than being equity accounted.

(p) Rio Tinto sold its interest in Morro do Ouro on 31 December 2004. Production data are shown up to the date of sale.

(q) As a result of the corporate restructuring completed on 8 July 2004, Rio Tinto has ceased to be an ordinary shareholder in the renamed RioZim but will retain a reduced cash participation in its gold and nickel assets for a period of ten years.

(r) Rio Tinto s share of production includes 100 per cent of the production from the Eastern Range mine, which commenced production in March 2004. Under the terms of the joint venture agreement, Hamersley Iron manages the operation and is obliged to purchase all mine production from the joint venture.

(s) Rio Tinto completed the sale of its 100 per cent interest in the Zinkgruvan mine on 2 June 2004. Production data are shown up to the date of sale.

(t) Rio Tinto completed the sale of its 100 per cent interest in the Fortaleza nickel mine on 16 January 2004. This was effective from 1 January 2004.

(u) Talc production includes some products derived from purchased ores.

(v) Quantities comprise 100 per cent of QIT and 50 per cent of Richards Bay Minerals production.

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ORE RESERVES
Under Industry Guide 7

Reserves have been prepared in accordance with Industry Guide 7 under the United States Securities Act of 1933 and the following definitions:

- An Ore Reserve means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserves determination. To establish this, studies appropriate to the type of mineral deposit involved have been carried out to estimate the quantity, grade and value of the ore mineral(s) present. In addition, technical studies have been completed to determine realistic assumptions for the extraction of the minerals including estimates of mining, processing, economic, marketing, legal, environmental, social and governmental factors. The degree of these studies is sufficient to demonstrate the technical and economic feasibility of the project and depends on whether or not the project is an extension of an existing project or operation. The estimates of minerals to be produced include allowances for ore losses and the treatment of unmineralised materials which may occur as part of the mining and processing activities. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proven Ore Reserves as defined below.
- The term "economically", as used in the definition of reserves, implies that profitable extraction or production under defined investment assumptions has been established through the creation of a mining plan, processing plan and cash flow model. The assumptions made must be reasonable, including costs and operating conditions that will prevail during the life of the project.
- Ore reserves presented in accordance with SEC Industry Guide 7 do not exceed the quantities that, it is estimated, could be extracted economically if future prices were to be in line with the average of historical prices for the three years to 30 June 2005, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price is predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto's own long term price assumptions.
- The term "legally", as used in the definition of reserves, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for reserves to exist, there is reasonable assurance of the issuance of these permits or resolution of legal issues. Reasonable assurance means that, based on applicable laws and regulations, the issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course of business and in a timeframe consistent with the Company s current mine plans.
- The term "proven reserves" means reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Proven reserves represent that part of an orebody for which there exists the highest level of confidence in data regarding its geology, physical characteristics, chemical composition and probable processing requirements.
- The term "probable reserves" means reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. This means that probable reserves generally have a wider drill hole spacing than for proven reserves.
- The amount of proven and probable reserves shown below does not necessarily represent the amount of material currently scheduled for extraction, because the amount scheduled for extraction may be derived from a life of mine plan predicated on prices and other assumptions which are different to those used in the life of mine plan prepared in accordance with Industry Guide 7.
- The estimated ore reserve figures in the following tables are as of 31 December 2005. Metric units are used throughout. The figures used to calculate Rio Tinto's share of reserves are often more precise than the rounded numbers shown in the tables, hence small differences might result if the calculations are repeated using the tabulated figures. Commodity price information is given in Note (a) on page 28.

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Total ore reserves at end 2005		Interest %	Rio Tinto share
		Tonnage	Grade		
BAUXITE (d)		**millions of tonnes**	**% Al_2O_3**		**Recoverable mineral millions of tonnes**
Reserves at operating mine					
Weipa (Australia)	O/P	**1,211**	**53.7**	100.0	**1,211**

BORATES (e)		**millions of tonnes**			**Marketable product millions of tonnes**
Reserves at operating mine					
Boron (US)					
mine	O/P	**21.3**		100.0	**21.3**
stockpiles (i)	S/P	**2.1**		100.0	**2.1**
Rio Tinto total					**23.5**

		Coal type (g)	Marketable reserves	Marketable coal quality (h)	(h)		
COAL (f)			**millions of tonnes**	**Calorific value MJ/kg**	**Sulphur content %**		**Marketable reserves millions of tonnes**
Reserves at operating mines							
Rio Tinto Energy America (k)							
Antelope (US) (j)	O/C	SC	**384**	**20.59**	**0.25**	100.0	**384**
Colowyo (US) (k)	O/C	SC	**20**	**24.48**	**0.40**	100.0	**20**
Cordero Rojo (US)	O/C	SC	**321**	**19.59**	**0.31**	100.0	**321**
Decker (US)	O/C	SC	**22**	**22.10**	**0.37**	50.0	**11**
Jacobs Ranch (US)	O/C	SC	**456**	**20.35**	**0.44**	100.0	**456**
Spring Creek (US)	O/C	SC	**213**	**21.75**	**0.33**	100.0	**213**
Total US coal							**1,405**
Rio Tinto Coal Australia							
Bengalla (Australia)	O/C	SC	**155**	**28.30**	**0.50**	30.3	**47**
Blair Athol (Australia)	O/C	SC	**50**	**27.95**	**0.32**	71.2	**36**
Hail Creek (Australia)	O/C	MC	**184**	**32.20**	**0.35**	82.0	**151**
Hunter Valley Operations (Australia)	O/C	SC + MC	**320**	**28.94**	**0.57**	75.7	**242**

Kestrel (Australia)	U/G	SC + MC	**116**	**32.20**	**0.65**	80.0	**93**
Mount Thorley Operations (Australia)	O/C	SC + MC	**23**	**29.48**	**0.46**	60.6	**14**
Tarong-Meandu (Australia)	O/C	SC	**86**	**21.05**	**0.30**	100.0	**86**
Warkworth (Australia)	O/C	SC + MC	**262**	**28.87**	**0.45**	42.1	**110**
Total Australian coal							**779**
Rio Tinto total reserves at operating mines							**2,184**
Undeveloped reserves (l)							
Rio Tinto Coal Australia							
Clermont (Australia)	O/C	SC	**189**	**27.90**	**0.33**	50.1	**95**
Mount Pleasant (Australia)	O/C	SC	**350**	**26.73**	**0.51**	75.7	**265**
Tarong-Kunioon (Australia)	O/C	SC	**163**	**21.05**	**0.30**	100.0	**163**
Rio Tinto total undeveloped reserves							**523**

See notes on pages 28 to 29

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Total ore reserves at end 2005		Average mill recovery %	Interest %	**Rio Tinto share**
		Tonnage	Grade			
COPPER		**millions of tonnes**	**%Cu**			**Recoverable metal millions of tonnes**
Reserves at operating mines						
Bingham Canyon (US)						
mine	O/P	**648**	**0.55**	**85**	100.0	**3.026**
stockpiles (i)	S/P	**18**	**0.38**	**85**	100.0	**0.060**
Escondida (Chile)						
sulphide mine	O/P	**1,065**	**1.22**	**84**	30.0	**3.274**
sulphide leach mine	O/P	**661**	**0.52**	**37**	30.0	**0.380**
oxide mine	O/P	**37**	**0.56**	**82**	30.0	**0.052**
sulphide stockpiles (i)	S/P	**18**	**1.23**	**84**	30.0	**0.055**
sulphide leach stockpiles (i)	S/P	**203**	**0.65**	**37**	30.0	**0.143**
oxide stockpiles (i)	S/P	**115**	**0.66**	**82**	30.0	**0.187**
Escondida Norte (Chile)						
sulphide mine	O/P	**573**	**1.38**	**89**	30.0	**2.108**
sulphide leach mine	O/P	**332**	**0.59**	**33**	30.0	**0.191**
oxide mine	O/P	**120**	**0.79**	**54**	30.0	**0.153**
sulphide stockpiles (i)	S/P	**2.3**	**1.51**	**89**	30.0	**0.009**
sulphide leach stockpiles (i)	S/P	**7.4**	**0.83**	**33**	30.0	**0.006**
oxide stockpiles (i)	S/P	**10**	**0.46**	**54**	30.0	**0.008**
Grasberg (Indonesia)	O/P + U/G	**2,822**	**1.07**	**89**	(m)	**7.714**
Northparkes (Australia) (n)						
stockpiles (i)	S/P	**3.8**	**0.67**	**85**	80.0	**0.017**
mine	U/G	**52**	**1.13**	**90**	80.0	**0.426**
Palabora (South Africa) (o)						
mine	U/G	**142**	**0.56**	**88**	47.2	**0.331**
Rio Tinto total						**18.140**

DIAMONDS (d)		**millions of tonnes**	**carats per tonne**			**Recoverable diamonds millions of carats**
Reserves at operating mines						
Argyle (Australia)						
AK1 pipe mine	O/P	**25**	**2.9**		100.0	**73.5**
AK1 pipe stockpiles (i)	S/P	**3.3**	**0.9**		100.0	**3.0**
Diavik (Canada)	O/P + U/G	**28**	**3.2**		60.0	**54.2**
Murowa (Zimbabwe)	O/P	**23**	**0.7**		77.8	**12.1**

Rio Tinto total						**142.8**

GOLD		**millions of tonnes**	**grammes per tonne**			**Recoverable metal millions of ounces**
Reserves at operating mines						
Bingham Canyon (US)						
mine	O/P	**648**	**0.32**	**63**	100.0	**4.234**
stockpiles (i)	S/P	**18**	**0.23**	**63**	100.0	**0.084**
Cortez/Pipeline (US) (p)						
mine	O/P	**233**	**1.38**	**74**	40.0	**3.050**
stockpiles (i)	S/P	**1.7**	**3.89**	**86**	40.0	**0.072**
Grasberg (Indonesia)	O/P + U/G	**2,822**	**0.92**	**74**	(m)	**14.606**
Greens Creek (US)	U/G	**6.4**	**3.95**	**69**	70.3	**0.394**
Northparkes (Australia) (n)						
stockpiles (i)	S/P	**3.8**	**0.58**	**76**	80.0	**0.043**
mine	U/G	**52**	**0.49**	**76**	80.0	**0.503**
Rio Tinto total						**22.986**

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Total ore reserves at end 2005		Average mill recovery %	Interest %	**Rio Tinto share**
		Tonnage	Grade			
IRON ORE (d)		**millions of tonnes**	**%Fe**			**Marketable product millions of tonnes**
Reserves at operating mines and mines under construction						
Channar (Australia)						
Brockman Ore	O/P	**109**	**63.5**	60.0		**65**
Corumbá (Brazil)	O/P	**216**	**67.2**	100.0		**216**
Eastern Range (Australia)						
Brockman Ore	O/P	**104**	**63.0**	54.0		**56**
Hamersley (Australia)						
Brockman 2 (Brockman Ore) (q)	O/P	**37**	**62.5**	100.0		**37**
Brockman 4 (Brockman Ore) (q)	O/P	**579**	**62.2**	100.0		**579**
Marandoo (Marra Mamba Ore)	O/P	**72**	**61.9**	100.0		**72**
Mt Tom Price (Brockman Ore)						
mine	O/P	**138**	**64.6**	100.0		**138**
stockpiles (i)	S/P	**12**	**64.5**	100.0		**12**
Paraburdoo (Brockman Ore)	O/P	**15**	**63.8**	100.0		**15**
Paraburdoo (Marra Mamba Ore)	O/P	**1.0**	**63.1**	100.0		**1**
Nammuldi (Marra Mamba Ore)	O/P	**37**	**61.5**	100.0		**37**
Yandicoogina (Pisolite Ore HG) (r)						
mine	O/P	**384**	**58.1**	100.0		**384**
stockpiles (i)	S/P	**3.7**	**58.3**	100.0		**4**
Yandicoogina (Process Product) (r)						
mine	O/P	**103**	**58.8**	100.0		**103**
Iron Ore Company of Canada (Canada)	O/P	**427**	**65.0**	58.7		**251**
Robe River (Australia)						
Pannawonica (Pisolite Ore) (s)						
mine	O/P	**287**	**57.2**	53.0		**152**
stockpiles (i)	S/P	**16**	**56.9**	53.0		**8**
– West Angelas (Marra Mamba Ore)						
mine	O/P	**393**	**62.2**	53.0		**209**
stockpiles (i)	S/P	**1.0**	**59.7**	53.0		**1**
Rio Tinto total (t)						**2.339**

LEAD	**millions of tonnes**	**%Pb**	**Recoverable metal millions of tonnes**

Reserves at operating mine						
Greens Creek (US)	U/G	**6.4**	**3.93**	67	70.3	**0.119**

MOLYBDENUM		**millions of tonnes**	**%Mo**			**Recoverable metal millions of tonnes**
Reserves at operating mine						
Bingham Canyon (US)						
mine	O/P	**648**	**0.043**	59	100.0	**0.164**
stockpiles (i)	S/P	**18**	**0.034**	59	100.0	**0.004**
Rio Tinto total						**0.168**

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Total ore reserves at end 2005 Tonnage	Grade	Average mill recovery %	Interest %	**Rio Tinto share**
SILVER		**millions of tonnes**	**grammes per tonne**			**Recoverable metal millions of ounces**
Reserves at operating mines						
Bingham Canyon (US)						
mine	O/P	**648**	**2.62**	76	100.0	**41.243**
stockpiles (i)	S/P	**18**	**1.73**	76	100.0	**0.769**
Grasberg (Indonesia)	O/P + U/G	**2,822**	**4.02**	67	(m)	**70.235**
Greens Creek (US)	U/G	**6.4**	**505**	73	70.3	**53.273**
Rio Tinto total						**165.520**

TALC (e)		**millions of tonnes**				**Marketable product millions of tonnes**
Reserves at operating mines						
Luzenac Group (Europe / North America / Australia)	O/P + U/G	**48.7**			100.0	**48.7**

TITANIUM DIOXIDE FEEDSTOCK (e) (u)		**millions of tonnes**				**Marketable product millions of tonnes**
Reserves at operating mines						
QIT (Canada)	O/P	**60.3**			100.0	**60.3**
QMM (Madagascar)	D/O	**12.4**			80.0	**9.9**
RBM (South Africa)	D/O	**25.9**			50.0	**13.0**
Rio Tinto total						**83.2**

URANIUM		**millions of tonnes**	**%$U_3 0_8$**			**Recoverable metal millions of tonnes**
Reserves at operating mines						
Energy Resources of Australia (Australia)						
Ranger #3 mine	O/P	**12.9**	**0.231**	89	68.4	**0.0181**
Ranger #3 stockpiles (i)	S/P	**9.9**	**0.149**	86	68.4	**0.0087**
Rössing (Namibia) (v)						

mine	O/P	**37**	**0.037**	85	68.6	**0.0080**
stockpiles (i)	S/P	**1.1**	**0.031**	85	68.6	**0.0002**
Rio Tinto total						**0.0349**

ZINC		**millions of tonnes**	**%Zn**			**Recoverable metal millions of tonnes**
Reserves at operating mine						
Greens Creek (US)	U/G	**6.4**	**10.3**	77	70.3	**0.357**

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine	Proven ore reserves at end 2005			Probable ore reserves at end 2005		
	(b)	Tonnage	Grade	Drill hole spacing (c)	Tonnage	Grade	Drill hole spacing (c)
BAUXITE (d)		**millions of tonnes**	**% Al_2O_3**		**millions of tonnes**	**% Al_2O_3**	
Reserves at operating mine							
Weipa (Australia)	O/P	137	53.9	76m	1,074	53.7	400m
BORATES (e)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mine							
Boron (US)							
mine	O/P	16.1		61m	5.3		61m
stockpiles (i)	S/P	0.2			2.0		

		Recoverable reserves total	% Yield to give marketable reserves	Marketable Reserves			
				Proven	Drill hole spacing (c)	Probable	Drill hole spacing (c)
COAL (f)		**millions of tonnes**		**millions of tonnes**		**millions of tonnes**	
Reserves at operating mines							
Rio Tinto Energy America							
Antelope (US) (j)	O/C	384	100	384	max 450m		
Colowyo (US) (k)	O/C	20	100	19	max 250m	0.9	max 365m
Cordero Rojo (US)	O/C	321	100	321	max 250m		
Decker (US)	O/C	22	100	22	max 250m		
Jacobs Ranch (US)	O/C	456	100	452	max 300m	4.3	max 450m
Spring Creek (US)	O/C	213	100	213	max 250m		
Rio Tinto Coal Australia							
Bengalla (Australia)	O/C	190	81	92	350m	62	500m
Blair Athol (Australia)	O/C	51	99	49	150m	0.6	150m
Hail Creek (Australia)	O/C	291	63	104	300m	80	400m
Hunter Valley Operations (Australia)	O/C	469	68	247	300m	73	500m
Kestrel (Australia)	U/G	145	80	53	500m	63	1000m
Mount Thorley Operations (Australia)	O/C	35	66	20	125m	2.5	500
Tarong-Meandu (Australia)	O/C	128	68	79	200m	7.0	400m
Warkworth (Australia)	O/C	408	64	162	450m	100	max 1000m
Undeveloped reserves (l)							
Rio Tinto Coal Australia							
Clermont (Australia)	O/C	197	96	163	220m	26	

							150m to 300m
Mount Pleasant (Australia)	O/C	459	76			350	125m to 500m
Tarong-Kunioon (Australia)	O/C	257	63			163	400m

See notes on pages 28 to 29

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ORE RESERVES continued Under Industry Guide 7

	Type of mine (b)	Proven ore reserves at end 2005			Probable ore reserves at end 2005		
		Tonnage	Grade	Drill hole spacing (c)	Tonnage	Grade	Drill hole spacing (c)
COPPER		**millions of tonnes**	**%Cu**		**millions of tonnes**	**%Cu**	
Reserves at operating mines							
Bingham Canyon (US)							
mine	O/P	315	0.62	max 90m	333	0.48	max 110m
stockpiles (i)	S/P	4.6	0.34		14	0.40	
Escondida (Chile)							
sulphide mine	O/P	536	1.37)	55m	529	1.06)	60m
sulphide leach mine	O/P	263	0.52)	to	398	0.53)	to
oxide mine	O/P	11	0.67)	60m	27	0.52)	110m
sulphide stockpiles (i)	S/P	18	1.23				
sulphide leach stockpiles (i)	S/P	203	0.65				
oxide stockpiles (i)	S/P	115	0.66				
Escondida Norte (Chile)							
sulphide mine	O/P	192	1.65)	48m	381	1.25)	60m
sulphide leach mine	O/P	52	0.54)	to 54m	281	0.60)	to
oxide mine	O/P				120	0.79)	125m
sulphide stockpiles (i)	S/P	2.3	1.51				
sulphide leach stockpiles (i)	S/P	7.4	0.83				
oxide stockpiles (i)	S/P	10.3	0.46				
Grasberg (Indonesia)	O/P + U/G	783	1.13	13m to 60m	2,040	1.03	42m to 102m
Northparkes (Australia) (n)							
stockpiles (i)	S/P	3.8	0.67				
mine	U/G				52	1.13	40 x 40 x 80m
Palabora (South Africa) (o)							
mine	U/G	112	0.67	75m	30	0.17	75m
DIAMONDS (d)		**millions of tonnes**	**carats per tonne**		**millions of tonnes**	**carats per tonne**	
Reserves at operating mines							
Argyle (Australia)							
AK1 pipe mine	O/P	20	3.0	50m x 50m	4.9	2.7	50m x 50m
AK1 pipe stockpiles (i)	S/P	0.3	1.9		3.0	0.8	
Diavik (Canada)	O/P + U/G	14	3.4	27m to 30m	14	3.0	30m to 34m
Murowa (Zimbabwe)	O/P				23	0.7	25m
GOLD		**millions of tonnes**	**grammes per tonne**		**millions of tonnes**	**grammes per tonne**	
Reserves at operating mines							
Bingham Canyon (US)							
mine	O/P	315	0.35	max 90m	333	0.29	max 110m
stockpiles (i)	S/P	4.6	0.19		14	0.24	

Cortez/Pipeline (US) (p)							
mine	O/P	86	1.94	30m to 43m	147	1.05	30m to 43m
stockpiles (i)	S/P	1.7	3.89				
Grasberg (Indonesia)	O/P + U/G	783	1.01	13m to 60m	2,040	0.89	42m to 102m
Greens Creek (US)	U/G				6.4	3.95	15m to 30m
Northparkes (Australia) (n)							
stockpiles (i)	S/P	3.8	0.58				
mine	U/G				52	0.49	40 x 40 x 80m

See notes on pages 28 to 29

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Proven ore reserves at end 2005			Probable ore reserves at end 2005		
		Tonnage	Grade	Drill hole spacing (c)	Tonnage	Grade	Drill hole spacing (c)
IRON ORE (d)		**millions of tonnes**	**%Fe**		**millions of tonnes**	**%Fe**	
Reserves at operating mines and mines under construction							
Channar (Australia)							
Brockman Ore	O/P	96	63.5	60m x 60m	13	63.6	max 120m
Corumbá (Brazil)	O/P	110	67.2	100m x 100m	106	67.2	200m x 400m
Eastern Range (Australia)							
Brockman Ore	O/P	75	63.0	60m x 60m	29	63.0	max 120m
Hamersley (Australia)							
Brockman 2 (Brockman Ore) (q)	O/P	28	62.5	50m x 50m	8.8	62.5	max 100m
Brockman 4 (Brockman Ore) (q)	O/P				579	62.2	200m x 100m
Marandoo (Marra Mamba Ore)	O/P	67	61.8	75m x 75m	4.9	61.9	max 150m
Mt Tom Price (Brockman Ore)							
mine	O/P	101	64.6	30m x 30m	37	64.8	60m x 30m
stockpiles (i)	S/P				12	64.5	
Paraburdoo (Brockman Ore)	O/P	11	63.8	30m x 30m	3.9	63.6	60m x 30m
Paraburdoo (Marra Mamba Ore)	O/P				1.0	63.1	60m x 60m
Nammuldi (Marra Mamba Ore)	O/P	6.5	61.8	60m x 60m	30	61.4	120m x 120m
Yandicoogina (Pisolite Ore HG) (r)							
mine	O/P	250	58.3	50m x 50m	133	57.8	100m x 50m
stockpiles (i)	S/P				3.7	58.3	
Yandicoogina (Process Product) (r)							
mine	O/P	32	58.8	50m x 50m	70	58.8	100m x 50m
Iron Ore Company of Canada (Canada)	O/P	346	65.0	122m x 61m	81	65.0	122m x 122m
Robe River (Australia)							
Pannawonica (Pisolite Ore) (s)							
mine	O/P	246	57.2	25m x 25m	41	57.1	max 200m x 50m
stockpiles (i)	S/P	2.8	57.0		13	56.9	
West Angelas (Marra Mamba Ore)							
mine	O/P	134	62.8	25m x 25m	260	61.9	200m x 50m
stockpiles (i)	S/P	1.0	59.7				
LEAD		**millions of tonnes**	**%Pb**		**millions of tonnes**	**%Pb**	
Reserves at operating mine							
Greens Creek (US)	U/G				6.4	3.93	15m to 30m
MOLYBDENUM		**millions**			**millions**		

		of tonnes	%Mo		of tonnes	%Mo	
Reserves at operating mine							
Bingham Canyon (US)							
mine	O/P	315	0.040	max 90m	333	0.045	max 110m
stockpiles (i)	S/P	4.6	0.035		14	0.033	

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ORE RESERVES continued
Under Industry Guide 7

	Type of mine (b)	Proven ore reserves at end 2005			Probable ore reserves at end 2005		
		Tonnage	Grade	Drill hole spacing (c)	Tonnage	Grade	Drill hole spacing (c)
SILVER		**millions of tonnes**	**grammes per tonne**		**millions of tonnes**	**grammes per tonne**	
Reserves at operating mines							
Bingham Canyon (US)							
mine	O/P	315	2.87	max 90m	333	2.38	max 110m
stockpiles (i)	S/P	4.6	1.53		14	1.79	
Grasberg (Indonesia)	O/P + U/G	783	3.95	13m to 60m	2,040	4.04	42m to 102m
Greens Creek (US)	U/G				6.4	505	15m to 30m
TALC (e)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mines							
Luzenac Group (Europe / North America / Australia)	O/P + U/G	31.1		15m to 60m	17.6		15m to 100m
TITANIUM DIOXIDE FEEDSTOCK (e) (u)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mines							
QIT (Canada)	O/P	38.8		60m x 60m	21.5		100m x 100m
QMM (Madagascar)	D/O	12.0		200m x 100m	0.4		400m x 200m
RBM (South Africa)	D/O	6.2		50m x 50m	19.7		800m x 100m
URANIUM		**millions of tonnes**	**%U_3O_8**		**millions of tonnes**	**%U_3O_8**	
Reserves at operating mines							
Energy Resources of Australia (Australia)							
Ranger #3 mine	O/P	4.5	0.25	<30m	8.4	0.22	>30m x <70m
Ranger #3 stockpiles (i)	S/P	9.9	0.15				
Rössing (Namibia) (v)							
mine	O/P	3.7	0.048	20m x 20m	33.3	0.036	60m x 120m
stockpiles (i)	S/P	1.1	0.031				
ZINC		**millions of tonnes**	**%Zn**		**millions of tonnes**	**%Zn**	
Reserves at operating mine							
Greens Creek (US)	U/G				6.4	10.3	15m x 30m

See notes on pages 28 to 29

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ORE RESERVES continued

Under Industry Guide 7

Notes

(a) Commodity prices (based on a three year average historical price to 30 June 2005) used to test whether the reported reserve estimates could be economically extracted, include the following benchmark prices:

Ore reserve	Unit	US$
ALUMINIUM		
Weipa (Australia)	pound	0.72
COPPER		
Bingham Canyon (US)	pound	1.05
Escondida (Chile)*	pound	0.94
Escondida Norte (Chile)*	pound	0.94
Grasberg (Indonesia)*	pound	0.90
Northparkes (Australia)	pound	1.05
Palabora (South Africa)	pound	1.05
GOLD		
Bingham Canyon (US)	ounce	381.
Cortez / Pipeline (US)*	ounce	381.
Grasberg (Indonesia)*	ounce	350.
Greens Creek (US)	ounce	381.
Northparkes (Australia)	ounce	381.
LEAD		
Greens Creek (US)	pound	0.31
MOLYBDENUM		
Bingham Canyon (US)	pound	13.0
SILVER		
Bingham Canyon (US)	ounce	5.79
Grasberg (Indonesia)*	ounce	5.00
Greens Creek (US)	ounce	5.79
ZINC		
Greens Creek (US)	pound	0.44

* = non managed operations

IRON ORE		
Australian benchmark (fines)	dmtu**	0.34
Atlantic benchmark (fines)	dmtu**	0.36

** = dry metric tonne unit

Prices for all other commodities are determined by individual contract negotiation. The reported reserves for these commodities have been tested to confirm that they could be economically extracted using a combination of existing contract prices until expiry and thereafter three year historical prices.

(b) Type of mine: O/P = open pit, O/C = open cut, U/G = underground, D/O = dredging operation, S/P = stockpile.

(c) Drill hole spacings are either average distances, a specified grid distance (a regular pattern of drill holes - the distance between the drill holes along the two axes of the grid will be aligned to test the size, shape and continuity of the mineral deposit; as such there may be different distances between the drill holes along the two axes of a grid) or the maximum drill hole spacing that is sufficient to determine the reserve category for a particular deposit. As the continuity of mineralisation varies from deposit to deposit, the drill hole spacing required to categorise a reserve varies between and within deposit types.

(d) Reserves of iron ore, bauxite and diamonds are shown as recoverable reserves of saleable product after accounting for all mining and processing losses. Mill recoveries are therefore not shown.

(e) Reserves of industrial minerals are expressed in terms of marketable product, i.e. after all mining and processing losses. In the case of borates, the saleable product is B2O3.

(f) Coal reserves are shown as both recoverable and marketable. The yield factors shown reflect the impact of further processing, where necessary, to provide marketable coal. All reserves at operating mines are assigned, all undeveloped reserves are unassigned. By assigned and unassigned, we mean the following: assigned reserves means coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others; unassigned reserves represent coal which has not been committed, and which would require new mineshafts, mining equipment, or plant facilities before operations could begin in the property.

(g) Coal type: SC = steam/thermal coal; MC = metallurgical/coking coal.
(h) Analyses of coal from the US were undertaken according to "American Standard Testing Methods" (ASTM) on an "As Received" moisture basis whereas the coals from Australia have been analysed on an "Air Dried" moisture basis according to Australian Standards (AS).
MJ/kg = megajoules per kilogramme. 1 MJ/kg = 430.2 Btu/lb.
(i) Stockpile components of reserves are shown for all operations, where relevant.
(j) The addition of the West Antelope lease to the project has substantially increased the available ore reserve tonnage.
(k) Rio Tinto Energy America was formerly known as Kennecott Energy. In view of Rio Tinto Energy America s responsibilities under a management agreement for the operation of the mine, all of Colowyo's reserves are included in Rio Tinto's share shown above.
(l) The term 'undeveloped reserves' is used here to describe material that is economically viable on the basis of technical and economic studies but for which construction and commissioning have yet to commence.

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ORE RESERVES continued

Under Industry Guide 7

(m) Under the terms of a joint venture agreement between Rio Tinto and Freeport-McMoRan Copper & Gold (FCX), Rio Tinto is entitled to a direct 40 per cent share in reserves discovered after 31 December 1994 and it is this entitlement that is shown.
(n) Open pit mining at Northparkes was completed in 2005, whilst underground reserves increased following updated technical and economic studies.
(o) Reserves at Palabora have decreased following a reassessment of grade and of dilution effects from the open pit. During the second half of 2005, the conversion of debentures into ordinary shares resulted in a dilution of Rio Tinto s shareholding in Palabora from 49.2 per cent to 47.2 per cent.
(p) Portions of the Cortez Hills and Pipeline deposit reserves were reclassified as mineralised material following technical and economic reviews of the mine plans. The Crossroads extension to the Pipeline mine was added to reserves in 2005.
(q) Brockman reserves have increased following the development of new geological models and approved mine design extensions.
(r) Yandicoogina reserves have increased following the development of updated geological models and the approval of mine design and project expansions.
(s) Pannawonica reserves have increased following revision and updating of geological models and mine designs, leading to the inclusion of reserves for the Mesa A deposit.
(t) During 2005, Rio Tinto entered into an agreement to purchase a 50 per cent interest in the Hope Downs iron ore project. As at 31 December 2005 the purchase of Hope Downs was proceeding and was subject to various regulatory approvals, and so no reserves have been reported.
(u) Reserves for the titanium dioxide operations are presented separately for the first time including those for QMM following successful completion of technical and economic studies.
(v) The increased reserves at Rössing reflect the transfer of mineralised material to reserves on the basis of updated technical and economic studies.
(w) Reserves for the following deposits are no longer shown: Lihir (Papua New Guinea) in which Rio Tinto's interest was sold during 2005 and Jabiluka (Australia) where additional work on the technical aspects and review of permitting and legal requirements led to a re-assessment of the deposit under Industry Guide 7.

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GROUP OPERATIONS (wholly owned unless stated otherwise)

ALUMINIUM

Operating sites

1 Anglesey Aluminium (51%)
2 Bell Bay
3 Boyne Island (59%)
3 Comalco Alumina Refinery
3 Gladstone Power Station (42%)
3 Queensland Alumina (39%)
4 Eurallumina (56%)
5 Tiwai Point (79%)
6 Weipa

BORATES

Operating sites

7 Boron
8 Coudekerque Plant
9 Tincalayu
10 Wilmington Plant

COAL

Operating sites

11 Antelope
12 Bengalla (30%)
13 Blair Athol (71%)
14 Colowyo (20%)
11 Cordero Rojo
15 Decker (50%)
13 Hail Creek (82%)
16 Hunter Valley Operations (76%)
11 Jacobs Ranch
17 Kestrel (80%)
16 Mt Thorley Operations (61%)
15 Spring Creek
18 Tarong
16 Warkworth (42%)

Projects

13 Clermont (50%)
12 Mt Pleasant (76%)

COPPER AND GOLD

Operating sites

20 Bougainville (not operating) (54%)
21 Cortez/Pipeline (40%)
22 Escondida (30%)
23 Grasberg joint venture (40%)

24 Kelian (90%)
19 Kennecott Utah Copper
25 Northparkes (80%)
26 Palabora (47%)
27 Rawhide (51%)

Projects
28 Resolution (55%)

DIAMONDS
Operating sites
29 Argyle
30 Diavik (60%)
31 Murowa (78%)
IRON ORE
Operating sites
32 Corumbá
33 Hamersley Iron mines:
Brockman
Marandoo
Mt Tom Price
Paraburdoo
Yandicoogina
Channar (60%)
Eastern Range (54%)
33 Robe River mines: (53%)
West Angelas
Pannawonica
34 HIsmelt® (60%)
35 Iron Ore Company of
Canada (59%)

Projects
33 Hope Downs (50%)
36 IOC Pellet Plant (59%)
37 Simandou
38 Orissa (51%)

NICKEL
Projects
39 Eagle

POTASH
Projects
40 Rio Colorado Potash

SALT
Operating sites
41 Dampier (65%)
42 Lake MacLeod (65%)
41 Port Hedland (65%)

TALC

Operating sites

(only major sites are shown)

43 Ludlow

44 Talc de Luzenac

45 Yellowstone

46 Three Springs

TITANIUM DIOXIDE FEEDSTOCK

Operating sites

47 QIT-Fer et Titane Lac Allard

48 QIT-Fer et Titane Sorel Plant

49 Richards Bay Minerals (50%)

Projects

50 QIT Madagascar Minerals (80%)

URANIUM

Operating sites

51 ERA (68%)

52 Rössing (69%)

ZINC, LEAD, SILVER

Operating sites

53 Greens Creek (70%)

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INFORMATION ON GROUP MINES (Rio Tinto interest 100 per cent unless otherwise shown)

Mine	*Location*	*Access*	*Title/lease*
ALUMINIUM			
Comalco	Weipa, Queensland, Australia	Road, air, and port	Queensland Government lease expires in 2041 with 21 year extension, then two years notice of termination
COPPER			
Escondida (30%)	Atacama Desert, Chile	Pipeline and road to deep sea port at Coloso	Rights conferred by Government under Chilean Mining Code
Grasberg joint venture (40%)	Papua, Indonesia	Pipeline, road and port	Indonesian Government Contracts of Work expire in 2021 with option of two ten year extensions
Kennecott Minerals Cortez/Pipeline (40%)	Nevada, US	Road	Patented and unpatented mining claims
Kennecott Minerals Greens Creek (70%)	Alaska, US	Port	Patented and unpatented mining claims
Kennecott Utah Copper Bingham Canyon	Near Salt Lake City, Utah, US	Pipeline, road and rail	Owned
Northparkes (80%)	Goonumbla, New South Wales, Australia	Road and rail	State Government mining lease issued in 1991 for 21 years
Palabora (47%)	Phalaborwa, Northern Province, South Africa	Rail and road	Lease from South African Government valid until deposits exhausted. Base metal claims owned by Palabora
DIAMONDS			
Argyle Diamonds	Kimberley Ranges, Western Australia	Road and air	Mining tenement held under Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981-83; lease extended for 21 years from 2004
Diavik (60%)	Northwest Territories, Canada	Air, ice road in winter	Mining leases from Canadian federal government
Murowa (78%)	Zvishavane, Zimbabwe	Road and air	Claims and mining leases
ENERGY			

Energy Resources of Australia (68%) Ranger	Northern Territory, Australia	Road	Leases granted by State

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INFORMATION ON GROUP MINES (Rio Tinto interest 100 per cent unless otherwise shown)

Mine	*History*	*Type of mine*	*Power source*
ALUMINIUM			
Comalco	Bauxite mining commenced in 1961; Major upgrade completed in 1998 to incorporate Alcan s adjacent Ely reserve in overall mining plan; Rio Tinto interest increased from 72.4% to 100% in 2000; In 2004 a mine expansion was completed that will lift annual capacity to 16.5 million tonnes in coming years	Open cut	On site generation; new power station under construction
COPPER			
Escondida (30%)	Production started in 1990 and expanded in phases to 2002 when new concentrator was completed; sulphide leach project approved 2004 and Norte project started production 2005	Open pit	Supplied from SING grid under two contracts with Norgener to 2008 and Nopel (Gas Atacama) to 2009
Grasberg joint venture (40%)	Joint venture interest acquired 1995; capacity expanded to over 200,000 tonnes of ore per day in 1998 with addition of underground production of more than 35,000 tonnes per day in 2003	Open pit and underground	Long term contract with US-Indonesian consortium operated, purpose built, coal fired generating station
Kennecott Minerals Cortez/Pipeline (40%)	Gold production started at Cortez in 1969, Pipeline in 1997 and Cortez Hills was approved in 2005.	Open pit	Public utility
Kennecott Minerals Greens Creek (70%)	Redeveloped in 1997	Underground/drift and fill	On site diesel generators
Kennecott Utah Copper Bingham Canyon	Interest acquired in 1989; modernisation includes smelter complex and expanded tailings dam	Open pit	On site generation supplemented by long term contracts with Utah Power and Light
Northparkes (80%)	Interest acquired in 2000; production started in 1995	Open pit and underground	Supplied from State grid
Palabora (47%)	Development of 20 year underground mine commenced 1996 with open pit closure in 2003	Underground	Supplied by ESCOM via grid network

DIAMONDS			
Argyle Diamonds	Interest increased from 59.7% following purchase of Ashton Mining in 2000. Underground mine project approved in 2005 to extend mine life to 2018	Open pit	Long term contract with Ord Hydro Consortium and on site generation back up
Diavik (60%)	Deposits discovered 1994-1995; construction approved 2000; diamond production started 2003. Second dike closed off in 2005 for mining of additional orebody	Open pit to underground in future	On site diesel generators; installed capacity 27MW
Murowa (78%)	Discovered 1997; small scale production started 2004	Open pit	Supplied by ZESA
ENERGY			
Energy Resources of Australia (68%) Ranger	Mining commenced 1981; interest acquired through North in 2000; life of mine extension to 2014 announced in 2005	Open pit	On site diesel/steam power generation

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INFORMATION ON GROUP MINES (Rio Tinto interest 100 per cent unless otherwise shown)

Mine	*Location*	*Access*	*Title/lease*
ENERGY (continued)			
Rio Tinto Energy America Antelope Colowyo (20%) Cordero Rojo Decker (50%) Jacobs Ranch Spring Creek	Wyoming, Montana and Colorado, US	Rail and road	Leases from US and State Governments and private parties, with minimum coal production levels, and adherence to permit requirements and statutes
Rio Tinto Coal Australia Bengalla (30%) Blair Athol (71%) Hail Creek (82%) Hunter Valley Ops. (76%) Kestrel (80%) Mount Thorley Ops. (61%) Tarong Coal Warkworth (42%)	New South Wales and Queensland, Australia	Road, rail conveyor and port	Leases granted by State
Rössing Uranium (69%)	Namib Desert, Namibia	Rail, road and port	Federal lease
INDUSTRIAL MINERALS			
Boron	California, US	Road, rail and port	Owned
Dampier Salt (65%)	Dampier, Lake MacLeod and Port Hedland, Western Australia	Road and port	Mining leases expiring in 2013 at Dampier, 2018 at Port Hedland and 2021 at Lake MacLeod with options to renew in each case
Luzenac	Trimouns, France (other smaller operations in Australia, Europe and North America)	Road and rail	Owner of ground (orebody) and long term lease agreement to 2012
QIT-Fer et Titane	Saguenay County, Quebec, Canada	Rail and port (St Lawrence River)	Mining covered by two Concessions granted by State in 1949 and 1951 which, subject to certain Mining Act restrictions, confer rights and obligations of an owner
Richards Bay Minerals (50%)	Richards Bay, KwaZulu-Natal, South Africa	Rail, road and port	Long term renewable leases; State lease for Reserve 4 initially runs to end 2022; Ingonyama Trust lease for Reserve 10 runs to 2010
IRON ORE			

Hamersley Iron Brockman Marandoo Mount Tom Price Paraburdoo Yandicoogina Channar (60%) Eastern Range (54%)	Hamersley Ranges, Western Australia	Railway and port (owned by Hamersley Iron and operated by Pilbara Iron)	Agreements for life of mine with Government of Western Australia
Iron Ore Company of Canada (59%)	Labrador City, Province of Labrador and Newfoundland	Railway and port facilities in Sept-Iles, Quebec (owned and operated by IOC)	Sublease with the Labrador Iron Ore Royalty Income Fund which has lease agreements with the Government of Newfoundland and Labrador that are due to be renewed in 2020 and 2022
Rio Tinto Brasil Corumbá	Matto Grosso do Sul, Brazil	Road, air and river	Government licence for undetermined period
Robe River Iron Associates (53%) Mesa J West Angelas	Pilbara region, Western Australia	Railway and port (owned by Robe River and operated by Pilbara Iron)	Agreements for life of mine with Government of Western Australia

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INFORMATION ON GROUP MINES (Rio Tinto interest 100 per cent unless otherwise shown)

Mine	*History*	*Type of mine*	*Power source*
ENERGY (continued)			
Rio Tinto Energy America Antelope Colowyo (20%) Cordero Rojo Decker (50%) Jacobs Ranch Spring Creek	Antelope, Spring Creek, Decker and Cordero acquired in 1993, Colowyo in 1995, Caballo Rojo in 1997, Jacobs Ranch in 1998 and West Antelope in 2004	Open cut	Supplied by IPPs and Cooperatives through national grid service
Rio Tinto Coal Australia Bengalla (30%) Blair Athol (71%) Hail Creek (82%) Hunter Valley Ops. (76%) Kestrel (80%) Mount Thorley Ops. (61%) Tarong Coal Warkworth (42%)	Lemington acquired late 2000 and integrated with Hunter Valley Operations. Peabody Australian interests acquired in 2001. Production started for export at Blair Athol and adjacent power station at Tarong in 1984. Kestrel acquired and recommissioned 1999. Hail Creek started 2003.	Open cut and underground (Kestrel)	State owned grid
Rössing Uranium (69%)	Production began in 1978. Life of mine extension to 2016 approved in 2005	Open pit	Namibian National Power
INDUSTRIAL MINERALS			
Boron	Deposit discovered in 1925, acquired by Rio Tinto in 1967	Open pit	On site co-generation units
Dampier Salt (65%)	Construction of the Dampier field started in 1969; first shipment in 1972. Lake MacLeod was acquired in 1978 as an operating field	Solar evaporation of seawater (Dampier and Port Hedland) and underground brine (Lake MacLeod); dredging of gypsum from surface of Lake MacLeod	Dampier supply from Hamersley Iron Power; Lake MacLeod from Western Power and on site generation units; Port Hedland from Western Power
Luzenac	Production started in 1885; acquired in 1988. (Australian mine acquired in 2001)	Open pit	Supplied by EdF and on site generation units
QIT-Fer et Titane	Production started 1950; interest acquired in 1989	Open pit	Long term contract with Quebec Hydro
Richards Bay Minerals (50%)	Production started 1977; interest acquired 1989; fifth dredge commissioned 2000	Beach sand dredging	Contract with ESCOM
IRON ORE			
Hamersley Iron Brockman	Annual capacity increased to 68 million tonnes during 1990s;	Open pits	Supplied through the integrated Hamersley and Robe power

Marandoo Mount Tom Price Paraburdoo Yandicoogina Channar (60%) Eastern Range (54%)	Yandicoogina first ore shipped in 1999 and port capacity increased; Eastern Range mine started 2004		network operated by Pilbara Iron
Iron Ore Company of Canada (59%)	Current operation began in 1962 and has processed over one billion tonnes of crude ore since; annual capacity now 17.5 million tonnes of concentrate of which 13.5 million tonnes can be pelletised. Interest acquired in 2000 through North	Open pit	Supplied by Newfoundland Hydro under long term contract
Rio Tinto Brasil Corumbá	Iron ore production started 1978; interest acquired in 1991	Open pit	Supplied by ENERSUL
Robe River Iron Associates (53%) Mesa J West Angelas	First shipment in 1972; annual sales reached 30 million tonnes in late 1990s; interest acquired in 2000 through North; West Angelas first ore shipped in 2002 and mine expanded in 2005	Open pit	Supplied through the integrated Hamersley and Robe power network operated by Pilbara Iron

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INFORMATION ON GROUP SMELTERS, REFINERIES AND PROCESSING PLANTS
(Rio Tinto interest 100 per cent unless otherwise shown)

Smelter, refinery or plant	*Location*	*Title/lease*	*Plant type/product*	*Capacity*
ALUMINIUM GROUP				
Anglesey Aluminium (51%)	Holyhead, Anglesey, Wales	100% Freehold	Aluminium smelter producing aluminium billet, block, sow	145,000 tonnes per year aluminium
Bell Bay	Bell Bay, Northern Tasmania, Australia	100% Freehold	Aluminium smelter producing aluminium ingot, block, t-bar	174,000 tonnes per year aluminium
Boyne Smelters (59%)	Boyne Island, Queensland, Australia	100% Freehold	Aluminium smelter producing aluminium ingot, billet, t-bar	545,000 tonnes per year aluminium
Comalco Alumina Refinery	Gladstone, Queensland, Australia	97% Freehold 3% Leasehold (expiring in 2101 and after)	Refinery producing alumina	1,400,000 tonnes per year alumina
Eurallumina (56%)	Portoscuso, Sardinia, Italy	39% Freehold 61% Leasehold	Refinery producing alumina	1,070,000 tonnes per year alumina
Gladstone Power Station (42%)	Gladstone, Queensland, Australia	100% Freehold	Thermal power station	1,680 megawatts
New Zealand Aluminium Smelters (NZAS) (79%)	Tiwai Point, Southland, New Zealand	19.6% Freehold 80.4% Leasehold (expiring in 2029 and use of certain Crown land)	Aluminium smelter producing aluminium ingot, billet, t-bar	352,000 tonnes per year aluminium
Queensland Alumina (39%)	Gladstone, Queensland, Australia	73.3% Freehold 26.7% Leasehold (of which more than 80% expires in 2026 and after)	Refinery producing alumina	3,953,000 tonnes per year alumina
COPPER GROUP				
Kennecott Utah Copper	Magna, Salt Lake City, Utah, US	100% Freehold	Flash smelting furnace / Flash convertor furnace copper refinery	335,000 tonnes per year refined copper
Palabora (47%)	Phalaborwa, South Africa	100% Freehold	Reverberatory Pierce Smith copper refinery	130,000 tonnes per year refined copper
INDUSTRIAL MINERALS				

Boron	California, US	100% Freehold	Borates refinery	584,000 tonnes per year boric oxide
QIT-Fer et Titane Sorel Plant	Sorel-Tracy, Quebec, Canada	100% Freehold	Ilmenite smelter	1,100,000 tonnes per year titanium dioxide slag 900,000 tonnes per year iron
Richards Bay Minerals (50%)	Richards Bay, South Africa	100% Freehold	Ilmenite smelter	1,060,000 tonnes per year titanium dioxide slag
IRON ORE GROUP				
Hlsmelt® (60%)	Kwinana, Western Australia	100% Leasehold (expiring in 2010 with rights of renewal for two further 25 year terms)	Hlsmelt® ironmaking plant producing pig iron	800,000 tonnes per year pig iron
IOC Pellet Plant (59%)	Labrador City, Newfoundland, Canada	100% Leaseholds (expiring in 2020, 2022 and 2025 with rights of renewal for further terms of 30 years)	Pellet induration furnaces producing multiple iron ore pellet types	13,500,000 tonnes per year pellet

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Item 4A. Unresolved Staff Comments

As far as Rio Tinto is aware there are no unresolved written comments from the SEC staff regarding its periodic reports under the Exchange Act received more than 180 days before 31 December 2005.

Item 5. Operating and Financial Review and Prospects

This Item includes a discussion of the main factors affecting the Group s Profit for the year , as measured in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). In monitoring its financial performance, the Group also focuses on that part of the Profit for the year attributable to equity shareholders of Rio Tinto, which is referred to as Net earnings , and on an additional measure called Underlying earnings . The latter measure, which is also based on the amounts attributable to Rio Tinto shareholders, is reported to provide greater understanding of the underlying business performance of Rio Tinto operations. This is defined and reconciled with Net earnings in Note 2 to the 2005 Financial statements.

Significant movements in the items excluded from Underlying earnings are discussed on pages 40 to 41.

In this report, the turnover of the parent companies and their subsidiaries is referred to as Consolidated turnover . Rio Tinto also reports a turnover measure that includes its share of jointly controlled entities and associates, which is referred to as "Gross turnover". This latter measure is considered informative because a significant part of the Group's business is conducted through operations that are subject to equity accounting.

This Item is comprised of the following:

- Chairman s letter providing a high level review of the Group
- Chief executive s report providing a high level review of the Group s operations
- Financial review of the Group
- Operating reviews for each of the principal product groups and global support groups

As a result of adopting IAS 32, IAS 39 and IFRS 5 on 1 January 2005, the Group changed its method of accounting for financial instruments and non-current assets held for sale. In line with the relevant transitional provisions, the prior period comparatives have not been re-stated. See Note 1 to the 2005 Financial statements for further discussion.

CHAIRMAN S LETTER

Dear shareholder

Demand was strong throughout 2005 for most of the metals and minerals we produce, and supply was generally tight. As a result prices of most products were well above the historical average trend. The buoyant conditions in our sector, together with Rio Tinto s strategic positioning and strong operating performance, resulted in a second successive year of record profits.

However, these favourable conditions are no basis for complacency. Our view of the world has not changed fundamentally. The reality is that we are in an inherently cyclical business even if successive cycles have different characteristics. Our long term strategy for portfolio development, investment, capital management and operational excellence is designed to create shareholder value whatever the prevailing business conditions.

Results

Higher prices and increased production volumes in 2005 contributed to underlying earnings of US$4,955 million, US$2,683 million or 118 per cent above 2004. Net earnings were US$5,215 million compared with US$3,297 million in 2004.

Cash flow from operations at US$8,257 million, including dividends from jointly controlled entities and associates, was also a record, and 85 per cent higher than 2004. Timely disposal of non core assets further strengthened our balance sheet which, in turn, helps to underpin our extensive capital investment programme and gives us the flexibility to pursue investment opportunities when and where they arise. In 2005 we saw significant investments and developments in a number of new areas.

In the current environment of strong economic returns, we are aware of the potential for our balance sheet to become overly strong.

Reflecting our large cash flows, we announced a substantial return of capital to shareholders totalling US$4 billion as part of our capital management programme. This comprises a US$1.5 billion special dividend (equivalent to US$1.10 per share), and a share buy back programme totalling US$2.5 billion by the end of 2007. This replaces the US$500 million remaining from the 2005 programme.

The final dividend declared for 2005 under the progressive ordinary dividend policy brings total dividends for the year to 80 US cents per share, an increase of four per cent from 2004.

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Sustainable development

Mining operates on long time horizons, and most of Rio Tinto s mines and processing plants have operational lives spanning decades. A key part of our strategy therefore is to make social and environmental responsibility integral to our planning and decision making. We always seek to align our interests with those of the communities and environments where our operations are based. Rio Tinto regards corporate social responsibility as a vital determinant of commercial success. Investors relate positively to companies who have values they can identify with and we remain committed to the principles of sustainable development.

We see a clear responsibility to help to address the challenges posed by climate change, to manage issues related to biodiversity, and to maintain effective product stewardship across the value chain of our products. I believe Rio Tinto has become a leader in our industry in these areas but we still have some way to go.

Board developments[1,2]

In September we welcomed Sir Rod Eddington to the boards on his retirement as chief executive of British Airways plc. Rod is an Australian and was educated at the University of Western Australia and Oxford University where, as a Rhodes Scholar, he completed a doctorate in engineering science. He brings valuable new skills and experience to the board. Sir Richard Giordano, Leon Davis and John Morschel all retired from the boards after the 2005 annual meetings and Ashton Calvert and Vivienne Cox joined from 1 February 2005. I believe we have a very strong, well qualified and cohesive board which provides the right level of support and challenge to our executive team.

Forward outlook

Despite several challenges including high oil prices, structural imbalances, and the potential for currency fluctuations we believe the global economy will continue its recent positive trend, even if rates of growth slow somewhat.

We are continuing to experience strong short term demand for our metal and mineral products. Demand from China remains particularly strong but risks remain of occasional speed bumps as the country s social and economic structures adjust to the high rates of growth. Overall, we expect supply/demand balances to remain tight in 2006 with prices continuing to track above the long term trend.

At some point the supply position will become more balanced and we will see a downturn in the cycle. While we are continuing to invest in increased production to provide long term supply assurance to our customers, and to maintain our market position, we focus on economically robust projects which we believe can deliver sustained profitability in varying market conditions.

We are increasingly seeking to leverage our global reach and scale by delivering operational excellence, sharing of best practice between our businesses, and adopting common business systems and processes across the Group. I am confident that the continuing efforts of the Group s talented and committed people all over the world will ensure we maintain a strong and competitive company, responsive to all opportunities which we believe can add value for our shareholders. The board is, once again, very appreciative of our employees major contribution in 2005.

Paul Skinner Chairman
24 February 2006

Note
1. Tom Albanese was appointed as an executive director on 7 March 2006. He will remain chief executive of the Copper group and Exploration until 1 July 2006 when he will be appointed director, Group Resources.
2. Michael Fitzpatrick was appointed as a non executive director on 6 June 2006.

CHIEF EXECUTIVE S REPORT

The 2005 results were excellent. The mining industry is experiencing strong prices across most of its products. We were able to capitalise on the upswing with a strong operating performance that maximised production, while at the same time improving our safety record. We approved a number of major projects and concluded a number of well executed transactions. We are also introducing structural business improvements in the Group that are expected to yield long term benefits and position us for continuing strong performance when markets are not as buoyant.

Performance

As China s industrial output soars and more than a billion people participate in a transformation of their living standards, the demand for the metals and minerals we produce has increased rapidly. Besides China s large share of world growth, economic conditions were also stronger in Japan and the US.

The level of demand sent the prices for copper, molybdenum, iron ore, coking and thermal coal, and alumina to historic peaks in nominal terms. Only time will tell whether the 2005 prices for these commodities represent cyclical highs. For its part, Rio Tinto concentrated on operational delivery, and we achieved record output in many areas.

As a result, all product groups except Industrial Minerals increased their underlying earnings. Higher costs reduced earnings by US$598 million.

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In the current environment some cost increases are inevitable. Other costs are, in fact, desirable and make good business sense, such as increased exploration and project evaluation spending.

Our business is cyclical. The increase in demand and consumption with the resultant rise in prices, provides an incentive for the industry to invest. This can lead to oversupply and some product substitution, which ultimately depresses prices. This effect produces spikes in the chart, above and below the average long term price trend. Rio Tinto aims to operate successfully and create value in all environments.

How long the current strong price environment remains depends on how rapidly the industry is able to respond to the strong demand for most products. The response will differ from product to product.

So far this response has been varied. In iron ore, major producers including Rio Tinto are responding to demand through increased investment. In copper, the response has been impacted by significant interruptions in supply. In aluminium, in spite of strong demand growth, a period of strong investment in China has meant demand has been satisfied for the metal itself, although alumina is in short supply and prices have risen significantly. Finally, in both coking and thermal coal, there has been some response but infrastructure has been a constraining factor.

Current market conditions may result in a longer period of above average prices than we have seen before. In fact Rio Tinto has modestly increased its long term price forecasts for some products for planning and investment purposes.

While the cycle may be longer, there has been a significant impact on costs. Most mining inputs such as energy, supplies, equipment and labour have become more costly and in short supply. In energy, we paid 40 per cent more for fuel and 50 per cent more for natural gas in the US. Lead times to procure heavy mining equipment have risen from six to 12 months. Heavy mobile equipment tyres are in very short supply. Thanks to our established purchasing networks we have been able to secure supplies better than most.

Some specialist skills are also short and labour costs in a number of regions have risen significantly. The cost of oil and gas is unlikely to return to the prices prevailing previously. These factors may represent a structural increase in costs for our industry, but we constantly look for ways to use energy more efficiently and improve productivity across all our operations.

Rio Tinto has a long track record of creating value through business improvement. A global approach to procurement has resulted in savings from purchases under Group wide contracts, while the establishment of Rio Tinto Shipping to leverage the scale of our bulk shipments has successfully reduced costs. On the operating side, the concept of combining business units in common geographic areas such as Rio Tinto Coal Australia and Pilbara Iron has led to cost effective rationalisation.

We are currently entering the next phase in the evolution of business improvement. Our model of decentralised businesses with strong local management accountability has been a source of success. By making the most of our global scale and reach, we now want to ensure we maximise the sum of our parts.

This means leveraging synergies across all our businesses through greater collaboration and the standardisation of successful operating practices. The use of improved information technology is part of the process. We are still in the early stages of this journey, but we are confident it will deliver considerable value. *Improving performance together*, as we call our programme, will create value through a combination of capital efficiency, higher volumes, higher revenues and improved productivity leading to lower costs. This goes to the core of our business, which is about first class operational delivery. We are developing a real sense of excitement about the scale, ambition and potential of the changes we have set in motion (see page 73).

Strategy

We focus on long life, low cost assets. These assets are expected to generate very strong cash flows when markets are buoyant. Just as importantly, they are also expected to deliver good returns when markets are weaker. Large world class orebodies give us options to expand capacity in line with demand, as we are doing today. Options can also be created by acquisition, especially where synergies exist.

This was demonstrated in our Iron Ore group by the development of West Angelas following the acquisition of North Ltd in 2000, and the 2005 agreement to form a joint venture involving Hope Downs. The Hope Downs iron ore property in Western Australia is also a good illustration of our ability to evaluate and execute a value creating transaction quickly.

Although the bulk of our operations are in Australia, the US and Canada, we have invested in many new frontier regions and will continue to do so. Our exploration programme is very broad, but wherever we conduct development, our projects will be subject to the same rigorous evaluation. Our approach is focused and measured we are risk aware, but not risk averse.

We are investing in Madagascar, we are evaluating exciting projects in West Africa (iron ore) and Argentina (potash by solution mining) and we have entered into a significant joint venture in Russia with Norilsk Nickel. There are advanced exploration projects in progress in Australia (iron ore), India (diamonds), Indonesia (nickel), Brazil (bauxite), South Africa (coal) and Turkey (copper).

Our exploration portfolio is currently the best we have seen. We have a suite of projects and prospects with the potential to ensure we can maintain our growth profile. They provide a variety of new development options in all of our main product sectors over the next five years, many of which could become long life, quality assets the hallmark of Rio Tinto.

In 2005 we invested US$2.5 billion in the growth of the business and expect to spend an additional US$3 billion in both 2006 and 2007. We are demonstrating that in these times of buoyant demand Rio Tinto has the best

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opportunities for organic growth in its history, based on the number and scale of current and potential projects in our pipeline.

Reflecting strong demand and our excellent resource position, we are making significant investments in iron ore. At the beginning of 2005 we had investment of US$1.3 billion already under way for the expansion of production and transportation capacity in the Pilbara. In April we committed another US$290 million to expanding three mines, followed in October by a further US$1.35 billion for additional port capacity and further mine expansions.

In Industrial Minerals, in the first half of the year we completed an expansion of the upgraded titanium slag plant at QIT in Canada. Due to strong demand, we announced a further expansion to 375,000 tonnes per year which will be completed in 2006.

The resource relating to our investment in Madagascar will support a 40 year mine life. Titanium dioxide feedstock reserves are more than 12 millon tonnes. At an ilmenite grade of 60 per cent, this represents the best undeveloped resource of this scale and quality. We are investing US$775 million of which US$585 million will be for the mine and port in Madagascar and US$190 million for upgrading related processing facilities in Canada. Production is due to commence in late 2008.

Elsewhere, the development of a new mine at Cortez Hills in Nevada, US was announced, and the Diavik diamond mine in Canada closed off a second dike to permit mining of additional orebodies. At year end we commenced development of an underground mine at Argyle Diamonds at a cost of US$910 million and further expenditure to extend the life of mine at Rössing Uranium in Namibia to 2016.

After taking a leading position in the financing and development of the Lihir gold mine in Papua New Guinea in the 1990s, we agreed with Lihir Gold in September to relinquish our management agreement and subsequently sold our 14.5 per cent interest in November for US$295 million.

Summing up

The Group is performing well operationally, maximising the volumes of product we deliver into strong markets. These markets continue to look strong well into 2006.

Whilst alert to merger and acquisition opportunities we are delivering our current projects and have an excellent array of organic growth options.

Notwithstanding our record levels of investment and return of capital to shareholders, we are generating cash that is surplus to our needs, enabling us to manage and maintain a strong balance sheet and retain our capacity to take advantage of opportunities as they arise.

In this buoyant climate we remain focused on business improvement as a priority by implementing a major new programme of renewal that will create value for shareholders in the future no matter what market conditions we face.

Rio Tinto s success is a tribute to the dedication and commitment of our employees. I thank my management team and employees throughout the world for the hard work they have put in and for their continued support.

Leigh Clifford Chief executive
24 February 2006

FINANCIAL REVIEW

Financial risk management

The Group s policies with regard to risk management are clearly defined and consistently applied. They are a fundamental tenet of the Group s long term strategy.

The Group s business is mining and not trading. The Group only sells commodities it has produced. In the long term, natural hedges operate in a number of ways to help protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. Such hedging is therefore undertaken to a strictly limited degree, as described below.

The Group has a diverse portfolio of commodities and markets, which have varying responses to the economic cycle.

The relationship between commodity prices and the currencies of most of the countries in which the Group operates provides further natural protection in the long term. In addition, the Group s policy of borrowing at floating US dollar interest rates helps to counteract the effect of economic and commodity price cycles.

The Group s 2005 Financial statements and disclosures show the full extent of its financial commitments including debt. The Group s share of the net debt of jointly controlled entities and associates is also disclosed.

The risk factors to which the Group is subject that are thought to be of particular importance are summarised on pages 7 to 8.

The effectiveness of internal control procedures continues to be a high priority in the Rio Tinto Group. The Boards statement on internal control is included under Corporate governance on page 117.

The Group s policies with regard to currencies, commodities, interest rates and treasury management are discussed below.

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Underlying earnings

Rio Tinto presents Underlying earnings as an additional measure of earnings to provide greater understanding of the underlying business performance of its operations. Underlying earnings and net earnings both represent amounts attributable to Rio Tinto shareholders. Items (a) to (f) below are excluded from net earnings in arriving at underlying earnings.

(a) Gains and losses relating to the disposal of interests in businesses (including investments) and undeveloped properties.
(b) Charges and credits relating to impairment of non-current assets, excluding those related to current year exploration expenditure.
(c) Exchange gains and losses on US dollar net debt and intragroup balances.
(d) Valuation changes on currency and interest rate derivatives which are ineligible for hedge accounting, other than those embedded in commercial contracts.
(e) The currency revaluation of embedded US dollar derivatives contained in contracts held by entities whose functional currency is not the US dollar.
(f) Other credits and charges that individually, or in aggregate if of a similar type, are of a nature or size to require exclusion in order to provide additional insight into underlying business performance.

Earnings contributions from Group businesses and business segments reflect underlying earnings. Underlying earnings is reconciled with net earnings in Note 2 to the 2005 Financial statements.

Group operating results 2005 compared with 2004

EU IFRS requires that the profit for the period reported in the income statement should also include earnings attributable to outside shareholders in subsidiaries. Both net earnings and underlying earnings, which are also discussed in this report, deal with amounts attributable to equity shareholders of Rio Tinto as shown below.

	2005 US$m	2004 US$m
Profit for the year	**5,498**	3,244
attributable to outside equity shareholders	**283**	(53)
attributable to equity shareholders of Rio Tinto (net earnings)	**5,215**	3,297

Amounts attributable to outside equity shareholders increased because of improved results at Robe, Iron Ore Company of Canada, Coal & Allied, Rio Tinto Iron & Titanium and Palabora. In addition, in 2004 outside equity shareholders interests reflected a US$129 million charge for impairments.

Net earnings of US$5,215 million in 2005 were US$1,918 million above 2004. Underlying earnings of US$4,955 million were US$2,683 million above 2004. The principal factors explaining the changes in net earnings are shown in the table below.

	US$ m
2004 Net earnings	3,297
Exclusions in arriving at Underlying earnings	(1,025)
2004 Underlying earnings	2,272
Effect of changes in:	
Prices	2,374
Exchange rates	(123)
Inflation	(141)
Volumes	1,140
Costs	(598)
Other	31
2005 Underlying earnings	**4,955**
Add: Exclusions in arriving at Underlying earnings	260
2005 Net earnings	**5,215**

The effect of price movements on all major commodities was to increase earnings by US$2,374 million. Prices for the major products remained strong throughout the year and were appreciably higher than those experienced in 2004: average copper prices were 28 per cent higher whilst average aluminium prices were ten per cent higher. The strength of the global iron ore market was reflected in the 71.5 per cent increase in the benchmark price, mainly effective from 1 April 2005. The seaborne thermal and coking coal markets were also strong.

Molybdenum prices, which have generally been below US$5 per pound over the last decade, averaged over US$30 per pound during 2005, although they did soften towards the end of the year. How long the current strong price environment remains depends on how rapidly the industry is able to respond to the strong demand for most products. The response will change significantly from product to product.

The US dollar was generally weaker than in 2004 relative to the currencies in which the Group incurs the majority of its costs. The average levels of the Australian and Canadian dollars strengthened against the US dollar by four per cent and eight per cent, respectively. The effect of this, together with other currency movements, was to reduce underlying earnings relative to 2004 by US$123 million.

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Over 40 per cent of the underlying earnings increase year on year came from higher sales volumes, resulting in a favourable variance of US$1,140 million compared with 2004. The West Angelas and Yandicoogina (to 36 million tonnes per annum) mine expansions were completed in 2005 whilst strong operational performance led to major production gains at many operations including Iron Ore Company of Canada and Argyle Diamonds. The improvement over 2004 also reflected the following adverse influences on that earlier year: the Grasberg slippage, the ten week strike at Iron Ore Company of Canada and the effects of Hurricane Monty at Hamersley and Robe. To take advantage of the strong market for molybdenum, the mine sequencing at Kennecott Utah Copper was optimised to maximise molybdenum production. This, together with modifications to the molybdenum circuit at the concentrator, boosted production volumes by 130 per cent.

Excluding the effects of inflation, higher costs reduced earnings by US$598 million. Of this, US$130 million was due to higher energy costs and US$46 million was attributable to increased exploration expenditure from brownfield exploration and further evaluation work. More generally, costs were influenced by the strong price environment being enjoyed by the mining industry. This has led to rising mining input costs caused by supply constraints for skilled labour, steel, tyres, explosives, freight and other mining related goods and services. Costs at Kennecott Utah Copper were affected by a scheduled 17 day smelter maintenance shutdown in the first half of 2005 whilst continued port congestion at Dalrymple Bay, Queensland, fed through to higher demurrage charges.

Higher non cash costs reflected increased depreciation at Kennecott Utah Copper following the changes in the mine plan at the end of 2004. Increases in closure cost provisions resulted in higher depreciation charges on the amounts capitalised. One-off costs included restructuring costs of US$30 million relating to the formation of the Rio Tinto Minerals organisation.

The effective tax rate on underlying earnings, including associates and jointly controlled entities, was 29.7 per cent compared with 28.7 per cent in 2004. The effective tax rate on net earnings, including associates and jointly controlled entities, was 28.3 per cent compared with 21.4 per cent in 2004. The lower effective tax rate on net earnings in both years primarily reflects disposals that were not subject to tax.

In total Other items improved by US$31 million. Within that total, the net after tax interest expense of US$44 million was US$25 million lower than in 2004 due to lower levels of net debt. Also within Other items , 2004 underlying earnings included contributions totalling US$88 million from the operations of businesses that were sold during that year. Earnings in 2005 benefited from an improvement in the net impact of insurance items, including lower claims on the captive insurers due to the absence of cyclone related damages experienced in 2004.

Exclusions in arriving at underlying earnings were as follows:

	2005 US$m	2004 US$m
Net profit on the disposal of interests in businesses (including investments)	**311**	1,175
Net impairment reversals/(charges)	**4**	(321)
Adjustment to environmental remediation provision	**84**	—
Exchange (losses)/gains on external net debt and intragroup balances (including those relating to jointly controlled entities and associates)	**(99)**	159
(Losses)/gains on derivatives not qualifying as hedges (including those relating to jointly controlled entities and associates)	**(40)**	12
Total excluded in arriving at underlying earnings	**260**	1,025

In 2005 the net profit on the disposal of interests in businesses was US$311 million relating mainly to the sale of Rio Tinto s interests in the Labrador Iron Ore Royalty Income Fund and in Lihir Gold. Disposals in 2004, principally the holding in Freeport-McMoRan Copper & Gold, resulted in gains of US$1,175 million.

Net earnings in 2005 include a reduction of US$84 million in an environmental remediation provision at Kennecott Utah Copper, reversing part of an exceptional charge taken up in 2002 (which was excluded from adjusted earnings in that year). In addition, there was a small reversal of an impairment provision for the Madagascar project following the decision to proceed with the development, offset by a minor impairment of goodwill. Net earnings in 2004 included an impairment charge of US$160 million relating to the Colowyo coal operation and of US$161 million for the write down of Palabora s copper assets.

Exchange gains and losses on external net debt and intragroup balances that are recorded in the US dollar income statement, together with gains and losses on currency and interest rate derivative contracts that do not qualify as hedges under EU IFRS, are excluded from underlying earnings. In 2005, these items represented a loss of US$139 million (2004: a gain of US$171 million).

Cash flow

Cash flow from operations, including dividends from jointly controlled entities and associates, was a record US$8,257 million, 85 per cent higher than in 2004.

The increase was mainly due to increased profits. This was partly offset by an increased cash outflow on working capital in 2005 mainly reflecting higher receivables across all product groups due to higher metal prices and sales volumes.

Cash flow of US$323 million from disposals of interests in businesses in 2005 primarily related to the sale of Lihir. In 2004, disposals generated proceeds of over US$1.5 billion. The largest components of this were the sale of

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shares in FCX and the sale of Rio Tinto s interest in the Morro do Ouro gold mine in Brazil.

The Group s investment in the growth of the business was sustained throughout the year. Purchase of property, plant and equipment and intangible assets of US$2,552 million included the major port and rail infrastructure expansion in Western Australia, payments for coal reserves purchased by Rio Tinto Energy America, the expansion of Hail Creek coking coal and initial expenditure on the construction of a new dike at Diavik.

During the year the Group repaid US$807 million of its gross outstanding debt and cash balances increased. Dividends paid in 2005 of US$1,141 million were US$235 million higher than dividends paid in 2004 following the 20 per cent increase in the dividend declared in respect of the previous year. A capital return programme was commenced under which an off market buy back of Rio Tinto Limited shares was carried out, and subsequently an on market buy back of Rio Tinto plc shares. Almost two thirds of the US$1.5 billion capital management programme announced on 3 February 2005 had been completed by the end of January 2006. This programme has now been replaced by a new buy back programme totalling US$2.5 billion to be completed by the end of 2007, subject to market conditions.

Balance sheet

The balance sheet strengthened considerably during the period. Net debt reduced by US$2,496 million to US$1,313 million. The ratio of net debt to total capital fell to eight per cent and interest cover strengthened to 59 times.

In 2005, net assets increased by US$3,148 million. The profit for the year was US$4,074 million greater than dividends paid. The share buy back programme had reduced shareholders equity by US$877 million by the end of December 2005.

The adoption of IAS 39 (Financial Instruments: Recognition and Measurement) resulted in an increase of US$109 million in net assets on 1 January 2005, less than one per cent of the total. This represents the net gain on marking to market of derivatives and investments available for sale.

As detailed in Notes 20 and 23 to the 2005 Financial statements, US$1,190 million (31 per cent) of the Group s borrowings at the end of 2005 will mature in 2006 and the net asset of US$54 million for related currency and interest rate swaps will also mature in that year.

At the year end, medium and long term borrowings totalled US$2,783 million and there was a net asset of US$234 million for related currency and interest rate swaps. The amount issued under the Group s corporate bond and medium term notes programmes was US$2.5 billion net of related swaps, of which US$872 million is repayable within one year.

In addition to the above, the Group s share of the third party net debt of jointly controlled entities and associates totalled US$536 million at 31 December 2005. This debt, which is set out in Note 16 to the 2005 Financial statements, is without recourse to the Rio Tinto Group.

Listed Company operating results

The economic interests of Rio Tinto plc and Rio Tinto Limited were merged in December 1995 as a result of the Dual Listed Companies ('DLC') merger. The DLC merger has the effect that shareholders can be regarded as having interests in a single economic enterprise that is under common control and management. Accordingly the Operating and Financial Review and Prospects have been presented on a Group basis with the exception of the separate discussion and analyses relating to the Rio Tinto plc and Rio Tinto Limited parts of the Group respectively provided below as a supplement to the discussion of the Rio Tinto Group set out above. However, shares in Rio Tinto plc and Rio Tinto Limited both provide shareholders with an interest in the earnings and net assets of the total Group, as if they together were a single economic entity. In other words, a share in Rio Tinto plc provides an economic interest in the same fraction of the combined earnings and net assets of the Group as a share in Rio Tinto Limited. The separate figures for the two parts of the Group provide analysis of the total Group according to its legal structure, but these separate figures are not indicative of the economic interest of shareholders in either of the Listed Companies.

Rio Tinto plc part of Rio Tinto Group
Operating results 2005 compared with 2004

	2005 US$m	2004 US$m
Profit for the year	**3,651**	2,336
attributable to outside equity shareholders	**47**	(108)
excluding amounts attributable to outside equity shareholders (net earnings)	**3,604**	2,444

In 2004 outside equity shareholders interests reflected a US$129 million charge for impairments. In addition, amounts attributable to outside equity shareholders increased in 2005 because of improved results at Rio Tinto Iron & Titanium and Palabora.

Net earnings of US$3,604 million were US$1,160 million above 2004. This included an increase of US$453 million in Rio Tinto plc s share of the net earnings of Rio Tinto Limited. Underlying earnings of US$3,268 million were US$1,659 million above 2004. This included an increase of US$613 million in Rio Tinto plc s share of the Underlying earnings of Rio Tinto Limited. The principal factors explaining the changes in net earnings of Rio Tinto plc are shown in the table below. Changes in Rio Tinto Limited s net earnings are discussed on page 45.

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	US$m
2004 Net earnings of Rio Tinto plc (including share of Rio Tinto Limited)	2,444
Deduct: Exclusions in arriving at 2004 Underlying earnings of Rio Tinto plc (including share of Rio Tinto Limited)	(835)
Underlying earnings of Rio Tinto plc (including share of Rio Tinto Limited) for 2004	1,609
Effect of changes in Rio Tinto plc earnings (**excluding** share of Rio Tinto Limited)	
Prices	779
Exchange rates	(56)
Inflation	(65)
Volumes	751
Costs	(397)
Other	34
Increase in Rio Tinto plc s share of Rio Tinto Limited Underlying earnings	613
Underlying earnings of Rio Tinto plc (including share of Rio Tinto Limited) for 2005	3,268
Add: Exclusions in arriving at 2005 Underlying earnings of Rio Tinto plc (including share of Rio Tinto Limited)	336
2005 Net earnings of Rio Tinto plc (including share of Rio Tinto Limited)	**3,604**

The discussion below explains the factors underlying the change in Rio Tinto plc earnings excluding its share of Rio Tinto Limited.

The effect of price movements on all major commodities was to increase earnings by US$779 million. Prices for the major products remained strong throughout the year and were appreciably higher than those experienced in 2004: average copper prices were 28 per cent higher. Molybdenum prices have generally been below US$5 per pound over the last decade but averaged over US$30 per pound during 2005, although they did soften towards the end of the year.

The US dollar was generally weaker than in 2004 relative to the currencies in which the Group incurs the majority of its costs. The average level of the Canadian dollar strengthened against the US dollar by eight per cent. The effect of this, together with other currency movements, was to reduce underlying earnings relative to 2004 by US$56 million.

Almost 72 per cent of the underlying earnings increase year on year came from higher sales volumes, resulting in a favourable variance of US$751 million compared with 2004. To take advantage of the strong market for molybdenum, the mine sequencing at Kennecott Utah Copper was optimised to maximise molybdenum production. This, together with modifications to the molybdenum circuit at the concentrator, boosted production volumes by 130 per cent. The improvement over 2004 also reflected the adverse effect of the Grasberg slippage on that earlier year.

Excluding the effects of inflation, higher costs reduced earnings by US$397 million. Of this, US$72 million was due to higher energy costs and US$41 million was attributable to increased exploration expenditure from brownfield exploration and further evaluation work. More generally, costs were influenced by the strong price environment being enjoyed by the mining industry. This has led to rising mining input costs caused by supply constraints for skilled labour, steel, tyres, explosives, freight and other mining related goods and services. Costs at Kennecott Utah Copper were affected by a scheduled 17 day smelter maintenance shutdown in the first half of 2005.

Higher non cash costs reflected increased depreciation at Utah Copper following the changes in the mine plan at the end of 2004. Increases in closure cost provisions resulted in higher depreciation charges on the amounts capitalised. One-off costs reflected restructuring costs of US$30 million relating to the formation of the Rio Tinto Minerals organisation.

Other items improved by US$34 million. Within that total, the net after tax interest income of US$62 million was US$40 million higher than in 2004 due to lower levels of net debt and interest from increased funding of Rio Tinto Limited. Also within Other items , 2004 underlying earnings included contributions totalling US$73 million from the operations of businesses that were sold during that year. 2005 earnings benefited from an improvement in the net impact of insurance items, including lower claims on the captive insurer due to the absence of cyclone related damages experienced in 2004.

The effective tax rate on underlying earnings, including Rio Tinto plc s share of Rio Tinto Limited and other associates and jointly controlled entities, was 29.4 per cent compared with 28.1 per cent in 2004. The effective tax rate on net earnings, including associates and jointly controlled entities was 27.6 per cent compared with 19.2 per cent in 2004. The lower effective tax rate on net earnings in both years primarily reflected gains on disposals that did not give rise to a tax liability.

Exclusions in arriving at underlying earnings, including Rio Tinto plc s share of those relating to Rio Tinto Limited, were as follows:

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	2005 US$m	2004 US$m
Net profit on the disposal of interests in businesses (including investments)	**288**	1,037
Net impairment reversals/(charges)	**4**	(321)
Adjustment to environmental remediation provision	**84**	—
Exchange gains on external net debt and intragroup balances (including those relating to jointly controlled entities and associates)	**39**	14
Losses on derivatives not qualifying as hedges (including those relating to jointly controlled entities and associates)	**(34)**	(10)
Share of Rio Tinto Limited exclusions in arriving at underlying earnings	**(45)**	115
Total excluded in arriving at underlying earnings	**336**	835

In 2005 the net profit on the disposal of interests in businesses was US$288 million relating mainly to the sale of Rio Tinto plc s interests in the Labrador Iron Ore Royalty Income Fund and in Lihir Gold. Disposals in 2004, principally the holding in Freeport-McMoRan Copper & Gold, resulted in gains of US$1,037 million.

2005 net earnings include a reduction of US$84 million in an environmental remediation provision at Kennecott Utah Copper, reversing part of an exceptional charge taken up in 2002 (which was excluded from adjusted earnings in that year). In addition, there was a small reversal of an impairment provision for the Madagascar project following the decision to proceed with the development, offset by a minor impairment of goodwill. Net earnings in 2004 included an impairment charge of US$160 million relating to the Colowyo coal operation and of US$161 million for the write down of Palabora s copper assets.

Exchange gains and losses on external net debt and intragroup balances that are recorded in the US dollar income statement, together with gains and losses on currency and interest rate derivative contracts that do not qualify as hedges under EU IFRS, are excluded from underlying earnings. In 2005, these items represented a gain of US$5 million (2004: a gain of US$4 million).

Cash flow

Cash flow from operations, including dividends from jointly controlled entities and associates, was US$3,546 million, 93 per cent higher than in 2004. The increase was mainly due to increased profits.

Cash flow of US$320 million from disposals of interests in businesses in 2005 primarily related to the sale of Lihir. In 2004, disposals generated proceeds of over US$1.3 billion. The largest components of this were the sale of shares in FCX and the sale of Rio Tinto s interest in the Morro do Ouro gold mine in Brazil.

Proceeds of US$458 million arose from the buyback by Rio Tinto Limited of 16,367,000 of its shares from a Rio Tinto plc subsidiary.

Investment in the growth of the business was sustained throughout the year. Purchase of property, plant and equipment and intangible assets of US$824 million included payments for coal reserves purchased by Rio Tinto Energy America and initial expenditure on the construction of a new dike at Diavik.

Loans of US$950 million were advanced to Rio Tinto Limited compared to US$1,271 million in 2004 and there were net proceeds from external loans of US$57 million against net payments of US$421 million in 2004.

Balance sheet

The balance sheet strengthened considerably during the period and net assets increased by US$2,615 million. The profit for the year was US$2,714 million greater than dividends paid. By the end of 2005 the share buyback programme had reduced shareholders equity by US$103 million.

External net debt reduced by US$1,080 million to US$584 million and loans to Rio Tinto Limited increased by US$1,430 million to US$3,388 million. Included in this increase is a reclassification of US$500 million of preference share capital issued by a subsidiary of Rio Tinto Limited to a subsidiary of Rio Tinto plc from investments in associates to loans to Rio Tinto Limited . This reclassification took place with effect from 1 January 2005 on adoption of IAS 32 Financial Instruments: Disclosure and Presentation .

The adoption of IAS 39 resulted in an increase of US$72 million in net assets on 1 January 2005, less than one per cent of the total. This represents the net gain on marking to market of derivatives and investments available for sale.

As detailed in Notes 23 and 20 to the 2005 Financial statements, US$565 million (27 per cent) of the Rio Tinto plc part of the Group s borrowings at the end of 2005 will mature in 2006 and the net asset of US$53 million for related currency and interest rate swaps will also mature in that year.

At the year end, medium and long term borrowings totalled US$1,539 million and there was a net asset of US$254 million for related currency and interest rate swaps.

In addition to the above, the Rio Tinto plc part of the Group s share of the third party net debt of jointly controlled entities and associates excluding Rio Tinto Limited totalled US$362 million at 31 December 2005. This debt, which is set out in note 16 to the 2005 Financial statements, is without recourse to the Rio Tinto Group.

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Rio Tinto Limited part of Rio Tinto Group
Operating results 2005 compared with 2004

	2005 US$m	2004 US$m
Profit for the year	**2,812**	1,446
attributable to outside equity shareholders	**236**	81
excluding amounts attributable to outside equity shareholders (net earnings)	**2,576**	1,365

Amounts attributable to outside equity shareholders increased because of improved results at Robe, the Iron Ore Company of Canada and Coal & Allied.

Net earnings of US$2,576 million were US$1,211 million above 2004. Underlying earnings of US$2,697 million were US$1,637 million above 2004. The principal factors explaining the changes in net earnings are shown in the table below.

	US$m
2004 Net earnings	1,365
Exclusions in arriving at 2004 Underlying earnings	(305)
2004 Underlying earnings	1,060
Effect of changes in:	
Prices	1,595
Exchange rates	(67)
Inflation	(76)
Volumes	389
Costs	(201)
Other	(3)
2005 Underlying earnings	**2,697**
Add: Exclusions in arriving at 2005 Underlying earnings	(121)
2005 Net earnings	**2,576**

The effect of price movements on all major commodities was to increase earnings by US$1,595 million. Prices for the major products remained strong throughout the year and were appreciably higher than those experienced in 2004: average aluminium prices were ten per cent higher. The strength of the global iron ore market was reflected in the 71.5 per cent increase in the benchmark price, mainly effective from 1 April 2005. The seaborne thermal and coking coal markets were also strong.

The US dollar was generally weaker than in 2004 relative to the currencies in which the Group incurs the majority of its costs. The average levels of the Australian and Canadian dollars strengthened against the US dollar by four per cent and eight per cent, respectively. The effect of this, together with other currency movements, was to reduce underlying earnings relative to 2004 by US$67 million.

Higher sales volumes increased earnings by US$389 million compared with 2004. The West Angelas and Yandicoogina (to 36 million tonnes per annum) mine expansions were completed in 2005, whilst strong operational performance led to major production gains at many operations including the Iron Ore Company of Canada and Argyle Diamonds. The improvement over 2004 also reflected the following adverse influences on that earlier year: the ten week strike at the Iron Ore Company of Canada and the effects of Hurricane Monty at Hamersley and Robe.

Excluding the effects of inflation, higher costs reduced earnings by US$201 million. Of this, US$58 million was due to higher energy costs. More generally, costs were influenced by the strong price environment being enjoyed by the mining industry. This has led to rising mining input costs caused by supply constraints for skilled labour, steel, tyres, explosives, freight and other mining related goods and services. Continued port congestion at Dalrymple Bay, Queensland, fed through to higher demurrage charges. Increases in closure cost provisions resulted in higher depreciation charges on the amounts capitalised.

The effective tax rate on underlying earnings, including associates and jointly controlled entities, was 30.0 per cent compared with 28.9 per cent in 2004. The effective tax rate on net earnings, including associates and jointly controlled entities was 29.9 per cent compared with 26.0 per cent in 2004. The lower effective tax rate on net earnings in 2004 primarily reflected gains on disposals that did not give rise to a tax liability.

In total Other items worsened by US$3 million. Within that total, the net after tax interest expense was higher than in 2004 with interest payable on increased funding from Rio Tinto plc outweighing the effect of lower levels of external net debt. Also within Other items , 2004

underlying earnings included contributions totalling US$15 million from the operations of businesses that were sold during that year. Against this there was a benefit from the net impact of insurance items and from tax relief on share option costs.

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Exclusions in arriving at underlying earnings were as follows:

	2005 US$m	2004 US$m
Net profit on the disposal of interests in businesses (including investments)	**23**	138
Exchange (losses)/gains on external net debt and intragroup balances (including those relating to jointly controlled entities and associates)	**(138)**	145
(Losses)/gains on derivatives not qualifying as hedges (including those related to jointly controlled entities and associates)	**(6)**	22
Total excluded in arriving at underlying earnings	**(121)**	305

In 2005 the net profit on the disposal of interests in businesses was US$23 million including final adjustments in respect of the 2004 disposal of a ten per cent interest in Hail Creek and Rio Tinto Limited s interest in Zinkgruvan. The disposal of these operations resulted in a gain of US$138 million in 2004.

Exchange gains and losses on external net debt and intragroup balances that are recorded in the US dollar income statement, together with gains and losses on currency and interest rate derivative contracts that do not qualify as hedges under EU IFRS, are excluded from underlying earnings. In 2005, these items represented a loss of US$144 million (2004: a gain of US$167 million).

Cash flow

Cash flow from operations, including dividends from jointly controlled entities and associates, was US$4,861 million, 76 per cent higher than in 2004.

The increase was mainly due to increased profits. This was partly offset by an increased cash outflow on working capital in 2005 mainly reflecting higher receivables due to higher metal prices and sales volumes.

Rio Tinto Limited s investment in the growth of the business was sustained throughout the year. Purchase of property, plant and equipment and intangible assets of US$1,728 million included the major port and rail infrastructure expansion in Western Australia and the expansion of Hail Creek coking coal.

During the year, funding of US$950 million was received from Rio Tinto plc. Rio Tinto Limited repaid US$713 million of its gross outstanding debt and cash balances increased significantly. A capital return programme was commenced under which an off-market buy back of Rio Tinto Limited shares was carried out which resulted in a cash outflow of US$774 million in respect of purchases from public shareholders and a cash outflow of US$458 million in respect of purchases from Rio Tinto plc.

Balance sheet

In 2005, net assets increased by US$289 million. The profit for the year was US$2,175 million greater than dividends paid, however this was largely offset by the effect of share buybacks, the implementation of IAS 32 (Financial Instruments: Disclosure and Presentation) and adverse currency translation movements. The share buyback programme, including the buyback from Rio Tinto plc, reduced shareholders equity by US$1,232 million by the end of December 2005. The adoption of IAS 32 and IAS 39 resulted in a net reduction of US$447 million in net assets on 1 January 2005. This represents the net gain on marking to market of derivatives and investments available for sale, offset by the effect of reclassifying US$500 million of preference share capital held by a Rio Tinto plc subsidiary in a Rio Tinto Limited subsidiary from outside shareholders interests to debt.

External net debt reduced by US$1,416 million to US$729 million partly offset by an increase in amounts due to Rio Tinto plc of US$1,430 million to US$3,388 million. This includes the reclassification explained above of preference share capital of US$500 million from outside shareholders interests to loans on adoption of IAS 32.

As detailed in note 23 to the 2005 Financial statements, US$625 million (33 per cent) of Rio Tinto Limited s external borrowings at the end of 2005 will mature in 2006. In addition, US$2,888 million of borrowings from Rio Tinto plc is held at call.

At the year end, external medium and long term borrowings totalled US$1,244 million and there was a net liability of US$20 million for related currency and interest rate swaps.

In addition to the above, the Rio Tinto Limited part of the Group s share of the third party net debt of jointly controlled entities and associates totalled US$174 million at 31 December 2005. This debt, which is set out in Note 16 to the 2005 Financial statements, is without recourse to the Rio Tinto Group.

Liquidity and capital resources

The unified credit status of the Group is maintained through cross guarantees whereby contractual obligations of Rio Tinto plc and Rio Tinto Limited are automatically guaranteed by the other. Rio Tinto plc and Rio Tinto Limited enjoy strong long and short term credit ratings from Moody s and Standard and Poor s. These ratings continue to provide financial flexibility and consistent access to debt via money or capital markets and enable very competitive terms to be obtained.

The Group maintains backup liquidity for debt maturing within 12 months and its commercial paper programmes by way of bank standby credit facilities, which totalled US$2.3 billion at 31 December 2005. These facilities, which were unused at the year end, can be drawn upon at any time on terms extending out to five years.

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As at 31 December 2005, the Group had contractual cash obligations arising in the ordinary course of business as follows:

Contractual cash obligations	Total US$m	Less than 1 year US$m	Between 1 and 3 years US$m	Between 3 and 5 years US$m	After 5 years US$m
Debt (a)	3,697	1,148	1,707	162	680
Operating leases	113	28	31	23	31
Unconditional purchase obligations (b)	3,982	965	1,263	740	1,014
Deferred consideration (c)	179	97	54	28	
Other (d)	1,322	1,159	130	33	
Total	**9,293**	**3,397**	**3,185**	**986**	**1,725**

Notes

(a) Debt obligations include bank borrowings repayable on demand and reflect the impact of related currency and interest rate swaps.

(b) Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at fixed or minimum prices. The future payment commitments have not been discounted and mainly relate to commitments under relating to the Group s tolling arrangements.

(c) Deferred consideration relates to the purchase of coal reserves by Rio Tinto Energy America.

(d) Other relates primarily to capital commitments.

Information regarding the Group s pension commitments and funding arrangements is provided in the Post-retirement benefits section of this Financial review and in Notes 49 and 52 to the 2005 Financial Statements.

On the basis of the levels of obligations described above, the unused capacity under the Group s commercial paper and European Medium Term Notes programmes, the Group s anticipated ability to access debt and equity capital markets in the future and the level of anticipated free cash flow, there are reasonable grounds to believe that the Group has sufficient short and long term sources of funding available to meet its liquidity requirements.

The Group s committed bank standby facilities contain no financial undertakings relating to interest cover. The Group has no financial agreements that would be affected to any material extent by a reduction in the Group s credit rating.

The Group s policy is to centralise debt and surplus cash balances whenever possible.

Off balance sheet arrangements

In the ordinary course of business, to manage the Group s operations and financing, Rio Tinto enters into certain arrangements, which for the purposes of Item 5 would be considered off balance sheet arrangements,

The Rio Tinto Group s off balance sheet arrangements are comprised principally of performance guarantees and commitments for capital and other expenditure.

The aggregate amount of indemnities and other performance guarantees, on which no material loss is expected, including those related to joint ventures and associates, was US$513 million at 31 December 2005.

Other commitments include contracted capital expenditure, operating leases and unconditional purchase obligations as set out in the table of contractual cash obligations, included in the liquidity and capital resources section above.

Exchange rates, reporting currencies and currency exposure

Rio Tinto s shareholder s equity, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s sales and the countries in which it operates. The US dollar, however, is the currency in which the great majority of the Group s sales are denominated. Operating costs are influenced by the currencies of those countries where the Group s mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian and Canadian dollars are the most important currencies influencing costs, apart from the US dollar.

In any particular year, currency fluctuations may have a significant impact on Rio Tinto s financial results. A weakening of the US dollar against the currencies in which the Group s costs are determined has an adverse effect on Rio Tinto s underlying earnings.

However, this would also result in exchange gains on net debt denominated in US dollars which has a positive effect on Rio Tinto s EU IFRS profit and net earnings. It would also result in exchange gains and losses on intragroup balances denominated in US dollars. Such gains (and losses) on US dollar net debt and intragroup balances are excluded from underlying earnings.

The following sensitivities give the estimated effect on underlying earnings assuming that each exchange rate moved in isolation. The relationship between currencies and commodity prices is a complex one and movements in exchange rates can cause movements in commodity prices and vice versa. Where the functional currency is that of a country for which production of commodities is an important feature of the economy, such as the Australian dollar, there is a certain degree of natural protection against cyclical fluctuations in the long term, in that the currency tends to be weak, reducing costs in US dollar terms, when commodity prices are low, and vice versa.

The exchange rate sensitivities quoted below include the effect on operating costs of movements in exchange rates but exclude the effect of the revaluation of foreign currency working capital, US dollar net debt and intragroup balances. They should therefore be used with care.

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	Average exchange rate for 2005	2005 Effect of 10% change in full year average +/- US$m
Australian dollar	76 US cents	242
Canadian dollar	83 US cents	58
Chilean peso	US$1= 561 pesos	7
Indonesian rupiah	US$1 = 9,708 rupiah	1
New Zealand dollar	71 US cents	6
South African rand	16 US cents	23
UK sterling	182 US cents	8
Other	n/a	6

The sensitivities in the 2005 column are based on 2005 prices, costs and volumes and assume that all other variables remain constant.

Gains and losses on exchange arising from net monetary assets/(liabilities), other than US dollar net debt and intragroup balances, that are not denominated in the functional currency of the relevant business unit are recorded in the income statement and are included in underlying earnings. The table below reflects the amounts of assets less liabilities, net of tax and outside interests as at the end of 2005, which expose the Group to such exchange gains and losses. These balances will not remain constant throughout 2006, however, and therefore these numbers should be used with care.

	Currency of exposure		
	US dollar US$m	Other US$m	2005 US$m
Functional currency of business unit:			
Australian dollar	368	(1)	367
Canadian dollar	94	4	98
South African rand	21	5	26
Other currencies	71		71
Total	**554**	**8**	**562**

Given the dominant role of the US currency in the Group s affairs, the US dollar is the currency in which financial results are presented both internally and externally. It is also the most appropriate currency for borrowing and holding surplus cash, although a portion of surplus cash may also be held in other currencies, most notably Australian dollars, in order to meet short term operational and capital commitments and dividend payments.

The Group finances its operations primarily in US dollars, either directly or using currency swaps, and a substantial part of the Group s US dollar debt is located in subsidiaries having functional currencies other than the US dollar. Exchange differences on the net debt which hedges the net assets of entities with functional currencies other than the US dollar are dealt with through equity. All other exchange differences on net debt are dealt with in the income statement, but those related to US dollar net debt are excluded in arriving at underlying earnings. Similarly, exchange gains and losses which arise on balances between Group entities are taken to equity where that balance is denominated in the functional currency of one party to the loan and is, in substance, part of the Group s net investment in a subsidiary. All other exchange differences on intragroup balances are dealt with in the income statement but are excluded from underlying earnings.

The table below reflects the amounts of net debt and intragroup balances at the end of 2005, net of tax and outside interests, that expose the Group to such exchange gains and losses that would be recorded in the income statement. These balances will not remain constant during 2006, however, and these numbers should therefore be used with care.

	Net debt (a)			Intragroup balances		
	Currency of exposure			Currency of exposure		
	US$ US$m	Other US$m	2005 US$m	US$ US$m	Other US$m	2005 US$m

Functional currency of business unit:						
Australian dollar	(890)	3	(887)	(1,862)	224	(1,638)
Canadian dollar	(536)	1	(535)	(216)		(216)
South African rand	(62)		(62)	(131)		(131)
United States dollar		9	9		167	167
Other currencies	4	6	10	(88)	15	(73)
Total	**(1,484)**	**19**	**(1,465)**	**(2,297)**	**406**	**(1,891)**

Note

(a) The table shows amounts after taking account of the impact of currency swaps. Of the US$890 million of net debt in Australian functional currency companies, US$58 million has been swapped to US$. The underlying currencies are: five billion yen and 20 million Swiss Francs. Similarly, of the US$536 million of net debt in Canadian functional currency companies, US$366 million has been swapped to US$. The underlying currencies are: £165 million and 16 billion yen.

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The Group does not generally believe that active currency hedging would provide long term benefits to shareholders. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Rio Tinto board. As set out in Note 35 to the 2005 Financial statements, as at 31 December 2005 there were derivative contracts to sell US$512 million in respect of future trading transactions. A significant part of the above hedge book was acquired with North Limited. North held a substantial hedge book on acquisition which has been retained but is not being renewed as maturities occur.

The functional currency of most operations within the Rio Tinto Group is the local currency in the country of operation. Foreign currency gains or losses arising on translation of the net assets of these operations are taken to equity and, with effect from 1 January 2004, recorded in a currency translation reserve. The approximate translation effects on the Group s net assets of ten per cent movements from the year end exchange rates are as follows:

	Closing exchange rate US cents	2005 Effect of 10% change in closing rate +/- US$m
Australian dollar	73	910
Canadian dollar	86	134
South African rand	16	(12)
UK sterling	173	11
Other	n/a	9

Interest rates

Rio Tinto s interest rate management policy is generally to borrow and invest cash at floating rates. Short term US dollar rates are normally lower than long term rates, resulting in lower interest costs to the Group. Furthermore, cyclical movements of interest rates tend to compensate in the long term, to an extent, for those of commodity prices. In some circumstances, an element of fixed rate funding may be considered appropriate. At the end of 2005, US$0.7 billion of the Group s debt was at fixed rates after taking into account interest rate swaps. Based on the Group s net debt at 31 December 2005, and with other variables unchanged, the approximate effect on the Group s net earnings of a one percentage point increase in US dollar LIBOR interest rates would be a reduction of US$4 million.

Commodity prices

The Group s normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Rio Tinto board and to rigid internal controls. Rio Tinto s exposure to commodity prices is diversified by virtue of its broad commodity spread and the Group does not generally believe commodity price hedging would provide long term benefit to shareholders. The forward contracts to sell 509 million pounds of copper at a fixed rand price per pound were entered into as a condition of the refinancing of Palabora in 2005.

Metals such as copper and aluminium are generally sold under contract, often long term, at prices determined by reference to prevailing market prices on terminal markets, such as the London Metal Exchange and COMEX in New York, usually at the time of delivery. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply. Gold is also priced in an active market in which prices respond to daily changes in quantities offered and sought. Newly mined gold is only one source of supply; investment and disinvestment can be important elements of supply and demand. Contract prices for many other natural resource products are generally agreed annually or for longer periods with customers, although volume commitments vary by product.

Approximately 43 per cent of Rio Tinto s 2005 net earnings from operating businesses came from products whose prices were terminal market related and the remainder came from products priced by direct negotiation.

Commodity prices increased rapidly in 2004 and 2005. Rio Tinto expects that economic growth will continue the positive trend of 2005 for the time being, even if rates of growth slow somewhat. This, in turn, should result in a continuation of strong markets for our products and prices above the long term trend. However, the current strong markets cannot be expected to continue indefinitely. At some point, the supply position will become more balanced, which will lead to a downturn in the cycle. We cannot predict when this will occur. Such a downturn would reduce revenues, cash flows and earnings.

Ore reserves presented on pages 19 to 29 do not exceed the quantities that, it is estimated, could be extracted economically if future prices were to be in line with the average of historical prices for the three years to 30 June 2005, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price is predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto's own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

The table below shows published benchmark prices for Rio Tinto s commodities for the last three years where these are publicly available, and where there is a reasonable degree of correlation between the benchmark and Rio

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Tinto s realised prices. The prices set out in the table are the averages for each of the calendar years, 2003, 2004 and 2005. The Group s revenue will not necessarily move in line with these benchmarks for a number of reasons which are discussed below.

Commodity	Source	Unit	2003 US$	2004 US$	2005 US$
Aluminium	LME	pound	0.65	0.78	0.86
Copper	LME	pound	0.80	1.30	1.66
Gold	LBMA	ounce	364.	409.	444.
Iron ore	Australian benchmark (fines)	dmtu*	0.30	0.35	0.55
Lead	LME	pound	0.23	0.40	0.44
Molybdenum	Metals Week: quote for dealer oxide price	pound	5.2	15.9	31.1
Silver	LBMA	ounce	4.9	6.6	7.3
Zinc	LME	pound	0.38	0.48	0.63

* = dry metric tonne unit

The discussion of revenues below relates to the Group s gross turnover from sales of commodities, including its share of the turnover of equity accounted units, see Note 34 to the 2005 Financial statements.

The revenues from aluminium and related products such as alumina and bauxite increased by 18 per cent in 2005. Average prices quoted on the LME increased by 10 per cent in 2005. In addition to these price increases, revenues reflected increased sales volumes, including the ramp up of output from the Comalco Alumina Refinery, which commenced shipments in November 2004.

A significant proportion of Rio Tinto s coal production is sold under long term contracts. In Australia, the prices applying to sales under the long term contracts are generally renegotiated annually; but prices are fixed at different times of the year and on a variety of bases. For these reasons, average realised prices will not necessarily reflect the movements in any of the publicly quoted benchmarks. Moreover, there are significant product specification differences between mines.

Revenues of the Group s Australian coal operations increased by 45 per cent in 2005, benefiting from a significant increase in prices realised on sales both of thermal and coking coal. Published market indications for Australian thermal coal show a reduction of 10 per cent in 2005 compared with 2004. The coking coal benchmark price increased by 99 per cent in 2005.

In the US, Rio Tinto Energy America s revenues increased by six per cent in 2005, with benefits from higher prices limited by the influence of long term contracts. Published market indications of spot prices for Wyoming thermal coal show an increase of 61 per cent in 2005.

The Group s copper revenues in 2005 were 33 per cent higher than in 2004 while the average LME copper price increased by 28 per cent. Revenues benefited both from the increase in prices and from increased volumes, including the effect of a return to full operations at Grasberg. A pit wall slippage in 2003 had reduced output from Grasberg in 2004.

Diamond revenue increased 45 per cent in 2005 against 2004. There was a six per cent increase in the Diamond Trading Company (DTC) indicated price for rough diamonds in the year, but the majority of the increase in revenues was attributable to higher volumes at Argyle and the commencement of the Murowa operation. While movements in the DTC price are a general indicator of the overall rough diamond market, they do not necessarily correlate closely with prices actually realised by Rio Tinto, which reflect the particular type of diamonds in its diverse product mix.

Gold revenues in 2005 were 19 per cent higher than in 2004 while the average LBMA gold price increased by nine per cent year on year. Revenues benefited from the price increase and also from the very substantial recovery in sales volumes at Grasberg which more than offset the effects of the disposal of Morro do Ouro in 2004 and the closure of Kelian early in 2005.

The Group s revenue from industrial minerals increased by 17 per cent in 2005 against 2004. This was mainly attributable to strong price performance across all products at Rio Tinto Iron and Titanium and increased volumes, particularly at Richards Bay Minerals. Sales are made under contract at negotiated prices.

The Australian iron ore fines benchmark (average for the calendar year) increased by 57 per cent in 2005 compared with 2004. This contributed to an increase in the Group s iron ore revenue of 88 per cent, with the additional benefits of volume increases from the West Angelas and Yandicoogina expansions and the recovery of output at Iron Ore Company of Canada, after a ten week strike in 2004.

Lead, zinc and silver accounted for less than two per cent of revenue in each of the two years to 2005.

Average molybdenum prices quoted in Metals Week in 2005 almost doubled from the 2004 level. Sales revenue was over five times higher. In addition to the higher prices, this reflected a major step up in volumes achieved through changes in the mine plan at Kennecott Utah Copper to maximise molybdenum production in response to the strong market.

Uranium revenue increased by 23 per cent in 2005 as a result of higher prices. Information included in the RWE NUKEM Inc. Price Bulletin indicated price increases of 54 per cent in 2005. However, these large increases are not fully reflected in the revenues for the period. Uranium oxide is typically sold on long term contracts with pricing determined for several years beyond the commencement of the contracts. Prices realised by the Group in any particular year will generally not, therefore, reflect changes reported in the Price Bulletin.

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The approximate effect on the Group s net earnings of a ten per cent change from the full year average market price in 2005 for the following metals would be:

	Unit	Average market price for 2005 US$	Effect of 10% change in full year average +/- US$m
Copper	pound	1.66	215
Aluminium	pound	0.86	114
Gold	ounce	444.	54
Molybdenum	pound	31.0	40

The above sensitivities are based on 2005 volumes and give the estimated impact on net earnings of changes in prices assuming that all other variables remain constant. These should be used with care. As noted previously, the relationship between currencies and commodity prices is a complex one and changes in exchange rates can influence commodity prices and vice versa.

Treasury management and financial instruments

Treasury activities operate as a service to the business of the Rio Tinto Group and not as a profit centre. Strict limits on the size and type of transaction permitted are laid down by the Rio Tinto board and are subject to rigorous internal controls. Corporate funding and overall strategic management of Rio Tinto s balance sheet is handled by the London based Group Treasury.

Rio Tinto does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in joint ventures and associates. Derivatives are used to separate funding and cash management decisions from currency exposure and interest rate management. The Group uses interest rate swaps in conjunction with longer term funds raised in the capital markets to achieve a floating rate obligation which is consistent with the Group s interest rate policy. Currency swaps are used to convert debt or investments into currencies, primarily the US dollar, which are consistent with the Group s policy on currency exposure management. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments held by the Group.

The derivative contracts in which the Group is involved are valued by reference to quoted market prices, quotations from independent financial institutions or by discounting expected cash flows.

Dividends

Dividends paid on Rio Tinto plc and Rio Tinto Limited shares are equalised on a net cash basis; that is without taking into account any associated tax credits. Dividends are determined in US dollars.

Rio Tinto s progressive dividend policy aims to increase the US dollar value of dividends over time, without cutting them in economic downturns. Rio Tinto plc shareholders receive dividends in pounds sterling and Rio Tinto Limited shareholders receive dividends in Australian dollars, which are determined by reference to the exchange rates applicable to the US dollar two days prior to the announcement of dividends. Changes in exchange rates could result in a reduced sterling or Australian dollar dividend in a year in which the US dollar value is maintained or increased. The interim dividend for each year in US dollar terms will be equivalent to 50 per cent of the total US dollar dividends declared in respect of the previous year.

As part of the Group s capital management programme, a special dividend of US$1.5 billion (US$1.10 per share) was declared in respect of 2005 which was paid concurrently with the 2005 final ordinary dividend. The special dividend does not form part of the Group s progressive dividend policy.

Capital management programme

On 3 February 2005, a capital management programme to return up to US$1.5 billion to shareholders by the end of 2006 was announced and in February 2006 the Group announced an extended capital management programme totalling US$4.0 billion, comprising the US$1.5 billion special dividend referred to above, and a share buy back programme totalling US$2.5 billion to be completed by the end of 2007, subject to market conditions. This amount replaces the approximately US$0.5 billion remaining under the 2005 programme.

A total of US$877 million was returned to shareholders during 2005 by way of an off market buy back of Rio Tinto Limited shares for US$774 million and on market purchases of Rio Tinto plc shares for US$103 million. By 31 May 2006 a further US$2,332 million had been returned to shareholders by way of on market purchases of Rio Tinto plc shares for US$832 million and the payment of the special dividend of $1.5 billion.

Critical accounting policies and estimates

Dual listed company reporting

As explained in detail in the Outline of dual listed companies structure and basis of financial statements on page A-10 of the 2005 Financial statements, the consolidated financial statements of the Rio Tinto Group on pages A-2 to A-110 deal with the results and assets and liabilities of both of the dual listed companies, Rio Tinto plc and Rio Tinto Limited, and their subsidiaries. They are prepared in accordance with International Financial Reporting Standards as adopted by

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the European Union (EU IFRS). In accordance with the exemptions contained in IFRS 1 First-time adoption of International Financial Reporting Standards , the accounting treatment of business combinations prior to 1 January 2004 has not been restated to comply with IFRS 3 Business Combinations . As a result the DLC structure between Rio Tinto plc and Rio Tinto Limited has been accounted for as a merger, rather than as an acquisition, in line with the treatment adopted previously under UK GAAP. For this purpose, Rio Tinto plc and Rio Tinto Limited are viewed as a single parent company with their respective shareholders being the shareholders in that single company.

The 2005 Annual report and financial statements satisfy the obligations of Rio Tinto Limited to prepare consolidated accounts under Australian company law, as amended by an order issued by the Australian Securities and Investments Commission on 27 January 2006. The 2005 Financial statements include a statement setting out the effect of the adjustments to consolidated EU IFRS profit, consolidated total recognised income and consolidated shareholders funds for the Group that would be required under the version of IFRS that is applicable in Australia (Australian IFRS).

The US dollar is the presentation currency used in these financial statements, as it most reliably reflects the Group s global business performance.

Ore reserve estimates

Rio Tinto estimates its ore reserves and mineral deposits based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code). The amounts presented under EU and Australian IFRS are based on the reserves, and in some cases mineral deposits, determined under the JORC code.

For the purposes of the Group s financial information under US GAAP, ore reserves are computed in accordance with the SEC s Industry Guide 7 and are shown on pages 19 to 29. Estimates of ore reserves and mineral deposits in accordance with JORC are not shown in this combined annual report on Form 20-F.

Ore reserves presented in accordance with SEC Industry Guide 7 do not exceed the quantities that, it is estimated, could be extracted economically if future prices were to be in line with the average of historical prices for the three years to 30 June 2005, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price is predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto's own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs.

Asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment provisions in a particular year. In 2005, there were no significant impairment charges or reversals. However in 2004, the Group incurred a US$558 million impairment charge, (US$321 million net of tax and outside shareholders interests).

When such events or changes in circumstances impact on a particular asset or cash generating unit, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant cash generating unit). The best evidence of an asset s fair value is its value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm s length transaction. In some cases this is estimated using a discounted cash flow analysis. The cash flows used in these analyses are particularly sensitive to changes in two parameters: exchange rates and commodity selling prices. The great majority of the Group s sales are based on prices denominated in US dollars. To the extent that the currencies of countries in which the Group produces commodities strengthen against the US dollar without commodity price offset, cash flows and, therefore, net present values are reduced. Management considers that over the long term, there is a tendency for movements in commodity prices to compensate to some extent for movements in the value of the US dollar (and vice versa). But such compensating changes are not synchronised and do not fully offset each other.

Recent favourable changes in commodity prices have exceeded adverse shifts in exchange rates. In the three years to 31 December 2005, the Australian dollar strengthened by 23 per cent against the US dollar, the Canadian dollar strengthened by 26 per cent and the South African rand by 27 per cent. Taking these three years together, commodity prices rose substantially: for example, copper prices increased by 134 per cent, aluminium by 40 per cent and gold by 44 per cent.

Reviews of carrying values normally relate to cash generating units which, in accordance with IAS 36 Impairment of Assets , are identified by dividing an entity into as many largely independent cash generating streams as is reasonably practicable. In some cases the business units within the product groups consist of several operations with independent cash generating streams, which therefore constitute separate cash generating units.

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The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineralised material that does not currently qualify for inclusion in proven or probable ore reserves. Such non reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

The expected future cash flows of cash generating units reflect long term mine plans which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The plan takes account of all relevant characteristics of the orebody, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and production costs.

Rio Tinto s cash flow forecasts are based on assessments of expected long term commodity prices, which for most commodities are derived from an analysis of the marginal costs of the producers of these commodities. These assessments often differ from current price levels and are updated periodically.

In some cases, prices applying to some part of the future sales volumes of a cash generating unit are predetermined by existing sales contracts. The effects of such contracts are taken into account in forecasting future cash flows.

Cost levels incorporated in the cash flow forecasts are based on the current long term mine plan for the cash generating unit. For impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. IAS 36 includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement related capital expenditure.

Under US GAAP, assumptions used in cash flow forecasts are principally the same as those used under EU IFRS, except that the estimated cash flows related to the liability for asset retirement obligations are excluded under US GAAP (and the related liabilities are excluded from the determination of the carrying value of the asset group). Impairment is only recognised when the anticipated undiscounted cash flows are insufficient to recover the carrying value of the asset group. Once impairment is determined, an asset is written down to its fair value, which is normally calculated using discounted cash flows, similar to those under EU IFRS and the result is generally similar to that under EU IFRS.

The useful lives of the major assets of a cash generating unit are usually dependent on the life of the orebody to which they relate. Thus the lives of mining properties, smelters, concentrators and other long lived processing equipment generally relate to the expected life of the ore body. The life of the ore body, in turn, is estimated on the basis of the long term mine plan.

Forecast cash flows are discounted to present values using Rio Tinto s weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows. For final feasibility studies and ore reserve estimation, internal hurdle rates are used which are generally higher than the weighted average cost of capital.

The above rates are applied to net of tax cash flows expressed in real terms and discounted at a post-tax discount rate. If an asset is impaired a pre-tax discount rate is calculated from the post-tax rate taking into account the specific tax circumstances of the cash generating unit. This pre-tax rate is then used to discount the pre-tax cash flows. The resulting value is compared to the assets of the cash generating unit to determine the impairment charge required.

Final feasibility studies, ore reserve estimation and value in use estimates are based on the exchange rates current at the time of the evaluation. In estimates of fair value, a forecast of the long term exchange rate is made having regard to spot exchange rates, historical data and external forecasts.

Forecast cash flows for ore reserve estimation for JORC purposes and for impairment testing are based on Rio Tinto s long term price forecasts. For final feasibility studies these prices, and projected costs, are assumed to decline systematically in real terms.

For the majority of Rio Tinto s businesses, by both number and by value, the recoverable amounts are substantially in excess of the carrying value in the balance sheet. For a minority of the businesses the carrying value is close to their recoverable amount, and these are reviewed for impairment where appropriate. The effects of exchange rate and commodity price changes on the values of these units relative to their book values are monitored closely.

All goodwill and intangible assets that are not yet ready for use or have an indefinite life are tested annually for impairment regardless of whether there has been any change in events or circumstances.

Close down, restoration and clean up obligations

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs.

Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals. Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their respective costs

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based on feasibility and engineering studies using current restoration standards and techniques. Changes to closure provisions, other than those arising from the unwind of the discount applied in establishing the net present value of the provision, are capitalised within property, plant and equipment and depreciated over the lives of the assets to which they relate.

Clean up costs are costs resulting from environmental damage that was not a necessary consequence of mining, including remediation, compensation and penalties. These costs are charged to the income statement. Provisions are recognised at or near the time the damage, remediation process and estimated remediation costs become known. Remediation procedures generally commence soon after this point in time but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Post retirement benefits

For EU IFRS reporting of defined benefit post-employment plans, the Group has adopted the option under IAS 19 to recognise the difference between the fair value of the plan assets (if any) and the present value of the plan liabilities as an asset or liability on the balance sheet and to record actuarial gains and losses directly in the Statement of Recognised Income and Expense.

Under US GAAP post retirement benefits are accounted for in accordance with Financial Accounting Standard Nos. 87 and 106 under which gains or losses outside a ten per cent fluctuation corridor are spread.

The most significant assumptions used in accounting for post retirement plans are the long term rate of return on plan assets, the discount rate and the mortality assumptions.

The long term rate of return on plan assets is used to calculate interest income on pension assets, which is credited to the Group s income statement. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the Group s income statement. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Valuations are carried out using the projected unit method.

The expected rate of return on pension plan assets is determined as management s best estimate of the long term return on the major asset classes, ie equity, debt, real estate and other, weighted by the actual allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging.

The sources used to determine management s best estimate of long term returns are numerous and include country specific bond yields, which may be derived from the market using local bond indices or by analysis of the local bond market, and country specific inflation and investment market expectations derived from market data and analysts or governments expectations as applicable.

In particular, the Group estimates long term expected real returns on equity, ie returns in excess of inflation, based on the economic outlook, analysts views and those of other market commentators. This is the most subjective of the assumptions used and it is reviewed regularly to ensure that it remains consistent with best practice.

For EU IFRS, the discount rate used in determining the service cost and interest cost charged to income is the market yield at the start of the year on high quality corporate bonds. For countries where there is no deep market in such bonds the yield on Government bonds is used. For determining the present value of obligations shown on the balance sheet, market yields at the balance sheet date are used.

The discount rate under US GAAP is the implied yield available on AA rated corporate debt at the measurement date.

The rates used for both 2004 and 2005 are set out in Note 49 to the 2005 Financial Statements for EU IFRS accounting and in Note 52 for US GAAP.

For EU IFRS, the average expected long term rate of return on assets used to determine 2005 pension cost was 6.8 per cent . This will decrease to 6.3 per cent in 2006. For US GAAP, the average expected long term rate of return on assets used to determine 2005 pension cost was 6.7 per cent and this will decrease to 6.2 per cent in 2006. In both cases, this is primarily because of a decrease in expected long term nominal equity returns.

In calculating the 2005 EU IFRS expense the average future increase in compensation levels was assumed to be 4.7 per cent and the same rate will be used for 2006. For US GAAP for 2005, the average future increase in compensation levels was assumed to be 4.6 per cent and this will remain at 4.6 per cent for 2006.

For EU IFRS, the average discount rate used for the Group s plans in 2005 was 5.4 per cent and the average discount rate used in 2006 will be 5.0 per cent. The decrease is attributable to lower corporate bond yields. For US GAAP, the average discount rate used for the Group s plans in 2005 was 5.7 per cent and the average discount rate used in 2006 will be 5.2 per cent, the decrease is again attributable to lower corporate bond yields.

For 2005 the cost in relation to post retirement benefits net of tax and minorities was US$170 million under US GAAP. Under EU IFRS, the net cost was US$121 million. These costs include both pension and post retirement healthcare benefits. Within these costs, the expected return on assets net of tax and minorities was US$209 million under US GAAP and US$228 million under EU IFRS.

Based on the known changes in assumptions noted above and other expected circumstances, the impact of post

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retirement costs on the Group s EU IFRS net earnings in 2006 would be expected to increase by some US$5 million to US$126 million. The impact of post-retirement benefits costs on the Group s US GAAP net earnings in 2006 would be expected to decrease by some US$6 million to US$164 million. In both cases, the actual charge may be impacted by other factors that cannot be predicted, such as the effect of changes in benefits and exchange rates.

Under US GAAP, there are net unrecognised losses in relation to the Group s post-retirement benefit plans of US$259 million at 31 December 2005 net of tax and minorities. This will be charged to earnings over the average remaining service life of employees in the plans to the extent that losses exceed the 10% corridor on a plan by plan basis. The 2006 impact on the Group s US GAAP net earnings will be a cost of US$19 million compared to a cost of US$26 million in 2005.

The table below sets out the potential change in the Group s 2005 EU IFRS and US GAAP net earnings (after tax and outside interests) that would result from hypothetical changes to post retirement assumptions and estimates. The sensitivities are viewed for each assumption in isolation although a change in one assumption is likely to result in some offset elsewhere.

	EU IFRS US$m	US GAAP US$m
Sensitivity of Group s 2005 net earnings to changes in:		
Expected return on assets		
increase of 1 percentage point	25	23
decrease of 1 percentage point	(25)	(23)
Discount rate		
increase of 0.5 percentage points	(1)	10
decrease of 0.5 percentage points	1	(13)
Salary increases		
increase of 0.5 percentage points	(5)	(7)
decrease of 0.5 percentage points	5	7
Demographic - allowance for additional future mortality improvements		
overall increase of 5% in liability	(13)	(24)
overall decrease of 5% in liability	13	23

Note

US GAAP sensitivities include the effect of the amortisation of unrecognised gains and losses, where applicable. Under EU IFRS the effect of changes in actuarial assumptions is taken to equity.

The figures in the above table only show the impact on net earnings. Changing the assumptions would also have an impact on the balance sheet.

The impact on cash flow in 2005 of the Group s pension plans, being the employer contributions to defined benefit and defined contribution pension plans, was US$173 million. In addition there were contributions of US$26 million in respect of unfunded healthcare schemes.

In relation to pensions, it is currently expected that there will be no significant regular employer or employee contributions to the UK plan in 2006. The next formal valuation of the Rio Tinto Pension Fund is due with an effective date of 31 March 2006. The results of the valuation will be available later in the year, after which contributions into the fund may be required. Contributions are made to the main Australian plan according to the recommendation of the plan actuary and are primarily to a mixed defined benefit/defined contribution type arrangement. In North America, contributions are agreed annually in nominal terms. Whilst contributions for 2006 are yet to be determined, contributions in the UK, Australia and Africa are expected to be broadly in line with 2005 contributions. Contributions for 2006 are expected to be around US$20 million higher than in 2005 for Canadian plans and around US$40 million lower than in 2005 for US plans.

Further information under EU IFRS and US GAAP for pensions is given on pages A-82 to A-85 and A-101 to A-104, of the 2005 Financial statements, respectively.

Overburden removal costs

In open pit mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, it is generally accepted that stripping costs are capitalised as part of the investment in construction of the mine.

Stripping of waste materials continues during the production stage of the mine. Some mining companies expense these production stage stripping costs as incurred, while others defer such stripping costs. Those mining companies that expense stripping costs as incurred will report greater volatility in the results of their operations from period to period.

Rio Tinto defers production stage stripping costs for those operations where this is the most appropriate basis for matching costs with the related economic benefits and the effect is material.

The amount of stripping costs deferred is based on the ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. In some operations, the quantity of ore is used, being a more practical basis for matching costs with the related economic benefits where there are important by products or where the grade of the ore is relatively stable from year to year.

Information about the stripping ratios of the business units, including jointly controlled entities and associates, that account for the majority

of the deferred stripping balance at 31 December 2005, along with the year in which

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deferred stripping is expected to be fully amortised, is set out in the following table:

	Actual stripping ratio for year		Life of mine stripping ratio	
	2004	2005	2004	2005
Kennecott Utah Copper (2018) (a) (b)	1.83	2.02	1.24	1.51
Argyle Diamonds (2009) (a)	6.70	6.60	4.91	4.40
Grasberg Joint Venture (2015) (a)	3.39	3.12	2.43	2.43
Diavik (2008) (c)	1.474	1.209	0.938	0.912
Escondida (2042) (d)	0.1145	0.0915	0.1129	0.1188

Notes
(a) Strip ratios shown are waste to ore.
(b) Kennecott s life of mine strip ratio increased on approval of the open pit push back.
(c) Diavik s strip ratio is disclosed as bench cubic metre per carat.
(d) Escondida s strip ratio is based on waste tonnes to pounds of copper mined.

Borax capitalised stripping costs as part of a distinct period of new development during the production stage of the mine. Capitalisation stopped in 2004. The capitalised costs will be fully amortised in 2034.

The life of mine waste-to-ore ratio is a function of an individual mine s pit design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of mine ratio even if they do not affect the mine s pit design. Changes to the life of mine ratio are accounted for prospectively.

In operations that experience material fluctuations in the ratio on a year to year basis over the life of the mine, deferral of stripping costs reduces the volatility of the cost of stripping expensed in individual reporting periods, in relation to production of ore or contained minerals, as applicable. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine ratio. Such deferred costs are then charged against reported profits to the extent that, in subsequent periods, the ratio falls short of the life of mine ratio. The life of mine ratio is based on the proven and probable reserves of the operation.

In some operations, there are distinct periods of new development during the production stage of the mine. These may, for example, relate to a discrete section of the orebody. The new development will be characterised by a major departure from the life of mine stripping ratio. Stripping costs attributable to such new development are deferred and subsequently amortised on a unit of production basis.

Deferred stripping costs form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

During 2005, production stage stripping costs incurred by subsidiaries and equity accounted operations exceeded the amounts charged against pre tax profit by US$93 million. The net book value carried forward in property, plant and equipment and in investments in jointly controlled entities and associates at 31 December 2005 was US$845 million.

Amortisation of deferred stripping costs is included in depreciation of property, plant and equipment or in the Group s share of the results of its equity accounted operations, as appropriate.

US deferred tax recoverable

A potential tax asset of US$567 million for United States Alternative Minimum Tax credits and US temporary differences for which recovery is dependent on the level of taxable profits in the US tax group, has not been recognised in the accounts. (An amount of US$10 million has been recognised.) The determination that these potential assets should not be recognised at 31 December 2005 was based on projections of future taxable profits for the operations that form part of Rio Tinto s US tax group. It is possible that recoveries may occur depending on future commodity prices, costs, financing arrangements and business developments over the next 20 years or more. However, such recoveries are not considered probable.

Deferred tax on mining rights

On transition to EU IFRS with effect from 1 January 2004, deferred tax was provided in respect of fair value adjustments on acquisitions in previous years. No other adjustments were made to the assets and liabilities recognised in such prior year acquisitions and, accordingly, shareholders funds were reduced by US$720 million on transition to EU IFRS primarily as a result of deferred tax on fair value adjustments to mining rights. In general, these mining rights are not eligible for income tax allowances. In such cases, the provision for deferred tax was based on the difference between their carrying value and their nil income tax base. The existence of a tax base for capital gains tax purposes was not taken into account in determining the deferred tax provision relating to such mineral rights because it is expected that the carrying amount will be recovered primarily through use and not from the disposal of the mineral rights. Also, the Group is only entitled to a deduction for capital gains tax purposes if the mineral rights are sold or formally relinquished.

Exploration

In accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources , the Group has continued the policy on the recognition and measurement of exploration and evaluation expenditure that was previously applied under UK

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GAAP. The Group expenses exploration expenditure until acquisition of a beneficial interest or option in mineral rights from which point it is capitalised. Capitalised exploration expenditure is reviewed for impairment at each balance sheet date and full provision is made for impairment unless there is a high degree of confidence in the project s viability and hence it is probable that future economic benefits will flow to the Group.

The carrying values of exploration assets are reviewed twice per annum by management and the results of these reviews are reported to the *Audit committee*. There may be only mineralised material that has been subject to preliminary geological analysis to form a basis for the impairment review. The review is based on a status report regarding the Group s intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to orebodies currently in production and will therefore benefit from existing infrastructure and equipment. It is intended that these will be developed and go into production when the current source of ore is exhausted. Any impairment provisions raised in previous years are reassessed if there is a change in circumstances which indicates that they may no longer be required, for example if it is decided to proceed with development.

Contingencies

Disclosure is made of material contingent liabilities unless the possibility of any loss arising is considered remote. Contingencies are disclosed in Note 36 to the 2005 Financial statements. These include tax assessments in Australia of approximately A$500 million which, based on Counsels opinion, the Group expects to be successful in challenging.

Underlying earnings

The Group presents Underlying earnings as an additional measure of earnings to provide greater understanding of the underlying business performance of its operations. The adjustments made to net earnings to arrive at underlying earnings are explained above in the section on underlying earnings.

Trend information

The demand for the Group s products is closely aligned with changes in global GDP. Changes in the GDP of developing countries will have a greater impact on materials such as iron ore and coal that can be used to improve infrastructure whereas changes in the GDP of developed countries will have a greater impact on industrial minerals that have many applications in consumer products. Copper is used in a wide range of applications from infrastructure to consumer electronics and demand for it has tended to grow in line with or slightly faster than global GDP. Trends in production of the Group s minerals and metals, consolidated turnover, earnings and total assets are set out in the Operational review on pages 57 to 80.

Forward looking statements

Forward looking statements are contained in this financial review and attention is drawn to the Cautionary statement on page 8.

OPERATING REVIEW

The operating review comprises a separate review of each of the principal product and global support groups, other operations and a Group society and environment report.

IRON ORE
GROUP

Iron Ore	**Iron Ore**
	Underlying
(Rio Tinto share)	Earnings
millions tonnes	contribution*
MINED	**US$m**

* The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS.

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Rio Tinto s Iron Ore group (RTIO) comprises operations and projects across four continents. In Western Australia, RTIO wholly owns Hamersley Iron. Hamersley wholly owns five mines and also operates the 60 per cent owned Channar mine and the 54 per cent owned Eastern Range mine on behalf of joint venture partners. The Channar mine is a joint venture with an Australian subsidiary of Sinosteel Corporation and the Eastern Range mine is owned in joint venture with the Shanghai Baosteel Group Corporation.

RTIO also includes Rio Tinto s 53 per cent interest in Robe River Iron Associates two mines in Western Australia and Rio Tinto s 58.7 per cent interest in Iron Ore Company of Canada. The Iron Ore group operates both enterprises, which were acquired in 2000. In 2005, RTIO assumed management of Rio Tinto Brasil which has a 100 per cent interest in Mineração Corumbaense Reunida, known as Corumbá.

In addition, RTIO includes the HIsmelt® direct smelting technology developed in Western Australia and interests in resources held globally, including the Orissa, India, and Simandou, Guinea, projects.

Following the agreement reached in 2003 with the joint venture partners in Robe River, Pilbara Iron was formed to allow closer cooperation between Hamersley and Robe, and enable RTIO s iron ore assets in the Pilbara to be run as an optimised and integrated operation. Coordination arrangements continued to be implemented during 2005, including the interconnection of Hamersley and Robe s power systems.

RTIO Expansion Projects was created in 2003 to manage the growing portfolio of projects and studies in the Pilbara. The Expansion Projects team operates closely with Pilbara Iron, but is managed independently in order to minimise the impact on operations through project study and implementation phases.

At 31 December 2005, the group accounted for 28 per cent of Rio Tinto s operating assets. In 2005, the group contributed approximately 27 per cent of the Group s gross turnover and 35 per cent of underlying earnings.

For the contract year commencing April 2005 RTIO reached agreement with customers on price increases of 71.5 per cent for lump, fine and Yandi ore. For the contract year commencing April 2006 RTIO reached agreement with customers on price increases for its products of 19 per cent.

RTIO recruited strongly during 2005 to meet the workforce requirements of the expanding operations, with more than 1,000 new employees joining Pilbara Iron and Expansion Projects. RTIO employs approximately 4,300 people in Western Australia and about 6,500 worldwide. Sam Walsh is chief executive, based in Perth, Western Australia.

Financial performance

2005 compared with 2004

RTIO s contribution to 2005 underlying earnings was US$1,722 million, US$1,157 million higher than in 2004.

Demand for iron ore continued to be extremely strong across the product range throughout 2005, driven by continued strong growth in global steel production and improvements in steel demand. Chinese iron ore imports rose 30 per cent year on year, and Hamersley, Robe, IOC and Corumbá all achieved record production in 2005.

The first phases of major expansions to the Pilbara infrastructure (Dampier port to 116 million tonnes per annum, Yandi mine to 36 million tonnes per annum and West Angelas mine to 25 million tonnes per annum) were completed in 2005, and substantial progress made on the brownfields mine expansion projects announced in April 2005.

In October 2005 RTIO announced the next phase of expansion, which is expected to increase Dampier port capacity to 140 million tonnes per annum and Yandi mine capacity to 52 million tonnes per annum. This US$1.35 billion commitment takes to almost US$3 billion the total committed over the last two years to increase the capacity of the Hamersley and Robe port, rail, power and mine assets.

In July 2005, RTIO reached agreement to form a 50:50 joint venture with Hancock Prospecting for the development of the Hope Downs project. The purchase was subject to various regulatory approvals, which were granted during April 2006, and the acquisition process is proceeding. Hope Downs contains significant iron deposits of similar quality to West Angelas. Development of the deposits will further strengthen RTIO s position as the prime supplier of iron ore in Australia. Under the joint venture, RTIO will manage the development and ongoing operation of the assets, and the project will use Pilbara Iron managed port, rail and power infrastructure.

The commercial HIsmelt® plant built at Kwinana in Western Australia entered its commissioning phase in April 2005, with the first quantities of hot metal produced in mid-June 2005.

Hamersley Iron (Rio Tinto: 100 per cent)

Hamersley Iron operates seven mines in Western Australia, including two mines in joint venture, 630 kilometres of dedicated railway, and port and infrastructure facilities located at Dampier. These assets are run as a single operation managed and maintained by Pilbara Iron.

The port expansion to 116 million tonnes has been progressively commissioned since mid-2005, and 5.7 million tonnes of ore had passed across the new wharf by year end. Commissioning of the Yandicoogina expansion to 36 million tonnes per annum was completed ahead of schedule in October.

During the year, work continued on expanding or augmenting rail, power and other infrastructure to complement the expanded port and mine capabilities. Hamersley and Robe s power systems were interconnected, and generation capacity at Paraburdoo was expanded and converted to gas.

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In 2005, Hamersley completed option analysis studies to further increase its system capacity to ensure its continued ability to meet the needs of customers and the strong growth in demand for iron ore, particularly in China.

In April RTIO committed US$290 million to further expand Mount Tom Price, Marandoo and Nammuldi. During 2006 these projects are expected to begin to add 15 million tonnes per annum additional capacity for at least three years.

In October 2005, Rio Tinto approved a further US$1.35 billion to expand Dampier port and the Yandicoogina mine.

The port expansion is expected to increase Dampier s export capacity from 116 million tonnes per annum to 140 million tonnes per annum through the replacement of existing circuits. The Yandicoogina mine expansion is expected to increase its output from 36 million tonnes per annum to 52 million tonnes per annum. Both are expected to be completed at the end of 2007 with progressive ramp up in 2008.

Work also continued on pre-development studies for new mines.

2005 operating performance

Hamersley Iron s total production in 2005 was 89.6 million tonnes, 11.5 million tonnes more than in 2004, notwithstanding the volume of expansion work underway across the business. Rio Tinto s share of this production was 86.1 million tonnes.

Shipments by Hamersley totalled 90.1 million tonnes, including sales through joint ventures. Hamersley s shipments to China also reached a new record level at 49.5 million tonnes, securing China s place as the single largest destination for Hamersley iron ore.

Production from all mines was stretched to achieve these levels, placing cost and other operating stresses on the Hamersley system, although less so than in 2004.

Hamersley continued to work sustainable development principles into its daily operations throughout the year. Full accreditation was achieved for all Pilbara Iron sites under ISO 14001.

Hamersley s lost time injury frequency rate remained the same as 2004 at 0.60.

	Million tonnes
Hamersley s total sales of iron ore to major markets in 2005	
China	49.5
Japan	24.5
Other Asia	14.1
Europe	2.0
Total	**90.1**

Note

This table includes 100 per cent of all sales through joint ventures.

Robe River Iron Associates (Rio Tinto: 53 per cent)

Robe River Iron Associates (Robe) is an unincorporated joint venture in which Mitsui (33 per cent), Nippon Steel (10.5 per cent) and Sumitomo Metal Industries (3.5 per cent) also have interests. Robe is the world s fourth largest seaborne trader in iron ore, employing approximately 1,000 people, with many employees transferred to Pilbara Iron.

Robe operates two open pit mining operations in Western Australia. Mesa J is located in the Robe Valley, north of the town of Pannawonica. The mine produces Robe River fines and lump, which are pisolitic iron ore products. The West Angelas mine, opened in 2002, is located approximately 100 kilometres west of the town of Newman. The mine produces West Angelas fines and lump, which are Marra Mamba iron ore products.

Further expansion of the West Angelas mine was completed ahead of schedule in October 2005, taking the mine s production capacity to 25 million tonnes per annum. This US$105 million project increased Robe s production capacity to a nominal 57 million tonnes per year.

Robe uses a dedicated rail system, operated by Pilbara Iron, to transport ore from its mines to the company s deepwater port facilities at Cape Lambert. The US$200 million rail expansion project to duplicate almost 100 kilometres of track and associated interconnection and infrastructure to increase the capacity of the Pilbara Iron main line is progressing well, with the southern section completed in 2005 and the northern section on schedule for completion in mid-2006.

Robe primarily exports under medium and long term supply contracts with major integrated steel mill customers in Japan, Europe, South Korea and China.

2005 operating performance

Robe s total production in 2005 was 52.4 million tonnes, comprising 31.0 million tonnes from Mesa J, and 21.4 million tonnes from West Angelas. Sales were 31.1 million tonnes of Mesa J and 21.5 million tonnes of West Angelas products.

Sales growth was based on increased production from West Angelas and focused primarily on China, where Robe achieved record total sales of 17.5 million tonnes. Overall, Japan remains Robe s largest market with total shipments in 2005 of more than 26 million tonnes.

Improved understanding of the orebody at West Angelas resulted in a change in mining strategy, using in-pit stockpiles to reduce grade variation.

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Safety performance improved, with Robe recording a lost time frequency rate of 0.46 compared with 1.03 in 2004, helping to reduce Pilbara Iron s rate of 0.51 from 0.71 in 2004.

	Million tonnes
Robe s total sales of iron ore to major markets in 2005	
Japan	26.1
China	17.5
Europe	7.3
Other Asia	1.7
Total	52.6

Iron Ore Company of Canada (Rio Tinto: 58.7 per cent)

Rio Tinto s interest in Iron Ore Company of Canada (IOC) is 58.7 per cent. Mitsubishi (26.2 per cent) and the Labrador Iron Ore Royalty Income Fund (15.1 per cent) are also shareholders in IOC, Canada s largest iron ore pellet producer. IOC operates an open pit mine, concentrator and pellet plant at Labrador City, Newfoundland and Labrador, together with a 420 kilometre railway to port facilities and the partially refurbished pellet plant at Sept-Iles, Quebec. IOC has large quantities of ore reserves with low levels of contaminants.

Products are transported on IOC s railway to Sept-Îles. The port is open all year, handles ore carriers of up to 255,000 tonnes, and provides competitive access to all seaborne pellet markets and to the North American Great Lakes region. IOC exports its concentrate and pellet products to major North American, European and Asian steel makers.

IOC employs approximately 1,750 people.

2005 operating performance

Strong demand for IOC products in 2005 resulted in record pellet sales of 12.9 million tonnes and concentrate sales of 2.1 million tonnes. IOC produced 13.3 million tonnes of pellets, beating the previous record by more than ten per cent, and produced 2.3 million tonnes of concentrate for sale. The new labour agreement signed in late 2004 has delivered significant productivity increases. IOC continues to reduce unit costs and achieve incremental production improvement through its ongoing Renewal business improvement programme, which commenced in 2002. IOC is currently evaluating options to increase both pellet and concentrate production.

IOC received accreditation under ISO 14001 in 2005.

	Million tonnes
IOC s total sales of iron ore to major markets in 2005	
Europe	6.8
North America	4.8
Asia Pacific	3.4
Total	15.0

Mineração Corumbaense Reunida (Corumbá) (Rio Tinto: 100 per cent)

Corumbá produced 1.4 million tonnes of lump iron ore in 2005, and sold 1.3 million tonnes which was barged along the Paraguay River to South American and European customers. During the year, the mine and plant were expanded to two million tonnes per annum capacity, and a new barge convoy was added to the fleet. The feasibility of expanding production at the mine in stages to 15 million tonnes per annum is under study. Logistic options are being considered for expanded export sales, including supplies to a proposed steel making project at Corumbá. Corumbá has over 200 million tonnes of reserves. There are approximately 450 employees.

HIsmelt® (Rio Tinto: 60 per cent)

The HIsmelt® iron making project at Kwinana in Western Australia is a joint venture between Rio Tinto (60 per cent interest through its subsidiary, HIsmelt® Corporation), US steelmaker Nucor Corporation (25 per cent), Mitsubishi Corporation (ten per cent), and Chinese steelmaker Shougang Corporation (five per cent). The project has received approval for Australian federal government support of A$125 million.

The HIsmelt® process is a direct iron smelting technology developed largely by Rio Tinto that converts iron ore fines into high quality pig iron (96 per cent iron content) without the use of coke ovens and sinter plants. Notably, the technology allows efficient processing of ore fines with higher levels of impurities.

A pilot plant to demonstrate the technology has been expanded to commercial scale at a cost of US$200 million. During 2005 the plant moved into operating phase and will now ramp up production. It is expected to reach its full production rate of 800,000 tonnes per year over the next three years. The iron produced will be sold as pig iron once sufficient stocks have been built up.

Hot commissioning began in April 2005, with the first quantities of hot metal produced in mid June 2005. Production of the first 1,000 tonnes triggered the release of A$50 million in federal government assistance for joint user infrastructure at the Kwinana site, in November 2005. Up to 31 March 2006 the plant has produced more than 13,000 tonnes of hot metal. HIsmelt® has approximately 100 employees.

HIsmelt® has signed two process licence agreements with Chinese steelmakers to allow for the development of ironmaking facilities using HIsmelt® technology, using the facility at Kwinana as a template.

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Iron ore group projects

Hope Downs (Rio Tinto: 50 per cent)

Agreement was reached in July 2005 to purchase a 50 per cent interest in the Hope Downs project which will be developed by Rio Tinto under an unincorporated joint venture with Hancock Prospecting Pty.

Following Western Australian Government approval and ratification of the Hope Downs Joint Venture in April 2006 it was announced that an immediate start would be made on the construction of the US$1.0 billion project. Stage one, at an estimated cost of US$590 million is expected to have an annual capacity of 22 million tonnes, with first production expected in early 2008. On completion of Stage two the annual capacity of the mine is expected to be 30 million tonnes.

In addition Rio Tinto would commit US$390 million to the capital cost of the rail, rolling stock and power infrastructure required for this development.

Orissa, India (Rio Tinto: 51 per cent)

Orissa is one of the key iron ore regions of the world. RTIO has a 51 per cent interest in Rio Tinto Orissa Mining, a joint venture with the state owned Orissa Mining Company. The joint venture holds rights to iron ore leases in Orissa, which it is seeking to develop. Rio Tinto is keen to participate in the development of the Indian iron ore sector through its joint venture, and has appointed a project director to expedite the development of operations in India.

With economic growth in India forecast to continue strongly, supporting a growing domestic steel industry, discussions have continued with major domestic steel companies.

Simandou (Rio Tinto: 100 per cent)

The Simandou deposit in Guinea, west Africa, is a greenfields discovery with potential to host significant resources of high grade iron ore. Simandou moved from Rio Tinto Exploration to full project status as part of RTIO in October 2004. A prefeasibility study, scheduled for completion at the end of 2006, will assess mining and transport options necessary to bring Simandou into production as quickly as possible.

ENERGY GROUP

Coal	**Energy**
(Rio Tinto share)	Underlying Earnings
millions tonnes	contribution*
MINED	**US$m**

* The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS.

The Rio Tinto Energy Group comprises uranium, thermal coal and coking coal operations. Rio Tinto Energy group s coal interests are in Australia and the US. They supply internationally traded and domestic US and Australian markets. The portfolio also includes Rössing Uranium in Namibia and Energy Resources of Australia which supply uranium oxide for electricity generation.

In December 2005 Energy Resources of Australia Ltd (ERA) and Rössing Uranium approved the appointment of Rio Tinto Uranium to undertake marketing and sales services and sales contract administration for them. Rio Tinto Uranium will undertake a centralised marketing role for Rio Tinto s two uranium producers through a network of representatives in key markets. This will give a single point of contact for customers and greater efficiencies for ERA and Rössing.

The Energy group is a leading advocate of, and investor in, the sustainable development aspects of the future uses of coal and uranium. In 2005 the Energy group dedicated resources and investment funds to the FutureGen project in the US, the COAL21 project in Australia and the International Energy Agency Clean Coal Centre.

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At 31 December 2005, the Energy group accounted for 14 per cent of Group operating assets and, in 2005, contributed 19 per cent of Rio Tinto s gross turnover and 15 per cent of underlying earnings.

Preston Chiaro, chief executive Energy, is based in London.

Financial performance

2005 compared with 2004

The Energy group s 2005 contribution to underlying earnings was US$733 million, US$302 million higher than in 2004.

Results benefited from a significant increase in the price received for both thermal and coking coal during 2005. Third party infrastructure issues continued to impede production growth in all of the coal operations. Operations focused on shifting emphasis to high margin products and facilitating the further expansion of the Hail Creek mine into a strong market for coking coal. The inability to reap the required economies of scale and the rise in fuel prices and explosives resulted in a rise in the unit cost of production across the group.

Spot prices for uranium oxide strengthened considerably during the period increasing from US$20.43 at the beginning of the year to close at US$36.00 in December 2005. The significant rise in the spot price of uranium oxide during the period is not fully reflected in the current earnings. Uranium oxide is typically sold on long term contracts with pricing determined several years out. The impact of the 2005 pricing levels is expected to flow through to earnings in future years.

Rio Tinto Energy America (Rio Tinto: 100 per cent)

Rio Tinto Energy America (RTEA) (formerly Kennecott Energy) wholly owns and operates four open cut coal mines in the Powder River Basin of Montana and Wyoming, US and has a 50 per cent interest in, but does not operate, the Decker mine in Montana. RTEA also manages the group s interest in Colowyo Coal in Colorado, US. In total it employs approximately 2,000 people.

One of the largest US producers, RTEA sells its ultra low sulphur coal to electricity generators predominantly in mid western and southern states. Sales are made under multiple year contracts and on a spot basis for one year or less.

The domestic US market for low sulphur coal continues to grow due to its competitive cost per delivered energy unit and restrictions on sulphur emissions by utilities. For example, the price of sulphur emission allowances (a reward for higher specification coal) increased during the period from US$800 to US$1,700 per tonne of emissions. Continued strong demand for low cost and low sulphur western coal is expected to increase with the announcement of numerous new coal fired generation projects and increased utilisation of existing coal generation capacity in the US.

2005 operating performance

RTEA s attributable production of 116 million tonnes of coal was two per cent lower than in 2004 primarily as a result of third party rail line disruptions. During 2005 production records were set at the premium coal producing Spring Creek and Antelope mines. Underlying earnings of US$135 million were 25 per cent lower than 2004 earnings of US$180 million. This decrease was due to lower overall production, a higher effective tax rate, and increased operational costs, particularly the cost of diesel fuel and explosives.

Spot prices increased substantially during the period. The spot price for 8800 BTU (0.80 sulphur) increased from US$6.00 per ton to US$22.50 per ton for delivery in the first quarter of 2006.

Safety performance improved again in 2005 compared to 2004, with the Spring Creek mine continuing to set new safety records. RTEA s lost time injury frequency rate declined from 0.69 to 0.42 in 2005.

Rio Tinto Coal Australia (Rio Tinto: 100 per cent)

Rio Tinto Coal Australia (RTCA), formerly Pacific Coal, manages the Group s Australian coal interests. These include in Queensland the Blair Athol (Rio Tinto: 71 per cent), Kestrel (Rio Tinto: 80 per cent), Tarong (Rio Tinto: 100 per cent) and Hail Creek (Rio Tinto: 82 per cent) coal mines and the Clermont deposit (Rio Tinto: 50 per cent).

RTCA also provides management services to Coal & Allied Industries (Coal & Allied) for operation of its four mines located within the Hunter Valley in New South Wales. Coal & Allied (Rio Tinto: 75.7 per cent) is publicly listed on the Australian Stock Exchange and had a market capitalisation of A$4.46 billion (US$3.27 billion) at 31 December 2005. Coal & Allied wholly owns Hunter Valley Operations, has an 80 per cent interest in Mount Thorley Operations and a 55.6 per cent interest in the contiguous Warkworth mine, and a 40 per cent interest in the Bengalla mine which abuts its wholly owned Mount Pleasant development project. Coal & Allied also has a 37 per cent interest in Port Waratah Coal Services coal loading terminal.

About 60 per cent of Blair Athol thermal coal is sold to its two Japanese joint venture partners under contracts extending to 2008 and 2010. The rest is sold by long term and annual agreements to European and southeast Asian customers.

Production from the Tarong mine is sold exclusively to Tarong Energy Corporation, an adjacent state owned power utility. A ten year contract for up to 7.5 million tonnes annually expires at the end of 2010.

Kestrel, the only underground mine in the portfolio, sells mainly metallurgical coal to customers in Japan, south east Asia, Europe and Central America generally on annual agreements.

Following the first commercial shipments in October 2003, the Hail Creek coking coal mine increased its production from 5.1 million tonnes in 2004 to 5.9 million tonnes during 2005.

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Coal & Allied produces thermal and semi soft coal. Most of its thermal coal is sold under contracts to electrical or industrial customers in Japan, Korea and elsewhere in Asia. The balance is sold in Europe and Australia. Coal & Allied s semi soft coal is exported to steel producing customers in Asia and Europe under a combination of long term contracts and spot business.

RTCA and Coal & Allied collectively employ approximately 2,200 people.

2005 operating performance

RTCA and Coal & Allied combined underlying earnings of US$572 million in 2005 were 142 per cent higher than in 2004 due to increased production from Hail Creek and improved prices.

At all operations other than Tarong and Kestrel sales were constrained by insufficient infrastructure to meet producer demand. Blair Athol and Hail Creek shipments were both affected by infrastructure constraints at the Dalrymple Bay Coal Terminal (DBCT) whereas Coal & Allied mines were similarly affected at Port Waratah. The Port Waratah Coal Services Port Allocation System was introduced in April 2004 to limit ship queues and reduce demurrage. Its successor, the Capacity Balancing System, which will continue at least through 2007, enables producers to swap and trade surplus capacity. In April 2005 the Australian Competition and Consumer Commission granted authorisation for a similar queue management system at DBCT. The queue system allocates the scarce capacity at the port and associated rail system until 2008 when new capacity is expected to become available.

Production decreased at Blair Athol from 12.2 million tonnes to 10.6 million tonnes primarily as a result of shifting limited port capacity to Hail Creek product. Kestrel s production increased 13 per cent to 3.7 million tonnes in 2005 including 2.9 million tonnes of coking coal. At Tarong, production decreased by eight per cent to 6.5 million tonnes in line with decreased demand from Tarong Energy Corporation. Hail Creek production was 5.9 million tonnes of which 5.2 million tonnes were shipped.

At Hunter Valley Operations production decreased from 13.3 million tonnes to 12.4 million tonnes while sales were 12.8 million tonnes. The integrated Mount Thorley Warkworth operations held production at 10.3 million tonnes while sales were 10.9 million tonnes. At Bengalla, production increased from 5.3 million tonnes to 6.0 million tonnes while sales were 5.4 million tonnes.

Safety performance and awareness continues to be a major focus of all operations managed by RTCA. The overall lost time injury frequency rate declined from 1.29 in 2004 to 0.52 in 2005.

Rössing Uranium (Rio Tinto: 68.6 per cent)

Rössing produces and exports uranium oxide from Namibia to European, US and Asia Pacific electricity producers. In December 2005, approval was granted to extend the life of the operation until at least 2016 and restore annual production capacity to 4,000 tonnes per annum at a total incremental and sustaining capital cost of US$112 million. Rössing employs approximately 800 people.

2005 operating performance

In 2005 production increased by four per cent to 3,700 tonnes of uranium oxide as a result of higher plant availability and improved market conditions. Higher realised prices were somewhat offset by the further strengthening of the Namibian dollar against the US dollar resulting in a US$2 million underlying earnings contribution in 2005.

In 2005, Rössing regrettably suffered a fatality at the operation. Rössing continues to put a significant effort and management focus on safety. The focus is to eliminate all injuries from the workplace and to have an embedded safety culture and systems that identify and rectify potential safety incidents. The lost time injury frequency rate for 2005 rose to 0.48 from 0.08 in 2004.

Energy Resources of Australia (Rio Tinto: 68.4 per cent)

Energy Resources of Australia Ltd (ERA) is publicly listed and had a market capitalisation of A$1.88 billion (US$1.38 billion) at 31 December 2005. ERA employs approximately 300 people with 13 per cent of the operational workforce represented by Aboriginal people.

ERA produces uranium oxide at the Ranger open pit mine, 260 kilometres east of Darwin in the Northern Territory. ERA also has title to the nearby Jabiluka mineral lease, which in 2003 was put on long term care and maintenance.

Ranger has a 5,500 tonnes per year nameplate capacity and started production in 1981. ERA s operations including Jabiluka are surrounded by, but remain separate from, the World Heritage listed Kakadu National Park and especially stringent environmental requirements and governmental oversight apply.

2005 operating performance

Uranium oxide production of 5,900 tonnes was above the 5,100 tonnes produced the previous year. Sales tonnes were 5,688, a 1.5 per cent increase on 2004 sales and a new record for the company. Stronger prices were partially offset by higher fuel prices and consumables resulting in underlying earnings of US$24 million, an increase of US$5 million from 2004.

Safety performance improved considerably with a reduction in lost time injury frequency rate from 3.37 in 2004 to 0.91 in 2005.

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INDUSTRIAL MINERALS GROUP

Borates	**Titanium dioxide**	**Industrial Minerals**
(Rio Tinto share)	(Rio Tinto share)	Underlying
000 tonnes B_2O_3	000 tonnes	Earnings contribution*
PRODUCTION	**PRODUCTION**	**US$m**

* The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS.

Rio Tinto s Industrial Minerals group produces borates, talc, industrial salt, and titanium dioxide feedstock. It is a global leader in the supply and science of these products. Beginning in 2006, Rio Tinto Borax, Luzenac Talc and Dampier Salt are combining their management and systems to form a new organisation, Rio Tinto Minerals. Together with Rio Tinto Iron & Titanium, the two will form the Industrial Minerals product group effective in 2007.

At 31 December 2005, Industrial Minerals accounted for 14 per cent of the Group s operating assets and contributed approximately 12 per cent of Rio Tinto s gross turnover and four per cent of underlying earnings in 2005. Approximately 7,000 people were employed in 2005.

Andrew Mackenzie, chief executive Industrial Minerals, is based in London.

Financial performance

2005 compared with 2004

Industrial Minerals contribution to 2005 underlying earnings was US$187 million, 23 per cent lower than in 2004, reflecting significant one-off costs of US$42 million after tax, including provision for Minerals restructuring in relation to the formation of Rio Tinto Minerals. There were also increased energy and distribution costs at all business units.

Dampier Salt and Rio Tinto Iron & Titanium incurred high initial operating costs for commissioning of a new plant and the upgraded titanium slag (UGS) expansion respectively. Rio Tinto Iron and Titanium also incurred a tax expense of US$13 million resulting from a change in the tax rate for QIT-Fer et Titane in Quebec.

Rio Tinto Borax s earnings were 48 per cent lower at US$48 million. The borates business was impacted by lower sales volumes and increasing energy and distribution costs. Rio Tinto Borax also incurred a one-off restructuring cost of US$12 million after tax in relation to the formation of Rio Tinto Minerals.

Rio Tinto Iron & Titanium earnings at US$128 million were ten per cent higher than in 2004. Strong price performance across all products, combined with increased volumes and strict cost performance at Richards Bay Minerals led to this strong performance.

Rio Tinto Minerals

Rio Tinto Borax (Rio Tinto: 100 per cent)

Rio Tinto Borax s Boron mine in California s Mojave Desert is the world s largest borate mine by volume. Borates are used in the US for vitreous applications, such as fibreglass, glass wool, high temperature glasses and enamels. The perborate industry, a major market in Europe, uses borates as bleach in detergents. Other uses include ceramics, fertilisers, flame retardants, wood preservatives and corrosion inhibitors.

Rio Tinto Borax s US and UK research laboratories provide technical support and participate in collaborative projects with customers.

2005 operating performance

Production volumes were steady at 560,000 tonnes. Sales volumes were three per cent lower than 2004, in both North America and Europe as a result of increased competition and economic slowing. However, the borate markets continue to benefit from a robust North American housing market, a strong thin film transistor (TFT) liquid crystal display (LCD) market in Asia and the continued penetration of borates used for wood preservation. Hurricanes Katrina and Rita further weakened North American sales performance during the second half as customer s product supply chains were disrupted. In some cases production lines were dedicated entirely to non-borate containing building materials in order to

maximize throughput and provide assistance during the relief efforts.

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An approximate 30,000 tonne expansion of the boric acid plant at Boron (about ten per cent of current capacity) was completed in May 2005 on time and under budget, delivering planned throughput. A further 56,000 tonnes increase is under construction. This project is on plan and on budget with a planned start up date of the end of the second quarter of 2006.

Luzenac Group (Rio Tinto: 100 per cent)

The Luzenac Group operates talc mines, including the world s largest, in south west France, and processing facilities in Australia, Austria, Belgium, Canada, France, Italy, Japan, Mexico, Spain, the UK and the US. Rio Tinto acquired the last remaining Luzenac shareholding during 2005, taking its ownership from 99.9 per cent to 100 per cent.

Luzenac products are used internationally. Principal uses are in paper, paints, cosmetics, ceramics, agricultural and plastics industries.

2005 operating performance

Luzenac made a US$3 million loss in 2005 as a result of a US$18 million provision taken in relation to restructuring costs on the formation of Rio Tinto Minerals. Luzenac s production in 2005 was two per cent lower than 2004 at 1.41 million tonnes.

Likewise sales volumes were slightly lower than 2004, while prices showed a slight improvement.

Dampier Salt (Rio Tinto: 64.9 per cent)

Dampier Salt is the world s largest salt exporter. It produces industrial salt by solar evaporation at Dampier, Port Hedland and Lake MacLeod, where it also mines gypsum, in Western Australia.

The chemical industry in Asia is the principal customer for Dampier s salt while gypsum s main use is in wallboard and cement manufacture.

2005 operating performance

Dampier Salt s earnings in 2005 were US$14 million, slightly above 2004 earnings of US$13 million. While trading conditions were improved through higher volumes, earnings were impacted by difficulties during the commissioning of a new process plant at Dampier and escalating costs in north western Australia. Salt production was 15 per cent higher than in 2004, at 8.5 million tonnes (Rio Tinto share: 5.5 million tonnes).

Rio Tinto Iron & Titanium (Rio Tinto: 100 per cent)

Rio Tinto Iron & Titanium (RIT) comprises the wholly owned QIT-Fer et Titane (QIT) in Quebec, Canada and the 50 per cent interest in Richards Bay Minerals (RBM) in KwaZulu-Natal, South Africa. Both produce titanium dioxide feedstock used by customers to manufacture pigments for paints and surface coatings, plastics and paper, as well as iron and zircon co-products.

QIT s proprietary process technology enables it to supply both the sulphate and chloride pigment manufacturing methods. Its upgraded slag (UGS) plant supplies the growing chloride sector and is designed for expansion in line with demand up to a capacity of 600,000 tonnes per year. During 2005 RIT delivered an expansion of its UGS plant to 325,000 tonnes per annum, and announced a further expansion to 375,000 tonnes which will be delivered in 2006.

RBM s ilmenite has a low alkali content which makes its feedstock suitable for the chloride pigment process. RBM has the capacity to produce one million tonnes of feedstock annually.

2005 operating performance

Production disruptions induced by hurricanes in the US gulf coast tightened supply, allowing pigment prices to increase throughout 2005, a factor in RIT s strong performance. Market conditions remained tight for chloride feedstocks, as chloride pigment plants continued to run at high utilisation rates.

Demand for very high grade feedstock products, such as QIT s upgraded titanium slag, remained strong. Sulphate markets continued to remain soft. Market conditions for RIT s iron and steel co-products remained strong in the first half of 2005 but fell in May as scrap prices declined due to weakening global demand and higher Chinese pig iron exports. Prices stabilised after September.

Zircon prices continued to increase in 2005, as markets continued to get stronger, reflecting a very tight global supply and demand balance. Zircon production was 16 per cent higher than in 2004. Titanium dioxide feedstock production was ten per cent higher than in 2004, principally due to RBM s contribution which reflected the return to full production of a furnace. Likewise, upgraded titanium slag production was 15 per cent higher than in 2004 due to the UGS expansion,

Industrial minerals group projects

QIT Madagascar Minerals (Rio Tinto: 80 per cent)

RIT manages QIT Madagascar Minerals (QMM), in which an agency of the Government of Madagascar has a 20 per cent interest. QMM was formed to evaluate large mineral sand deposits in the south east of Madagascar.

In 2005 Rio Tinto announced the approval of a US$775 million titanium dioxide project. The project comprises a US$585 million mineral sands operation and port in Madagascar and a US$190 million upgrade of Rio Tinto s ilmenite facilities in Canada. First production from the operation in the Fort Dauphin region is expected in late 2008 and the initial capacity will be 750,000 tonnes per year of ilmenite.

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The ilmenite will be smelted at Rio Tinto s facilities at Sorel in Quebec. This will require an upgrade of storage and handling facilities as well as their associated ancillary services. With a grade of 60 per cent titanium dioxide, the Madagascar orebody is the largest known undeveloped high grade ilmenite deposit. It has an expected mine life of 40 years and will supply a new, high quality chloride slag with 91 per cent titanium dioxide content to meet long term demand for titanium dioxide by the pigment industry.

A deep sea multi-use public port at Ehoala, near the town of Fort Dauphin, will be an important component of the project. The mine will be a key initial customer, providing the base load to help establish the port. Over time, it is expected the port will make an important contribution to economic development of the region.

The Government of Madagascar has agreed to contribute US$35 million to the establishment of the port, as part of its Growth Poles Project funded by the World Bank. QMM will manage the port operations. At the end of the life of the mine, the port will fall under the responsibility and control of the Government of Madagascar.

Extensive engagement and consultation with the Government of Madagascar and local people and leaders has taken place over many years. The World Bank is involved in a development role and NGOs, including the Royal Botanic Gardens Kew and Missouri Botanical Gardens, have been involved in planning environmental and conservation strategies.

Potasio Rio Colorado SA (Rio Tinto: 100 per cent)

Rio Tinto has exercised its option to acquire 100 per cent of Potasio Rio Colorado S.A. and take ownership of the potash project it has been evaluating since 2003.

The decision to exercise the option early was based on the positive results of evaluation work to date. The resource is large scale and of high mineralogical and structural quality and consistency. However, much work remains to be done before Rio Tinto makes a decision to take the project into production.

Assuming positive progress of the project, it is expected that a final feasibility study will be completed by the end of 2006 and subject to the outcome, development could take place from early 2007 with first production in the middle of 2009. Production volumes currently being evaluated are in the range of 1.6 to 2.4 million tonnes per annum.

ALUMINIUM GROUP

Weipa bauxite	**Alumina**	**Aluminium**	**Rio Tinto Aluminium**
(Rio Tinto share)	(Rio Tinto share)	(Rio Tinto share)	Underlying
million tonnes	000 tonnes	000 tonnes	Earnings contribution*
MINED	**PRODUCTION**	**PRODUCTION**	**US$m**

* The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS.

Rio Tinto Aluminium (RTA) is made up of Rio Tinto s wholly owned, group integrated aluminium subsidiary, Comalco, and its 51 per cent share in Anglesey Aluminium.

At 31 December 2005, the Aluminium group accounted for 21 per cent of Rio Tinto s operating assets and in 2005 contributed 13 per cent of Group gross turnover and eight per cent of underlying earnings.

Oscar Groeneveld, chief executive Aluminium, is based in Brisbane, Australia.

Financial performance

2005 compared with 2004

RTA s contribution to 2005 underlying earnings was US$392 million, an increase of 18 per cent.

Stronger aluminium prices increased earnings by US$106 million with the average aluminium price in 2005 at 86 US cents per pound compared with 78 US cents per pound in 2004. The effect of the weakening US currency reduced Aluminium s earnings by US$34 million.

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Rio Tinto Aluminium (Rio Tinto: 100 per cent)

Rio Tinto Aluminium (RTA) is a major supplier of bauxite, alumina and primary aluminium to world markets. It employs about 4,300 people.

RTA has a large, wholly owned bauxite mine at Weipa on Cape York Peninsula, Queensland. A US$150 million mine expansion was completed on time to supply the bauxite requirements of the Comalco Alumina Refinery. Approximately 90 per cent of the bauxite from Weipa is shipped to alumina refineries at Gladstone, Queensland, and Sardinia, Italy.

Construction of the first stage of the wholly owned Comalco Alumina Refinery at Gladstone in Queensland was completed in late 2004, ahead of schedule and close to the budget of US$750 million. Rated capacity is expected to be reached by the end of 2006. There is potential for capacity to be increased to over four million tonnes. The majority of the refinery s Stage One output will go into RTA smelters. The balance will be placed in the traded alumina market. The refinery enables RTA to add further value to the Weipa bauxite deposit and strengthen both RTA s and Australia s positions in the world alumina market.

RTA owns 38.6 per cent of Queensland Alumina Limited in Gladstone, the world s largest alumina refinery in terms of production and also owns 56.2 per cent of the Eurallumina refinery in Sardinia, Italy. RTA s primary aluminium is produced by smelters at Boyne Island at Gladstone (59.4 per cent), Bell Bay (100 per cent) in Tasmania, Tiwai Point (79.4 per cent) in New Zealand and Anglesey Aluminium (51 per cent) in Wales, UK.

In 2003, Comalco signed a long term alumina supply agreement with Norsk Hydro, to supply 300,000 tonnes of alumina in 2005 and then 500,000 tonnes of alumina per year for more than 20 years. This agreement underpins the investment in the Comalco Alumina Refinery.

2005 operating performance

Bauxite production at Weipa reached record levels in 2005 at 15.5 million tonnes, 22 per cent higher than in 2004. This was due to the successful commissioning of the first stage of Project NeWeipa, which led to increased production from both the East Weipa and Andoom mines.

Weipa bauxite shipments increased 22 per cent, to 15.0 million tonnes.

Rio Tinto s share of alumina production for 2005 was 33 per cent higher than 2004. Comalco Alumina Refinery produced 835,000 tonnes as efforts continued to improve the reliability of the pumps feeding the digestion circuit. QAL production increased by five per cent compared to 2004, a record production for the refinery. Eurallumina production increased one per cent over 2004 levels.

RTA s share of aluminium production from its four smelters, at 854,000 tonnes, was 17,000 tonnes above 2004 production. Attributable metal shipments for 2005 were 859,000 tonnes, an increase of 18,000 tonnes, and went to primarily Japan, Korea, Australia, South East Asia and Europe.

Aluminium group projects

Weipa mine expansion (Rio Tinto 100 per cent)

In 2005, RTA continued to invest in the Weipa bauxite mine to underpin the 2004 expansion to a simultaneous mining operation. This investment included replacing the existing power station with a new US$40 million 26 megawatt power station. The new power station will service the mining operation and surrounding communities. The other major expenditure at Weipa was on a second US$60 million shiploader to ensure reliability of bauxite supply to customers. A further US$19 million was spent on additional tailings storage for the Andoom mine.

COPPER GROUP

Copper (Rio Tinto share) 000 tonnes **MINED**	**Copper** (Rio Tinto share) 000 tonnes **REFINED**	**Gold** (Rio Tinto share) 000 tonnes **MINED**	**Copper group** Underlying Earnings contribution* **US$m**

*

The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS.

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Rio Tinto s Copper group comprises Kennecott Utah Copper in the US and interests in the copper mines of Escondida in Chile, Grasberg in Indonesia, Northparkes in Australia, Palabora in South Africa, and the Resolution Copper project in the US. The group also has management responsibility for Kennecott Minerals Company in the US.

At 31 December 2005, the Copper group, which also produces gold and molybdenum as significant by-products, accounted for 17 per cent of the Group s operating assets and, in 2005, contributed approximately 23 per cent of Rio Tinto s gross turnover, of which 61 per cent was from copper, 20 per cent from molybdenum and the remainder mostly from gold. It accounted for 41 per cent of underlying earnings in 2005.

Tom Albanese, chief executive Copper and Exploration, is based in London. Bret Clayton will be appointed chief executive Copper on 1 July 2006, when Tom will be appointed director, Group Resources.

Financial performance

2005 compared with 2004

The Copper group s contribution to underlying earnings was US$2,020 million, US$1,160 million higher than in 2004. The average price of copper was 166 US cents per pound compared to 130 US cents in 2004. The average price of molybdenum was US$30.70 per pound compared to US$14.60 per pound in 2004. The average gold price of US$444 per ounce increased by nine per cent.

Kennecott Utah Copper s contribution to underlying earnings of US$1,037 million compared with US$311 million in 2004. Molybdenum production was significantly increased due to a refocus of the mine plan in response to significantly higher molybdenum prices.

Rio Tinto s share of underlying earnings from Escondida increased by US$196 million to US$602 million. Mined production of copper was up five per cent.

The underlying earnings contribution from the Grasberg joint venture increased by US$200 million to US$232 million chiefly as a result of the continuation of full production after the material slippage in October 2003.

Palabora recorded a profit of US$19 million in 2005 due to improved performance of underground production.

Kennecott Utah Copper (Rio Tinto: 100 per cent)

Kennecott Utah Copper (KUC) operates the Bingham Canyon mine, Copperton concentrator and Garfield smelter complex, near Salt Lake City, US.

KUC supplies more than ten per cent of annual US refined copper requirements and employs approximately 1,600 people.

KUC provides some management services to the wholly owned Barneys Canyon gold mine due to its proximity to Bingham Canyon. Mining and milling at Barneys Canyon ended in 2001 and gold production will cease after 2006. The operation employs about 20 people.

2005 operating performance

Performance in 2005 was dominated by molybdenum prices and production, which was achieved with some sacrifice of copper concentrate production. In order to take advantage of the strong market for molybdenum, mine production was optimised and an expansion of the molybdenum plant, which is designed to increase recoveries, was completed in June 2005. Molybdenum production was 130 per cent higher than in 2004. The focus on maximising molybdenum production enhanced overall margins notwithstanding a rise in associated costs.

Refined copper production was six per cent lower than in 2004. In addition to the lower copper grades as a result of optimising molybdenum production, production was also affected by a 17 day planned smelter maintenance shutdown. A further 45 day shutdown is planned for the second half of 2006, drawing on lessons learned from the successful shutdown in 2005.

A project to enlarge the Bingham Canyon open pit was approved in February 2005. The East 1 pushback is expected to extend the life of the open pit to 2017. Capital expenditure on the project is budgeted to be US$100 million for mine facilities, a concentrator upgrade and mobile equipment, and US$70 million after 2008 for the relocation of the in pit crusher and dewatering facilities. Mine development options from 2017 will be reviewed in the context of the decision to proceed with the East 1 pushback, and include various open pit and underground alternatives.

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	2003	2004	**2005**
Principal operating statistics at KUC 2003 2005			
Rock mined (000 tonnes)	135,204	129,196	**140,906**
Ore milled (000 tonnes)	46,105	45,712	**46,664**
Head grades			
Copper (%)	0.67	0.63	**0.53**
Gold (g/t)	0.29	0.29	**0.37**
Silver (g/t)	3.02	3.04	**3.23**
Molybdenum (%)	0.027	0.033	**0.058**
Copper concentrates produced (000 tonnes)	1,147	1,106	**881**
Production of metals in copper concentrates			
Copper (000 tonnes)	281.8	263.7	**220.6**
Gold (000 ounces)	305	308	**401**
Silver (000 ounces)	3,548	3,584	**3,958**
Molybdenum concentrates produced (000 tonnes)	8.8	12.9	**29.5**
Contained molybdenum (000 tonnes)	4.6	6.8	**15.6**
Concentrate smelted on site (000 tonnes)	1,060	1,098	**1,042**
Production of refined metals			
Copper (000 tonnes)	230.6	246.7	**232.0**
Gold (000 ounces)	308	300	**369**
Silver (000 ounces)	2,963	3,344	**3,538**

Grasberg joint venture (Rio Tinto: 40 per cent)

Grasberg, in Papua, Indonesia, is one of the world s largest copper and gold mines in terms of reserves and production. It is owned and operated by Freeport Indonesia (PTFI), the principal and 91 per cent owned subsidiary of the US based Freeport-McMoRan Copper & Gold Inc. (FCX).

To meet the mine s social obligations to local communities, at least one per cent of Grasberg s net sales revenues are committed to support village based programmes. In addition, two new trust funds were established in 2001 in recognition of the traditional land rights of the local Amungme and Komoro tribes. In 2005, PTFI contributed US$36 million (net of Rio Tinto portion) and Rio Tinto US$7 million in total to the funds.

As a result of training and educational programmes, Papuans represented more than a quarter of PTFI s approximately 9,000 workforce by the end of 2005.

2005 operating performance

Production in 2005 was significantly above 2004 when resources were dedicated to recovery from the 2003 material slippage. In 2005, Rio Tinto s share of production was calculated using the adjusted joint venture allocation, known as the metal strip, which was agreed upon in December 2004, subject to certain production targets being met by PTFI. As production from Grasberg fell short of the agreed targets, Rio Tinto received an additional 8,500 tonnes of copper as an increased allocation in December 2005.

	2003	2004	**2005**
Principal operating statistics for PTFI 2003-2005			
Ore milled (000 tonnes)	74,103	67,750	**78,907**
Head grades			
Copper (%)	1.09	0.87	**1.13**
Gold (g/t)	1.54	0.88	**1.65**
Silver (g/t)	4.03	3.85	**4.88**
Production of metals in concentrates			
Copper (000 tonnes)	715.8	516.4	**793.9**
Gold (000 ounces)	3,262	1,584	**3,546**
Silver (000 ounces)	6,474	5,037	**7,531**

Escondida (Rio Tinto: 30 per cent)

The low cost Escondida copper mine in Chile is one of the largest copper mines in the world by annual production, with a mine life expected to exceed 30 years. The mine accounts for approximately eight percent of world primary copper production. BHP Billiton owns 57.5 percent of Escondida and is the operator and product sales agent.

The Escondida district hosts two of the largest porphyry copper deposit systems in the world Escondida and Escondida Norte, located five kilometres from Escondida. Norte is expected to provide mill feed to maintain capacity at Escondida above 1.2 million tonnes per annum of copper in concentrate and cathode to the end of 2008 as existing Escondida mine grades decline. First production from Norte occurred in the fourth quarter of 2005 with the ramp up exceeding initial expectations. Low grade sulphide ore is currently being stockpiled for processing in a bioleaching facility that is currently under construction. The sulphide leach project involves the use of bacteria to leach copper from sulphide ores that would otherwise be discarded as waste. The project will produce 180,000 tonnes (Rio Tinto share 54,000 tonnes) of copper cathode metal per annum for more than 25 years. Initial cathode production is planned for the second half of 2006.

Escondida employs approximately 2,800 people directly, together with a similar number of contractor personnel.

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2005 operating performance

Escondida s mined copper production was five per cent higher than in 2004 largely due to higher milling rates at both concentrators. Ore delivery from Norte commenced in October and the harder composition of ore did not result in reduced milling rates as previously expected. Overall, Escondida ore tonnes milled were four per cent higher. Cathode production was five per cent lower than in 2004 due to lower grade oxide ore from unexpected high content of clay.

	2003	2004	**2005**
Principal operating statistics at Escondida 2003-2005			
Rock mined (000 tonnes)	300,386	377,356	**359,569**
Ore milled (000 tonnes)	70,347	82,378	**86,054**
Head grade			
Copper (%)	1.43	1.51	**1.53**
Production of metals in concentrates			
Copper (000 tonnes)	847	1,046	**1,127**
Gold (000 ounces)	184	217	**183**
Silver (000 ounces)	4,728	5,747	**6,565**
Copper cathode (000 tonnes)	147.6	152.1	**143.9**

Palabora (Rio Tinto: 47.2 per cent)

Palabora Mining Company (Palabora) is a publicly listed company on the Johannesburg Stock Exchange and operates a mine and smelter complex in South Africa.

Palabora has developed a US$465 million underground mine with a planned production rate of at least 30,000 tonnes per day of ore. Approximately 700,000 tonnes of copper are expected to be produced over the remaining life of the mine.

Palabora supplies most of South Africa s copper needs and exports the balance. It employs approximately 1,800 people and labour agreements are negotiated annually.

2005 operating performance

Palabora recorded a net profit of US$19 million compared with net loss of US$21 million in 2004. Underground production for the year averaged 27,500 tonnes per day which is 16 per cent higher than 2004.

Production rates peaked in the month of May at 32,000 tonnes per day after the introduction of an employee productivity scheme. The average annual production fell short of the target of 30,000 tonnes per day due to industrial action later in the year and maintenance issues on the north winder earlier in the year. The average ore grade was 0.72 per cent compared to 0.74 per cent in 2004.

As a result of mine production shortfalls and lower grades, concentrate production had to be supplemented by purchases of concentrate material to optimise smelter throughput. Palabora will continue to purchase concentrates to supplement the smelter as capacity exceeds the mine output.

In August, Palabora finalised its lending facilities and entered into hedge contracts which were required as part of the refinancing. Forward pricing contracts have been put in place representing 60 per cent of the budgeted underground production for the first three years and 30 per cent in the remaining five years of the loan facility.

In 2004, Palabora suffered a provision for asset impairment of US$161 million after tax and outside shareholders interests. This was excluded from underlying earnings.

	2003	2004	**2005**
Principal operating statistics at Palabora 2003-2005			
Ore milled (000 tonnes)	11,415	8,657	**9,536**
Head grade			
Copper (%)	0.59	0.74	**0.72**
Copper concentrates produced (000 tonnes)	163.3	187.7	**197.1**
Contained copper (000 tonnes)	52.4	54.4	**61.2**
New concentrates smelted on site (000 tonnes)	267.6	253.4	**304.4**
Refined copper produced (000 tonnes)	73.4	67.5	**80.3**

Northparkes (Rio Tinto: 80 per cent)

Rio Tinto s interest in the Northparkes copper-gold mine resulted from the acquisition of North Ltd. Northparkes is a joint venture with the Sumitomo Group (20 per cent).

Following an initial open pit operation at Northparkes in central New South Wales, Australia, underground block cave mining has been undertaken since 1997. With present and future developments, the operation has an expected life of 13 years at current production rates.

The copper concentrate produced is shipped under long term contracts that provide for periodic negotiation of certain charges, as well as spot sales, to smelters in Japan (67 per cent), China (17 per cent) and other countries (16 per cent).

Northparkes employs approximately 150 people together with 140 permanent contractors.

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2005 operating performance

The year saw a full year s production from the Lift 2 block cave and the cessation of mining from the open cut, which was used as additional feed during the ramp up of Lift 2. Underground production continued to ramp up, exceeding nameplate capacity in June. Better cave fragmentation and grades contributed to 80 per cent higher copper production in 2005.

	2003	2004	**2005**
Principal operating statistics at Northparkes 2003-2005			
Ore milled (000 tonnes)	5,168	5,008	**5,453**
Head grade:			
Copper (%)	0.67	0.79	**1.12**
Gold (g/t)	0.44	0.66	**0.46**
Production of contained metals			
Copper (000 tonnes)	27.1	30.0	**54.0**
Gold (000 ounces)	48.6	79.4	**57.0**

Kennecott Minerals (Rio Tinto: 100 per cent)

Kennecott Minerals in the US manages the Greens Creek mine (Rio Tinto: 70 per cent) on Admiralty Island in Alaska which produces gold, silver, zinc and lead. The Rawhide mine (Rio Tinto: 51 per cent) in Nevada produces gold and silver by leaching since mining operations ceased in 2002. Reclamation work is well advanced. Kennecott Minerals also owns the Group s interest in the Cortez gold mine (Rio Tinto: 40 per cent), also in Nevada.

Kennecott Minerals employs approximately 300 people, excluding employees of non managed operations.

2005 operating performance

Net earnings of US$73 million were US$9 million below 2004 reflecting lower production from lower grades at Cortez as mining of the current Pipeline deposit approaches the end of its life.

At Greens Creek mill throughput was 11 per cent lower than in 2004, however with variation in head grades, silver production was equal to 2004 production, and zinc production was 16 per cent lower than in 2004. The focus at Greens Creek in the second half of the year was on mine rehabilitation work in the main underground infrastructure, resulting in the lower throughput for the year.

Copper group projects

Resolution (Rio Tinto: 55 per cent)

The Resolution project is situated in Arizona, US, in the area of the depleted Magma (Superior) copper mine. In 2001, an agreement was signed with BHP Billiton Base Metals which allowed Rio Tinto to earn a 55 per cent interest in the project by spending US$25 million over six years. Rio Tinto completed earning its 55 per cent interest in the project in early 2004. In June 2005, approval was granted to evaluate options for accelerating exploration shaft development. This is currently planned to begin in 2006. Significant value will be added to the project if a land exchange programme is successful, allowing extension of the ore body into adjacent land. The Act supporting the land exchange was introduced in the US House of Representatives and the Senate in May 2005 and approval by Congress is anticipated in 2006.

Cortez Hills (Rio Tinto: 40 per cent)

Rio Tinto holds a 40 per cent interest in the Cortez gold mine, a joint venture with Placer Dome. The mine is located in northeastern Nevada, US, and the associated area of interest includes the Cortez Hills deposit, discovered in 2003 which contains proven and probable reserves of 7.5 million ounces of gold. A feasibility study is in progress to determine the optimum sequencing for development of the deposits within the Cortez area of interest. It is anticipated that operating permits for Cortez Hills will be obtained in 2006, with initial gold production occurring in mid 2007.

Eagle (Rio Tinto: 100 per cent)

The Eagle project is a small tonnage, high grade nickel deposit located in Michigan, US, for which Kennecott Minerals has commissioned a prefeasibility study. Permitting approvals are underway.

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DIAMONDS
GROUP

Diamonds	**Diamonds**
(Rio Tinto share)	Underlying
000 carats	Earnings contribution*
MINED	**US$m**

* The amounts presented exclude net interest and other centrally reported items. A reconciliation with net earnings for 2004 and 2005 is set out in Note 2 to the 2005 Financial statements. Product group earnings for 2004 and 2005 are based on underlying earnings as determined under EU IFRS

The Diamonds product group comprises Rio Tinto s 60 per cent interest in the Diavik Diamonds mine in Canada, the wholly owned Argyle mine in Australia, Rio Tinto s 78 per cent interest in the Murowa mine in Zimbabwe and diamond sales and representative offices in Belgium and India.

The group s focus is the mining, recovery and sale of rough natural diamonds. In keeping with Rio Tinto s values, the group is a leading proponent of the Kimberley Process and driver of programmes such as the Business Excellence Model and partnerships like the Council for Responsible Jewellery Practices to ensure suppliers, partners and customers operate to acceptable standards of social and environmental responsibility. Rio Tinto sells its diamonds through its marketing arm, Rio Tinto Diamonds, according to a strict chain of custody process allowing the sale of diamonds according to their mine source in order to gain the benefits of origin.

At 31 December 2005, Diamonds accounted for seven per cent of the Group s operating assets and, in 2005, contributed five per cent of Rio Tinto s gross turnover and six per cent of underlying earnings.

Keith Johnson, chief executive, Diamonds, is based in London.

Financial performance

2005 compared with 2004

Diamonds contributed US$281 million to underlying earnings, an increase of US$93 million from 2004, assisted by a strong diamond market and the solid performance by Argyle, Diavik and Murowa.

The rough diamond market remained strong for most of 2005 with the Rio Tinto product offering in great demand. Seasonal softening toward the end of the year was mainly due to holidays and festivals in the key customer markets.

Prices for polished diamonds increased in 2005, with the majority of gains made in the first half of the year. Strongest demand was seen in the product types in shortest supply. This included large diamonds greater than two carats in size with better colour and quality, and the smaller diamond segments.

Diavik Diamonds (Rio Tinto: 60 per cent)

Diavik Diamond Mines (DDMI) owns Rio Tinto s interest in and manages the unincorporated Diavik Diamonds joint venture in the Northwest Territories of Canada.

Construction was completed in 2003 with production first group commencing in January 2003. Since then the project has exceeded expectations. Open pit mining is expected to continue mainly from A154S and subsequently A418 well beyond 2010.

In late 2004 the board approved the US$190 million construction cost of a dike around the A418 kimberlite to enable open pit mining beneath the lake bed. The board also approved the commencement of a study into the feasibility of underground mining of the A154N, A154S and A418 kimberlites. This study includes the development of a 3.3 kilometre exploratory decline, at an estimated cost of US$75 million.

2005 operating performance

Underlying earnings were US$143 million, US$4 million below 2004. Sales of Diavik diamonds continued to attract a high level of interest with prices remaining steady.

Production in 2005 exceeded that in 2004 with good operational and plant performance achieving a new volume record. Ore blending

strategies were employed to increase throughput which allowed the process plant to comfortably exceed design capacity on a consistent basis. Grades also steadily improved as mining continued deeper into the orebody, improving understanding of the resource.

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A strategic planning and development team, separate from mine operations, was formed to carry out the study on how best to extend the life of the Diavik operation underground and oversee the development of the A418 dike and exploratory decline. Construction of the dike progressed ahead of schedule with the barrier being closed off in October. Work on the dike followed by pre-stripping of the lake bottom will continue into 2008 before open pit mining on the A418 kimberlite can commence. Construction of the exploratory decline also commenced during the year with close to one kilometre of tunnel developed. The underground study proceeded on schedule.

Bulk sampling of the A21 kimberlite commenced to determine whether it could be classified as a reserve and feature in the Diavik mine plan. This work is expected to be completed in 2006.

In 2005, there were approximately 350 employees and an equal number of contracted employees. Approximately one third of Diavik s 700 workforce is made up of indigenous people.

Argyle (Rio Tinto: 100 per cent)

Rio Tinto owns and operates the Argyle diamond mine in Western Australia.

Production from Argyle s AK1 open pit mine, is expected to continue until 2008.

In late 2005 the Rio Tinto board approved the development of an underground block cave mine under the AK1 open pit. It also approved an open pit cutback on the Northern Bowl to facilitate the transition from open pit to underground mining. The capital cost of the underground mine is expected to be US$760 million, and the cutback US$150 million. The work is planned to extend the life of the Argyle operation to 2018. Construction started in February 2006 and development work associated with the exploratory decline will continue.

2005 operating performance

Underlying earnings of US$117 million were US$77 million higher than in 2004. Diamond production for 2005 was 48 per cent higher with 30.5 million carats produced. Performance improved considerably over 2004 even though tight mining conditions prevailed as a result of the deepening open pit and a highly competitive labour market.

Argyle celebrated the signing of the Argyle Participation Agreement in June 2005 ensuring mining s contribution to sustainable livelihoods locally. The agreement was signed with the indigenous traditional owners and the Kimberley Land Council. More than 600 visitors, including the governor general of Australia and the premier of Western Australia, attended the ceremony.

In 2005, there were approximately 800 employees and 250 contractors. One quarter of Argyle s approximately 1,050 workforce is made up of indigenous people.

Murowa (Rio Tinto: 77.8 per cent)

Production at Murowa commenced in late 2004 after US$11 million was spent on constructing a 200,000 tonnes per year plant and supporting infrastructure.

The small scale Murowa operation is focused on 1.3 million tonnes of weathered material containing 140,000 tonnes of enriched ore. This operation reduced the initial investment required so as to allow confirmation of marketing and regulatory arrangements prior to expansion. Chain of custody safeguards put in place at the commencement of production have performed without incident. Zimbabwe is a signatory of the Kimberley Process.

2005 operating performance

Underlying earnings were US$21 million. The product was well received on the market with prices exceeding expectations.

A small modification was made to the front end of the Murowa plant in mid-2005 to increase throughput rates. This modification saw production for the year exceed targets.

A high level order of magnitude study looking at expansion options was completed.

In 2005, there were 81 employees and 142 contractors.

Improving performance together

Rio Tinto has embarked on a new phase of business improvement it has called *Improving performance together*. Led by Keith Johnson in addition to his role as chief executive, Diamonds, this is a set of internal initiatives to enhance collaboration across all of Rio Tinto s businesses to deliver additional value.

The initiatives build on the Group s existing strengths in core areas such as mining, processing, marketing and asset management. They also look at fundamental processes such as investment opportunity generation, planning, information technology and how key Groupwide functions are organised.

By tapping into the expertise of employees worldwide, the Group is systematically identifying where already high standards of performance can be further improved and where they should be replicated.

The work began in 2005 and is gaining momentum in 2006 as projects are introduced at key sites and lessons learned are shared between operations. Tangible results are already being recorded that open up exciting opportunities. To embed the improvements being brought about, refinements are being made to the way the Group is organised, so that the Group works together more closely.

Improving performance together aims to ensure that Rio Tinto maximises value creation whatever the market conditions.

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OTHER OPERATIONS

Lihir (Rio Tinto: 0 per cent)

Rio Tinto relinquished management control of the Lihir mine in Papua New Guinea in September and in November entered into contracts to sell its 14.46 per cent shareholding for approximately US$295 million. The shares were sold at a price of A$2.15 per share.

Kelian (Rio Tinto: 90 per cent)

Kelian Equatorial Mining (Kelian) operated an open pit gold mine in East Kalimantan, Indonesia. Mining ceased in 2003 with production from stockpiled ore completed in early 2005. A mine closure consultative process was completed in 2003 with stakeholders agreeing on the key mine closure directions. Work is continuing on mine closure activities. Settlement of compensation claims under a 2001 agreement are substantially complete and a number of programmes are in place to provide sustainable solutions for local communities and former employees after closure.

2005 operating performance

Rio Tinto s share of Kelian s production from processing stockpiles was 38,380 ounces of gold in 2005.

Sari Gunay (Rio Tinto: 70 per cent)

The Sari Gunay gold project in Kordestan province in western Iran progressed from the prefeasibility stage to the feasibility study phase. A bankable feasibility study is expected to be presented to senior management for a decision in 2006 as to whether to proceed to the development stage. Project costs have in recent years reduced Group earnings by an average of one quarter of one per cent.

Kennecott Land (Rio Tinto: 100 per cent)

Kennecott Land was established in 2001 to capture value from the non mining land and water rights assets of Kennecott Utah Copper. The Kennecott Land holdings are around 53 per cent of remaining undeveloped land in the Utah s Salt Lake Valley. Approximately 16,000 hectares of the 37,200 hectares owned is developable land and is all within 20 miles (32km) of downtown Salt Lake City.

The initial Daybreak community encompasses 1,800 hectares and is entitled to develop nearly 14,000 residential units and nine million square feet of commercial space. Kennecott Land develops the required infrastructure and prepares the land for sale to home builders. The project is well advanced with 800 home sales since opening in June 2004. At full build out, the community will house 30,000 to 40,000 residents. Revenues in 2005 exceeded US$30 million.

Kennecott Land is in the process of securing development rights from Salt Lake County for the remaining landholdings. Current development potential for this land is over 150,000 residential units and 50 million square feet of commercial space. Securing entitlement is a long term public process that will culminate in a plan submitted for approval by the Salt Lake County Council during the next one to two years.

EXPLORATION GROUP

Rio Tinto Exploration seeks to discover or identify mineral resources that will contribute to the growth of the Rio Tinto Group. The discovery of new resources is essential to replace deposits as they are mined and to help meet the increasing global demand for minerals and metals.

The Exploration group is opportunistic in approach and its resources are deployed on projects that show the best chance of delivering a world class deposit to Rio Tinto. Mineral exploration is a high risk activity. Rio Tinto s statistics show that an average of only one in 350 mineral prospects that are drill tested result in a mine for the Group. Rio Tinto believes in having a critical mass of projects, selected through a rigorous process of prioritisation.

The Exploration group is organised into four geographically based teams for North America, South America, Australasia and Africa/Europe, but from June 2006 a fifth team will be created to cover Asia. At the same time another team that looks for industrial minerals on a global basis will be folded into the five geographically based teams. Additionally, a focused project generation team covers the world for new opportunities.

At the end of 2005, Rio Tinto was exploring in 30 countries for a broad range of commodities including copper, diamonds, nickel, industrial minerals, bauxite, iron ore and coal. Exploration employs 178 geologists and geophysicists around the world and has a total complement of approximately 800 people.

Tom Albanese, chief executive Copper and Exploration, is based in London.

2005 operating performance

Exploration in 2005 focused on advancing the most promising targets across the spectrum of grassroots, generative, drill test stage, and near mine programmes. Encouraging results were obtained from a number of locations.

An order of magnitude study was completed on the La Sampala project (nickel, Indonesia). However, this project remains with the Exploration group while a Contract of Work is negotiated with the Government of Indonesia. In the Pilbara of Western Australia five new iron ore deposits were handed over to the product group evaluation team.

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Since 2001 five projects have moved from exploration to the next stage of project evaluation including Resolution (copper, Arizona, US), Potasio Rio Colorado (potash, Argentina) and Simandou (iron ore, Guinea). In addition to these projects, near mine exploration has also been undertaken.

During 2006 several projects will initiate order of magnitude studies to assess their economic potential for advancement to pre-feasibility assessment.

Diamond exploration continued in Canada, southern Africa, Mauritania, Brazil and India. A number of diamond bearing kimberlite pipes were discovered and follow up test work is in progress to gauge economic potential. The Indian diamond programme is showing early promise.

Copper exploration continued in Turkey, Kazakhstan, Peru, Chile, Argentina, Mexico and the US. Drilling encountered copper mineralisation in Turkey and the US, warranting further follow up drill testing.

Exploration focus on the bulk commodities iron ore, coal and bauxite has been increasing each year for the last several years and did so again in 2005. Ongoing evaluation of several projects is continuing with the intention to progress additional projects to product group handover in 2006.

The Exploration group was active in the search for industrial mineral deposits in a number of parts of the world including North and South America, Europe, south east Asia and Turkey.

Support continued for brownfield work at a number of Rio Tinto operations, including Diavik, Argyle, Kennecott Utah Copper, Energy Resources of Australia, Pilbara Iron and Rössing.

In December Rio Tinto received confirmation of success in two tenders. The first was the award of the La Granja copper project located in the Cajamarca region of northern Peru. The bid comprises a US$60 million investment in exploration and feasibility work and staged payments to the Peruvian government of US$22 million. Rio Tinto will be conducting a study aimed at demonstrating the feasibility of leaching the ore and electrowinning copper metal.

The second successful tender was for the Jarandol concession hosting the Piskanja borate deposit located in southern Serbia. This project will now enter a period of ongoing exploration and evaluation planned to last between three and five years.

On 27 January 2006 Rio Tinto announced with Norilsk Nickel the launch of an exploration and development joint venture in Russia. A Russian limited liability company has been formed owned 51 per cent by Norilsk and 49 per cent by Rio Tinto. The joint venture will give Rio Tinto exploration access to a large area of interest in the Siberian and far eastern districts of Russia.

In December the Exploration Group received ISO14001 certification covering all the environmental management activities of the four core geographical regions. During 2005 a single integrated HSEC management system was developed and introduced across the Exploration group. The management system framework of ISO14001 was extended from environmental matters to also cover the other related areas of health, safety and communities.

Financial performance

2005 compared with 2004

Cash expenditure on exploration in 2005 was US$264 million and the pre-tax charge to underlying earnings was US$250 million, a US$60 million increase over 2004, reflecting a further increase in iron ore exploration in Western Australia, the growth of high quality projects in the Exploration pipeline and further acceleration of evaluation on significant projects by product groups during the year.

TECHNOLOGY GROUP

The Technology group provides a central platform to support Rio Tinto s operations, future growth and profitability. It provides a world-class technology based service to the product groups and their businesses and advises executive management. Through the Health, Safety and Environment unit, assurance is provided to the board with regard to the development and implementation of Rio Tinto s Safety, Occupational Health and Environment policies and standards.

All units in the Technology Group identify, share and implement leading practice across Rio Tinto. Collaboration in knowledge capture and dissemination is a key requirement for all staff.

Throughout 2005 Technology group staff were a core part of the *Improving performance together* programme, driving the implementation of a number of initiatives to create value for the Group through a combination of capital efficiency, higher volumes, higher revenues and improved productivity.

The total staff in the Technology group at year end was 343 compared with 362 in 2004. The decrease was due to reassignment of some support functions to the Rio Tinto Shared Services group.

On 1 May 2005 Ian Smith succeeded John O Reilly as head of Technology, and is based in London. On 15 July 2006 Ian will be succeeded by Grant Thorne.

2005 operating performance

Health, Safety and Environment

Health, Safety and Environment continued to work closely with Group businesses, providing the support systems for full and consistent implementation of the strategies, standards, guidance and procedures.

The Rio Tinto Safety Plan is being updated to reflect emerging issues, changed legislation and leading practices. A Product Stewardship Strategy has been developed for implementation across the businesses in 2006.

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Technical Services

Technical Services continued to increase its involvement with Rio Tinto operations, play its role in ore reserve assurance and also provide significant contributions at non managed operations. Activity over the year was again at record levels, with a strong focus on the enhancement of initiatives to improve performance and implement best practice in areas such as mine planning and metallurgical margin improvement. Initiatives progressed during the year include underground mining technologies and quantitative mineralogy.

A number of current development projects are linked with external research programmes in order to leverage value for Rio Tinto. Others are focussed on innovation and best practice in key areas to add value in a shorter time frame.

Office of the Chief Technologist

The Office of the Chief Technologist is responsible for the identification and the transfer of technology based opportunities for the Group.

The external research portfolio covers a broad range of initiatives with potential to add value in the medium to longer term. These activities link directly with internal development projects, providing a clear pathway for implementation. Work on energy efficiency in mineral liberation and comminution (including new microwave technology) continues to be a focus. A number of breakthrough projects are also being pursued.

The Rio Tinto Foundation for a Sustainable Minerals Industry approved a further 12 projects for funding. The Australian Government and Rio Tinto funding commitments for the Foundation have now been fulfilled.

Technical Evaluation and Project Management

Technical Evaluation continued in its principal role of providing independent review of all major investment proposals being considered by the Group. Risk assessment and management is an important and integral component of the project review process. The unit also continued with the programme of post investment reviews and lessons learned from completed projects are shared within the Group.

The Project Management Unit provides ongoing support to major project teams across Rio Tinto, both for projects in execution and those still in the feasibility stage. There was also continued involvement with some major projects at non managed operations. Two project management forums were held during the year focussing on collaboration between project teams and capture of lessons learned.

Asset Utilisation

This unit is now well established across the Group and its workload continued to expand. There has been particularly heavy involvement with the iron ore operations in Western Australia which continued through 2005. The process control group is now well established and implementation of performance improvement was progressed in a number of areas. These included asset integrity and remote monitoring. There is continuing emphasis on ensuring that safety, operability and maintainability issues are fully addressed and incorporated in all the unit s work.

Financial performance

The charge for the Technology group (including Health, Safety and Environment) against net earnings was US$41 million, compared with US$35 million in 2004. The increase was due to the greater level of activity in all Technology group units.

GROUP SOCIETY AND ENVIRONMENT

Group employees (approximate average for year)	**Principal employee locations 2005** (approximate average for year)

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Rio Tinto is in business to create value by finding and developing world class mineral deposits and operating and eventually closing operations safely, responsibly and efficiently. To do so, the Group takes a disciplined and integrated approach to the economic, social and environmental aspects of all its activities.

The approach to achieving this is through implementation of the policies described in *The way we work,* Rio Tinto s statement of business practice, at all levels of the business.

The statement was revised and redistributed in 2003 and is now available in 21 languages. It is the result of wide internal consultation and discussion and represents shared values from around the Group. The document was published initially in January 1998. It was revised in 2002 in the light of experience, following further Group wide review and consultation, external benchmarking of policies against the best practice of other organisations and approval by the Rio Tinto board.

The way we work commits the Group to transparency consistent with normal commercial confidentiality, corporate accountability and the application of appropriate standards and internal controls. It sets the basis for how Group companies employees work and also provides guidance for joint venture partners and others. Every employee is responsible for implementing the policies in the document.

Rio Tinto has adopted the Association of British Insurers 2003 disclosure guidelines on social responsibility in preparing this report. Details of the Group s overall and individual businesses social and environmental performance continue to be published on the Rio Tinto website: www.riotinto.com/se and in the *Sustainable development review.*

Board responsibilities

The directors of Rio Tinto, and of Group companies, are responsible for monitoring adherence to the Group policies outlined in *The way we work.* Assurance for performance in these areas involves checking, reviewing and reporting each business s implementation of the policies, their compliance with regulations and voluntary commitments, and the effectiveness of management and control systems, while also providing mechanisms for improvement.

As discussed in the section on Corporate governance on page 114, the boards established a process for identifying, evaluating and managing the significant risks faced by the Group. Directors meet regularly, have regular scheduled discussions on aspects of the Group s strategy and full and timely access to the information required to discharge their responsibilities fully and effectively.

Rio Tinto s *Compliance guidance* requires that the identification of risk be systematic and ongoing. It recommends that each Group company undertakes a structured risk profiling exercise to identify, categorise and weigh the risks it faces in the conduct of its business. Each Group company puts systems in place to ensure that risks are reviewed at an appropriate frequency.

Total remuneration is related to performance through the use of annual bonuses, long term incentives and stretching targets for personal, financial and safety performance.

The board s *Committee on social and environmental accountability* reviews the effectiveness of policies and procedures. The committee comprises four non executive directors. It meets three times annually with the chief executive and heads of Technology, Health, Safety and Environment and Communication and Sustainable Development.

Reports for the committee summarise significant matters identified through Rio Tinto s assurance activities. These include reviews every four years of each business to identify and manage strategic risks in relation to health, safety, and the environment; audits against Rio Tinto standards; annual risk management audits; risk reviews for specific concerns; procedures and systems for reporting critical and significant issues and incidents; completion of annual internal control questionnaires by all Group business leaders covering the full spectrum of business and operational risk; and findings and recommendations of the independent external assurance and data verification programme.

Policies, programmes and results

Implementation of the policies in *The way we work* is discussed in the following sections according to each policy area. Known risks arising from social and environmental matters and their management in Group businesses are described in the relevant Group operations section.

Safety

Safety is a core value and a major priority. Rio Tinto believes that all injuries are preventable and its goal is zero injuries. To achieve this, full and consistent implementation of and accountability for Rio Tinto s comprehensive standards, guidance, systems and procedures is required across the world. The Group is also building a supportive safety culture that requires visible leadership, ongoing education and training and a high level of participation by everyone in the workplace.

While the safety record improved for the sixth consecutive year in 2005, there is still some way to go in achieving the goal of zero injuries. In 2005, very regrettably two employees lost their lives at managed operations. The Group has demonstrated strong improvements in the lost time injury frequency rate (LTIFR) and all injury frequency rate (AIFR) from 2004, with reductions of 14 per cent and 11 per cent respectively. The LTIFR for 2005 was 0.56 per 200,000 hours worked by employees and contracted employees (2004: 0.65) . Rio Tinto set targets in 2003 for a 50 per cent reduction in LTIFR and AIFR by 2008. The LTIFR is on track, while AIFR is slightly behind.

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Fines for infringement of safety regulations involved 11 operations, totalling US$87,600 (2004: US$19,200). This includes a fine of US$62,942 for an incident at Energy Resources of Australia s Ranger mine in 2004, resulting in a significant injury requiring hospitalisation.

Occupational health

Rio Tinto strives to protect physical health and well being in the workplace. This requires clear standards, consistent implementation, transfer of best practice and improvement through Group wide reporting and tracking of remedial actions.

Seventy six per cent of employees work at operations that have fully implemented the occupational health standards. Of the remaining 11 businesses, ten have applied a risk based approach to implementation and should complete implementation in 2006. In 2005 there were 54 new cases of occupational illness per 10,000 employees, a 26 per cent improvement compared with 73 in 2004. The Group has achieved a 49 per cent reduction in new cases of occupational illness since 2003, approximately 40 per cent of which has been due to the divestment of Rio Tinto Zimbabwe.

Rio Tinto s southern African operations completed implementation of the Group HIV/AIDS strategy in 2005, which provides access to antiretroviral therapy which is affordable for employees and a nominated partner.

In 2004, Rio Tinto set targets to focus attention on reducing noise induced hearing loss across the Group. The target of zero exposure of employees to a noise dose of more than 82 decibels (averaged over eight hours and allowing for the use of hearing protection) has now been met, with less than 0.1 per cent of employees still exposed to noise greater than this limit.

Fines for infringement of occupational health regulations in 2005 involved two operations, totalling US$58,100 (2004: US$257,000). This includes a fine of US$57,204 for an incident at Energy Resources of Australia s Ranger mine in 2004 relating to drinking water contamination.

Environment

Wherever possible Rio Tinto prevents, or otherwise minimises, mitigates and remediates, harmful effects of the Group s operations on the environment.

To do this, the Group seeks to understand the environmental aspects and impacts of what it does, build what is learned into systems to manage and minimise those impacts, and set targets for improvement.

Rio Tinto believes that emissions of greenhouse gases (GHGs) from human activities are contributing to climate change. As a major producer and user of energy products, the Group is working to reduce greenhouse gas emissions from its processes and in the use of its products. The Group has five year targets to reduce GHG emissions by four per cent per tonne of product and improve energy efficiency by five per cent per tonne of product by 2008 compared to a 2003 baseline.

Performance in 2005 against the energy target is ahead of trajectory (2.7 per cent improvement), while performance against the GHG target is slightly behind (0.9 per cent reduction). Positive engagement with governments and stakeholders who are also trying to find solutions to climate change remains an important focus of the Group. In 2005 a Climate Change Leadership Panel was formed to ensure Group actions remain effective and that Rio Tinto maintains a leading position in this area.

By the end of 2005, 90 per cent of operations had certified ISO 14001 or an equivalent environmental management system (EMS). All Rio Tinto operations were required to have had a certified EMS by the end of June 2005. There were eight significant environmental incidents in 2005, of which two were spills, compared to 16 in 2004, of which four were spills. Fines for infringements of environmental regulations involved three operations and totalled US$67,900 (2004: US$53,800). This includes a fine of US$57,204 for an incident in 2004 at Energy Resources of Australia s Ranger mine relating to a breach of radiation clearance procedures for equipment leaving site.

Land access

Rio Tinto seeks to ensure the widest possible support for its proposals throughout the life cycle of the Group s activities by coordinating economic, technical, environmental and social factors in an integrated process.

This involves negotiation of mining access agreements with indigenous landowners; responsible land management and rehabilitation; planning for closure; developing and implementing a biodiversity strategy; and forming strategic partnerships with external organisations.

Political involvement

Rio Tinto does not directly or indirectly participate in party politics nor make payments to political parties or individual politicians.

A *Business integrity guidance,* addressing bribery, corruption and political involvement, was issued in 2003 to assist managers in implementing this policy. The guidance covers questions relating to compliance and implementation; gifts and entertainment; the use of agents and intermediaries; and facilitation payments.

Rio Tinto avoids making facilitation payments anywhere in the world. Bribery in any form is prohibited. Gifts and entertainment are only offered or accepted for conventional social and business purposes and then only at a level appropriate to the circumstances.

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Communities

Rio Tinto sets out to build enduring relationships with its neighbours that are characterised by mutual respect, active partnership, and long term commitment.

Every business unit is required to have rolling five year community plans which are updated annually. In 2004, a series of pilot studies were completed aimed at achieving a deeper level of understanding of the linkages between mining activities and the economies in which they take place.

All Group businesses produce their own reports for their local communities and other audiences. Community assurance of the quality and content of these reports is increasing. This provides an opportunity for engagement with the community on their views of programmes sponsored by the operations.

Businesses managed by Rio Tinto contributed US$93.4 million to community programmes in 2005 (2004: US$87.8 million) calculated on the basis of the London Benchmarking Group model. Of the total contributions, US$37.3 million was community investment and US$29 million in direct payments made under legislation or an agreement with a local community.

Human rights

Rio Tinto supports human rights consistent with the Universal Declaration of Human Rights and also respects those rights in conducting the Group s operations throughout the world.

Rio Tinto also supports the UN Secretary General s Global Compact, the US/UK Voluntary Principles on Security and Human Rights and the Global Sullivan Principles.

Rio Tinto s *Human rights guidance* is designed to assist managers in implementing the Group s human rights policy in complex local situations. It was revised and republished in 2003. In 2004, a web based training module was developed to instruct managers on what the policy means in practice and how to respond to difficult situations.

Employment

Rio Tinto recognises that business performance is closely linked to effective people development. It has a long term plan to strengthen approaches to the training and development of leaders in the Group.

In 2004, a suite of formal leadership programmes was developed and implemented for both strategic and Group business leaders. In total, ten customised leadership development programmes, involving 250 participants, were successfully run in 2005 in partnership with leading business schools in Europe, North America and Australia. All product groups and businesses were represented.

As well as using the open programmes run by the London Business School and International Institute for Management

Development for future leaders, Rio Tinto commissioned the design of a customised, operational leadership programme which was launched in 2005 with eight programmes involving about 240 further participants from across the Group at manager and superintendent level.

These programmes are all focused on ensuring that leaders, at all levels, are well prepared for the wide range of current and future challenges they will face in taking forward a complex and commercially successful organisation. All of these programmes are closely integrated with the core leadership competencies Rio Tinto has identified as necessary for effective leaders wherever they work in the organisation.

Groupwide workshops to improve the capability of those involved in managing careers were organised in 2005.

People development in Rio Tinto is focused on improving technical and professional competencies. In 2005, development of core competencies focused on on-the-job development, coaching, mentoring and competency based recruitment.

Rio Tinto requires safe and effective working relationships in all its operations. Whilst respecting different cultures, traditions and employment practices, common goals are shared, in particular the elimination of workplace injuries, and commitment to good corporate values and ethical behaviour.

In 2004 and 2005, Group companies, mainly concentrated in Australia and North America, employed approximately 28,000 people and, together with Rio Tinto s proportionate share of consolidated companies and equity accounted units, the total was approximately 32,000 (2004: 32,000). Wages and salaries paid in 2005 excluding Rio Tinto s proportionate share of consolidated companies and equity accounted units, totalled US$2.1 billion (2004: US$1.8 billion).

Retirement payments and benefits to dependants are provided in accordance with local conditions and good practice.

Rio Tinto encourages the involvement of its employees in the Group s performance through their participation in an employee share scheme. As stated in *The way we work,* the Group recognises the right of employees to choose whether or not they wish to be represented collectively.

Sustainable development

Rio Tinto has made a strategic commitment to sustainable development, in the belief that acting responsibly will result in long term business benefits such as lowering risks, reducing costs, creating options, and leveraging reputation. It is corporate policy that Group businesses, projects,

operations and products should contribute constructively to the global transition to sustainable development. Details of our policy, programmes and results are provided in our *Sustainable development review*, available on the website.

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All Rio Tinto managed businesses have developed, or are in the process of developing, locally relevant sustainable development metrics. The intent is that these are derived in accordance with specific circumstances and sustainable development related priorities, through consultation with local stakeholders.

Progress against these metrics is beginning to be integrated into existing internal business reporting systems and communicated to external audiences annually through local *Social and environment reports.* This approach has the advantage of giving local meaning to the Group s global sustainable development efforts and accordingly is more likely to lead to locally relevant and successful outcomes at the business unit level.

A Sustainable Development Leadership Panel (SDLP) was formed in 2004 to provide Group leadership and encourage businesses to make sustainable development considerations an integral part of business plans and decision making processes. After wide internal and external consultation, in 2005 the panel developed a set of decision making criteria to help Rio Tinto businesses and departments incorporate sustainable development considerations into their formal and informal management systems. At the corporate level the criteria were included in project evaluation guidelines.

As a founding member of the International Council on Mining and Metals, Rio Tinto is participating in dialogue and programmes to advance industry wide progress on key sustainable development priorities.

Openness and accountability

Rio Tinto conducts the Group s affairs in an accountable and transparent manner, reflecting the interests of Rio Tinto shareholders, employees, host communities and customers as well as others affected by the Group s activities.

Policies on transparency, business integrity, corporate governance and internal controls and reporting procedures are outlined in *The way we work.* In 2003, a *Compliance guidance* was issued to provide a framework to enable each Group business to implement and maintain a best practice compliance programme which should identify and manage risks associated with non compliance with laws, regulations, codes, standards and Rio Tinto policies.

Assurance and verification

To be accountable and transparent, assurance is provided to the Group and others that Rio Tinto policies are being implemented fully and consistently across the Group s businesses and operations.

The overall objective of the external assurance and data verification programme is to provide assurance that the material in the *Sustainable development review* is relevant, complete, accurate and responsive, and, in particular, that Rio Tinto s policies and programmes are reflected in implementation activities at operations. In 2005, Environmental Resources Management (ERM) undertook the external assurance and data verification programme and the results are available in Rio Tinto s *Sustainable development review* (previously the *Social and environment review).*

Competition

Rio Tinto has adopted a specific antitrust policy requiring all employees to compete fairly and to comply with relevant laws and regulations. Under the policy, guidance is provided on contacts with competitors and benchmarking as well as implementation of the policy in individual businesses. As integral parts of the policy, all relevant employees receive regular training and are required to certify annually that they are not aware of any antitrust violations. No violations were reported in 2005.

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Item 6. Directors, Senior Management and Employees

CHAIRMAN

Paul Skinner BA (Hons) (Law), DpBA (Business Administration) age 61

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2001 and was appointed chairman of the Group in November 2003. Paul was last re-elected by shareholders in 2005 and is chairman of the Nominations committee (note b).

Skills and experience

Paul graduated in law from Cambridge University and in business administration from Manchester Business School. He was previously a managing director of The Shell Transport and Trading Company plc and group managing director of The Royal Dutch/Shell Group of Companies, for whom he had worked since 1966. During his career he worked in all Shell s main businesses, including senior appointments in the UK, Greece, Nigeria, New Zealand and Norway. He was CEO of its global Oil Products business from 1999 to 2003.

Other external appointments (current and recent)

Director of Standard Chartered plc since 2003.
Director of the Tetra Laval Group since 2005.
Director of Air Liquide since May 2006.
Chairman of the International Chamber of Commerce (UK) since 2005.
Member of the board of INSEAD business school since 1999.
Director of the Defence Management Board of the Ministry of Defence since June 2006.
Director of The Shell Transport and Trading Company plc from 2000 to 2003.

CHIEF EXECUTIVE

Leigh Clifford B Eng (Mining), M Eng Sci age 58

Appointment and election

Director of Rio Tinto plc since 1994 and Rio Tinto Limited since 1995 and was appointed chief executive in 2000. Leigh was last re-elected by shareholders in 2006.

Skills and experience

Leigh graduated from the University of Melbourne as a mining engineer and gained a Master of Engineering Science from the same University. He has held various roles in the Group s coal and metalliferous operations since joining in 1970, including managing director of Rio Tinto Limited and chief executive of the Energy group. He was a member of the Coal Industry Advisory Board of the International Energy Agency for a number of years and its chairman from 1998 to 2000.

Other external appointments (current and recent)

Director Barclays Bank plc since 2004.
Director of Freeport-McMoRan Copper & Gold Inc between 2000 and 2004.

EXECUTIVE DIRECTORS

Tom Albanese BS (Mineral Economics) MS (Mining Engineering) age 48

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 7 March 2006. Tom was elected by the shareholders in 2006.

Skills and experience

Tom will continue as chief executive of the Copper group and head of Exploration until 1 July 2006 when he will be appointed director, Group Resources. He joined Rio Tinto in 1993 on Rio Tinto s acquisition of Nerco and has held a series of management positions before being appointed chief executive of the Industrial Minerals group in 2000.

Other external appointments (current and recent)

Director of Palabora Mining Company (South Africa listed company) from 2004 to present.
Executive Committee of International Copper Association since 2004.

Guy Elliott MA (Oxon) MBA (INSEAD) age 50

Appointment and election

Finance director of Rio Tinto plc and Rio Tinto Limited since 2002. Guy was last re-elected by shareholders in 2004.

Skills and experience

Guy joined the Group in 1980 after gaining an MBA. He has subsequently held a variety of commercial and management positions, including head of Business Evaluation and president of Rio Tinto Brasil.

Other external appointments (current and recent)

None.

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NON EXECUTIVE DIRECTORS

Dr Ashton Calvert AC, BSc (Hons) (TAS), DPhil (Oxon), Hon DSc (Tas) age 60

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 1 February 2005. Ashton was elected by shareholders in 2005 (notes b, d and e).

Skills and experience

Ashton retired as secretary of the Department of Foreign Affairs and Trade of the Government of Australia in January 2005 after six and a half years in that position. He was educated at the University of Tasmania and, as a Rhodes scholar, also gained a doctorate in mathematics from Oxford University. During his career in the Australian foreign service he held appointments in Washington and, on four occasions, in Tokyo, where he was ambassador prior to his appointment as secretary. In these and other roles he developed extensive experience of the Asian countries which represent key markets for Rio Tinto.

Other external appointments (current and recent)

Director of Woodside Petroleum Limited since 2005.
Director of The Australian Trade Commission between 1998 and 2005.
Director of The Export Finance and Insurance Corporation between 1998 and 2005.
Director of The Australian Strategic Policy Institute between 2001 and 2005 .

Sir David Clementi MA, MBA, FCA age 57

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2003. Sir David was re-elected by the shareholders in 2006 (notes a, c and e).

Skills and experience

Sir David is chairman of Prudential plc, prior to which he was Deputy Governor of the Bank of England. His earlier career was with Kleinwort Benson where he spent 22 years, holding various positions including chief executive and vice chairman. A graduate of Oxford University and a qualified chartered accountant, Sir David also holds an MBA from Harvard Business School.

Other external appointments (current and recent)

Chairman of Prudential plc since 2002.
Member of the Financial Reporting Council since 2003.

Vivienne Cox MA (Oxon), MBA (INSEAD) age 46

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since February 2005. Vivienne was elected by shareholders in 2005 (notes a and e).

Skills and experience

Vivienne is currently executive vice president of BP p.l.c. for Gas Power & Renewables and Integrated Supply & Trading. She is a member of the BP group chief executive s committee. She holds degrees in chemistry from Oxford University and in business administration from INSEAD. During her career in BP she has worked in chemicals, exploration, finance, and refining and marketing.

Other external appointments (current and recent)

Non Executive Director of Eurotunnel plc between 2001 and 2004.

Sir Rod Eddington B.Eng M.Eng (University of Western Australia), D.Phil (Oxon) age 55

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2005. Sir Rod was elected by the shareholders in 2006 (notes b, d and e).

Skills and experience

Sir Rod was chief executive of British Airways Plc until the end of September 2005. Prior to his role with British Airways, Sir Rod was Managing Director of Cathay Pacific Airways from 1992-1996 and Executive Chairman of Ansett Airlines from 1997-2000. He is also Chairman of the EU/Hong Kong Business Co-operation Committee of the Hong Kong Trade Development Council.

Other external appointments (current and recent)

Director of John Swire & Son Pty Limited since 1997.
Director of News Corporation plc since 1999.
Non executive chairman of JPMorgan Australia and New Zealand since January 2006.
Director of CLP Holdings since January 2006.
Director of Record Investments Limited since June 2006.

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Michael Fitzpatrick B.Eng (University of Western Australia), BA (Oxon)) age 53

Appointment and election

Appointed as a director of Rio Tinto plc and Rio Tinto Limited on 6 June 2006 and will stand for election by the shareholders at the 2007 annual general meetings.

Skills and experience

Michael was the Managing Director of Hastings Fund Management, the pioneering infrastructure asset management company, which he founded in 1994 and in which he has recently sold his interests and ceased to be a director. Prior to this role he was an executive director of CS First Boston Australia Limited.

Other external appointments (current and recent)

Chairman of Treasury Group Limited since November 2005 (director since 2004).

Chairman of the Victoria Funds Management Corporation.

Managing director of Hastings Funds Management between 1994 and 2006.

Director of Pacific Hydro Limited between 1996 and 2004.

Director of The Walter & Eliza Hall Institute of Medical Research

Commissioner of the Australian Football League and a former chairman of the Australian Sports Commission.

Richard Goodmanson MBA (Columbia University), B. Economics, B. Commerce (University of Queensland), B. Eng. Civil (Royal Military College, Duntroon) age 58

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2004. He was elected by shareholders in 2005 and is chairman of the Committee on social and environmental accountability (notes c, d and e)

Skills and experience

Richard is executive vice president and chief operating officer of DuPont and holds degrees in civil engineering, economics, commerce and a masters of business administration. During his career he has worked at senior levels for McKinsey & Co, PepsiCo and American West Airlines, where he was president and CEO. He joined DuPont in early 1999 and in his current position has responsibility for a number of the global functions, and for the non US operations of DuPont with particular focus on growth in emerging markets.

Other external appointments (current and recent)

Chairman of the United Way of Delaware since January 2006 (director since 2002).
Director of the Boise Cascade Corporation between 2000 and 2004.

Andrew Gould BA FCA age 59

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2002. Andrew was re-elected by the shareholders in 2006. He is also chairman of the Audit committee (notes a, c and e).

Skills and experience

Andrew is chairman and chief executive officer of Schlumberger Limited, where he has held a succession of financial and operational management positions, including that of executive vice president of Schlumberger Oilfield Services and president and chief operating officer of Schlumberger Limited. He has worked in Asia, Europe and the US. He joined Schlumberger in 1975. He holds a degree in economic history from Cardiff University and qualified as a chartered accountant with Ernst & Young.

Other external appointments (current and recent)

Chairman and Chief Executive Officer of Schlumberger Limited since 2003.
Member of the UK Prime Minister s Council of Science and Technology.

Lord Kerr of Kinlochard GCMG MA age 64

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2003. He was elected by shareholders in 2004 (notes a, d and e).

Skills and experience

After reading history at Oxford Lord Kerr was a member of the UK Diplomatic Service for 36 years, heading the Service from 1997 to 2002 as Permanent Under Secretary at the Foreign Office. On a secondment to the UK Treasury he was principal private secretary to two Chancellors of the Exchequer. His service abroad included spells as Ambassador to the European Union from 1990 to 1995, and to the US from 1995 to 1997. Secretary-General, EU Constitutional Convention 2002-3. Member of the House of Lords since 2004.

Other external appointments (current and recent)

Deputy Chairman of Royal Dutch Shell plc since 2005.

Director of The Shell Transport and Trading Company plc 2002 2005.

Director of The Scottish American Investment Trust plc since 2002.

Chairman of the Court and Council of Imperial College, London since 2005.

Trustee of the Rhodes Trust since 1997. Fulbright Commissioner since 2004.

Trustee of the National Gallery since 2002; Trustee of the Carnegie Trust since 2005.

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David Mayhew age 65

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 2000. He was last re-elected by the shareholders in 2006 (note b).

Skills and experience

David joined Cazenove in 1969 from Panmure Gordon. In 1972 he became the firm s dealing partner and was subsequently responsible for the Institutional Broking Department and from 1986 until 2001when he was appointed Chairman, he was the partner in charge of the firm s Capital Markets Department.

Other external appointments (current and recent)

Chairman of Cazenove Group plc since 2001.

Sir Richard Sykes BSc (Microbiology) PhD (Microbial Biochemistry), DSc, Kt, FRS, FMedSci age 63

Appointment and election

Director of Rio Tinto plc and Rio Tinto Limited since 1997. Sir Richard was appointed the senior non executive director in 2005. He was last re-elected by shareholders in 2004 and is Chairman of the Remuneration committee (notes b, c and e).

Skills and experience

After reading microbiology at the University of London, Sir Richard obtained doctorates in microbial chemistry and in science from the University of Bristol and the University of London respectively. A former chairman of GlaxoSmithKline plc Sir Richard is a Fellow of the Royal Society.

Other external appointments (current and recent)

Director of Lonza Group Limited since 2003, Deputy Chairman since 2005.

Chairman of the Healthcare Advisory Group (Apax Partners Limited) since 2002.

Chairman of Metabometrix Limited since 2004. Director of Merlion Pharmaceuticals Pte Limited since 2005.

Director of Abraxis BioScience since 2005.

Chairman of Medeus (later Zeneus) Holdings Limited between 2004 and 2005.

Chairman of GlaxoSmithKline plc between 2000 and 2002.

Rector of Imperial College, London since 2001.

Trustee of the Natural History Museum, London between 1996 and 2005 and of the Royal Botanic Gardens, Kew between 2003 and 2005.

DIRECTORS WHO LEFT THE GROUP DURING 2005

Robert Adams BSc MSc

Appointment and election

Director of Rio Tinto plc in 1991 and of Rio Tinto Limited in 1995 until 2005

Skills and experience

Bob, who died at home in January 2005, joined the Group in 1970 after reading natural sciences and economics and subsequently gaining an MSc from the London Business School. He had a long distinguished career with Rio Tinto becoming the director with responsibility for planning and development.

Other external appointments

Director of Foreign & Colonial Investment Trust plc from 1999 until his death in 2005.

Leon Davis AO, ASAIT, DSc (hc) Curtin University, University of Queensland, University South Australia, FAIMM, FRACI.

Appointment and election

Director Rio Tinto plc since 1991 and of Rio Tinto Limited since 1994 until 2005.

Skills and experience

Leon, who retired at the conclusion of the 2005 annual general meetings, was the Group s Australia based non executive deputy chairman. He is a metallurgist and during nearly 50 years with the Group he held a number of managerial posts around the world, ultimately as chief executive from 1997 to 2000.

Other external appointments (upon leaving the Group)

Chairman of Westpac Banking Corporation since 2000.

Director of Huysmans Pty Limited since 2000. Director of Trouin Pty Limited since 2000.

President of the board of The Walter and Eliza Hall Institute of Medical Research since 2003.
Director of Codan Pty. Limited between 2000 and 2004.

Sir Richard Giordano LLB, hon. Dr of Law.

Appointment and election

Director of Rio Tinto plc since 1991 and Rio Tinto Limited since 1995 until 2005

Skills and experience

Sir Richard, who retired at the conclusion of the 2005 annual general meetings, was the senior non executive director, a deputy chairman and also chairman of the Audit committee. A lawyer by training, he spent 12 years at BOC Group, first as chief executive, then chairman. In 1993, Sir Richard became a director of British Gas, assuming the role of chairman in 1994. Sir Richard is also a former chairman of BG Group plc.

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Other external appointments (upon leaving the Group)

Director of Georgia Pacific Corporation since 1985 Trustee of Carnegie Endowment for International Peace since 2000.

John Morschel (Diploma in Quantity Surveying)

Appointment and election

Director of Rio Tinto between 1998 and 2005.

Skills and experienc

John, who retired at the conclusion of the 2005 annual general meetings, was educated in Australia and the US, where he spent most of his career with Lend Lease Corporation Limited in Australia, culminating as managing director. This was followed by two years as an executive director of the Westpac Banking Corporation

Other external appointments (upon leaving the Group)

Chairman of Rinker Group Limited since April 2003.
Director of ANZ Banking Group since October 2004.
Director of Singapore Telecommunications Limited from September 2001.

Chairman of CSR Limited between May 2001 and April 2003.

Chairman of Leighton Holdings Limited between November 2001 and March 2004.

Notes

(a) Audit committee
(Sir David Clementi, Vivienne Cox, Andrew Gould and Lord Kerr of Kinlochard)

(b) Nominations committee
(Paul Skinner, Ashton Calvert, Sir Rod Eddington, David Mayhew and Sir Richard Sykes)

(c) Remuneration committee
(Sir David Clementi, Richard Goodmanson, Andrew Gould and Sir Richard Sykes)

(d) Committee on social and environmental accountability
(Ashton Calvert, Sir Rod Eddington, Richard Goodmanson and Lord Kerr of Kinlochard)

(e) Independent
(Ashton Calvert, Sir David Clementi, Vivienne Cox, Sir Rod Eddington, Richard Goodmanson, Andrew Gould, Lord Kerr of Kinlochard, Sir Richard Sykes)

PRODUCT GROUP CHIEF EXECUTIVES

Preston Chiaro BSc (Hons) Environmental Engineering, MEng Environmental Engineering), age 52

Skills and experience

Preston was appointed chief executive of the Energy group in September 2003. He heads the Group s climate change and sustainable development leadership panels. He joined the Group in 1991 at Kennecott Utah Copper s Bingham Canyon mine as vice president, technical services. In 1995 he became vice president and general manager of Boron operations in California. He was chief executive of Rio Tinto Borax

from 1999 to 2003.

Other external appointments (current and recent)

Director of the World Coal Institute since 2003.
Chairman of the Coal Industry Advisory Board to the International Energy Agency since 2004.
Director of Energy Resources of Australia, since 2003.
Director of Rössing Uranium Limited since 2003.
Director of Coal & Allied Industries Limited since 2003.

Oscar Groeneveld BE (Mining), MSc, DIC age 52

Skills and experience

Oscar has been with the Group for 30 years and was appointed chief executive of the Aluminium group in October 2004. He has qualifications in engineering, science and management and is also responsible for Rio Tinto Japan, Kennecott Land and heads the Group s Safety Leadership Panel. He has occupied senior roles in coal, aluminium and technology and was Copper group chief executive from 1999 to 2004. He was an executive director of the Group from 1998 to 2004.

Other external appointments (current and recent)

Australian Aluminium Council since 2004 . International Aluminium Association since 2004.
Director of Rio Tinto plc between 1998 and 2004.
Director of Rio Tinto Limited between 1998 and 2004.
Director of Freeport-McMoRan Copper & Gold Inc between 1999 and 2004.
Director of Palabora Mining Company Limited between 1999 and 2004.

Keith Johnson BSc (mathematics), MBA age 44

Skills and experience

Keith was appointed chief executive, Diamonds in 2003. He holds degrees in mathematics and management and is a Fellow of the Royal Statistical Society. Prior to joining Rio Tinto he worked in analytical roles in the UK Treasury, private consulting and the oil industry. He joined Rio Tinto in 1991 and has held a series of management positions including head of Business Evaluation and most recently as managing director of Comalco Mining and Refining.

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Andrew Mackenzie BSc (geology), PhD (chemistry) age 49

Skills and experience

Andrew joined Rio Tinto in 2004 as chief executive Industrial Minerals, previously he had been group vice president, BP Petrochemicals. He spent 22 years with BP primarily in the UK and North America in senior positions including head of Capital Markets in BP Finance, chief reservoir engineer with oversight of oil and gas reserves and production, head of Government and Public Affairs worldwide and group vice president Technology which included responsibility for research and development and engineering.

Other external appointments (current and recent)

Director of Centrica plc since 2005.
Trustee of Demos since 1998.

Sam Walsh B Com (Melbourne) age 56

Skills and experience

Sam was appointed chief executive of the Iron Ore group in 2004. He joined Rio Tinto in 1991, following 20 years in the automotive industry at General Motors and Nissan Australia. He has held a number of management positions within the Group, including managing director of Comalco Foundry Products, CRA Industrial Products, Hamersley Iron Sales and Marketing, Hamersley Iron Operations, vice president of Rio Tinto Iron Ore (with responsibility for Hamersley Iron and Robe River) and from 2001 to 2004 chief executive of the Aluminium group. Sam is also a Fellow of the Australian Institute of Management and the Australian Institute of Mining and Metallurgy.

Other external appointments (current and recent)

Director of the Western Australian Chamber of Commerce and Industry since 2005.
Director of the Australian Mines and Metals Association, between 2001 and 2005.
Director of the Australian Chamber of Commerce and Industry, between 2003 and 2005.

Note

For accounting standards purposes (IAS 24 and AASB 124) the Group s key management personnel as defined, comprises the directors and the five product group chief executives.

COMPANY SECRETARIES

Anette Lawless MA, FCIS age 49

Skills and experience

Anette joined Rio Tinto in 1998 and became company secretary of Rio Tinto plc in 2000. Before joining Rio Tinto, she spent 11 years with Pearson plc, five of which as company secretary. She qualified as a chartered secretary in 1989 and became a fellow of the ICSA in 1992. She also holds an MA from the Copenhagen Business School.

Other external appointments (current and recent)

Member of the Regulatory Decisions Committee of the UK Financial Services Authority since 2001.

Stephen Consedine B Bus CPA age 44

Skills and experience: Stephen joined Rio Tinto in 1983 and has held various positions in Accounting, Treasury, and Employee Services before becoming company secretary of Rio Tinto Limited in 2002. He holds a bachelor of business and is a certified practising accountant.

EMPLOYEES

Information on the Group s employees including their costs, is on page 76, and in Notes 4 and 37 to the 2005 Financial statements.

REMUNERATION

The Remuneration report to shareholders dated 24 February 2006 has been reproduced below, except that the page numbers have been revised to reflect those in this combined annual report on Form 20-F, Tables 3, 4 and 5 have been augmented to show share interests as at the latest practicable date and the references to auditable information have been deleted because they do not apply to this document.

Tom Albanese was appointed as an executive director on 7 March 2006. He will continue as chief executive of the Copper group and head of Exploration until 1 July 2006 when he will be appointed director, Group Resources.

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Remuneration report

Introduction

The board of Rio Tinto has pleasure in presenting the Remuneration report to shareholders. The report covers the following information: a description of the *Remuneration committee* and its duties;

- a description of the policy on directors , product group chief executives and company secretaries remuneration;
- a résumé of the terms of executive directors and product group chief executives contracts and non executive directors letters of appointment;
- details of each director s and product group chief executive s remuneration and awards under long term incentive plans and the link to corporate performance;
- details of directors and product group chief executives interests in Rio Tinto shares; and
- graphs illustrating Group performance, including relative to the HSBC Global Mining Companies Index.

Rio Tinto is subject to a number of different reporting requirements for the contents of the Remuneration report. The Australian Corporations Act requires certain disclosures in respect of the five highest paid executives below board level, and Australian and International accounting standards (AASB 124 and IAS 24 respectively) both require additional disclosures for key management personnel . The board has considered the definition of key management personnel and has decided that, in addition to the executive and non executive directors, they comprise the six product group chief executives. In the remainder of this report, the executive directors and the product group chief executives will collectively be referred to as the executives.

Remuneration committee

The following independent, non executive directors were members of the *Remuneration committee* during 2005:

- Sir Richard Sykes (chairman)
- Sir David Clementi
- Richard Goodmanson
- Andrew Gould
- John Morschel (to 29 April 2005)

The committee met four times during 2005. Members attendance is set out on page 114. The committee s responsibilities are set out in its Terms of Reference which can be viewed on Rio Tinto s website. They include:

- recommending remuneration policy relating to the executives to the board;
- reviewing and determining the remuneration of the executives and the company secretary of Rio Tinto plc;
- reviewing and agreeing management s strategy for remuneration and conditions of employment for managers other than the executives;
- monitoring the effectiveness and appropriateness of general executive remuneration policy and practice; and
- recommending any changes to the chairman s fees.

Jeffery Kortum, Group adviser, remuneration, attends the committee s meetings in an advisory capacity. The chairman, Paul Skinner, and the chief executive, Leigh Clifford, also participated in meetings at the invitation of the committee, but were not present when issues relating to their own remuneration were discussed. Anette Lawless, the company secretary of Rio Tinto plc, acts as secretary to the committee, but is not present when issues relating to her remuneration are discussed.

In 2004, the committee appointed Kepler Associates, an independent remuneration consultancy, to provide advice on executive remuneration matters. Apart from providing specialist remuneration advice, Kepler Associates has no links to the Group.

To carry out its duties in accordance with its Terms of Reference, the committee monitors global remuneration trends and developments and draws on a range of external sources of data, including publications by remuneration consultants Towers Perrin, Hay Group and Watson Wyatt.

Corporate governance

The committee reviewed its Terms of Reference in 2005 and concluded that, in the course of its business, it had covered the main duties set out in the Combined Code, published by the UK Financial Reporting Council, and Principle 9 of the ASX Best Practice Corporate Governance Guidelines, and was constituted in accordance with the requirements of the Code and the ASX Best Practice Corporate Governance Guidelines.

The board considered the performance of the committee and confirmed that the committee had satisfactorily performed the duties set out in its Terms of Reference.

The 2004 Remuneration report was approved by shareholders at the 2005 annual general meetings.

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Executive remuneration

Board policy

Rio Tinto operates in a global market, where it competes for a limited resource of talented, internationally mobile executives. It recognises that to achieve its business objectives, the Group needs high quality, committed people.

Rio Tinto has, therefore, designed an executive remuneration policy to support its business goals by enabling it to attract, retain and appropriately reward executives of the calibre necessary to produce very high levels of performance. The main principles of the Group s executive remuneration policy are:

- to provide total remuneration which is competitive in structure and quantum with comparator companies practices in the regions and markets within which the Group operates;
- to achieve clear alignment between total remuneration and delivered business and personal performance, with particular emphasis on shareholder value creation;
- to link variable elements of remuneration to the achievement of challenging performance criteria that are consistent with the best interests of the Group and shareholders over the short, medium and long term;
- to provide an appropriate balance of fixed and variable remuneration; and
- to provide appropriate relativities between executives globally, in order to support executive placements to meet the needs of the Group.

The composition of total remuneration packages for senior management, including the remuneration of the company secretaries, is designed to provide an appropriate balance between the fixed and variable components. This is in line with Rio Tinto s stated objective of aligning total remuneration with personal and business performance. Details of executives remuneration composition are set out in Table 1 on pages 98 to 100.

Executive remuneration is explicitly related to business performance through:

- the Short Term Incentive Plan, which is based on assessment of personal performance as well as Group and relevant product group underlying earnings and safety targets established by the
- *Remuneration committee* each year;
- the Share Option Plan and Mining Companies Comparative Plan, which link vesting of options or shares to Rio Tinto total shareholder return performance relative to that of other nominated comparator companies.

The Group s return to shareholders over the last five years is set out in the table on page 93.

Remuneration components

Base salary

Base salaries for executives are reviewed annually, taking into account the nature of the individual executive s role, external market trends and business and personal performance. The *Remuneration committee* uses a range of international companies of a similar size, global reach and complexity to make this comparison.

Short term incentive plan (STIP)

STIP provides an annual cash bonus opportunity for participants and is designed to support overall remuneration policy by:

- focusing participants on achieving goals which contribute to sustainable shareholder value; and
- providing significant bonus differential based on performance against challenging personal, business, and other targets, including safety.

The *Remuneration committee* reviews and approves performance targets and objectives for executives annually. Executive directors STIP payments are linked to three performance criteria: Group financial performance, Group safety performance and personal performance. Product group chief executives STIP payments are linked to Group and product group financial performance, product group safety performance and personal performance. Group and product group financial performance is partly measured on an actual underlying earnings basis and partly on a basis normalised for fluctuations of market prices and exchange rates.

The target level of bonus for executives for 2006 is 60 per cent of salary, the same as 2005. Executives may receive up to twice their target (ie up to 120 per cent of salary) for exceptional performance against all criteria.

Details relating to STIP awards for 2005 are on pages 93 to 94.

Long term incentives

Shareholders approved two long term incentives at the annual general meetings in 2004, the Share Option Plan and the Mining Companies Comparative Plan.

These are intended to provide the *Remuneration committee* with a means of linking management s rewards to Group performance. The committee regards total shareholder return (TSR) as the most appropriate measure of a company s performance for the purpose of share based long term incentives and a TSR performance measure is therefore applied to both plans.

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Share Option Plan (SOP)

Each year, the *Remuneration committee* considers whether a grant of options should be made under the SOP, and if so, at what level. In arriving at a decision, the committee takes into consideration the personal performance of each executive as well as local remuneration practice.

No options will become exercisable unless the Group has met stretching performance conditions. In addition, before approving any vesting and irrespective of performance against the respective performance conditions, the *Remuneration committee* retains discretion to satisfy itself that the TSR performance is a genuine reflection of underlying financial performance.

Under the plan, approved by shareholders at the 2004 annual general meetings, vesting is subject to Rio Tinto s TSR equalling or outperforming the HSBC Global Mining Index over a three-year performance period. The HSBC Global Mining Index covers the mining industry in 27 countries. Rio Tinto s TSR is calculated as a weighted average of the TSR of Rio Tinto plc and Rio Tinto Limited. If TSR performance equals the index, the higher of one third of the original grant or 20,000 options will vest (subject to the actual grant level not being exceeded). The full grant vests if the TSR performance is equal to or greater than the HSBC Global Mining Index plus five per cent per annum. TSR performance at this level historically has been equivalent to the upper quartile of companies in the index. Between these points, options vest on a sliding scale, with no options becoming exercisable for a three year TSR performance below the index.

Options granted under the 2004 plan before 31 December 2006 will be subject to a single fixed base retest five years after grant if they have not vested after the initial three year performance period, with options granted after 31 December 2006 not subject to any retest. These latter options will, therefore, lapse if they do not vest at the conclusion of the three year performance period. Options granted during 2006 will be the last which will be subject to a potential re-test.

Prior to any options being released to participants for exercise, the Group s performance against the criteria relevant to the SOP is examined and verified by the external auditors. If Rio Tinto were subject to a change of control or a company restructuring, options would become exercisable subject to the satisfaction of the performance condition measured at the time of the takeover or restructure.

Where an option holder dies in service, qualifying options vest immediately, regardless of whether the performance conditions have been satisfied. The estate will have 12 months in which to exercise the options.

The maximum grant under the SOP is three times salary, based on the average share price over the previous financial year. Under the SOP, no options are granted at a discount and no amount is paid or payable by the recipient on receipt of the options. Executives may, however, be granted options at a discount under the Rio Tinto Share Savings Plan, described under *Share based remuneration not dependent on performance* below.

For SOP grants made prior to 2004:

- two thirds of options vest when growth in the Group s adjusted earnings per share (under UK GAAP) for a three-year performance period is at least nine percentage points higher than US inflation over the same period, as measured by the US Consumer Price Index;
- the balance of the grant vests when growth of at least 12 percentage points above US inflation has been achieved;
- Rio Tinto performance is tested against the performance condition after three years; and
- there is an annual retest on a three year rolling basis until options fully vest or lapse at the end of the option period.

All remaining open options granted on this basis (under the Plan approved in 1998) will have vested on or before 7 March 2006.

Mining Companies Comparative Plan (MCCP)

Rio Tinto s performance share plan, the MCCP, provides participants with a conditional right to receive shares. The conditional awards will only vest if performance conditions approved by the committee are satisfied. Again, were there to be a change of control or a company restructuring, the awards would only vest subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring. Additionally, if a performance period is deemed to end during the first 12 months after the conditional award is made, that award will be reduced pro-rata. These conditional awards are not pensionable.

The performance condition compares Rio Tinto s TSR with the TSR of a comparator group of 15 other international mining companies over the same four year period. The composition of this comparator group is reviewed regularly by the committee to provide continued relevance in a consolidating industry. The members of this group relevant to the 2005 conditional award are listed in the note below the ranking table on page 90. The comparator group for the 2006 conditional award will be determined by the *Remuneration committee* prior to approving the award.

The maximum conditional award size under the current MCCP is two times salary, calculated using the average share price over the previous financial year.

The following table shows the percentage of each conditional award which will be received by executives based on Rio Tinto s four year TSR performance relative to the comparator group for conditional awards made after 1 January 2004:

Ranking in comparator group								
	1st-2nd	3rd	4th	5th	6th	7th	8th	9th-16th
%	150	125	100	83.75	67.5	51.25	35	—

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The historical ranking of Rio Tinto in relation to the comparator group is shown in the following table:

Ranking of Rio Tinto versus comparator companies

Period	Ranking out of 16
1993 - 97	4
1994 - 98	4
1995 - 99	2
1996 - 00	2
1997 - 01	2
1998 - 02	3
1999 - 03	7
2000 - 04	11
2001 - 05	10

Note

Comparator companies for the 2005 Conditional Award were:
Alcan, Alcoa, Anglo American, Barrick Gold, BHP Billiton, Freeport, Grupo Mexico, INCO, Newmont, Noranda, Phelps Dodge, Placer Dome, Teck Cominco, WMC Resources and Xstrata

Before awards are released to participants, the external auditors and Kepler Associates independently review the Group s TSR performance compared to that of the comparator companies.

Awards are released to participants as either Rio Tinto plc or Rio Tinto Limited shares or as an equivalent amount in cash. In addition, for MCCP Conditional Awards made after 1 January 2004, a cash payment equivalent to the dividends that would have accrued on the vested number of shares over the four year period will be made to executive directors and product group chief executives.

Shares to satisfy the vesting may be treasury shares, shares purchased in the market, by subscription, or, in the case of Rio Tinto Limited, transfers of existing shares.

Post employment benefits

Under current pension arrangements, executives are normally expected to retire at the age of 60, except executives with Australian employment contracts, who would normally be expected to retire at age 62. In 2004, Leigh Clifford s contractual retirement age was reduced from 62 to 60, with a corresponding change to his retirement arrangements.

United Kingdom

Guy Elliott participates in the non contributory Rio Tinto Pension Fund, a funded, Inland Revenue approved, occupational pension scheme. The fund provides both defined benefit and defined contribution benefits. In April 2005, the defined benefit section of the Rio Tinto Pension Fund was closed to new participants.

Guy Elliott is a member of the defined benefit section, accruing a pension from normal retirement age at 60 of two thirds final pensionable salary, subject to completion of 20 years service. Proportionally lower benefits are payable for shorter service or, if, having attained 20 years service, retirement is taken prior to the age of 60. Members of the defined benefit section who retire early may draw a pension reduced by approximately four per cent a year for each year of early payment from age 50 onwards. Spouse and dependants pensions are also provided. Pensions paid from this section are guaranteed to increase annually in line with increases in the UK Retail Price Index subject to a maximum of ten per cent per annum. Increases above this level are discretionary.

During 2005, no Company cash contributions were paid into the Rio Tinto Pension Fund as the fund remained fully funded.

Rio Tinto has reviewed its pension policy in the light of the legislation changes being introduced from April 2006, which will remove the earnings cap and introduce a Lifetime Allowance. The Rio Tinto Pension Fund is being amended to incorporate a fund specific limit equivalent to the earnings cap for all members previously affected; unfunded benefits will continue to be provided, where already promised, on pensionable salary above the fund specific limit. There will be no change to the pension promise in place for the current executive director, and the unfunded arrangements described above may be utilised to deliver this promise.

Australia

Leigh Clifford, is a member of the Rio Tinto Staff Superannuation Fund, a funded superannuation fund regulated by Australian legislation. The fund provides both defined benefit and defined contribution benefits. He is a defined benefit member, accruing lump sums payable on

retirement. Retirement benefits are limited to a lump sum multiple of up to seven times final basic salary at age 62, although, as stated above, Leigh Clifford will retire at age 60. For retirement after 62, the benefit increases to up to 7.6 times average salary at age 65.

Death in service and disablement benefits are provided as lump sums and are equal to the prospective age 65 retirement benefit. Proportionate benefits are also payable on termination of employment for ill health or resignation.

Executives are not required to pay contributions. During 2005, Company cash contributions were paid into the Rio Tinto Staff Superannuation Fund to fund members defined benefit and defined contribution benefits.

Other pensionable benefits

The percentage of total remuneration which is dependent on performance is substantial. The committee considers it appropriate that a proportion of this at risk pay should be pensionable. Annual STIP awards are pensionable up to a

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maximum value of 20 per cent of basic salary. For Australian participants this results in a defined contribution payment equivalent to 20 per cent of the pensionable component of STIP and does not impact the defined benefit component.

The *Remuneration committee* has determined that for any new executive directors, STIP will not be pensionable.

Details of directors pension and superannuation entitlements are set out in Table 2 on page 101.

Performance and non performance related remuneration

Total remuneration is a combination of fixed and performance related elements, each of which is described in this report. In addition, some executives have specific arrangements for remuneration outside the performance and non performance related remuneration. These include expatriate/secondment packages, which may include items such as housing benefit, assistance with incremental school fees and tax equalisation. Other compensation includes medical insurance and the provision of a company car and fuel, or an allowance in lieu. The total remuneration for executives shown in Table 1 includes these non performance related items, which are specific to the circumstances of each executive.

The performance related, or variable, elements are the short and long term incentive plans, which are linked to achievement of business and personal performance goals and are, therefore, at risk . The rest of the elements of the package are fixed , as they are not at risk, although some, such as base salary, are also related to performance.

Excluding post employment costs and expatriate secondment costs, employment costs and other benefits, the proportion of total direct remuneration provided by way of variable components, assuming target levels of performance, is approximately 68 per cent for the chief executive, 62 per cent for the finance director and between 62 per cent and 68 per cent for the product group chief executives. Variable components comprise the Short Term Incentive Plan, the Share Option Plan and the Mining Companies Comparative Plan (STIP, SOP and MCCP). The actual proportion of total direct remuneration provided by way of variable components is set out in Table 1 on pages 98 to 100 and may differ from these target percentages depending on Company and personal performance.

Share based remuneration not dependent on performance

Senior management may participate in share and share option plans that apply to all employees at particular locations and for which neither grant or vesting is subject to the satisfaction of a performance condition. These plans are consistent with standard remuneration practice whereby employees are offered share and option plan participation as part of their employment entitlements in order to encourage alignment with the long term performance of the Company.

Executives employed in the Rio Tinto plc part of the Group may participate in the Rio Tinto plc Share Savings Plan, a savings related plan which is open to employees in the UK and elsewhere. Under the plan, participants can save up to £250 per month, or equivalent in local currency, for a maximum of five years. At the end of the savings period participants may exercise an option over shares granted at a discount of up to 20 per cent to the market value at the time of the grant. The number of options participants are entitled to is determined by the option price, the savings amount and the length of the savings contract. No consideration is paid or payable by the recipient on receipt of the options. The UK section of this plan is Inland Revenue approved.

Eligible UK employees, including some of the executives, may also participate in the Rio Tinto Share Ownership Plan, an Inland Revenue approved share incentive plan which was approved by shareholders at the 2001 annual general meeting and introduced in 2002. Under this plan, participant employees can save up to £125 per month, which the plan administrator invests in Rio Tinto plc shares. Rio Tinto matches these purchases on a one for one basis. In addition, eligible employees may receive an annual award of Rio Tinto shares up to a maximum of five per cent of salary, subject to a cap of £3,000.

Executives employed in the Rio Tinto Limited part of the Group may elect to participate in the Rio Tinto Limited Share Savings Plan, also introduced in 2001, which is similar to the Rio Tinto plc Share Savings Plan.

Service contracts

Each of the executives has a service contract with a Group company. Full details of remuneration provided during service are set out in this report.

It is the Group s policy that the service contracts of all executives have no fixed term but be capable of termination giving no more than 12 months notice. Notice periods for executives are as follows:

Notice periods

	Date of Agreement	Notice period	Remaining service period if less than 12 months
Executive directors			

Leigh Clifford	30 Mar 2005	12 months	n/a
Guy Elliott	19 Jun 2002	12 months	n/a
Product group chief executives			n/a
Tom Albanese	3 Aug 2004	12 months	n/a
Preston Chiaro	30 Sep 2003	12 months	n/a
Oscar Groeneveld	1 Oct 2004	12 months	n/a
Keith Johnson	12 Mar 2004	12 months	n/a
Andrew Mackenzie	4 May 2004	12 months	n/a
Sam Walsh	3 Aug 2004	12 months	n/a

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Termination payments

Rio Tinto has retained the right to pay executives in lieu of notice. Given the wide variety of possible circumstances leading to early termination, the executives service contracts do not provide explicitly for compensation, but in the event of early termination, it is the Group s policy to act fairly in all circumstances and the duty to mitigate would be taken into account. Compensation would not provide unmerited reward for poor performance.

There were no termination payments made in 2005. However, a contractual payment was made to Christopher Renwick, a former product group chief executive, who left the Group on 1 December 2004, in respect of housing costs incurred as a consequence of his relocation during employment at the request of the Group. This payment is shown in Table 1 on pages 98 to 100 as a termination benefit in 2005 as it was paid after he left the Group.

Shareholding policy

In 2002, the committee decided that it would be appropriate to encourage executives to build up a substantial shareholding, aiming to reach a holding equal in value to two times base salary over five years. Details of executives share interests in the Group are set out in Table 3 on page 102.

Remuneration paid in 2005

Performance of Rio Tinto, product groups and individual executives

2005 was a year of generally very strong operational performance and was the second successive year of record results for the Group.

To illustrate the performance of the Companies relative to their markets, graphs showing the performance of Rio Tinto plc in terms of TSR over the last five years, compared to the FTSE 100 Index and Rio Tinto Limited compared to the ASX All Ordinaries Index are reproduced below. A graph showing Rio Tinto s performance relative to the HSBC Global Mining Index is also included to illustrate the performance of Rio Tinto relative to other mining companies. The effect of this performance on shareholder wealth is detailed in the table below.

TSR (£) Rio Tinto plc vs FTSE 100

Total return basis

Index 2000 = 100

TSR (A$) Rio Tinto Limited vs ASX All Share

Total return basis

Index 2000 = 100

TSR (US$) Rio Tinto Group vs HSBC Global Mining Index

Total return basis

Index 2000 = 100

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Rio Tinto shareholder return
2001-2005

	Dividends per share paid during the year	Share price Rio Tinto plc		Share price Rio Tinto Limited		Total shareholder return (TSR)
	US cents	1 Jan pence	31 Dec pence	1 Jan A$	31 Dec A$	%
2005	83.5	1,533	2,655	39.12	69.00	77.5
2004	66.0	1,543	1,533	37.54	39.12	1.7
2003	60.5	1,240	1,543	33.95	37.54	27.9
2002	68.5	1,316	1,240	37.21	33.95	(2.3)
2001	58.5	1,178	1,316	29.44	37.21	15.5

Rio Tinto Group and product group performance during 2005, and over relevant performance periods ending at 31 December 2005, impacted executives remuneration as follows:

Share based awards

- MCCP Rio Tinto ranked tenth in the sixteen company comparator group at the completion of the four-year performance period ending 31 December 2005, resulting in zero vesting of the conditional award made to executives who were directors at the date of the conditional award. This group included Leigh Clifford, Guy Elliott and Oscar Groeneveld. The vesting shown in Table 4 on pages 103 to 106, for other product group chief executives, where relevant, is in accordance with the performance condition applicable to the 2002 award and represents 25 per cent of the original awards.
- SOP Rio Tinto EPS growth over the three years ending 31 December 2005 exceeded the level required by the applicable performance condition and this grant will vest in full on 7 March 2006.

Annual cash bonus

Cash bonuses (STIP) in respect of the 2005 performance period, to be paid in March 2006, are set out in Table 1 on pages 98 to 100 and the percentages awarded to each executive (or forfeited) are set out in the table on page 95. These bonuses were approved by the committee on the basis of delivered performance against financial, safety and personal targets and objectives for each executive.

Financial performance was assessed against underlying earnings targets for the Group and relevant product group as established by the committee at the commencement of the performance period. The potential impact of fluctuations in exchange rates and some prices are outside the control of the Group. The committee therefore compares, on an equal weighting basis, both actual results and underlying performance. This approach is designed to ensure that the annual bonus reflects financial results and addresses underlying performance excluding the impact of prices and exchange rates. The committee retains discretion to consider underlying business performance in deciding STIP awards.

The safety measures included Group or relevant product group lost time injury frequency rates (LTIFR) and overall assessment of progress against improvement targets in other safety measures, including all injury frequency rates (AIFR). These measures are chosen as they reflect the priority of safety at all Rio Tinto operations.

Personal performance targets and objectives were established for each executive at the start of the performance period. These comprise a balanced set of measures for each individual that reflect current operational performance, as well as progress on initiatives and projects designed to grow the value of each business unit and the Rio Tinto portfolio. The targets and objectives chosen enable personal performance and the benefit accruing to shareholders in the long term to be mirrored in each of the executives at risk remuneration.

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To achieve linkage between business/financial and personal/non-financial performance and remuneration, each executive director s STIP payment is calculated as a percentage of salary in accordance with the formula set out below:

		Business / financial (score = 0% to 133%)			Personal / non financial (score = 0% to 133%)
Target STIP (60%)	x	75% weight Group financial results	25% weight Group safety performance	x	Personal targets and objectives

For each product group chief executive, STIP payments are calculated as a percentage of salary in accordance with the formula set out below:

		Business / financial (score = 0% to 133%)			Personal / non financial (score = 0% to 133%)	
Target STIP (60%)	x	40% weight Group financial results	60% weight Product group safety performance	x	25% weight Product group safety performance	75% weight Personal targets and objectives

The following is a summary of the business, financial and safety STIP remuneration outcomes for 2005. Full details of overall STIP outcomes are listed below:

- Strong Group financial performance for 2005 resulted in a STIP score at the maximum level (133 per cent of target) for this component.
- Financial performance for each product group varied and the *Remuneration committee* approved STIP scores ranging from 80 per cent of target to 133 per cent of target (the maximum) for this component.
- Continued improvement in Group safety performance resulted in the *Remuneration committee* approving a score of 125 per cent of target (maximum is 133 per cent) for this component.
- Product group safety performance varied and STIP scores ranged from 80 per cent of target to 140 per cent of target (where 150 per cent is the maximum achievable) for this component.
- Total STIP awards for executives ranged from 71 per cent to 106 per cent of salary (59 per cent to 88 per cent of maximum).

Each of the results set out below therefore reflect a second successive year of record results, strong operational performance and portfolio initiatives to secure future value for the business across the Group.

Leigh Clifford

The committee assessed personal performance as above target and the overall STIP award was 157.2 per cent of target (78.6 per cent of maximum).

Guy Elliott

The committee assessed personal performance as above target and the overall STIP award was 170.3 per cent of target (85.2 per cent of maximum).

Tom Albanese

The committee assessed product group financial performance and personal performance as above target and product group safety performance at target. The overall STIP award was 157.9 per cent of target (79 per cent of maximum).

Preston Chiaro

The committee assessed product group financial performance as below target and safety and personal performance as above target. The overall STIP award was 120.2 per cent of target (60.1 per cent of maximum).

Oscar Groeneveld

The committee assessed product group financial performance and personal performance as above target and safety performance at target. The overall STIP award was 124.9 per cent of target (62.5 per cent of maximum).

Keith Johnson

The committee assessed product group financial performance and personal performance as above target and safety performance as below target. The overall STIP award was 142.4 per cent of target (71.2 per cent of maximum).

Andrew Mackenzie

The committee assessed product group financial performance as at target, personal performance as above target and safety performance as below target. The overall STIP award was 118.9 per cent of target (59.4 per cent of maximum).

Sam Walsh

The committee assessed product group financial and safety performance and personal performance as above target. The overall STIP award was 176.2 per cent of target (88.1 per cent of maximum).

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Share based payment – long term incentives granted in 2005

Options over either Rio Tinto plc or Rio Tinto Limited shares were granted to each executive under the Share Option Plan on 9 March 2005. The *Remuneration committee* reviewed the performance condition applicable to this grant and confirmed that vesting will be dependent on Rio Tinto TSR relative to the HSBC Global Mining Index over a three year performance period. Share options granted are included in Table 5 on pages 107 to 112.

A conditional award of performance shares in either Rio Tinto plc or Rio Tinto Limited shares was made to each executive under the MCCP on 9 March 2005. The *Remuneration committee* reviewed the performance condition applicable to the conditional award and confirmed that vesting will be dependent on Rio Tinto TSR relative to 15 other mining companies.

The percentages of maximum bonuses made in respect of 2005 and grants vested in respect of performance periods ending 31 December 2005, as well as the percentages forfeited because the relevant Company or individual did not meet the performance criteria required for full vesting, are as follows:

Bonuses and grants made during or in respect of 2005

	STIP Cash[1]		SOP Options[2]		MCCP Shares[3]	
	% of maximum vested	% of maximum forfeited	% vested	% forfeited	% vested	% forfeited
Robert Adams[4]	50.0	50.0	100	—	42.3	57.7
Leigh Clifford	78.6	21.4	100	—	—	100
Guy Elliott	85.2	14.8	100	—	—	100
Tom Albanese	79.0	21.0	100	—	25	75
Preston Chiaro	60.1	39.9	100	—	25	75
Oscar Groeneveld	62.5	37.5	100	—	—	100
Keith Johnson	71.2	28.8	100	—	25	75
Andrew Mackenzie[5]	59.4	40.6	N/A	n/a	n/a	n/a
Sam Walsh	88.1	11.9	100	—	25	75

Notes

1. Paid in March 2006 in respect of 2005.
2. Vesting of 2003 grant in March 2006.
3. Vesting of 2002 Conditional Award in February 2006.
4. Robert Adams conditional award vested on a pro-rata basis reflecting his period of employment.
5. Andrew Mackenzie joined in 2004 after the 2003 SOP and 2002 MCCP awards had been made.

The estimated maximum and minimum total value of bonuses and share and option based compensation for the 2006 financial year are set out below.

Minimum and maximum total bonuses and grants 2006

	STIP Cash[1]		SOP Options[2] (% of March 2006 salary)[2,3]		MCCP Shares[3] (% of March 2006 salary)[2,4]	
	Potential range of bonus payments in March 2007 in respect of 2006					
	Min US$	Max US$	Min	Max	Min	Max
Leigh Clifford	—	1,835,136	—	300	—	200
Guy Elliott	—	1,161,216	—	200	—	140
Tom Albanese	—	948,000	—	300	—	200
Preston Chiaro	—	720,000	—	300	—	200
Oscar Groeneveld	—	1,141,920	—	200	—	140

Keith Johnson	—	756,864	—	200	—	140
Andrew Mackenzie[5]	—	839,808	—	200	—	140
Sam Walsh	—	1,054,080	—	200	—	140

Notes

1. Based on exchange rate £1 = US$1.728 and A$1 = US$0.732.
2. Grant / Conditional Award based on the average share price during 2005.
3. SOP Options to be granted in 2006 may, subject to achievement of the performance condition, vest in 2009, with a potential re-test in 2011. The maximum value of these options at the date of vesting would be calculated by multiplying the number of vested options by the intrinsic value at that time (ie the difference between the option exercise price and the current market price).
4. MCCP performance shares to be granted in 2006 may, subject to achievement of the performance condition, vest in 2010. The maximum value of these shares at the date of vesting would be calculated by multiplying the number of vested shares by the intrinsic value at that time (ie the current market price plus, the value of dividends earned on the vested shares during the performance period).

External appointments

Executive directors are likely to be invited to become non executive directors of other companies. Rio Tinto believes that such appointments can broaden their experience and knowledge, to the benefit of the Group. It is Group policy to limit executive directors external directorships to one FTSE 100 company or equivalent and they are not allowed to take on the chairmanship of another FTSE 100 company. In addition the chairman of Rio Tinto is not permitted to take on the chairmanship of another FTSE 100 company, or equivalent.

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Consequently, where there is no likelihood that such directorships will give rise to conflicts of interests, the board will normally give consent to the appointment, with the director permitted to retain the fees earned. Details of fees earned are set out in the notes to Table 1 on pages 98 to 100.

Company secretary remuneration

The board policy described above applies to the company secretary of each of Rio Tinto plc and Rio Tinto Limited. The secretaries participate in the same performance based remuneration arrangements as the executives. The individual performance measures for the secretaries annual cash bonus comprise company and personal measures. Their personal measures reflected the key responsibilities of the company secretarial role and included ensuring compliance with regulatory requirements, oversight of good corporate governance practice and the provision of corporate secretarial services.

Chairman and non executive director remuneration

Remuneration policy

Reflecting the board s focus on long term strategic direction and corporate performance rather than short term results, remuneration for the chairman and non executive directors is structured with a fixed fee component only, details of which are set out below and in Table 1 on pages 98 to 100. The board as a whole determines non executive directors fees, although non executive directors do not vote on any changes to their own fees. Fees are set to reflect the responsibilities and time spent by the directors on the affairs of Rio Tinto. To reflect the commitment expected from directors, as well as market practice for similar companies, non executive directors base fees were increased from £50,000 to £60,000 in late 2005, the first such increase since 2001.

It is Rio Tinto s policy that the chairman should be remunerated on a competitive basis and at a level which reflects his contribution to the Group, as assessed by the board. The chairman is not present at any discussion regarding his own remuneration. He does not participate in the Group s incentive plans or pension arrangements.

Letters of appointment

Non executive directors have formal letters of appointment setting out their duties and responsibilities. These letters are available for inspection at Rio Tinto plc s registered office prior to the annual general meeting and at the meeting itself. Each non executive director is appointed subject to periodic re-election by shareholders as detailed on page 116. There are no provisions for compensation payable on termination of any non executive director s directorship.

The chairman s letter of appointment summarises his duties as chairman of the Group and was agreed by the *Remuneration committee*. It stipulates that he is expected to dedicate at least three days per week on average to carry out these duties. The letter envisages that Paul Skinner will continue in the role of chairman until he reaches the age of 65 in 2009, subject to re-election as a director by shareholders, although the appointment may be terminated by either Rio Tinto or Paul Skinner giving six months notice. Other than in this case, there is no provision for compensation payable on termination of his chairmanship or directorship.

Remuneration components

The following table sets out the annual fees payable to the chairman and the non executive directors in £/A$ as appropriate.

	As at 31 Dec 2005	As at 1 Jan 2005
Base fees:		
Chairman	£ 600,000	£550,000
Other directors	£60,000 / A$150,000	£50,000 / A$125,000
Additional fees:		
Senior independent director	£35,000	£30,000
Audit committee chairman	£20,000	£20,000
Audit committee member	£10,000	£10,000
Remuneration committee chairman	£15,000	£15,000
Remuneration committee member	£5,000	£5,000
Committee on social and environmental accountability chairman	£10,000	—
Committee on social and environmental accountability member	£3,000 / A$7,500	—

Overseas meeting allowances:

Long distance (flights over 10 hours per journey)	£4,000 / A$10,000	£4,000 / A$10,000
Medium distance (flights of 5-10 hours per journey)	£2,000 / A$5,000	£2,000 / A$5,000

No additional fee is payable to the chairman or members of the *Nominations committee* although this arrangement remains subject to review and will depend on the volume of committee business going forward. In light of the increased volume of committee work, it was decided in June 2005 to introduce a £10,000 fee for the chairman of the *Committee on social and environmental accountability* and a £3,000 fee for members.

Rio Tinto does not pay retirement benefits or allowances to the chairman or non executive directors nor do any participate in any of the Group s incentive plans. Where the payment of statutory minimum superannuation contributions for Australian non executive directors is required by the Australian superannuation guarantee legislation, these contributions are deducted from the directors overall fee entitlements.

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Remuneration paid during 2005

Details of the nature and amount of each element of remuneration paid to the chairman and non executive directors during 2005 are set out in Table 1 on pages 98 to 100. No post employment, long term or termination payments were paid and no share based payments made.

Auditable information

Intentionally deleted.

Directors total remuneration as defined under Schedule 7A of the Companies Act 1985

	2005 US$ 000	2004 US$ 000
Chairman		
Paul Skinner	1,049	963
Non executive directors		
Ashton Calvert	132	—
Vivienne Cox	107	—
Sir David Clementi	138	110
Leon Davis	95	275
Sir Rod Eddington	43	—
Sir Richard Giordano	80	191
Richard Goodmanson	127	8
Andrew Gould	142	110
Lord Kerr	130	115
David Mayhew	122	122
John Morschel	43	155
Sir Richard Sykes	188	127
Lord Tugendhat	—	37
Executive directors		
Robert Adams	220	1,777
Leigh Clifford	3,093	3,150
Guy Elliott	1,872	1,781
Oscar Groeneveld	—	1,215

Annual general meetings

Shareholders will be asked to vote on this Remuneration report at the Companies forthcoming annual general meetings.

By order of the board
Anette Lawless Secretary
Remuneration Committee
24 February 2006

Note

This Remuneration report was approved at the Companies 2006 annual general meetings.

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Table 1 – Total remuneration of directors and product group chief executives

	Primary							Equity		
	Short term employee benefits and costs						Long term benefits	Value of share based awards[6]		
Stated in US$ 000	Base salary	Cash bonus	Other cash based benefits[2]	Non-monetary benefits[2]	Second-ment costs[3]	Employ-ment costs[4]	Long service[5]	MCCP[7]	SOP[8]	SSP/ Others[9]
Chairman										
Paul Skinner	1,017	—	31	1	—	133	—	—	—	—
Non executive directors										
Ashton Calvert[13]	101	—	31	—	—	7	—	—	—	—
Vivienne Cox[13]	100	—	7	—	—	13	—	—	—	—
Sir David Clementi	123	—	15	—	—	16	—	—	—	—
Leon Davis[13,14]	94	—	—	—	—	5	—	—	—	—
Sir Rod Eddington[13]	35	—	8	—	—	5	—	—	—	—
Sir Richard Giordano[13,14]	61	—	7	—	—	8	—	—	—	—
Richard Goodmanson	112	—	15	—	—	—	—	—	—	—
Andrew Gould	135	—	7	—	—	—	—	—	—	—
Lord Kerr	115	—	15	—	—	15	—	—	—	—
David Mayhew[15,16]	108	—	15	—	—	—	—	—	—	—
John Morschel[13,14]	43	—	—	—	—	2	—	—	—	—
Sir Richard Sykes[16]	174	—	15	—	—	—	—	—	—	—
Executive directors[17,19]										
Robert Adams – *Planning & Development*2	76	38	102	4	—	125	—	1,155	582	1
Leigh Clifford – *Chief Executive*[18]	1,492	1,348	31	5	160	363	—	1,651	1,277	2
Guy Elliott – *Finance*	923	906	27	6	—	256	—	881	480	10
Product group chief executives[19]										
Tom Albanese – *Copper & Exploration*[20]	730	682	—	46	932	32	—	821	680	14
Preston Chiaro –										

Energy	537	393	21	12	1,050	64	—	652	343	14
Oscar Groeneveld – *Aluminium*	883	642	—	121	138	129	—	579	457	2
Keith Johnson – *Diamonds*	607	498	13	22	—	148	—	473	203	8
Andrew MacKenzie – *Industrial Minerals*	683	466	11	21	—	124	—	414	93	7
Chris Renwick – *Iron Ore (retired)* 5	—	—	—	—	—	110	—	—	—	—
Sam Walsh – *Iron Ore*	807	829	—	76	92	130	—	630	384	3
2005 Remuneration	**8,956**	**5,802**	**371**	**314**	**2,372**	**1,685**	**—**	**7,256**	**4,499**	**6**
2004 Remuneration	9,255	6,688	255	775	3,183	1,994	—	3,337	6,582	69

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Table 1 – Total remuneration of directors and product group chief executives (continued)

	Post employment			Other benefits		Remuneration mix[11]			Total remuneration		
	Post employment costs[10]			Termination benefits							
	Pension – Defined										
Stated in US$ 000	Benefits	Contrib-Utions	Medical costs	Post service	Gifts[14]	Fixed as %	At-risk as %	Options as % total	**2005 US$ 000**	2004 US$ 000	Currency of actual payment
Chairman											
Paul Skinner	—	—	—	—	—	100.0	—	—	**1,182**	1,085	£
Non executive directors											
Ashton Calvert13	—	—	—	—	—	100.0	—	—	**139**	—	A$
Vivienne Cox13	—	—	—	—	—	100.0	—	—	**120**	—	£
Sir David Clementi	—	—	—	—	—	100.0	—	—	**154**	123	£
Leon Davis13,14	—	—	—	—	1	100.0	—	—	**100**	289	£
Sir Rod Eddington13	—	—	—	—	—	100.0	—	—	**48**	—	£
Sir Richard Giordano13,14	—	—	—	—	12	100.0	—	—	**88**	214	£
Richard Goodmanson	—	—	—	—	—	100.0	—	—	**127**	8	£
Andrew Gould	—	—	—	—	—	100.0	—	—	**142**	110	£
Lord Kerr	—	—	—	—	—	100.0	—	—	**145**	128	£
David Mayhew15,16	—	—	—	—	—	100.0	—	—	**123**	110	£
John Morschel13,14	—	—	—	—	1	100.0	—	—	**46**	163	A$
Sir Richard Sykes16	—	—	—	—	—	100.0	—	—	**189**	132	£
Executive directors17,19											
Robert Adams – *Planning & Development*2	31	—	—	—	—	16.0	84.0	27.5	**2,114**	3,686	£
Leigh Clifford – *Chief Executive*18	317	58	—	—	—	36.2	63.8	19.0	**6,704**	6,511	£
Guy Elliott – Finance	408	—	—	—	—	41.8	58.2	12.3	**3,897**	3,079	£
Product group chief executives19											
Tom Albanese – *Copper & Exploration*	157	13	3	—	—	46.9	53.1	16.5	**4,110**	4,043	US$
Preston Chiaro –											

Energy	142	12	6	—	—	57.2	42.8	10.6	**3,246**	2,595	US$
Oscar Groeneveld – *Aluminium*	181	18	—	—	—	46.7	53.3	14.5	**3,150**	3,383	A$
Keith Johnson – *Diamonds*	312	—	—	—	—	48.6	51.4	8.9	**2,284**	1,712	£
Andrew MacKenzie – *Industrial Minerals*	398	—	—	—	—	56.1	43.9	4.2	**2,217**	757	£
Chris Renwick – *Iron Ore (retired)*5	—	—	—	1,115	—	100.0	—	—	**1,225**	4,506	A$
Sam Walsh – *Iron Ore*	200	—	—	—	—	41.5	58.5	12.2	**3,151**	3,130	A$
2005 Remuneration	**2,146**	**101**	**9**	**1,115**	**14**				**34,701**		
2004 Remuneration	2,127	166	8	—	—					35,764	

Short term employee benefits and costs	**19,500**	22,150
Long term benefits	**—**	1,325
Share based awards	**11,816**	9,988
Post employment costs	**2,256**	2,301
Termination benefits	**1,129**	—
	34,701	35,764

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Notes

1. The total remuneration is reported in US dollars. The amounts with the exception of the annual cash bonus, can be converted into sterling at the rate of 1US$ = £0.5491 or alternatively into Australian dollars at the rate of 1US$ = A$1.3111, each being the average exchange rate for 2005. The annual cash bonus is payable under the STIP and this may be converted at the 2005 year end exchange rate of 1US$ = £0.5787 to ascertain the sterling equivalent or alternatively, 1US$ = A$ 1.3652 to calculate the Australian dollar value.
2. Other cash based benefits include car, fuel, overseas meeting allowances and cash in lieu of holiday paid to the estate of Robert Adams who died on 27 January 2005. The amounts shown as paid to non executive directors relate entirely to overseas meeting allowances. Non monetary benefits include heathcare, 401K contributions in the US, the provision of a car, annual leave accruals and professional advice.
3. Secondment costs comprise housing, education, tax equalisation and relocation payments made to and on behalf of executive directors and product group chief executives living outside their home country.
4. Employment costs comprise social security contributions and accident insurance premiums in the UK and US and payroll taxes in Australia paid by the employer as a direct additional cost of hire.
5. A payment in respect of long service leave is paid to Australian executive directors and product group chief executives on retirement. Christopher Renwick received such a payment when he retired on 1 December 2004. No other long term benefit type payments have been made in the period.
6. The value of share based awards has been determined in accordance with the recognition and measurement requirements of IFRS2 "Share- based Payment". The fair value of awards granted under the Rio Tinto Share Option Plan (the SOP), the Share Savings Plan (the SSP) have been calculated at their dates of grant using an independent lattice based option valuation model provided by external consultants, Lane Clark and Peacock LLP. The fair value of awards granted under the Mining Companies Comparative Plan (the MCCP) has been based on the market price of shares at the measurement date adjusted to reflect the number of awards expected to vest based on the current and anticipated relative TSR performance. Further details of the valuation methods and assumptions used for these awards are included in the Note 48 (Share Based Payments). The non executive directors do not participate in the long term incentive share schemes.
7. The number of conditional shares awarded to executive directors and product group chief executives under the MCCP for the twelve month period ending 31 December 2005 are shown under Table 4 of this report. The MCCP is stated under primary emoluments to reflect the treatment of the plan as a cash settled share based payment.
8. The award of options to executive directors under the SOP and SSP during the twelve month period up to 31 December 2005 are shown in Table 5 of this report.
9. Other share based awards refers to the Rio Tinto All Employee Share Ownership Plan where UK executive directors and product group chief executives are beneficiaries to free shares up to a maximum value of £3,000 (US$ 5,463) and may also contribute to purchase additional shares where the Company will also match their personal contributions up to a maximum of £1,500 (US$ 2,732) per annum. Under these plans Robert Adams received £338 (US$616), Keith Johnson received £3,500 (US$6,374), Andrew Mackenzie received £3,750 (US$6,829) and Guy Elliott received £4,500 (US$8,195). American group product chief executives receive a Company matching of personal contribution for shares under the US 401K arrangements up to a maximum of US$12,600. The Company matched personal contributions to the following values: Tom Albanese (US$12,600) and Preston Chiaro (US$12,083).
10. The costs shown for defined benefit pension plans and post-retirement medical benefits are the service costs attributable to the individual, calculated in accordance with IAS19. The cost for defined contribution plans is the amount contributed by the year by the company
11. Remuneration mix shows the proportions of total remuneration comprising fixed and variable pay components and the percentage of total remuneration comprising share options only. Fixed pay is represented by base salary, non monetary and other cash benefits, secondment and employment costs, post employment, termination benefits and voluntary share based awards as detailed in Note 9. Variable pay is made up of the cash bonus and the values of the share based awards related to company performance.
12. The comparative total figures in respect of 2004 have been restated following the move to International Financial Reporting Standards. In summary the major changes are the inclusion of employment costs and the recalculation of post employment costs and the value of share based awards on an annual basis.
13. Several of the non executive directors held their positions for less than the whole financial year. The following directors were appointed during the period, Ashton Calvert on 1 February 2005, Vivienne Cox on 1 February 2005 and Sir Rod Eddington on 1 September 2005. Sir Richard Sykes became the senior non executive director following Sir Richard Giordano's retirement in April 2005. The following directors retired on 29 April 2005, Leon Davis, Sir Richard Giordano and John Morschel.
14. Messrs Davis, Giordano and Morschel received retirement gifts valued at US$891, US$11,987 and US$891 respectively. These gifts are shown in the termination benefits column.
15. David Mayhew resigned from the *Audit committee* on 31 July 2005. The fees disclosed above include £4,167 (US$7,589) paid to JP Morgan Cazenove for Mr Mayhew's continued attendance at *Audit committee* meetings after this date in the capacity of an advisor. In 2004 a total of £6,645 (US$12,164) relating to travelling expenses to attend the Australian AGM were incorrectly disclosed as part of his total base salary figure. The correct base salary figure should have been stated as US$110,000.
16. David Mayhew's fees were paid to JP Morgan Cazenove and Sir Richard Sykes fees were paid to Imperial College.
17. Executive directors have agreed to waive any fees receivable from subsidiary and associated companies. No such emoluments were paid by subsidiary or associated companies in respect of executive directors during the period (2004: two directors waived US$53,022).
18. In the course of the year Leigh Clifford received US$110,025 in respect of his non Rio Tinto related directorship.
19. With the exception of Robert Adams who died on 27 January 2005, all executive directors and product group chief executives held their positions for the entire reporting period.

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Table 2 – Directors pension entitlements (as at 31 December 2005)

			Accrued benefits				Transfer values[3]			
	Age	Years of service completed	At 31 December 2004	At 31 December 2005	Change in accrued benefits during the year ended 31 December 2005	Change in accrued benefit net of inflation	At 31 December 2004	At 31 December 2005	Change, net of personal contribs.	Transfer value of change in accrued benefit net of inflation
UK directors			£ 000 pa pension	£ 000 pa pension	£ 000 pa pension	£ 000 pa pension	£ 000	£ 000	£ 000	£ 000
Robert Adams[4]	59	34	389	391	2	2	7,465	7,573	108	41
Guy Elliott	50	25	256	291	35	29	2,915	3,781	866	385
Australian director			A$ 000 Lump sum	A$ 000 Lump sum	A$ 000 Lump sum	A$ 000 Lump sum	A$ 000	A$ 000	A$ 000	A$ 000
Leigh Clifford[1,2]	58	35	12,026	13,147	1,121	(534)	12,026	13,147	1,121	(534)

Notes

1. A$76,538 was credited to the account belonging to Leigh Clifford in the Rio Tinto Staff Superannuation Fund in relation to the superannuable element of his 2005 performance bonus.
2. The change in accrued benefit net of inflation for Leigh Clifford is the change net of the Rio Tinto Staff Superannuation Fund s investment return and allowing for contributions tax.
3. Transfer values are calculated in a manner consistent with Retirement Benefit Schemes — Transfer Values (GN 11) published by the Institute of Actuaries and the Faculty of Actuaries and dated 4 August 2003.
4. Robert Adams died on 27 January 2005. The 2005 figures show his accrued benefits to 27 January 2005, and transfer value calculated at that date.

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Table 3 – Directors and product group chief executives beneficial interests in shares[9]

	Rio Tinto plc			Rio Tinto Limited			Movement		
	1 Jan 2005[2]	31 Dec 2005[3]	31 May 2006	1 Jan 2005[2]	31 Dec 2005[3]	31 May 2006	Exercise of options[4]	Compen-sation[5]	Other[6]
Directors									
Robert Adams[1]	72,243	72,243	n/a	—	—	—	—	—	—
Ashton Calvert[1]	—	—	—	—	—	—	—	—	—
Sir David Clementi	—	—	—	—	—	—	—	—	—
Leigh Clifford	2,100	2,100	2,100	90,296	91,255	91,255	959	—	—
Vivienne Cox[1]	—	381	381	—	—	—	—	—	381
Leon Davis[1]	6,100	6,100	n/a	187,293	187,293	n/a	—	—	—
Sir Rod Eddington[1]	—	—	—	—	—	—	—	—	—
Guy Elliott[8]	42,888	47,827	47,969	—	—	—	4,007	1,006	—
Sir Richard Giordano[1]	1,065	1,065	n/a	—	—	—	—	—	—
Richard Goodmanson	—	—	—	—	—	—	—	—	—
Andrew Gould	1,000	1,000	1,000	—	—	—	—	—	—
Lord Kerr	2,300	2,300	2,300	—	—	—	—	—	—
David Mayhew	2,500	2,500	2,500	—	—	—	—	—	—
John Morschel[1]	—	—	—	2,000	2,000	n/a	—	—	—
Paul Skinner	5,277	5,409	5,409	—	—	—	—	—	132
Sir Richard Sykes	2,422	2,482	2,482	—		—	—	—	60
Product group chief executives									
Tom Albanese[1,8]	22,023	23,261	26,816	—	—	—	530	—	1,238
Preston Chiaro[8]	4,858	60,762	60,762	—	—	—	55,272	632	—
Oscar Groeneveld[7]	19,010	3,000	3,000				—	—	(16,010)
				62,125	79,502	123,302	—	16,771	606
Keith Johnson[8]	1,501	2,236	17,472	—	—	—	1,078	755	—
Andrew Mackenzie[8]	38,000	39,197	40,394	—	—	—	—	268	949
Sam Walsh	—	—	—	4,645	6,570	42,038	30,000	5,980	335

Notes

1. Robert Adams died on 27 January 2005. Ashton Calvert and Vivienne Cox were appointed non executive directors on 1 February 2005. Leon Davis, Sir Richard Giordano and John Morschel retired on 29 April 2005. Sir Rod Eddington was appointed a non executive director on 1 September 2005. Tom Albanese was appointed as an executive director on 7 March 2006. He will continue as chief executive of the Copper group and head of Exploration until 1 July 2006 when he will be appointed director, Group Resources.
2. Or date of appointment if later.
3. Or date of retirement or resignation if earlier.
4. Shares obtained through the exercise of options under the Rio Tinto Share Savings Plan or the Rio Tinto Share Option Plan. The number of shares retained may differ from the number of options exercised.
5. Shares obtained through the Rio Tinto Share Ownership Plan and/or vesting of awards under the Mining Companies Comparative Plan.
6. Shares movement due to sale or purchase of shares, or shares received under the Dividend Reinvestment Plan.
7. Oscar Groeneveld resigned as a director on 1 October 2004, when his holding in Rio Tinto plc shares was 19,010 and his holding in Rio Tinto Limited was 32,012 shares.
8. These executives also have an interest in a trust fund containing 835 Rio Tinto plc shares at 31 December 2005 (1 January 2005: 8,219 Rio Tinto plc shares) as potential beneficiaries of The Rio Tinto Share Ownership Trust. At 31 May 2006 this trust fund contained 857 Rio Tinto plc shares.
9. Shares in Rio Tinto plc are ordinary shares of 10 pence each. Shares in Rio Tinto Limited are ordinary shares.

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Table 4 – Awards to executive directors and product group chief executives under long term incentive plans

			Mining Companies Comparative Plan					Plan terms and conditions			
	Conditional award granted	Market price at award	1 Jan 2005[3]	Awarded[3]	Lapsed[3]	Vested[3]	31 Dec 2005[10]	Perfor-mance period concludes	Date award vests	Market price at vesting	Monetary [5] value of vested award US$ 000
Executive directors											
Robert	13 Mar							31 Dec	28 Jan		
Adams[2]	2002	1424p	25,064	—	12,532	12,532	—	2005	2005	2956p	640
	7 Mar							31 Dec	28 Jan		
	2003	1198p	26,837	—	13,418	13,419	—	2006	2005	2956p	686
	22 Apr							31 Dec	28 Jan		
	2004	1276p	54,372	—	35,341	19,031	—	2007	2005	2956p	972
			106,273	—	61,291	44,982	—				2,298
Leigh	13 Mar							31 Dec			
Clifford	2002	A$39.60	34,435	—	34,435	—	—	2005			
	7 Mar							31 Dec			
	2003	A$30.69	36,341	—	—	—	36,341	2006			
	22 Apr							31 Dec			
	2004	A$33.17	119,581	—	—	—	119,581	2007			
	9 Mar							31 Dec			
	2005	A$47.39	—	113,324	—	—	113,324	2008			
			190,357	113,324	34,435	—	269,246				—
Guy	13 Mar							31 Dec			
Elliott	2002	1424p	16,935	—	16,935	—	—	2005			
	7 Mar							31 Dec			
	2003	1198p	22,923	—	—	—	22,923	2006			
	22 Apr							31 Dec			
	2004	1276p	51,550	—	—	—	51,550	2007			
	9 Mar							31 Dec			
	2005	1839p	—	51,081	—	—	51,081	2008			
			91,408	51,081	16,935	—	125,554				—
Product group chief executives											
Tom	13 Mar							31 Dec	17 Feb		
Albanese	2002	1424p	20,169	—	15,127	5,042	—	2005	2006	2867p	252
	7 Mar							31 Dec			
	2003	1198p	19,274	—	—	—	19,274	2006			
	22 Apr							31 Dec			

	2004	1276p	56,015	—	—	—	56,015	2007				
	9 Mar 2005	1839p	—	55,951	—	—	55,951	31 Dec 2008				
			95,458	55,951	15,127	5,042	131,240					252
Preston Chiaro	13 Mar 2002	1424p	7,934	—	5,951	1,983	—	31 Dec 2005	17 Feb 2006	2867p		99
	7 Mar 2003	1198p	7,352	—	—	—	7,352	31 Dec 2006				
	22 Apr 2004	1276p	46,995	—	—	—	46,995	31 Dec 2007				
	9 Mar 2005	1839p	—	42,351	—	—	42,351	31 Dec 2008				
			62,281	42,351	5,951	1,983	96,698					99
Oscar Groeneveld	13 Mar 2002	A$39.60	20,322	—	20,322	—	—	31 Dec 2005				
	7 Mar 2003	A$30.69	21,469	—	—	—	21,469	31 Dec 2006				
	22 Apr 2004	A$33.17	43,785	—	—	—	43,785	31 Dec 2007				
	9 Mar 2005	A$47.39	—	45,024	—	—	45,024	31 Dec 2008				
			85,576	45,024	20,322	—	110,278					—

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Table 4 – Awards to executive directors and product group chief executives under long term incentive plans

			Mining Companies Comparative Plan					Plan terms and conditions			
	Conditional award granted	Market price at award	1 Jan 2005[3]	Awarded[3]	Lapsed[3]	Vested[3]	31 Dec 2005[10]	Perfor-mance period concludes	Date award vests	Market price at vesting	Monetary[5] value of vested award US$ 000
Keith Johnson	13 Mar 2002	1424p	5,984	—	4,488	1,496	—	31 Dec 2005	17 Feb 2006	2867p	75
	7 Mar 2003	1198p	8,186	—	—	—	8,186	31 Dec 2006			
	22 Apr 2004	1276p	30,387	—	—	—	30,387	31 Dec 2007			
	9 Mar 2005	1839p	—	33,556	—	—	33,556	31 Dec 2008			
			44,557	33,556	4,488	1,496	72,129				75
Andrew Mackenzie	13 Mar 2002	1424p	—	—	—	—	—	31 Dec 2005			
	7 Mar 2003	1198p	—	—	—	—	—	31 Dec 2006			
	22 Apr 2004	1276p	16,270	—	—	—	16,270	31 Dec 2007			
	9 Mar 2005	1839p	—	37,638	—	—	37,638	31 Dec 2008			
			16,270	37,638	—	—	53,908				—
Sam Walsh	13 Mar 2002	A$39.60	16,627	—	12,471	4,156	—	31 Dec 2005	17 Feb 2006	A$71.65	220
	7 Mar 2003	A$30.69	16,884	—	—	—	16,884	31 Dec 2006			
	22 Apr 2004	A$33.17	38,023	—	—	—	38,023	31 Dec 2007			
	9 Mar 2005	A$47.39	—	41,176	—	—	41,176	31 Dec 2008			
			71,534	41,176	12,471	4,156	96,083				220

			Mining Companies Comparative Plan					Plan terms and conditions			
	Conditional award granted	Market price at award	1 Jan 2006[3]	Awarded[3]	Lapsed[3]	Vested[3]	31 May 2006[10]	Perfor-mance period	Date award vests	Market price at vesting	Monetary[5] value of vested

								concludes	award US$ 000
Executive directors									
Tom Albanese[11]	7 Mar 2003	1198p	19,274	—	—	—	19,274	31 Dec 2006	
	22 Apr 2004	1276p	56,015	—	—	—	56,015	31 Dec 2007	
	9 Mar 2005	1839p	55,951	—	—	—	55,951	31 Dec 2008	
	7 Mar 2006	2630p	—	45,007	—	—	45,007	31 Dec 2009	
			131,240	45,007	—	—	176,247		—
Leigh Clifford	7 Mar 2003	A$ 30.69	36,341	—	—	—	36,341	31 Dec 2006	
	22 Apr 2004	A$ 33.17	119,581	—	—	—	119,581	31 Dec 2007	
	9 Mar 2005	A$ 47.39	113,324	—	—	—	113,324	31 Dec 2008	
	7 Mar 2006	A$ 69.60	—	84,661	—	—	84,661	31 Dec 2009	
			269,246	84,661	—	—	353,907		—

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Table 4 – Awards to executive directors and product group chief executives under long term incentive plans

	Mining Companies Comparative Plan							Plan terms and conditions			
	Conditional award granted	Market price at award	1 Jan 2006[3]	Awarded[3]	Lapsed[3]	Vested[3]	31 May 2006[10]	Perfor-mance period concludes	Date award vests	Market price at vesting	Monetary [5] value of vested award US$ 000
Guy Elliott	7 Mar 2003	1198p	22,923	—	—	—	22,923	31 Dec 2006			
	22 Apr 2004	1276p	51,550	—	—	—	51,550	31 Dec 2007			
	9 Mar 2005	1839p	51,081	—	—	—	51,081	31 Dec 2008			