RIO TINTO PLC
Form 20-F
June 27, 2007

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 2006

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, United Kingdom
(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, 120 Collins Street
Melbourne, Victoria 3000, 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	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	1,071,488,203	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 which was 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 previous years, the Form 20-F filed with the United States Securities and Exchange Commission (SEC), contained separate consolidated financial statements for the Rio Tinto plc and Rio Tinto Limited parts of the Group. These were presented on the basis of the legal ownership of the various operations within each part of the Group. The separate financial statements for Rio Tinto Limited included, on a consolidated basis, the Group undertakings under its legal ownership, and those for Rio Tinto plc included, on a consolidated basis, the Group undertakings under its legal ownership. This presentation of financial information filed with the SEC was on the assumption that the formation of the Group through the dual listed companies (DLC) arrangements was not a business combination. The financial statements filed with the SEC also included supplemental financial information that combined the consolidated financial statements of the Rio Tinto plc and Rio Tinto Limited parts of the Group to present the Rio Tinto Group, with no adjustment for fair values.

This combined financial information for the Rio Tinto Group was consistent with the financial statements that were used for the purposes of satisfying the Group's reporting obligations in the United Kingdom and Australia. The combined financial statements for the Rio Tinto Group viewed the formation of the DLC as a business combination and accounted for the transaction as a merger in accordance with UK Financial Reporting Standard No. 6 *Acquisitions and Mergers* (FRS 6). Applying FRS 6, Rio Tinto plc and Rio Tinto Limited were combined and presented as one economic entity with no adjustment for fair values.

As permitted under the transitional arrangements set out in IFRS 1 First time adoption of International Financial Reporting Standards, which sets out the rules for first time adoption of IFRS, the Group did not apply the concepts of IFRS 3 Business Combinations for business combinations prior to the first time application of EU IFRS. Accordingly, the Group is following the same method of accounting for the DLC in its financial statements under EU IFRS as was historically followed under UK GAAP: the Group is presented as one economic entity at historical cost.

Subsequent to the formation of the Group, the accounting model used in filings with the SEC for the presentation of financial statements of companies that form DLCs has changed. The formation of a new DLC is now viewed as a business combination. The Group now believes that it would be preferable to treat the formation of the DLC as a business combination, with the result that the accounting and reporting of financial statements prepared in accordance with IFRS to the SEC will be consistent with the accounting and reporting in the United Kingdom and Australia.

Accordingly, the Group has revised the presentation of its financial statements included in Form 20-F to account for the formation of the DLC as a business combination. As a consequence, separate financial statements for Rio Tinto plc and Rio Tinto Limited will no longer be presented. Instead, the financial statements will deal with the Rio Tinto Group as one combined economic entity. This new presentation is applied retrospectively for all periods presented. The IFRS information presented on this new basis in the 20-F is the same as the combined supplemental information for the Rio Tinto Group that was previously disclosed.

Under US GAAP, the Group now accounts for the formation of the DLC using the purchase method. As a consequence of this treatment, Rio Tinto shareholders' funds under US GAAP at 31 December 2006 are $1,519 million above those under EU IFRS; and US GAAP net earnings for 2006 are $62 million below those under EU IFRS. Further information on the impact of purchase accounting under US GAAP is shown in note 48 to the 2006 financial statements on pages A-71 to A-72.

Rio Tinto plc and Rio Tinto Limited established separate ADR programmes prior to their DLC merger and had maintained both but following a 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 was not affected by this termination.

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RIO TINTO

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

The selected consolidated financial data on pages 3 to 4 has been derived from the 2006 financial statements of the Rio Tinto Group under Item 18. Financial statements herein, have been 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 2006 financial statements and notes thereto.

The 2006 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 48 to the 2006 financial statements.

RIO TINTO GROUP

Income Statement Data

For the years ending 31 December	2004	2005	**2006**
Amounts in accordance with EU IFRS (a)	US$m	US$m	**US$m**
Consolidated revenue	12,954	19,033	**22,465**
Group operating profit (b)	3,327	6,922	**8,974**
Profit for the year	3,244	5,498	**7,867**
Group operating profit per share (US cents)	241.3	507.5	**673.0**
Earnings per share (US cents)	239.1	382.3	**557.8**
Diluted earnings per share (US cents)	238.7	381.1	**555.6**

Dividends per share

	2002	2003	2004	2005	**2006**
US cents (c)					
– ordinary dividends	68.5	60.5	66.0	83.5	**81.5**
– special dividend	—	—	—	—	**110.0**

UK pence (c)					
– ordinary dividends	46.52	37.05	36.22	45.69	**44.77**
– special dividend	—	—	—	—	**61.89**
Australian cents (c)					
– ordinary dividends	129.91	96.89	90.21	108.85	**107.34**
– special dividend	—	—	—	—	**145.42**
Weighted average number of shares (millions)	1,377	1,378	1,379	1,364	**1,333**

Amounts in accordance with US GAAP

	2002 US$m	2003 US$m	2004 US$m	2005 US$m	**2006 US$m**
Consolidated revenue (g)	8,719	9,545	12,081	19,343	**22,781**
Group operating profit (b) (g)	657	936	1,312	6,229	**7,499**
Net earnings (d)	514	1,750	2,738	4,874	**6,649**
Earnings per share (US cents)	37.3	127.0	198.5	357.3	**498.6**
Diluted earnings per share (US cents)	37.3	126.9	198.2	356.2	**496.6**

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Balance Sheet Data at 31 December Amounts in accordance with EU IFRS (a)	2004 US$m	2005 US$m	**2006** US$m
Total assets	26,308	29,803	**34,494**
Share capital / premium	3,127	3,079	**3,190**
Total equity / Net assets	12,591	15,739	**19,385**
Equity attributable to Rio Tinto shareholders	11,877	14,948	**18,232**

Amounts in accordance with US GAAP	2002 US$m	2003 US$m	2004 US$m	2005 US$m	**2006** US$m
Total assets	24,631	29,378	32,125	34,774	**37,295**
Share capital / premium	2,580	2,869	3,127	3,079	**3,190**
Rio Tinto shareholders' funds (d)	10,968	13,727	16,122	18,677	**20,791**

Notes

(a) In accordance with the General Instructions for Form 20-F, Section G, audited information under EUIFRS is presented for 2004, 2005 and 2006 only as International Financial Reporting Standards were adopted from 1 January 2004.

(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.

(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, 2005 and 2006.

(g) Certain jointly controlled assets, which previously were equity accounted under UK and US GAAP, are proportionally consolidated under EUIFRS. The above US GAAP data for 2005 and 2006 also include these units on the basis of proportional consolidation. Amounts presented for consolidated revenue and operating profit in the years 2002 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, Group consolidated revenue and operating profit, respectively, would have been $2.0 billion and $1.0 billion lower (2005: $2.2 billion and $1.1 billion 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 2006 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.

The strong underlying economic conditions and commodity prices have led to a rapid growth in demand for technical skills in mining, metallurgy and geological sciences, and for materials and supplies related to the mining industry, causing skills and materials shortages. The retention of skilled employees, the recruitment of new staff and the purchasing of materials and supplies may lead to increased costs, interruptions to existing operations and to delays in new projects.

Further discussion can be found on page 12, Business environment, markets and regulations, and on page 79, commodity prices.

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 sales 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 page 77.

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 may, under the terms of the acquisition, be liable for the past acts or omissions of the acquired businesses in circumstances where the price paid does not adequately reflect the eventual cost of these liabilities.

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. In particular, Rio Tinto has commenced or recommenced exploration for new projects in a number of new countries which may increase risks around land and resource tenure.

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 the economics of a project and, consequently, the Group's asset values, costs, earnings and cash flows.

Ore reserve estimates

There are numerous uncertainties inherent in estimating ore reserves; 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 82.

Political and community

The Group has operations in jurisdictions having varying degrees of political and commercial 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. Commercial instability caused by bribery and corruption in their various guises can lead to similar consequences. 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

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occur, it may 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.

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 projects and operations
Where projects and operations are controlled and managed by the Group's partners, the Group may provide expertise and advice, but it cannot guarantee compliance with its standards and objectives. Improper management or ineffective policies, procedures or controls could not only adversely affect the value of the related non managed projects and operations but could also, by association, harm the Group's other operations and future access to new 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 expressions, commonly identify such forward looking statements. Examples of forward looking statements in this annual report on Form 20-F include, without limitation, those regarding estimated ore reserves, anticipated production or construction dates, costs, outputs 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 ore reserves will be based in part on market prices that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors that could affect the Group's

results 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.

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Item 4. Information on the Company

INTRODUCTION

Rio Tinto is a leading international mining group whose business is finding, mining and processing the earth's mineral resources. The Group's interests are diverse both in geography and product. Our activities span the world but we are strongly represented in Australia and North America and we have significant businesses in South America, Asia, Europe and southern Africa. Those businesses include open pit and underground mines, mills, refineries and smelters as well as a number of research and service facilities.

The Group combines Rio Tinto plc, registered in England and Wales, listed on the London Stock Exchange and headquartered in the UK; and, Rio Tinto Limited, incorporated in Victoria, Australia, listed on the Australian Securities Exchange and with executive offices in Melbourne. 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 35 to 38 to the 2006 financial statements.

On 31 December 2006, Rio Tinto plc had a market capitalisation of £27.8 billion (US$54 .5 billion) and Rio Tinto Limited had a market capitalisation in publicly held shares of A$21.2 billion (US$16.8 billion). The combined Group's market capitalisation in publicly held shares at the end of 2006 was US$71.3 billion.

Objective, strategy and management structure

Our fundamental objective is to maximise the overall long term value and return to our shareholders. We do this by operating responsibly and sustainably in areas of proven expertise such as exploration, project evaluation and mining, where the Group has a competitive advantage.

Our strategy is to maximise net present value by investing in large, long life, cost competitive mines. Investments are driven by the quality of each opportunity, not by the choice of commodity.

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

- Iron Ore
- Energy
- Industrial Minerals
- Aluminium
- Copper
- Diamonds
- Exploration
- Technology and Innovation (formerly Operational and Technical Excellence).

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

Nomenclature and financial data

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', 'SA' and similar suffixes have generally been omitted from Group company names, except to distinguish between Rio Tinto plc and Rio Tinto Limited.

Financial data in United States dollars (US$) is derived from, and should be read in conjunction with, the 2006 financial statements which are in US$. 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 sales revenue, profit before tax and net earnings and operating assets for 2005 and 2006 attributable to the product groups and geographical areas are shown in notes 30 and 31 to the 2006 financial statements. In the *Operating and financial review* (OFR), operating assets and sales revenue for 2005 and 2006 are consistent with the financial information by business unit in note 47 to the 2006 financial statements.

The tables on pages 19 to 22 show production for 2004, 2005 and 2006 and include estimates of proven and probable ore reserves. Words and phrases, often technical, have been used which have particular meanings; definitions of these terms are in the Glossary on pages 153 to 155. The weights and measures used are mainly metric units; conversions into other units are shown on page 155.

History

Rio Tinto's predecessor companies were formed in 1873 and 1905. The Rio Tinto Company was formed by investors in 1873 to mine ancient copper workings at Rio Tinto, near Seville in southern Spain. The Consolidated Zinc Corporation was incorporated in 1905 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

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Australian interests of The Consolidated Zinc Corporation and The Rio Tinto Company.

Between 1962 and 1995, both RTZ and CRA discovered important mineral deposits, developed major mining projects and also grew through acquisition.

RTZ and CRA were unified in 1995 through a dual listed companies structure. This means the Group, with its common board of directors, 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 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.

Contact details

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, 120 Collins Street, Melbourne, Victoria 3000 (telephone: +61 3 9283 3333). 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.

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CAPITAL PROJECTS

Rio Tinto is investing heavily in future growth opportunities from the Group's broad portfolio of assets. Projects have been financed out of internally generated funds. Major projects completed and ongoing are summarised below.

Project	Estimated cost (100% basis) US$m	Status/Milestones
Completed in 2004		
Iron ore – Development of the Eastern Range (Rio Tinto: 54%) with a capacity of ten million tonnes per year.	67	First shipments dispatched in the first half of the year.
Aluminium – Construction of the first stage of new 1.4 million tonnes per year alumina refinery at Gladstone.	750	Completed three months early. Initial shipments started in early 2005.
Copper – Northparkes (Rio Tinto: 80%) construction of second block cave.	100	Production commenced in 2004.
Copper – Palabora (Rio Tinto: 49%) underground block caving operation	465	Construction completed but production was initially impacted by fragmentation of the cave.
Completed in 2005		
Iron ore – HIsmelt® plant (Rio Tinto: 60%) at Kwinana in Western Australia.	200	The full production rate of 800,000 tonnes per year is expected to be reached over three years.
Iron ore – Expansion of Yandicoogina mine.	200	Expansion completed in the third quarter.
Iron ore – Expansion of West Angeles mine (Rio Tinto: 53%).	105	Project completed in the third quarter.
Titanium dioxide – Expansion of upgraded slag plant.	76	Commissioning started in first quarter.
Copper – Development of the Escondida Norte satellite deposit (Rio Tinto: 30%) to provide mill feed to keep Escondida's capacity above 1.2 million tonnes of copper per year to the end of 2008.	400	First production occurred in 2005.
Iron ore – Expansion of port capacity to 116 million tonnes per annum.	685	Focus on production ramp up following completion of construction.
Completed in 2006		
Iron ore – Expansion of Hamersley Iron's (Rio Tinto: 100%) Tom Price and Marandoo mines and construction of new mine capacity at Nammuldi.	290	The Marandoo and Nammuldi components are complete and Tom Price is scheduled for completion by the first quarter of 2007.

Iron ore – Expansion by Robe River (Rio Tinto: 53%) of rail capacity including completion of dual tracking of 100 km mainline section.	200	The project was completed on budget and ahead of schedule.
Copper – Escondida sulphide leach (Rio Tinto: 30%). The project will produce 180,000 tonnes per annum of copper cathode for more than 25 years.	925	The first cathode production from the sulphide leach plant occurred in June 2006.
Titanium dioxide – Expansion of annual capacity at UGS plant from 325,000 tonnes to 375,000 tonnes.	79	The project was completed in October three months ahead of schedule and under budget.
Boric acid – Phase 2 of Rio Tinto Minerals boric acid Expansion	50	The project was completed on schedule and under budget.
Coking coal – Hail Creek (Rio Tinto: 82%) Expansion of annual capacity from 6 million tonnes to nameplate 8 million tonnes per annum, with washing plant increased to 12 million tonnes per annum.	223	The new dragline was commissioned early in the third quarter of 2006.
Ongoing		
Copper – KUC (Rio Tinto: 100%) East 1 pushback. The project extends the life of the open pit to 2017 while retaining options for further underground or open pit mining thereafter.	170	The project was approved in February 2005 and work on the pushback continues. The pebble crushing unit was commissioned in the third quarter of 2006.
Diamonds – Construction at Diavik (Rio Tinto: 60%) of the A418 dyke, and funding for further study of the viability of underground mining, including the construction of an exploratory decline.	265	The project was approved in 2004. The A418 dyke was closed off in late 2005 with dewatering completed in 2006. The dyke was completed during March 2007 with production from the A418 pipe expected to commence during April 2008. Construction of the exploratory decline is expected to be completed during June 2007.

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Iron ore – Brownfields mine expansion of Hamersley Irons (Rio Tinto: 100%) Yandicoogina mine from 36 million tonnes per annum to 52 million tonnes per annum.	530	The project was approved in October 2005 and completion is expected by the end of the third quarter of 2007.
Iron ore – Expansion of Hamersley Irons (Rio Tinto: 100%) Dampier port (Phase B) from 116 million tonnes per annum to 140 million tonnes per annum capacity and additional rolling stock and infrastructure.	803	This project was also approved in October 2005 and completion is expected by the end of 2007.
Titanium dioxide – Construction by QMM (Rio Tinto: 80%) of a greenfield ilmenite operation in Madagascar and associated upgrade of processing facilities at QIT.	850	Basic infrastructure is being put in place and the port construction contract was awarded in 2006. First production is scheduled for 2008.
Gold – Development of Cortez Hills (Rio Tinto: 40%).	504	Approved in September 2005, the project continues to focus on permitting requirements.
Energy – Rössing (Rio Tinto: 68.6%) uranium mine life extension to 2016.	82	Approved in December 2005, works are on schedule and on budget to prolong the life of the mine to 2016 and beyond.
Diamonds – Argyle (Rio Tinto: 100%) development of underground mine and open pit cutback, extending the life of the mine to 2018.	910	Approved in December 2005, the underground development is progressing with the mine due to start ramping up from 2008. Underground development cost estimates are currently under review.
Recently approved		
Iron ore – Hope Downs development (Rio Tinto share: 50% of mine and 100% of infrastructure). Construction of 22 million tonnes per annum mine and related infrastructure.	980	Construction is under way. First production expected in early 2008.
Copper – Northparkes (Rio Tinto: 80%) E48 block cave project extending mine life to 2016.	160	Approved in November 2006.
Energy – Clermont (Rio Tinto: 50.1%) is expected to produce 12.2 million tonnes per annum, replacing Blair Athol.	750	Approved in January 2007, first shipments are expected in the second quarter of 2010 with full capacity being reached in 2013.
Iron ore – Cape Lambert port expansion (Rio Tinto share: 53%) from 55 to 80 million tonnes per annum.	860	Approved in January 2007, the project is forecast to be complete by the end of 2008, with progressive capacity ramp up in the first half of 2009.

ACQUISITIONS

Asset	**Estimated cost**	**Status**

	US$m	
Acquired in 2004		
Energy – additional 177 million tonnes of in-situ coal reserves at West Antelope	146	Successful bid.
Acquired in 2005		
Iron ore – Hope Downs iron ore assets in Western Australia	n/a	Rio Tinto reached agreement with Hancock Prospecting Pty Ltd to purchase a 50% interest.
Acquired in 2006		
Copper – Ivanhoe Mines (Rio Tinto: 9.9%)	303	Agreement to acquire a strategic stake including, upon completion of satisfactory a long term investment agreement with the Mongolian government, a second tranche of 9.9% for US$338m.
Copper – Northern Dynasty Minerals (Rio Tinto: 9.9%)		Increased stake to 19.8% during February 2007

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DIVESTITURES

Asset	Estimated proceeds US$m	Status
Divested in 2004		
Copper – Mineração Serra da Fortaleza Ltda (Rio Tinto: 100%) nickel mining company.	80	Sold to Votorantim Metais, a Brazilian controlled mining company. Proceeds included an adjustment for future nickel prices.
Other operations – Sepon project in Laos (Rio Tinto: 20%), comprising a gold operation and the Khanong copper project.	85	Sold to Oxiana Limited.
Copper – Freeport-McMoRan Copper & Gold Inc (FCX) (Rio Tinto: 13.1%).	882	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.
Copper – Zinkgruvan Mining AB (Rio Tinto: 100%)	n/a	Sold to South Atlantic Ventures. Zinkgruvan was acquired in 2000 as part of North Ltd.
Copper – Neves Corvo copper mine in Portugal (Rio Tinto: 49%)	92	Rio Tinto and Empresa de Desenvolvimento Mineiro completed the sale of their interests to EuroZinc for a cash consideration and a participation in the average copper price in excess of certain thresholds.
Diamonds – Rio Tinto Zimbabwe (RioZim) (Rio Tinto: 56%)	n/a	As a result of a restructuring of Rio Tinto's interests in Zimbabwe, it became the holder of a direct 78% interest in Murowa, and RioZim became an independent listed company owning the remaining 22% and certain other Zimbabwean interests. Rio Tinto also retains a reduced cash participation in RioZim's other interests for a period of ten years.
Energy – Hail Creek Joint Venture (Rio Tinto: 92%) **Iron ore** – Beasley River iron ore deposits (Rio Tinto: 100%)	150	Sale of a 10% interest in the Hail Creek Joint Venture and a 47% interest in the Beasley River iron ore deposits to Rio Tinto's Japanese partners.
Copper – Rio Paracatu Mineração (Rio Tinto: 51%)	250	The sale of the owner of the Morro do Ouro mine in Brazil.
Divested in 2005		
Iron ore – Labrador Iron Ore Royalty Income Fund (LIORIF) (Rio Tinto: 19%)	130	LIORIF has an interest of 15.1% 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% direct interest in IOC.
Other operations – Lihir Gold (Rio Tinto: 14.5%)	295	Rio Tinto relinquished its management agreement with Lihir, and subsequently sold its interest.
Divested in 2006		
Aluminium – Eurallumina SpA (Rio Tinto: 56.2%)	n/a	Sold to RUSAL
Diamonds – Ashton Mining of Canada Inc (Rio Tinto: 51.7%)	n/a	Sold to Stornaway Diamond Corporation for US$26m plus shares representing an interest of 17.7%

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BUSINESS ENVIRONMENTS, MARKETS AND REGULATIONS

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. The competitive arena is spread across the globe.

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 and 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

The world economy grew by 4.9 per cent in 2006 on a purchasing power parity basis. This was the fourth successive year of global growth in excess of four per cent.

Growth was broad based, but once again the US and China provided the bedrock for this expansion. Although the pace of US economic growth progressively slowed over the course of the year, as the housing market faltered, it still managed to rise by 3.3 per cent over its 2005 level. Chinese growth for the year was 10.5 per cent, its biggest annual increase in over a decade. The Japanese economy rose 2.4 per cent and in Asia as a whole growth was 5.1 per cent. Latin America grew by 4.8 per cent and activity picked up in Europe, rising by 2.7 per cent on 2005.

Despite this sustained rapid global growth and higher commodity prices, global inflation remained relatively tame. Central banks have increased interest rates as the balance of inflationary pressure has shifted towards the upside. Even the Japanese Central Bank raised interest rates for the first time since 2001, but this has been a progressive development and both financial and foreign exchange markets have been stable.

These strong underlying economic conditions, a general ongoing low level of commodity stock availability and continued delays in bringing on new supply contributed to further large increases in commodity prices in the first half of 2006. In the second half of 2006 some general easing in prices was recorded as the pace of demand growth slowed and expectations of faster supply growth filtered through. There are however some important differences between trends in individual commodities. With few exceptions prices remain well above their historical levels and significantly so in many cases.

Strong growth in Chinese iron ore imports continued into 2006 and the already tight market conditions worsened following heavy rain early in the year. After a record price increase of 71.5 per cent during 2005 a further 19 per cent was agreed in 2006. Benchmark prices are set to rise a further 9.5 per cent in 2007.

The cash price of copper reached a record high of almost US$4 per pound in May 2006, but finished the year on a weaker tone and over the year averaged US$3.06 per pound.

After lagging the other base metals in 2005 the aluminium price rose to an annual average of US$1.16 a pound in 2006, its highest in real terms for 17 years. Whilst the metal was strong, spot alumina prices fell sharply later in the year as a surge in Chinese refinery production came on the market. After starting the year at US$650 a tonne, spot alumina ended not much above US$200.

The volatility seen in metals markets last year was replicated in the energy sector. Spot prices for seaborne thermal coal reached the low US$50s a tonne early in 2006, but were US$10 per tonne off their peak later in the year. The annual average price was similar to that achieved in 2005. After more than doubling in the 2005/6 marketing year, coking coal prices fell slightly in 2006/7 in response to mixed demand in their major markets. Prices for Powder River Basin coal in the US started the year at very high levels and although they ended the year somewhat weaker the annual average price was up 25-30 per cent (depending on grade) over 2005 levels. Uranium prices rose sharply during 2006 on concerns about low stocks. Spot prices doubled over the course of the year.

Demand for industrial minerals such as borates and titanium minerals continued to benefit from solid US demand in the first half of the year but concerns about the US housing market dampened expectations in the

latter part of the year.

Diamond prices started the year on a very firm basis but conditions declined, due to monsoon flooding in major Indian cutting and polishing centres, and increased stockholding costs in the jewellery supply chain.

Gold prices have not seen the same degree of escalation as other metals but recorded a strong trend in 2006, averaging over US$600 per ounce over the year as a whole, up 36 per cent on 2005.

Many less widely traded metals have also continued to benefit from firm demand. The molybdenum price averaged US$25 per pound in 2006, down on its 2005 level but still historically high.

Marketing channels

Rio Tinto's marketing channels are described under "Marketing" on page 66.

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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, including site specific environmental licences, permits and statutory authorisations, 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, state, provincial and national regulations governing land tenure and use, environmental aspects of operations, product and workplace health and safety, trade and export administration, corporations, 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.

Environmental regulation

Rio Tinto measures its performance against environmental regulation referred to in the previous section by rating incidents on a low, moderate, high, or critical scale of likelihood and consequence of impacting the environment. High and critical ratings are reported to the Executive committee and the board *Committee on social and environmental accountability*, including progress with remedial actions. Prosecutions and other breaches are also used to gauge Rio Tinto's performance.

In 2006, there were eight reportable incidents, the same number as in 2005. Three of these incidents resulted in spills which caused minor contamination.

Four operations incurred fines in 2006 amounting to US$56,779 (predominantly relating to incidents in 2005) compared with three operations incurring fines of US$67,900 during 2005. The 2006 fines included:

- US$38,500 imposed by the Utah State government's Department of Environmental Quality, Division of Air Quality against Kennecott Utah Copper for exceeding the permissible concentration of emissions of fine particles from its smelter near Salt Lake City, Utah on two occasions. However, the mass emission rate was below the threshold permitted.
- US$12,900 imposed by the United States Environmental Protection Agency following a spill at Greens Creek base and precious metals mine, Alaska of four gallons of diesel fuel during exploration drilling. The company and the drilling contractor have implemented additional controls and training to prevent any further spills.

Further information in respect of the Group's environmental performance is in the 2006 *Sustainable development review* available on the Rio Tinto website.

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GROUP MINES

Mine	Location	Access	Title/lease
ALUMINIUM			
Rio Tinto Aluminium Weipa	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 (58%)	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%)		Air, ice road in winter	

	Northwest Territories, Canada		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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GROUP MINES

Mine	History	Type of mine	Power source
ALUMINIUM			
Rio Tinto Aluminium Weipa	Bauxite mining commenced in 1961. Major upgrade completed in 1998. Rio Tinto interest increased from 72.4% to 100% in 2000. In 2004 a mine expansion was completed that has lifted annual capacity to 16.5 million tonnes. Mining commenced on the adjacent Ely mining lease in 2006, in accordance with the 1998 agreement with Alcan. A second shiploader that increases the shipping capability of the Weipa operation was commissioned in 2006	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; production from Norte commenced in 2005 and the sulphide leach produced the first cathode during 2006	Open pit	Supplied from SING grid under various contracts with Norgener Gas Atacama and Edelnor
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 with an expansion to a sustained rate of 50,000 tones per day by mid 2007	Open pit and underground	Long term contract with US-Indonesian consortium operated, purpos e 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 (58%)	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 dyke 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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GROUP MINES

Mine	Location	Access	Title/lease
ENERGY (continued)			
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
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
Rössing Uranium (69%)	Namib Desert, Namibia	Rail, road and port	Federal lease
INDUSTRIAL MINERALS			
Rio Tinto Minerals - Boron	California, US	Road, rail and port	Owned
Rio Tinto Minerals - 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
Rio Tinto Minerals - talc	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 Nammuldi 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 We stern 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 We stern Australia

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GROUP MINES

Mine	History	Type of mine	Power source
ENERGY (continued)			
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%)	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
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
Rössing Uranium (69%)	Production began in 1978. Life of mine extension to 2016 approved in 2005	Open pit	Namibian National Power
INDUSTRIAL MINERALS			
Rio Tinto Minerals - Boron	Deposit discovered in 1925, acquired by Rio Tinto in 1967	Open pit	On site co-generation units
Rio Tinto Minerals - 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
Rio Tinto Minerals - talc	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 Marandoo Mount Tom Price Nammuldi Paraburdoo Yandicoogina Channar (60%) Eastern Range (54%)	Annual capacity increased to 68 million tonnes during 1990s; Yandicoogina first ore shipped in 1999 and port capacity increased; Eastern Range mine started 2004	Open pits	Supplied through the integrated Hamersley and Robe power 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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GROUP SMELTERS

Smelter, refinery or plant	Location	Title/lease	Plant type/product	Capacity
ALUMINIUM GROUP				

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METALS AND MINERALS PRODUCTION

		2004 Production (a)		2005 Production (a)		**2006 Production** (a)	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
ALUMINA (□000 tonnes)							
Eurallumina (Italy) (c)	—	1,064	597	1,070	601	**914**	**513**
Queensland Alumina (Australia)	38.6	3,778	1,459	3,953	1,526	**3,871**	**1,494**
Yarwun (Australia) (d)	100.0	175	175	835	835	**1,240**	**1,240**
Rio Tinto total			2,231		2,963		**3,247**
ALUMINIUM (refined) (□000 tonnes)							
Anglesey (UK)	51.0	144.8	73.8	143.9	73.4	**143.8**	**73.3**
Bell Bay (Australia)	100.0	162.0	162.0	173.8	173.8	**177.5**	**177.5**
Boyne Island (Australia)	59.4	540.5	321.2	544.9	326.2	**545.1**	**325.0**
Tiwai Point (New Zealand)	79.4	350.3	279.5	351.4	280.3	**337.3**	**268.9**
Rio Tinto total			836.5		853.7		**844.7**
BAUXITE (□000 tonnes)							
Boké (Guinea) (e)	—	5,773	179	—	—	**—**	**—**
Weipa (Australia)	100.0	12,649	12,649	15,474	15,474	**16,139**	**16,139**
Rio Tinto total			12,828		15,474		**16,139**
BORATES (□000 tonnes) (f)							
Rio Tinto Minerals - Boron (US)	100.0	543	543	540	540	**538**	**538**
Rio Tinto Minerals (Argentina)	100.0	22	22	20	20	**15**	**15**
Rio Tinto total			565		560		**553**
COAL □ HARD COKING (□000 tonnes)							
Rio Tinto Coal Australia (g)							
Hail Creek Coal (Australia) (h)	82.0	5,104	4,633	5,900	4,838	**4,544**	**3,726**
Kestrel Coal (Australia)	80.0	2,659	2,127	2,946	2,357	**2,729**	**2,183**
Rio Tinto total hard coking coal			6,760		7,195		**5,909**
COAL □ OTHER* (□000 tonnes)							
Rio Tinto Coal Australia (g)							
Bengalla (Australia)	30.3	5,312	1,609	5,965	1,806	**5,544**	**1,679**
Blair Athol (Australia)	71.2	12,229	8,712	10,600	7,551	**10,190**	**7,259**

Hunter Valley Operations (Australia)	75.7	13,269	10,046	12,374	9,369	**12,024**	**9,104**
Kestrel Coal (Australia)	80.0	623	499	774	619	**863**	**691**
Mount Thorley Operations (Australia)	60.6	3,548	2,149	3,962	2,400	**3,895**	**2,359**
Tarong Coal (Australia)	100.0	7,004	7,004	6,470	6,470	**6,979**	**6,979**
Warkworth (Australia)	42.1	6,954	2,926	6,293	2,647	**7,342**	**3,089**
Total Australian other coal			32,943		30,863		**31,159**
Rio Tinto Energy America (i)							
Antelope (US)	100.0	26,928	26,928	27,174	27,174	**30,749**	**30,749**
Colowyo (US)	(j)	5,788	5,788	5,325	5,325	**5,754**	**5,754**
Cordero Rojo (US)	100.0	35,233	35,233	34,234	34,234	**36,094**	**36,094**
Decker (US)	50.0	7,831	3,916	6,288	3,144	**6,449**	**3,225**
Jacobs Ranch (US)	100.0	34,979	34,979	33,823	33,823	**36,258**	**36,258**
Spring Creek (US)	100.0	10,892	10,892	11,881	11,881	**13,181**	**13,181**
Total US coal			117,734		115,580		**125,260**
Rio Tinto total other coal			150,677		146,443		**156,418**

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

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METALS AND MINERALS PRODUCTION continued

		2004 Production (a)		2005 Production (a)		**2006 Production (a)**	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
COPPER (mined) (□000 tonnes)							
Bingham Canyon (US)	100.0	263.7	263.7	220.6	220.6	**265.6**	**265.6**
Escondida (Chile)	30.0	1,207.1	362.1	1,270.2	381.1	**1,313.4**	**394.0**
Grasberg □ FCX (Indonesia) (k)	—	396.4	5.5	—	—	**—**	**—**
Grasberg □ Joint Venture (Indonesia) (k)	40.0	120.0	48.0	273.9	109.6	**115.5**	**46.2**
Neves Corvo (Portugal) (l)	—	46.9	23.0	—	—	**—**	**—**
Northparkes (Australia)	80.0	30.0	24.0	54.0	43.2	**83.3**	**66.6**
Palabora (South Africa) (m)	57.7	54.4	26.8	61.2	30.0	**61.5**	**31.1**
Rio Tinto total			753.1		784.4		**803.5**
COPPER (refined) (□000 tonnes)							
Atlantic Copper (Spain) (k)	—	58.4	7.0	—	—	**—**	**—**
Escondida (Chile)	30.0	152.1	45.6	143.9	43.2	**134.4**	**40.3**
Kennecott Utah Copper (US)	100.0	246.7	246.7	232.0	232.0	**217.9**	**217.9**
Palabora (South Africa) (m)	57.7	67.5	33.2	80.3	39.3	**81.2**	**40.9**
Rio Tinto total			332.6		314.5		**299.2**
DIAMONDS (□000 carats)							
Argyle (Australia)	100.0	20,620	20,620	30,476	30,476	**29,078**	**29,078**
Diavik (Canada)	60.0	7,575	4,545	8,272	4,963	**9,829**	**5,897**
Murowa (Zimbabwe) (n)	77.8	47	36	251	195	**240**	**187**
Rio Tinto total			25,202		35,635		**35,162**
GOLD (mined) (□000 ounces)							
Barneys Canyon (US)	100.0	22	22	16	16	**15**	**15**
Bingham Canyon (US)	100.0	308	308	401	401	**523**	**523**
Cortez/Pipeline (US)	40.0	1,051	421	904	361	**444**	**178**
Escondida (Chile)	30.0	217	65	183	55	**170**	**51**
Grasberg □ FCX (Indonesia) (k)	—	1,377	14	—	—	**—**	**—**
Grasberg □ Joint Venture (Indonesia) (k)	40.0	207	83	1,676	670	**238**	**95**
Greens Creek (US)	70.3	86	61	73	51	**63**	**44**
Kelian (Indonesia)	90.0	328	295	43	38	**—**	**—**
Lihir (Papua New Guinea) (o)	—	599	87	424	61	**—**	**—**
Morro do Ouro (Brazil) (p)	—	188	96	—	—	**—**	**—**

Northparkes (Australia)	80.0	79	63	57	46	**95**	**76**
Rawhide (US)	51.0	50	25	35	18	**26**	**13**
Rio Tinto Zimbabwe (Zimbabwe) (q)	—	11	6	—	—	**—**	**—**
Others	—	13	7	15	7	**18**	**9**
Rio Tinto total			1,552		1,726		**1,003**
GOLD (refined) (□000 ounces)							
Kennecott Utah Copper (US)	100.0	300	300	369	369	**462**	**462**
IRON ORE (□000 tonnes)							
Channar (Australia)	60.0	9,759	5,855	8,644	5,186	**9,798**	**5,879**
Corumbá (Brazil)	100.0	1,301	1,301	1,410	1,410	**1,982**	**1,982**
Eastern Range (Australia)	(r)	2,970	2,970	6,559	6,559	**8,215**	**8,215**
Hamersley Iron (Australia)	100.0	65,407	65,407	74,387	74,387	**79,208**	**79,208**
Iron Ore Company of Canada (Canada)	58.7	11,139	6,541	15,647	9,188	**16,080**	**9,442**
Robe River (Australia)	53.0	48,459	25,684	52,385	27,764	**52,932**	**28,054**
Rio Tinto total			107,757		124,494		**132,780**

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METALS AND MINERALS PRODUCTION continued

		2004 Production (a)		2005 Production (a)		**2006 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	19.8	13.9	16.9	11.9	**16.9**	**11.9**
Zinkgruvan (Sweden) (s)	—	11.2	11.2	—	—	**—**	**—**
Rio Tinto total			25.1		11.9		**11.9**
MOLYBDENUM (□000 tonnes)							
Bingham Canyon (US)	100.0	6.8	6.8	15.6	15.6	**16.8**	**16.8**
NICKEL (refined) (□000 tonnes)							
Empress (Zimbabwe) (q)	—	2.9	1.6	—	—	**—**	**—**
PIG IRON (□000 tonnes)							
HIsmelt® (Australia) (t)	60.0	**—**	**—**	9	5	**89**	**53**
SALT (□000 tonnes)							
Rio Tinto Minerals - salt (Australia)	64.9	7,380	4,792	8,480	5,507	**8,323**	**5,405**
SILVER (mined) (□000 ounces)							
Bingham Canyon (US)	100.0	3,584	3,584	3,958	3,958	**4,214**	**4,214**
Escondida (Chile)	30.0	5,747	1,724	6,565	1,970	**6,646**	**1,994**
Grasberg □ FCX (Indonesia) (k)	—	3,077	79	—	—	**—**	**—**
Grasberg □ Joint Venture (Indonesia) (k)	40.0	1,961	784	3,410	1,364	**1,675**	**670**
Greens Creek (US)	70.3	9,707	6,821	9,664	6,791	**8,866**	**6,230**
Zinkgruvan (Sweden) (s)	—	651	651	—	—	**—**	**—**
Others	—	2,025	1,187	1,422	843	**1,345**	**861**
Rio Tinto total			14,830		14,926		**13,968**
SILVER (refined) (□000 ounces)							
Kennecott Utah Copper (US)	100.0	3,344	3,344	3,538	3,538	**4,152**	**4,152**
TALC (□000 tonnes)							
Rio Tinto Minerals □ talc (Australia/Europe/N. America) (u)	100.0	1,444	1,443	1,364	1,364	**1,392**	**1,392**
TIN (tonnes)							
Neves Corvo (Portugal) (l)	—	120	59	—	—	**—**	**—**

TITANIUM DIOXIDE FEEDSTOCK (□000 tonnes)							
Rio Tinto Iron & Titanium (Canada/South Africa) (v)	100.0	1,192	1,192	1,312	1,312	**1,415**	**1,415**
URANIUM (tonnes U_3O_8)							
Energy Resources of Australia (Australia)	68.4	5,143	3,517	5,903	4,037	**4,704**	**3,217**
Rössing (Namibia)	68.6	3,582	2,457	3,711	2,545	**3,617**	**2,481**
Rio Tinto total			5,974		6,582		**5,698**
ZINC (mined) (□000 tonnes)							
Greens Creek (US)	70.3	62.7	44.1	52.9	37.2	**47.5**	**33.4**
Zinkgruvan (Sweden) (s)	—	29.7	29.7	—	—	**—**	**—**
Rio Tinto total			73.8		37.2		**33.4**

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METALS AND MINERALS PRODUCTION continued

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 2006 and has applied over the period 2004 – 2006 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	2004	2005	**2006**
Atlantic Copper	(k)	12.0	—	**—**
Grasberg	(k)	10.8	—	**—**
Hail Creek	(h)	90.8	82.0	**82.0**
Palabora	(m)	49.2	49.0	**50.5**

(c) Rio Tinto sold its 56.2 per cent share in Eurallumina with an effective date of 31 October 2006 and production data are shown up to that date.

(d) Yarwun, previously known as Comalco Alumina Refinery, started production in October 2004.

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

(f) Borate quantities are expressed as B_2O_3.

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

(h) Rio Tinto reduced its shareholding in Hail Creek from 92.0 per cent to 82.0 per cent on 15 November 2004.

(i) Rio Tinto Energy America was previously known as Kennecott Energy.

(j) 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.

(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 d ate 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. The conversions, which continued during 2006, were completed during the third quarter when Rio Tinto also participated, ending the year with a 57.7 per cent interest.

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

(o) On 30 November 2005, Rio Tinto sold its 14.5 per cent 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 51 per cent 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 (Rio Tinto 54 per cent), 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) HIsmelt® commenced production during September 2005.

(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 2006, 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 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 2006. 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 footnote (a).

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Total ore reserves at end 2006		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	**1,193**	**53.7**	100.0	**1,193**

				Marketable product millions of tonnes
BORATES (e)		**millions of tonnes**		
Reserves at operating mine				
Rio Tinto Minerals - Boron (US) (j)				
mine	O/P	**19.8**	100.0	**19.8**
stockpiles (i)	S/P	**2.1**	100.0	**2.1**
Rio Tinto total				**21.9**

		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)	O/C	SC	**359**	**20.59**	**0.24**	100.0	**359**
Colowyo (US) (l)	O/C	SC	**14**	**24.39**	**0.39**	100.0	**14**
Cordero Rojo (US)	O/C	SC	**285**	**19.59**	**0.31**	100.0	**285**
Decker (US)	O/C	SC	**18**	**22.10**	**0.38**	50.0	**9**
Jacobs Ranch (US)	O/C	SC	**418**	**20.35**	**0.43**	100.0	**418**
Spring Creek (US)	O/C	SC	**199**	**21.75**	**0.33**	100.0	**199**
Total US coal							**1,283**
Rio Tinto Coal Australia							
Bengalla (Australia)	O/C	SC	**150**	**28.12**	**0.48**	30.3	**45**
Blair Athol (Australia)	O/C	SC	**42**	**27.13**	**0.30**	71.2	**30**
Hail Creek (Australia)	O/C	MC	**179**	**32.20**	**0.35**	82.0	**146**

Hunter Valley Operations (Australia)	O/C	SC + MC	**308**	**28.94**	**0.57**	75.7	**233**
Kestrel (Australia)	U/G	SC + MC	**112**	**32.20**	**0.65**	80.0	**90**
Mount Thorley Operations (Australia)	O/C	SC + MC	**23**	**29.48**	**0.46**	60.6	**14**
Warkworth (Australia)	O/C	SC + MC	**251**	**28.87**	**0.45**	42.1	**106**
Total Australian coal							**664**
Rio Tinto total reserves at operating mines							**1,946**
Undeveloped reserves (m)							
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**
Rio Tinto total undeveloped reserves							**360**

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Total ore reserves at end 2006		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	**604**	**0.54**	**86**	100.0	**2.802**
▯ stockpiles (i)	S/P	**37**	**0.33**	**86**	100.0	**0.107**
Escondida (Chile) (n)						
▯ sulphide mine	O/P	**1,360**	**1.06**	**85**	30.0	**3.681**
▯ sulphide leach mine	O/P	**1,412**	**0.51**	**34**	30.0	**0.744**
▯ oxide mine	O/P	**21**	**0.74**	**75**	30.0	**0.035**
▯ sulphide stockpiles (i)	S/P	**17**	**1.23**	**85**	30.0	**0.053**
▯ sulphide leach stockpiles (i)	S/P	**131**	**0.49**	**34**	30.0	**0.067**
▯ oxide stockpiles (i)	S/P	**57**	**0.67**	**75**	30.0	**0.086**
Escondida Norte (Chile) (n)						
▯ sulphide mine	O/P	**455**	**1.40**	**85**	30.0	**1.621**
▯ sulphide leach mine	O/P	**604**	**0.60**	**34**	30.0	**0.371**
▯ oxide mine	O/P	**22**	**1.55**	**75**	30.0	**0.076**
▯ sulphide stockpiles (i)	S/P	**0.1**	**4.07**	**85**	30.0	**0.001**
▯ sulphide leach stockpiles (i)	S/P	**1.5**	**0.52**	**34**	30.0	**0.001**
▯ oxide stockpiles (i)	S/P	**3.3**	**0.96**	**75**	30.0	**0.007**
Grasberg (Indonesia)	O/P + U/G	**2,813**	**1.04**	**88**	(o)	**7.584**
Northparkes (Australia)						
▯ mine	U/G	**46**	**1.06**	**91**	80.0	**0.355**
▯ stockpiles (i)	S/P	**3.8**	**0.67**	**85**	80.0	**0.017**
Palabora (South Africa) (p)						
▯ mine	U/G	**118**	**0.64**	**88**	57.7	**0.381**
Rio Tinto total						**17.989**

						Recoverable diamonds millions of carats
DIAMONDS (d)		**millions of tonnes**	**carats per tonne**			
Reserves at operating mines						
Argyle (Australia)						
▯ AK1 pipe mine (q)	O/P + U/G	**102**	**2.1**		100.0	**215.5**
▯ AK1 pipe stockpiles (i)	S/P	**3.9**	**1.3**		100.0	**5.0**
Diavik (Canada) (r)	O/P + U/G	**25**	**3.3**		60.0	**49.0**
Murowa (Zimbabwe)						
▯ mine	O/P	**22**	**0.7**		77.8	**11.8**
▯ stockpiles (i)	S/P	**0.1**	**1.2**		77.8	**0.1**

Rio Tinto total						**281.5**

GOLD		**millions of tonnes**	**grammes per tonne**			**Recoverable metal millions of ounces**
Reserves at operating mines						
Bingham Canyon (US)						
▯ mine	O/P	**604**	**0.31**	**64**	100.0	**3.882**
▯ stockpiles (i)	S/P	**37**	**0.20**	**64**	100.0	**0.151**
Cortez/Pipeline (US) (s)						
▯ mine	O/P	**125**	**1.83**	**73**	40.0	**2.131**
▯ stockpiles (i)	S/P	**1.1**	**4.30**	**86**	40.0	**0.052**
Grasberg (Indonesia)	O/P + U/G	**2,813**	**0.90**	**69**	(o)	**13.751**
Greens Creek (US)	U/G	**7.0**	**3.86**	**69**	70.3	**0.417**
Northparkes (Australia)						
▯ mine	U/G	**46**	**0.46**	**74**	80.0	**0.407**
▯ stockpiles (i)	S/P	**3.8**	**0.58**	**76**	80.0	**0.043**
Rio Tinto total						**20.834**

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Total ore reserves at end 2006		Average mill recovery %	Interest %	**Rio Tinto share**
		Tonnage	Grade			
		millions of tonnes	**%Fe**			**Marketable product millions of tonnes**
IRON ORE (d)						
Reserves at operating mines and mines under construction						
Channar (Australia)						
▯ Brockman Ore	O/P	**100**	**63.5**		60.0	**60**
Corumbá (Brazil)						
▯ mine	O/P	**213**	**67.2**		100.0	**213**
▯ stockpiles (i)	S/P	**1**	**66.7**		100.0	**1**
Eastern Range (Australia)						
▯ Brockman Ore	O/P	**91**	**62.9**		54.0	**49**
Hope Downs (Australia) (t)						
▯ Marra Mamba Ore	O/P	**344**	**61.6**		50.0	**172**
Hamersley (Australia)						
▯ Brockman 2 (Brockman Ore)	O/P	**30**	**62.6**		100.0	**30**
▯ Brockman 4 (Brockman Ore)	O/P	**449**	**62.2**		100.0	**449**
▯ Marandoo (Marra Mamba Ore)	O/P	**67**	**61.6**		100.0	**67**
▯ Mt Tom Price (Brockman Ore)						
▯ mine	O/P	**109**	**64.6**		100.0	**109**
▯ stockpiles (i)	S/P	**17**	**64.5**		100.0	**17**
▯ Mt Tom Price (Marra Mamba Ore)(u)	O/P	**35**	**61.2**		100.0	**35**
▯ Paraburdoo (Brockman Ore)	O/P	**12**	**63.6**		100.0	**12**
▯ Paraburdoo (Marra Mamba Ore)	O/P	**0.5**	**63.2**		100.0	**0.5**
▯ Nammuldi (Marra Mamba Ore)	O/P	**31**	**61.4**		100.0	**31**
▯ Yandicoogina (Pisolite Ore HG)						
▯ mine	O/P	**327**	**58.7**		100.0	**327**
▯ stockpiles (i)	S/P	**1.5**	**58.1**		100.0	**1**
▯ Yandicoogina (Process Product)						
▯ mine	O/P	**109**	**58.4**		100.0	**109**
Iron Ore Company of Canada (Canada)	O/P	**416**	**65.0**		58.7	**244**
Robe River (Australia)						
▯ Pannawonica (Pisolite Ore)						
▯ mine	O/P	**327**	**57.2**		53.0	**174**
▯ stockpiles (i)	S/P	**17**	**56.9**		53.0	**9**
▯ West Angelas (Marra Mamba Ore)						
▯ mine	O/P	**403**	**61.9**		53.0	**213**
▯ stockpiles (i)	S/P	**6**	**59.3**		53.0	**3**
Rio Tinto total						**2,326**

	millions of tonnes	**%Pb**	**Recoverable metal millions of tonnes**
LEAD			
Reserves at operating mine			

Greens Creek (US)	U/G	**7.0**	**3.98**	**67**	70.3	**0.131**

MOLYBDENUM		**millions of tonnes**	**%Mo**			**Recoverable metal millions of tonnes**
Reserves at operating mine						
Bingham Canyon (US)						
▯ mine	O/P	**604**	**0.047**	**61**	100.0	**0.175**
▯ stockpiles (i)	S/P	**37**	**0.032**	**61**	100.0	**0.007**
Rio Tinto total						**0.183**

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Total ore reserves at end 2006		Average mill recovery %	Interest %	**Rio Tinto share**
		Tonnage	Grade			
		millions of tonnes	**grammes per tonne**			**Recoverable metal millions of ounces**
SILVER						
Reserves at operating mines						
Bingham Canyon (US)						
▯ mine	O/P	**604**	**2.52**	**77**	100.0	**37.699**
▯ stockpiles (i)	S/P	**37**	**1.69**	**77**	100.0	**1.558**
Grasberg (Indonesia)	O/P + U/G	**2,813**	**4.16**	**64**	(o)	**73.722**
Greens Creek (US)	U/G	**7.0**	**494.46**	**72**	70.3	**56.206**
Rio Tinto total						**169.185**

		millions of tonnes				**Marketable product millions of tonnes**
TALC (e)						
Reserves at operating mines						
Rio Tinto Minerals ▯ talc (v) Europe/N America/Australia)	O/P + U/G	**28.8**			100.0	**28.8**

		millions of tonnes				**Marketable product millions of tonnes**
TITANIUM DIOXIDE FEEDSTOCK (e)						
Reserves at operating mines						
QIT (Canada) (w)	O/P	**52.7**			100.0	**52.7**
QMM (Madagascar)	D/O	**12.4**			80.0	**9.9**
RBM (South Africa)	D/O	**24.9**			50.0	**12.5**
Rio Tinto total						**75.0**

		millions of tonnes	**%U_3O_8**			**Recoverable metal millions of tonnes**
URANIUM						
Reserves at operating mines						
Energy Resources of Australia (Australia)						
▯ Ranger #3 mine	O/P	**9.6**	**0.241**	**89**	68.4	**0.0141**
▯ Ranger #3 stockpiles (i) (x)	S/P	**25.9**	**0.107**	**86**	68.4	**0.0163**

Rössing (Namibia)						
▯ mine	O/P	**17.7**	**0.038**	**85**	68.6	**0.0039**
▯ stockpiles (i)	S/P	**2.3**	**0.015**	**85**	68.6	**0.0002**
Rio Tinto total						**0.0345**

ZINC		**millions of tonnes**	**%Zn**			**Recoverable metal millions of tonnes**
Reserves at operating mine						
Greens Creek (US)	U/G	**7.0**	**10.39**	**77**	70.3	**0.390**

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Proven ore reserves at end 2006			Probable ore reserves at end 2006		
		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	119	53.8	76m x 76m	1,074	53.7	400m x 800m (or better)
BORATES (e)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mine							
Rio Tinto Minerals - Boron (US) (j)							
▯ mine	O/P	14.8		61m x 61m	5.0		61m x 61m
▯ stockpiles (i)	S/P	0.1			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 (k)							
Antelope (US)	O/C	359	100	359	350m		
Colowyo (US) (l)	O/C	14	100	14	250m	0.1	365m
Cordero Rojo (US)	O/C	285	100	281	250m	4.4	375m
Decker (US)	O/C	18	100	18	250m		
Jacobs Ranch (US)	O/C	418	100	413	300m	4.3	300m
Spring Creek (US)	O/C	199	100	199	250m		
Rio Tinto Coal Australia							
Bengalla (Australia)	O/C	193	77	92	350m	58	500m
Blair Athol (Australia)	O/C	45	92	42	150m		
Hail Creek (Australia)	O/C	267	67	105	300m	73	400m
	O/C	453	68	245	300m	63	500m

Hunter Valley Operations (Australia)							
Kestrel (Australia)	U/G	140	80	49	500m	63	1,000m
Mount Thorley Operations (Australia)	O/C	35	66	20	125m	2.5	500m
Warkworth (Australia)	O/C	392	64	151	450m	100	1,000m
Undeveloped reserves							
(m)							
Rio Tinto Coal Australia							
Clermont (Australia)	O/C	197	96	185	220m	4	150m to 300m
Mount Pleasant (Australia)	O/C	459	76			350	125m to 500m

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Proven ore reserves at end 2006			Probable ore reserves at end 2006		
		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	325	0.59	90m	279	0.48	110m
▯ stockpiles (i)	S/P	12	0.35		25	0.32	
Escondida (Chile) (n)							
▯ sulphide mine	O/P	516	1.17	60m x 60m	844	1.00	100m x 100m
▯ sulphide leach mine	O/P	421	0.51	60m x 60m	992	0.51	105m x 105m
▯ oxide mine	O/P	6	0.74	45m x 45m	15	0.74	50m x 50m
▯ sulphide stockpiles (i)	S/P	17	1.23				
▯ sulphide leach stockpiles (i)	S/P	131	0.49				
▯ oxide stockpiles (i)	S/P	57	0.67				
Escondida Norte (Chile) (n)							
▯ sulphide mine	O/P	138	1.53	60m x 60m	318	1.34	100m x 100m
▯ sulphide leach mine	O/P	57	0.53	60m x 60m	548	0.61	105m x 105m
▯ oxide mine	O/P	2.8	1.97	45m x 45m	19	1.49	50m x 50m
▯ sulphide stockpiles (i)	S/P	0.1	4.07				
▯ sulphide leach stockpiles (i)	S/P	1.5	0.52				
▯ oxide stockpiles (i)	S/P	3.3	0.96				
Grasberg (Indonesia)	O/P + U/G	809	1.08	13m to 40m	2,004	1.02	42m to 100m
Northparkes (Australia)							
▯ mine	U/G				46	1.06	40 x 40 x 80m
▯ stockpiles (i)	S/P	3.8	0.67				
Palabora (South Africa) (p)							
▯ mine	U/G	118	0.64	76m			

DIAMONDS (d)		**millions of tonnes**	**carats per tonne**		**millions of tonnes**	**carats per tonne**	
Reserves at operating mines							
Argyle (Australia)							
▯ AK1 pipe mine (q)	O/P + U/G	27	1.4	50m x 50m	75.0	2.4	50m x 50m

□ AK1 pipe stockpiles (i)	S/P	0.9	2.8		3.0	0.8	
Diavik (Canada) (r)	O/P + U/G	12	3.4	27m to 30m	13	3.2	30m to 34m
Murowa (Zimbabwe)	O/P						
□ mine	O/P				22	0.7	25m
□ stockpiles (i)	S/P				0.1	1.2	

GOLD		**millions of tonnes**	**grammes per tonne**		**millions of tonnes**	**grammes per tonne**	
Reserves at operating mines							
Bingham Canyon (US)							
□ mine	O/P	325	0.34	90m	279	0.28	110m
□ stockpiles (i)	S/P	12	0.20		25	0.20	
Cortez/Pipeline (US) (s)							
□ mine	O/P	52	2.05	27m to 30m	73	1.67	48m
□ stockpiles (i)	S/P	1.1	4.30				
Grasberg (Indonesia)	O/P + U/G	809	1.03	13m to 40m	2,004	0.85	42m to 100m
Greens Creek (US)	U/G				7.0	3.86	30m
Northparkes (Australia)							
□ mine	O/P				46	0.46	40 x 40 x 80m
□ stockpiles (i)	S/P	3.8	0.58				

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Proven ore reserves at end 2006			Probable ore reserves at end 2006		
		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	87	63.5	60m x 60m	13	63.6	max 120m
Corumbá (Brazil)							
▯ mine	O/P	108	67.2	100m x 100m	106	67.2	200m x 400m
▯ stockpiles (i)	S/P	1	66.7				
Eastern Range (Australia)							
▯ Brockman Ore	O/P	66	63.0	60m x 60m	25	62.8	max 120m
Hope Downs (Australia) (t)							
▯ Marra Mamba Ore	O/P	66	61.3	100m x 50m	279	61.7	200m x 50m
Hamersley (Australia)							
▯ Brockman 2 (Brockman Ore)	O/P	19	62.6	50m x 50m	11.0	62.6	max 100m
▯ Brockman 4 (Brockman Ore)	O/P	115	62.6	50m x 50m	334	62.1	200m x 100m
▯ Marandoo (Marra Mamba Ore)	O/P	65	61.7	75m x 75m	2.0	60.7	max 150m
▯ Mt Tom Price (Brockman Ore)							
▯ mine	O/P	72	64.4	30m x 30m	37	64.9	60m x 30m
▯ stockpiles (i)	S/P				17	64.5	
▯ Mt Tom Price (Marra Mamba Ore)(u)	O/P				35	61.2	60m x 30m
▯ Paraburdoo (Brockman Ore)	O/P	8	63.6	30m x 30m	4.1	63.6	60m x 30m
▯ Paraburdoo (Marra Mamba Ore)	O/P				0.5	63.2	60m x 60m
▯ Nammuldi (Marra Mamba Ore)	O/P	3.9	62.0	60m x 60m	27	61.3	120m x 120m
▯ Yandicoogina (Pisolite Ore HG)							
▯ mine	O/P	327	58.7	50m x 50m			
▯ stockpiles (i)	S/P				1.5	58.1	
▯ Yandicoogina (Process Product)							

▯ mine	O/P	109	58.4	50m x 50m			
Iron Ore Company of Canada							
(Canada)	O/P	345	65.0	122m x 61m	70	65.0	122m x 122m
Robe River (Australia)							
▯ Pannawonica (Pisolite Ore)							
▯ mine	O/P	289	57.3	max 70m x 70m	38	57.0	max 100m x 100m
▯ stockpiles (i)	S/P				17	56.9	
▯ West Angelas (Marra Mamba Ore)							
▯ mine	O/P	178	62.2	25m x 25m	225	61.6	max 200m x 50m
▯ stockpiles (i)	S/P	0.7	59.7		5	59.3	

LEAD		**millions of tonnes**	**%Pb**		**millions of tonnes**	**%Pb**	
Reserves at operating mine							
Greens Creek (US)	U/G				7.0	3.98	30m

MOLYBDENUM		**millions of tonnes**	**%Mo**		**millions of tonnes**	**%Mo**	
Reserves at operating mine							
Bingham Canyon (US)							
▯ mine	O/P	325	0.047	90m	279	0.047	110m
▯ stockpiles (i)	S/P	12.1	0.028		25	0.034	

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

	Type of mine (b)	Proven ore reserves at end 2006			Probable ore reserves at end 2006		
		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	325	2.74	90m	279	2.25	110m
□ stockpiles (i)	S/P	12.1	1.75		25	1.66	
Grasberg (Indonesia)	O/P + U/G	809	4.23	13m to 40m	2,004	4.13	42m to 100m
Greens Creek (US)	U/G				7.0	494.46	30m
TALC (e)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mines							
Rio Tinto Minerals □ talc (v)							
(Europe/North America/Australia)	O/P + U/G	21.6		10m to 60m	7.2		15m to 100m
TITANIUM DIOXIDE FEEDSTOCK (e)		**millions of tonnes**			**millions of tonnes**		
Reserves at operating mines							
QIT (Canada) (w)	O/P	29.2		<60m x 60m	23.5		>60m x 60m
QMM (Madagascar)	D/O	12.0		200m x 100m	0.4		400m x 200m
RBM (South Africa)	D/O	6.3		50m x 50m	18.6		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	4.9	0.24	25m	4.8	0.24	50m
□ Ranger #3 stockpiles (i) (x)	S/P	25.9	0.11				
Rössing (Namibia)							
□ mine	O/P	0.8	0.036	20m	16.9	0.038	60m

stockpiles (i)	S/P	2.3	0.015

ZINC		millions of tonnes	%Zn	millions of tonnes	%Zn	
Reserves at operating mine						
Greens Creek (US)	U/G			7.0	10.39	30m

See notes on pages 32 to 33

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ORE RESERVES (under Industry Guide 7) continued

Notes

(a) Commodity prices (based on a three year average historical price to 30 June 2006) used to test whether the reported reserve estimates could be economically extracted, include the following benchmark prices:

Ore reserves	Unit	US$
ALUMINIUM		
Weipa (Australia)	pound	0.85
COPPER		
Bingham Canyon (US)	pound	1.59
Escondida (Chile)*	pound	1.59
Escondida Norte (Chile)*	pound	1.59
Grasberg (Indonesia)*	pound	1.59
Northparkes (Australia)	pound	1.59
Palabora (South Africa)	pound	1.59
GOLD		
Bingham Canyon (US)	ounce	446
Cortez / Pipeline (US)*	ounce	446
Grasberg (Indonesia)*	ounce	446
Greens Creek (US)	ounce	446
Northparkes (Australia)	ounce	446
IRON ORE		
Australian benchmark (fines)	dmtu**	0.46
Atlantic benchmark (fines)	dmtu**	0.49
LEAD		
Greens Creek (US)	pound	0.41
MOLYBDENUM		
Bingham Canyon (US)	pound	20.5
SILVER		
Bingham Canyon (US)	ounce	7.34
Grasberg (Indonesia)*	ounce	7.34
Greens Creek (US)	ounce	7.34
ZINC		
Greens Creek (US)	pound	0.64

* = non managed operations
** = 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 (as alumina) 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.

(j) Rio Tinto Minerals - Boron was previously known as Boron.

(k) Rio Tinto Energy America was previously known as Kennecott Energy.

(l) Rio Tinto Energy America has a partnership interest in the Colowyo mine, but, as it is responsible under a management agreement for the operation of the mine, all of Colowyo's reserves are included in Rio Tinto's share shown above.

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ORE RESERVES (under Industry Guide 7) continued

(m) 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.
(n) The increase in reserves at Escondida and Escondida Norte results from updated models following increased drilling and the application of new economic parameters, which transferred mineralised material to reserves. Oxide material has been transferred to sulphide leach following the start up of new processing facilities.
(o) 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 at Grasberg after 31 December 1994 and it is this entitlement that is shown.
(p) Reserves at Palabora have decreased following detailed remodelling of both grade and block cave models, and the effect of diluting material from the open pit. The conversion of debentures into ordinary shares continued during 2006 with Rio Tinto participating, ending the year with a 57.7 per cent interest.
(q) The successful completion of feasibility studies and change in economic parameters has increased reserves at Argyle.
(r) Production depletion and refinement of mine design at Diavik, that reduced dilution, results in the reduced reserve.
(s) Portions of the Pipeline and Crossroads extension reserves were reclassified as mineralised material following technical and economic review.
(t) Following the acquisition of a 50 per cent interest in the Hope Downs iron ore project, reserves are presented here for the first time.
(u) Mt Tom Price reserves have increased following the upgrading of mineralised material and approved mine design extensions into a new area.
(v) Following a reassessment of economic and design criteria a proportion of reserves were reclassified as mineralised material at several of the talc operations. Rio Tinto Minerals - talc was formerly known as the Luzenac Group.
(w) The reserve model was updated on receipt of new data, which including depletion, resulted in a reduction of reserves at QIT.
(x) Improvements in processing and economic parameters enabled lower grade stockpile material to be added to the reserves at Ranger #3.

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LOCATION OF GROUP OPERATIONS as at June 2007 (wholly owned unless stated otherwise)

ALUMINIUM

Operating sites

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

BORATES

Operating sites

6 Boron
7 Coudekerque Plant
8 Tincalayu
9 Wilmington Plant

COAL

Operating sites

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

Projects

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

COPPER AND GOLD

Operating sites

18 Bougainville (not operating) (54%)
19 Cortez/Pipeline (40%)
20 Escondida (30%)
21 Grasberg joint venture (40%)
22 Kennecott Utah Copper
23 Northparkes (80%)
24 Palabora (58%)
25 Rawhide (51%)

Projects

26 La Granja
27 Oyu Tolgoi (10%)
28 Pebble (20%)
29 Resolution (55%)

DIAMONDS

Operating sites

30 Argyle
31 Diavik (60%)
32 Murowa (78%)

IRON ORE

Operating sites

33 Corumbá
34 Hamersley Iron mines:
Brockman
Marandoo
Mt Tom Price
Nammuldi
Paraburdoo
Yandicoogina
Channar (60%)
Eastern Range (54%)
35 HIsmelt ®(60%)
34 Robe River mines: (53%)
West Angelas
Pannawonica
35 Iron Ore Company of
Canada (59%)

Projects

34 Hope Downs (50%)
37 IOC Pellet Plant (59%)
38 Orissa (51%)
39 Simandou (95%)

NICKEL

Projects

40 Eagle

POTASH

Projects

41 Rio Colorado Potash

SALT

Operating sites

42 Dampier (65%)
43 Lake MacLeod (65%)
42 Port Hedland (65%)

TALC

Operating sites

(only major sites are shown)

44 Ludlow
45 Talc de Luzenac
46 Yellowstone
47 Three Springs

TITANIUM DIOXIDE

FEEDSTOCK

Operating sites

48 QIT-Fer et Titane Lac Allard
49 QIT-Fer et Titane Sorel
Plant

50 Richards Bay Minerals (50%)

Projects

51 QIT Madagascar Minerals (80%)

URANIUM

Operating sites

52 ERA (68%)

53 Rössing (69%)

Projects

54 Kintyre

55 Sweetwater

ZINC, LEAD, SILVER

Operating sites

56 Greens Creek (70%)

- Mines and mining projects
- Smelters, refineries and processing plants remote from mine

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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 2006.

Item 5. Operating and Financial Review and Prospects

This Item contains forward looking statements and attention is drawn to the Cautionary statement on page 6.
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 measure is used by management to track the performance of the Group on a monthly basis. The earnings of the Group's product groups as reviewed by management exclude amounts that are outside the scope of underlying earnings. Underlying earnings is defined and reconciled with Net earnings in note 2 to the 2006 financial statements.

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

In this report, the sales revenue of the parent companies and their subsidiaries is referred to as 'Consolidated sales revenue'. Rio Tinto also reports a sales revenue measure that includes its share of jointly controlled entities and associates, which is referred to as 'Gross sales revenue'. 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 message providing a high level review of the Group
- Interview with the chief executive providing a high level review of the Group's operations
- Group financial performance
- Operating reviews for each of the principal product groups and global support groups
- Financial review of the Group

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 2006 financial statements for further discussion.

CHAIRMAN'S MESSAGE

We continued to experience strong global demand and high prices across our product groups in 2006 and are pleased to report a third successive year of record earnings. This performance reflects the underlying quality of the Rio Tinto portfolio, which has proved robust across the economic cycle.

I have warned in previous messages about the risk of complacency that can flow from a period of strong markets and sustained success. We remain alert to this and recognize the long term cyclical nature of our industry. In response we continue to focus on rigorous investment discipline, operational excellence and pursuing all opportunities to enhance the underlying performance of our business.

Results and dividends

The Group's underlying earnings in 2006 were US$7,338 million, US$2,383 million or 48 per cent above 2005. Net earnings were US$7,438 million, compared with US$5,215 million in 2005. Cash flow from operations increased 36 per cent to [US$10,923]* million.

The final dividend declared for 2006 of 64 US cents per share brings the total for 2006 to 104 US cents, an

increase of 30 per cent. We have a long standing policy of progressive dividend delivery and maintaining it remains a priority. In addition, our strong operational cash flows have enabled us to return US$2.4 billion to shareholders through the buyback of shares and the payment of US$1.5 billion special dividend. We have recently announced, subject to market conditions, our intention to return a further US$3 billion to be completed by the end of 2007, while still retaining the financial flexibility to take up growth opportunities as they arise.

Our main priority for the use of cash generated continues to be profitable investment in the growth of the business with particular emphasis on our portfolio of economically robust projects. Our capital investment grew from US$2.5 billion in 2005 to US$3.9 billion in 2006. Our pipeline of project opportunities will see this grow to around US$5 billion in 2007.

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Strategy

Our strategy remains to focus on large, long life, low cost ore bodies capable of delivering superior returns across the economic cycle. Creating value for shareholders is our primary objective and will remain so. We are fortunate to have a geographical portfolio weighted towards large, mature and growing economies. However, we recognise that pursuit of future value growth will see us operating in a wider range of countries than in the past. Recent projects and investments in Russia, Madagascar, Peru and Mongolia are evidence of this.

We are also focused on driving productivity and performance improvements across all our primary business processes, thereby adding to the resilience of our portfolios in more challenging markets. We made significant progress towards that objective in 2006.

Sustainable development

Rio Tinto is in a long term, capital intensive business and our investments typically have life spans of 30 years or more and are often in remote locations. Without economic and social stability we cannot deliver economic returns to our host governments, local communities and our shareholders. We therefore remain committed to the principles of sustainable development, which is fully reflected in all aspects of our business. It facilitates access to new opportunities, improves business performance and inspires our own people, who fully share this commitment.

As we move into new geographical areas, meeting economic, social and environmental challenges simultaneously will be an increasingly critical feature of our business. I am pleased that our way of doing business has received positive recognition and support from our various stakeholders in these environments.

New chief executive

We have announced that Tom Albanese will succeed Leigh Clifford as chief executive on 1 May 2007. Leigh has made an outstanding contribution to Rio Tinto for almost 37 years. His seven years as chief executive have seen significant growth in the profitability and value of the business and major enhancements in our operational performance. We thank him for all he has done for Rio Tinto and wish him well for the future.

Tom brings a broad based experience of the mining industry developed in a sequence of challenging roles in Rio Tinto. He has been a key player in a number of important initiatives over recent years and in shaping our strategic direction. We have plans in place for a smooth handover from Leigh to Tom and the board is confident that, under his leadership, Rio Tinto will continue to deliver profitable growth and increased value for shareholders.

Board developments

Michael Fitzpatrick joined the board in June 2006 after a successful period in investment fund management. He brings a long experience of entrepreneurial activity to the board and is a valuable addition to our Australian representation. We are fortunate to have an experienced and diverse board which provides strong support and constructive challenge to our executive team.

Forward outlook

The global economy remains resilient in the face of a range of political and economic risks. We expect a continuation of positive economic growth in 2007 in most of the major economies. China□s strong, growing demand for metals and minerals, which has been a key driver of market strength, seems set to continue.

On the supply side, a number of constraints, ranging from shortages of key consumables, like truck tyres and explosives, to the tight supply of skilled technical managers and tradesmen, have limited the growth of new production capacity. Stocks of most products have remained low, resulting in tight markets. This has reinforced the strength of the current cycle and we expect prices in 2007 to continue at levels significantly above the long term trend.

Our people

Despite the benefit of strong markets, 2006 was very challenging in operational terms. We have faced daily pressures in meeting the requirements of our customers and developing new projects within tight timetables and budgets. Our record results would not have been possible without the commitment, dedication and hard work of our global workforce. Once again, on behalf of the board and you, our shareholders, I thank them for all they

have achieved in an excellent year for Rio Tinto.

Paul Skinner Chairman
23 February 2007

* Adjusted following a reclassification post publication in the 2006 Annual report and financial statements.

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INTERVIEW WITH THE CHIEF EXECUTIVE

How would you describe the past year?
Underlying earnings in 2006 were a record US$7.3 billion. Not only were prices for metals and minerals higher, but we were able to make the most of the situation with increased production at many of our operations maximising delivery into strong markets. With our strong balance sheet we are in a position to invest heavily in growth and to return capital to shareholders. Through our business improvement programme, *Improving performance together* (IPT), we are seeing a significant change in the way business units cooperate and share best practice. IPT resulted in substantial additional cash flow in 2006 and should deliver very large value enhancements in the future. Health, safety and environment indicators generally showed steady improvement, but unfortunately the year was marred by three fatalities at Rio Tinto managed operations.

Why are markets this good?
Economic growth and development around the world, particularly in China and India, mean an increased need for minerals. The mining industry is struggling to keep pace with demand. There is normally a quicker supply response when demand rises. However, because of previous under investment in exploration, the next generation of large world class deposits is only now being identified and evaluated. These deposits are often in remote locations, present new technical challenges and will take some years to come into production. The delivery times for major items of equipment have also significantly increased. While we believe a new higher base level of prices has developed for most commodities, this is mirrored by higher operating and development costs.

Rio Tinto s volume growth has typically been six to seven per cent a year where to now?
We concentrate on what we do best, which is mining the first stage of the supply chain. Rio Tinto operates or shares in some of the largest deposits in the world. That is partly why we are enjoying financial success at a time of strong prices, although all our product groups generate strong cash flow at all points of the cycle. Large long life deposits also give us the opportunity to increase production in line with demand, a great advantage in the current environment. Ours is a simple strategy and it works. While most of our existing assets are in OECD countries, we are responding to new opportunities in the developing world Peru, Guinea and Indonesia to name a few and in countries that are only now opening up to mining investment, like Madagascar, Russia and Mongolia.

We are always alert to merger and acquisition opportunities, but growth is often ab out choosing between buying and building. When you build a new project you should know what you re getting if you execute the project well, but when you buy you may find not all the assets are jewels. The key is to make value creating decisions not just increase volume. We are willing to make the big bets, as we have in iron ore and copper, but the key factor in the execution of our strategy is discipline: discipline in analysis and discipline in execution.

How are you responding to cost pressures?
We work very hard to manage costs related to operational inputs, supplies, wages, energy and higher material costs through the excellent work of our global procurement team and our strong supplier relationships. However, the prices of many key inputs, including labour, have risen sharply in recent times. Of course our exploration and project evaluation costs feeding our development pipeline are in the nature of investments in the future.

Can you say a little more on the *Improving performance together* initiative?
We need to permanently change the way we run our individual operations, replicating best performance across everything we do project analysis, project development, mine planning, mining, processing and marketing. We are a global Group and we need to work across functions and international borders to solve problems together instead of businesses going it alone. By creating a standard operating model with common systems, standards and metrics we will ensure that we capture the best ways of operating and reproducing these across the Group. The substantial additional cash flow we achieved in 2006 is the start to adding considerable value to the Group over time.

You spent about US$4 billion in new capital in 2006. How are the major projects going?
Overall, our new projects are coming along well. Our iron ore expansion projects in Western Australia remain our biggest current capital investment. The challenge of operating and expanding ten mines, three ports and more

than 1,600km of rail line in the Pilbara at a time of buoyant market conditions should not be underestimated. With total expenditure of US$3 billion, by the end of 2007 our port and rail infrastructure will be capable of handling up to 195 million tonnes of iron ore annually. The recently announced expansion of Cape Lambert port, at a cost of US$860 million, will further expand capacity to 220 million tonnes. The Yandicoogina mine will expand to 52 million tonnes a year in the same period and the Hope Downs project will start production in 2008 with output of 22 million tonnes, rising to 30 million tonnes in stage two. From negotiation of the agreement on Hope Downs to first deliveries will be only three years.

Our ilmenite project in Madagascar is on schedule, and construction of basic infrastructure by local contractors is under way. The port contract has been awarded, enabling us to finalise a definitive cost estimate of US$850 million for the total project including the building of additional processing capacity in Canada. First production is scheduled for 2008, when we believe there will be growing demand for the high quality ilmenite that Madagascar will produce for 40 years.

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Development continues at the Argyle Diamond mine in Western Australia, Diavik in Canada and Cortez in Nevada, as does the extension of the life of the Rössing Uranium mine in Namibia. Earlier this year we announced the development of the Clermont thermal coal mine in Queensland, and we completed significant investment to expand capacity at the Weipa bauxite mine in Queensland.

What about new opportunities?

We have acquired interests in three promising copper projects: La Granja in Peru, the Pebble project in Alaska and Oyu Tolgoi (Turquoise Hill) in Mongolia which, together with Resolution Copper in the US, give us an interest in four world class undeveloped copper mineral deposits. The investment in Mongolia represents a phased, risk managed entry into a potentially outstanding resource. La Granja has been given the go ahead for a US$95 million pre-feasibility study.

We are encouraged by the exploration potential on ERA leases in Australia and the expansion possibilities at Rössing Uranium in Namibia. These, together with the potential of Kintyre in Western Australia and Sweetwater in Wyoming, US, mean we are well placed to extend uranium reserves in the near future.

In addition we have an extensive global exploration programme, spending a total of US$345 million in 2006, and we continue to evaluate numerous development opportunities, often with others.

Much is being made of a skills shortage. What is your view?

Technical skills in mining, metallurgy and geological sciences are in short supply and there is strong competition for recent graduates, experienced engineers and artisans as well as supervisors. However, I believe we are better placed than most. Global graduate recruitment is a high priority and we are doing well in attracting good quality people. We are seen as an organisation that can provide exciting international experience, good training and lots of opportunity. We are also being more creative in retaining the skills and experience of staff in the later stages of their career. All that said , I think the mining industry as a whole needs to sell itself as an attractive employer more effectively. We need to consider changes to career structures to retain staff by offering greater flexibility and to identify adventurous people at the recruitment stage.

Any reflections on your handover to Tom Albanese?

I am fortunate to have worked for Rio Tinto for almost 37 years. It has given me a diverse and interesting career during which I have met and worked with many different people who form this great team that is Rio Tinto. In Tom Albanese we have a very able, experienced and committed individual to continue Rio Tinto s success. I would like to take this opportunity of wishing him well, and to thank all my colleagues around the world for the strong support they have given me in the many roles over my career.

Leigh Clifford Chief executive
23 February 2007

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GROUP FINANCIAL PERFORMANCE

Underlying earnings is the key financial performance indicator which management use internally to assess performance. It is presented here as an additional measure of earnings to provide greater understanding of the underlying business performance of the Group's operations. The categories of items excluded from net earnings to arrive at underlying earnings are explained in note 2 to the 2006 financial statements together with information on a minor change in the definition of underlying earnings.

Both net earnings and underlying earnings deal with amounts attributable to equity shareholders of Rio Tinto. However, EU IFRS requires that the profit for the period reported in the income statement should also include earnings attributable to outside shareholders in subsidiaries. The profit for the period is reconciled to net earnings and to underlying earnings as follows:

	2006 US$m	2005 US$m	2004 US$m
Profit for the year	**7,867**	5,498	3,244
Less: attributable to outside equity shareholders	**(429)**	(283)	53
Attributable to equity shareholders of Rio Tinto (net earnings)	**7,438**	5,215	3,297
Less: exclusions from underlying earnings	**(100)**	(260)	(1,025)
Underlying earnings attributable to shareholders of Rio Tinto	**7,338**	4,955	2,272

Amounts attributable to outside equity shareholders increased in 2006 largely because of improved results at Palabora and the reversal of impairment at IOC. Amounts attributable to outside equity shareholders increased in 2005 because of improved results at Robe River, IOC, Coal & Allied, Rio Tinto Iron & Titanium and Palabora. In addition, in 2004 outside equity shareholders' interests included a US$129 million charge for impairments.

Earnings contributions from Group businesses and business segments are based on underlying earnings. Amounts excluded from net earnings in arriving at underlying earnings are summarised in the following table and discussed further below.

	2006 US$m	2005 US$m	2004 US$m
Profit less losses on disposal of interests in businesses	**3**	311	1,175
Impairment reversals less charges	**44**	4	(321)
Adjustment to environmental remediation provision	**37**	84	—
Exchange gains/(losses) on external net debt and intragroup balances (including those relating to equity accounted units)	**(14)**	(99)	159
Gains/(losses) on currency and interest rate derivatives not qualifying for hedge accounting (including those relating to equity accounted units)	**30**	(40)	12
Total excluded in arriving at underlying earnings	**100**	260	1,025

Changes in underlying earnings 2004 - 2006	**US$m**
2004 Underlying earnings	2,272
Effect of changes in:	
Prices	2,374
Exchange rates	(123)
General inflation	(141)

Volumes	1,140
Costs	(598)
Tax and other	31
2005 Underlying earnings	4,955
Effect of changes in:	
Prices	3,068
Exchange rates	(35)
General inflation	(174)
Volumes	(135)
Costs	(741)
Tax and other	400
2006 Underlying earnings	7,338

2006 compared with 2005

Net earnings of US$7,438 million in 2006 were US$2,223 million above 2005, an increase of 43 per cent.

Underlying earnings of US$7,338 million were US$2,383 million above 2005, an increase of 48 per cent.

Underlying earnings per share, which increased by 52 per cent, also reflected the lower number of shares resulting from the share buyback programme. The principal factors explaining the changes in underlying earnings are shown in the table above.

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Changes in underlying earnings

The effect of price movements on all major commodities was to increase underlying earnings by US$3,068 million. Prices for the major products remained strong throughout the year and were considerably higher than those experienced in 2005: average copper prices were 84 per cent higher whilst average aluminium prices were 35 per cent higher. The strength of the global iron ore market was reflected in the 19 per cent increase in the benchmark price, mainly effective from 1 April 2006. The seaborne thermal coal market was also strong, although it weakened in the second half.

Molybdenum prices averaged US$25/lb throughout 2006, a decline of 20 per cent compared with the prior year.

The net effect of changes in average levels of exchange rates against the US dollar for those currencies influencing the Group□s costs was to reduce underlying earnings relative to 2005 by US$35 million.

Lower sales volumes decreased underlying earnings by US$135 million compared with 2005. As anticipated, significantly reduced volumes from lower grades at Grasberg impacted earnings by US$355 million year on year. This more than offset higher volumes at other operations. The ramp up of new projects in iron ore (including the Yandicoogina and brownfields expansions), higher copper in concentrate volumes from improved grades and throughput at Northparkes, higher ore grades and the commencement of sulphide