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(a) Salary paid in the financial year to 31 December. Salaries are reviewed with effect from 1 March.

(b) Value of STIP deferred under the BDP.

(c) 2012 figures are based on the estimated value of the LTIP awards which vested in respect of the performance period that ended 31 December 2012.

(d) Pension represents the value of one year s pension accrual calculated using an IAS19 methodology and assumptions on rates of investment return, inflation and salary increases and is sensitive to changes to those assumptions.

(e) Includes healthcare, provision of a car and driver, activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics and other contractual payments.

(f) The maximum potential STIP award is 200 per cent of base salary.

The graphs below show the potential value of the 2013 remuneration package at below threshold, threshold, target and outstanding performance levels together with the proportion of the package delivered through fixed and variable remuneration.

The STIP-cash is performance related remuneration.

Potential value of 2013 remuneration package

Proportion of the 2013 remuneration package value delivered through fixed and variable remuneration

Retirement

Guy will retire on 31 December 2013.

During 2013, he will receive his contractual remuneration, including base pay, eligibility for STIP, benefits and pension contributions, until his retirement date. Any 2013 STIP award will be made in cash and paid in March 2014. Upon his retirement, good leaver treatment and pro-rating will apply to any outstanding LTIP awards in accordance with the Plan rules. In accordance with his contractual commitments, he will also be eligible for post-retirement medical insurance under the Rio Tinto Medical Expenses Plan, subject to the rules of the Plan.

Chris Lynch (chief financial officer-designate)

Chris Lynch will be on a standard Rio Tinto plc contract which includes a 12-month notice period. He will receive a remuneration package comprising a base salary of £800,000, target annual bonus opportunity of 120 per cent of base salary and a PSP award with a face value of 420 per cent of base salary in 2013. He will receive benefits including pension, medical insurance, relocation costs from Melbourne to London and transitional housing support.

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Tom Albanese (former chief executive)

Base salary

	2013	2012	% change
Base salary (stated in £ 000)	**1,056**	1,056	0.0

Salaries are normally reviewed on 1 March.

STIP outcomes for 2012

The Committee has determined that Tom will receive no STIP award for 2012. He will not receive a STIP award for 2013.

LTIP award granted in 2012

This award will lapse when Tom leaves the Group.

LTIP award for 2013

The Committee has determined that no LTIP award will be granted to Tom for 2013.

LTIP outcome for the period ended 31 December 2012

The performance shares under the PSP awarded in 2009 had a four-year performance period that ended on 31 December 2012. This award partially vested at 92.5 per cent (61.7 per cent of maximum) and Tom received 44,417 shares on 19 February 2013. He also received a cash payment of £103,531, equal to the aggregate net dividends that would have been paid on the vested shares. No dividends are paid on the shares that lapsed.

Share options under the SOP granted in 2010 had a performance period that ended on 31 December 2012. This award has vested in full. Tom has an option over 119,230 shares at a price of £37.05 per share. The market price of Rio Tinto plc shares at 19 February 2013, being the latest practicable date before the date of publication of this report, was £37.14. These options can be exercised from 22 March 2013. Further details of the awards vesting in 2013 and in prior years are provided on pages 111 and 120.

All further outstanding, unvested LTIP awards will lapse when Tom leaves the Group.

Pension

Tom s target defined benefit pension is equal to two-thirds of basic salary at age 60, through funded and unfunded arrangements as provided to other UK-based employees. This is inclusive of benefits accrued in the US. The accrued pension as at 31 December 2012 was £552,000 per annum, (31 December 2011: £476,000 per annum). Further details are set out in table 2 on page 117.

Total remuneration

The table below provides a summary of actual remuneration in respect of 2010, 2011 and 2012 stated in pounds sterling. This is in addition to statutory disclosure requirements set out in Table 1a on page 114. The purpose of this table is to enable shareholders better to understand the actual remuneration received and to provide an overview of the actual outcomes of the Group s remuneration arrangements. The remuneration details set out in table 1a on pages 114 and 115 include theoretical accounting values relating to various parts of the remuneration packages, most notably LTIP arrangements. Accordingly, the numbers below are not directly comparable with those in table 1a on page 114.

(stated in £ 000)	**2012**	2011	2010
Base salary paid[(a)]	**1,052**	1,010	907
STIP payment cash	**0**	0	797
STIP payment deferred shares[(b)]	**0**	0	797
Total short-term pay	**1,052**	1,010	2,501
Value of LTIP awards vesting[(c)]	**1,762**	1,478	873
Pension[(d)]	**1,360**	1,230	1,105
Other benefits[(e)]	**195**	269	208
Total remuneration	**4,369**	3,987	4,687
Percentage change in total remuneration (2012 versus 2011; 2011 versus 2010)	**9.6%**	(14.9%)	
Percentage of total remuneration provided as performance related pay (STIP and LTIP)	**40.3%**	37.1%	52.6%
Percentage of total remuneration provided as non-performance related pay (Base salary, Pension & Other benefits)	**59.7%**	62.9%	47.4%
Percentage of maximum STIP awarded[(f)]	**0%**	0.0%	87.8%
Percentage of maximum STIP forfeited	**100%**	100.0%	12.2%
Percentage of target STIP awarded	**0%**	0.0%	146.4%

(a) Salary paid in the financial year to 31 December. Salaries are reviewed with effect from 1 March.

(b) Value of STIP deferred under the BDP.

(c) 2012 figures are based on the estimated value of the LTIP awards which vested in respect of the performance period that ended 31 December 2012.

(d) Pension represents the value of one year s pension accrual calculated using an IAS19 methodology and assumptions on rates of investment return, inflation and salary increases and is sensitive to changes to those assumptions.

(e) Includes healthcare, provision of a car and driver, activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics and other contractual payments.

(f) The maximum potential STIP award is 200 per cent of base salary.

Termination

Tom leaves the Group on 16 July 2013. Until this date, he will receive his base salary, benefits and pension contributions. Tom will return to the US prior to his termination date, and be eligible to receive post-retirement medical coverage in the US for himself and his spouse, in line with contractual commitments.

He received his 2009 performance share and the 2010 share option awards, both of which vested prior to his termination date in accordance with the plan rules, as indicated in this report. He will also be able to exercise any vested but unexercised share options up to his termination date.

Tom will not receive a STIP award for either 2012 or 2013, nor an LTIP award in 2013. When he leaves the Group, all outstanding but unvested LTIP and BDP awards earned in previous years will lapse and be forfeited.

No termination payments will be made to Tom Albanese.

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Remuneration Implementation Report continued

What we paid our other Executive Committee members and why

Base salary

The base salary increase for Debra Valentine was in line with the 2013 salary budgets applying to the broader Rio Tinto employee population in the UK and US. The increases for Andrew Harding and Hugo Bague reflect their appointments as chief executive Iron Ore and Group executive, Organisational Resources respectively.

Stated in 000	2013	2012	% change
Hugo Bague[(a)]	**£472.5**	£429.5	10.0
Preston Chiaro	**US$789.0**	US$789.0	0.0
Jacynthe Côté[(b)]	**C$930.0**	C$930.0	0.0
Alan Davies[(c)]	**A$771.3**	A$748.8	3.0
Andrew Harding[(d)]	**£546.0**	£436.0	25.2
Jean-Sébastien Jacques[(e)]	**£436.0**		
Harry Kenyon-Slaney[(f)]	**£512.3**	£512.3	0.0
Debra Valentine	**US$671.6**	US$652.0	3.0

(a) Hugo Bague s base salary increase of 10.0 per cent reflects his appointment as Group executive, Organisational Resources effective 1 March 2013.

(b) Jacynthe Côté s base salary was converted to Canadian dollars from March 2012 to align earnings currency with home base expenditures.

(c) Alan Davies was appointed to his current role effective 1 September 2012.

(d) Andrew Harding s base salary increase of 25.2 per cent reflects his appointment as chief executive, Iron Ore and the additional scope and responsibilities of his role, effective from 14 February 2013.

(e) Jean-Sébastien Jacques base salary upon his appointment as chief executive, Copper on 14 February 2013.

(f) Harry Kenyon-Slaney received a base salary increase of 17.5 per cent from £436,000 to £512,300, effective from 1 September 2012, upon appointment to his new role.

(g)

Bret Clayton stepped down from the Executive Committee on 1 March 2013 and therefore is not shown in the 2013 salary or any other forward looking tables relating to 2013.

STIP objectives and outcomes for 2012

A summary of the assessed score against achievement of financial, health and safety and individual objectives by executive is set out in the table on pages 107 and 108.

These assessments were undertaken against specific individual targets (for the Group or a product group, as appropriate), set at the start of the year. The Committee also exercised discretion to reduce some payouts from a purely formulaic assessment, in order to appropriately reflect overall performance in the year, as indicated in the table. As a result, 2012 STIP payouts for the executives range from 0 per cent to 113.9 per cent of target. Half of the bonus is delivered in cash and half in the form of deferred shares.

LTIP awards granted in 2012

The maximum potential value of PSP awards granted in 2012 is 438 per cent of base salary. The eventual value of the award will depend on the Group s relative TSR performance during the years 2012-2015.

LTIP awards for 2013

Subject to shareholder approval of the proposed new PSP, the Committee has decided that the PSP awards in 2013 will have a face value of awards as shown in the table opposite. Half of the award will vest after four years in 2017, and half the award will vest after five years in 2018, subject to the Group s performance against its relative TSR and the relative EBIT margin measures.

The average face value of awards made to Executive Committee members is 380 per cent of base salary.

Note that in all cases, this maximum value available to Executive Committee members is lower than the maximum value available through grants made under the current PSP in 2012, of 438 per cent of base salary.

Maximum value (Percentage of 1 March base salary)	**2013**
Hugo Bague	**400**
Preston Chiaro	**300**
Jacynthe Côté	**300**
Alan Davies	**420**
Andrew Harding	**420**
Jean-Sébastien Jacques	**380**
Harry Kenyon-Slaney	**420**
Debra Valentine	**400**

LTIP outcomes for the period ended 31 December 2012

The performance shares under the PSP awarded in 2009 had a four-year performance period that ended on 31 December 2012. These awards partially vested at 92.5 per cent (61.7 per cent of maximum).

PSP awards were only made to employees who were executive directors or PGCEOs in 2009 (Tom Albanese, Preston Chiaro, Bret Clayton, Jacynthe Côté, Guy Elliott and Sam Walsh). Other executives were awarded only Management Share Plan (MSP) and SOP grants in 2009.

Share options under the SOP granted in 2010 had a performance period that ended on 31 December 2012. These awards vested in full. Options can be exercised from 22 March 2013.

Further details of the LTIP outcomes for the period ended 31 December 2012 and in prior years are provided on pages 111 and 120.

Post-employment benefits

Executives may participate in pension, superannuation and post-employment medical benefits offered to the broader employee population in similar locations.

Termination

Doug Ritchie leaves the Company on 16 July 2013. Until this date he will receive base pay, benefits and superannuation contributions. He will not receive an increase on his base salary of A$967,000 for 2013. Neither will he receive a STIP award either for 2012 or 2013, nor an LTIP award for 2013.

He received his 2010 SOP award, which vested prior to his termination date in accordance with the SOP rules. He will also be able to exercise any vested but unexercised SOP awards up to his termination date. When he leaves the Group, all outstanding unvested LTIP and BDP awards earned in previous years will lapse and be forfeited. Save for the statutory payment of outstanding annual leave and long service leave, no termination payments will be made to Doug Ritchie.

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Measures	Weight (%)	Score (out of 200%)	Weighted score (%)	Summary of 2012 individual objectives
Hugo Bague				Develop a human capital planning framework that enables greater flexibility for developing talent across all levels of the organisation and enables each business to focus human capital investments where they matter the most
Group financial	52.5	85	44.6	
Group health and safety[a]	17.5	100	17.5	
Individual	30.0	133	39.9	
Total (% of salary out of 200%)	100.0		102.0	

(a) The health and safety score was reduced from 120 to 100 per cent of target due to fatalities.

Demonstrate progress against Group diversity targets

Improve employee engagement though delivering on agreed actions

Support leadership development in emerging regions and executive succession planning and development

Measures	Weight (%)	Score (out of 200%)	Weighted score (%)	Summary of 2012 individual objectives
Preston Chiaro				Increase the effectiveness of project development and implementation capabilities
Group financial	52.5	85	44.6	
T&I health and safety	17.5	115	20.2	
Individual	30.0	115	34.5	
Sub total[a]	100.0		99.3	
Discretionary adjustment			(49.7)	Delivery of new technologies to the product groups at commercial scale
Total (% of salary out of 200%)			49.6	

(a) The Committee decided that the STIP outcome be reduced by 50 per cent in light of the impairment in the Coal business resulting in a final weighted score of 49.6 per cent of base salary.

Implement changes resulting from a review of the T&I organisation and improve engagement and partner relations

Support our people strategy by building capability, diversity, engagement and leadership

Bret Clayton

The Committee decided that Bret Clayton will not receive a STIP award for 2012 in light of the impairment in the Coal business.

Measures	Weight (%)	Score (out of 200%)	Weighted score (%)	Summary of 2012 individual objectives
Jacynthe Côté				Continue to drive sustainable cost reductions, EBITDA margins through
Group financial	21.0	85	17.8	

PG financial	31.5	91	28.7
PG health and safety[a]	17.5	75	13.1
Individual	30.0	89	26.7
Sub total[b]	100.0		86.3
Discretionary adjustment			(64.7)
Total (% of salary out of 200%)			21.6

(a) The health and safety score was reduced from 112 to 75 per cent of target due to a fatality.

(b) The Committee decided that the STIP outcome be reduced by 75 per cent in light of the impairment in the Aluminium business resulting in a final award of 21.6 per cent of base salary.

business improvement, asset sales and closures where appropriate

Continue to reduce carbon footprint

Delivery of projects, particularly Yarwun 2 commissioning, according to targets

Protect the pipeline of growth projects while maintaining flexibility with timelines

Support our people strategy by building capability, diversity, engagement and leadership

Alan Davies[a]

Group financial	21.0	85	17.8
PG financial	31.5	76	23.9
PG health and safety	17.5	98	17.2
Individual	30.0	120	36.0
Total (% of salary out of 200%)	100.0		94.9

(a) Scores relate to the period 1 September 2012 31 December 2012.

Deliver business value and engage people through implementation of the business improvement programme based on lean principles

Communicate the Diamonds & Minerals business strategy and engage people though the development and delivery of the product group identity and culture

Progress portfolio of major growth projects in a safe, timely and cost-effective manner while identifying and progressing M&A opportunities

Support our people strategy by building capability, diversity, engagement and leadership

Outline initial thoughts on a strategy to address current critical issues across

Diamonds & Minerals

Demonstrate leadership and build credibility within Diamonds & Minerals, gearing for long-term success in the role

Ensure appropriate resources, structure and support to deliver sustainable value in key strategic locations

Andrew Harding			
Group financial	21.0	85	17.8
PG financial	31.5	116	36.6
PG health and safety[a]	17.5	100	17.5
Individual	30.0	140	42.0
Total (% of salary out of 200%)	100.0		113.9

(a) The health and safety score was reduced from 133 to 100 per cent of target due to a fatality.

Provide the leadership, resources and support to deliver Oyu Tolgoi to first ore, transition to operations and preparedness for first commercial production

Continue to pursue growth opportunities and meet studies targets for La Granja and Resolution

Deliver sustainable improvement in safety and productivity and provide focused leadership in process safety and underground safety for the Group

Support our people strategy by building capability, diversity, engagement and leadership

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Remuneration Implementation Report continued

Measures	Weight (%)	Score (out of 200%)	Weighted score (%)	Summary of 2012 individual objectives
Harry Kenyon-Slaney				
Group financial	21.0	85	17.8	Deliver business value and engage people through implementation of the business improvement programme based on lean principles
PG financial[(a)]	31.5	72	22.6	Communicate the Diamonds & Minerals business strategy and engage people though the development and delivery of the product group identity and culture
PG health and safety[(a)]	17.5	113	19.8	Progress portfolio of major growth projects in a safe, timely and cost-effective manner while identifying and progressing M&A opportunities
Individual[(a)]	30.0	133	39.9	Support our people strategy by building capability, diversity, engagement and leadership
Total (% of salary out of 200%)	100.0		100.1	Outline initial thoughts on a strategy to address current critical issues across Energy
				Demonstrate leadership and build credibility within Energy, gearing for long-term success in the role
Debra Valentine				Improve operational efficiency of the Legal and External Affairs function in accordance with support strategy review targets
Group financial	52.5	85	44.6	
Group health and safety	17.5	120	21.0	
Individual	30.0	131	39.3	
	100.0		104.9	

(a) Scores are pro-rated for the period while chief executive Diamonds & Minerals (1 January 2012 31 August 2012) and for the period while chief executive Energy (1 September 2012 31 December 2012).

Total (% of salary out of 200%)	Establish new Human Rights framework to link existing initiatives and internal controls Provide support on key strategic projects and investment opportunities Continue focus on developing relationships with key external stakeholders across key countries Implement cyber security strategy to protect high-value technology, assets and information and protect the value of technology projects through patents and licences where appropriate Support our people strategy by building capability, diversity, engagement and leadership

Total remuneration

The tables below provide a summary of actual remuneration in respect of 2011 and 2012 stated in the currency of payment. This is in addition to statutory disclosure requirements set out in Table 1a on page 114. The purpose of this table is to enable shareholders to better understand the actual remuneration received by executives and to provide an overview of the actual outcomes of the Group s remuneration arrangements. The remuneration details, set out in table 1a on pages 114 and 115, include theoretical accounting values relating to various parts of the remuneration packages, most notably LTIP arrangements.

	Hugo Bague		Preston Chiaro		Bret Clayton	
(stated in 000)	**2012**	2011	**2012**	2011	**2012**	2011
Base salary paid[(a)]	**£427**	£406	**US$786**	US$763	**US$760**	US$738
STIP payment cash	**£219**	£248	**US$196**	US$389	**US$0**	US$476
STIP payment deferred shares[(b)]	**£219**	£249	**US$196**	US$390	**US$0**	US$476
Total short-term pay	**£865**	£903	**US$1,178**	US$1,542	**US$760**	US$1,690
Value of LTIP awards vesting[(c)]	**£4**	£1,123	**US$1,217**	US$1,032	**US$1,174**	US$996
	£27	£27	**US$383**	US$256	**US$342**	US$236

Pension or superannuation[d]						
Other benefits[e]	**£220**	£281	**US$101**	US$209	**US$1,156**	US$1,070
Total remuneration	**£1,116**	£2,334	**US$2,879**	US$3,039	**US$3,432**	US$3,992
Percentage change in total remuneration (2012 versus 2011)	**(52.2%)**		**(5.3%)**		**(14.0%)**	
Percentage of total remuneration provided as performance related pay (STIP and LTIP)	**39.6%**	69.4%	**55.9%**	59.6%	**34.2%**	48.8%
Percentage of total remuneration provided as non-performance related pay (Base salary, Pension & Other benefits)	**60.4%**	30.6%	**44.1%**	40.4%	**65.8%**	51.2%
Percentage of maximum STIP awarded[f]	**51.0%**	59.9%	**24.8%**	50.6%	**0.0%**	63.9%
Percentage of maximum STIP forfeited	**49.0%**	40.1%	**75.2%**	49.4%	**100.0%**	36.1%
Percentage of target STIP awarded	**102.0%**	119.9%	**49.6%**	101.2%	**0.0%**	127.8%

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(stated in 000)	Jacynthe Côté[g] 2012	Jacynthe Côté[g] 2011	Alan Davies[h] 2012	Alan Davies[h] 2011	Andrew Harding 2012	Andrew Harding 2011
Base salary paid[a]	**C$921**	C$864	**A$250**		**£433**	£410
STIP payment cash	**C$100**	C$475	**A$118**		**£248**	£249
STIP payment deferred shares[b]	**C$101**	C$475	**A$119**		**£249**	£250
Total short-term pay	**C$1,122**	C$1,814	**A$487**		**£930**	£909
Value of LTIP awards vesting[c]	**C$1,380**	C$1,969	**A$378**		**£0**	£728
Pension or superannuation[d]	**C$474**	C$432	**A$3**		**£27**	£27
Other benefits[e]	**C$139**	C$42	**A$204**		**£484**	£507
Total remuneration	**C$3,115**	C$4,257	**A$1,072**		**£1,441**	£2,171
Percentage change in total remuneration (2012 versus 2011)	**(26.8%)**				**(33.6%)**	
Percentage of total remuneration provided as performance related pay (STIP and LTIP)	**50.8%**	68.6%	**57.4%**		**34.5%**	56.5%
Percentage of total remuneration provided as non-performance related pay (Base salary, Pension & Other benefits)	**49.2%**	31.4%	**42.6%**		**65.5%**	43.5%
Percentage of maximum STIP awarded[f]	**10.8%**	54.2%	**47.5%**		**57.0%**	59.4%
Percentage of maximum STIP forfeited	**89.2%**	45.8%	**52.5%**		**43.0%**	40.6%
Percentage of target STIP awarded	**21.6%**	108.5%	**94.9%**		**113.9%**	118.9%

(stated in 000)	Harry Kenyon-Slaney 2012	Harry Kenyon-Slaney 2011	Doug Ritchie[i] 2012	Doug Ritchie[i] 2011	Debra Valentine 2012	Debra Valentine 2011
Base salary paid[a]	**£459**	£410	**A$961**	A$917	**US$648**	US$620
STIP payment cash	**£256**	£236	**A$0**	A$467	**US$342**	US$399
STIP payment deferred shares[b]	**£257**	£237	**A$0**	A$467	**US$342**	US$400
Total short-term pay	**£972**	£883	**A$961**	A$1,851	**US$1,332**	US$1,419
Value of LTIP awards vesting[c]	**£4**	£514	**A$0**	A$1,954	**US$381**	US$2,291
Pension or superannuation[d]	**£94**	£87	**A$270**	A$245	**US$219**	US$213
Other benefits[e]	**£219**	£127	**A$167**	A$73	**US$1,510**	US$816
Total remuneration	**£1,289**	£1,611	**A$1,398**	A$4,123	**US$3,442**	US$4,739
Percentage change in total remuneration (2012 versus 2011)	**(20.0%)**		**(66.1%)**		**(27.4%)**	
Percentage of total remuneration provided as performance related pay (STIP and LTIP)	**40.1%**	61.3%	**0.0%**	70.0%	**30.9%**	65.2%
Percentage of total remuneration provided as non-performance related pay (Base salary, Pension & Other)	**59.9%**	38.7%	**100.0%**	30.0%	**69.1%**	34.8%
Percentage of maximum STIP awarded[f]	**50.1%**	56.3%	**0.0%**	50.2%	**52.5%**	63.4%
Percentage of maximum STIP forfeited	**49.9%**	43.7%	**100.0%**	49.8%	**47.5%**	36.6%
Percentage of target STIP awarded	**100.1%**	112.7%	**0.0%**	100.5%	**104.9%**	126.8%

(a) Salary paid in the financial year to 31 December. Salaries are reviewed with effect from 1 March.

(b) Value of STIP deferred under the BDP.

(c) 2012 figures are based on the estimated value of the LTIP awards which vested in respect of the performance period that ended 31 December 2012.

(d) Pension or superannuation represents the value of one year s pension or superannuation accrual calculated using an IAS19 methodology and assumptions on rates of investment return, inflation and salary increases and is sensitive to changes to those assumptions. For Bret Clayton and Debra Valentine the 2011 the Other post employment benefits component has been restated as an incorrect methodology was used to value them. The figures previous disclosed in 2011 were US$235,000 for Bret Clayton and US$215,000 for Debra Valentine.

(e) Includes healthcare, tax advice, car allowance or car and activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics. Will include active or legacy expatriate related benefits, as relevant.

(f) The maximum potential STIP award is 200 per cent of base salary.

(g) All 2011 amounts have been converted from US$ to C$ at the 2011 average exchange rate.

(h) Remuneration details reflect remuneration received for the period 1 September 2012 31 December 2012.

(i) Outstanding LTIP awards will lapse upon leaving the Group.

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Remuneration Implementation Report continued

Potential value of 2013 remuneration package

The table below shows the potential minimum and maximum value of the 2013 remuneration package and the threshold, target and maximum value of the 2013 STIP and LTIP awards. The values have been calculated based on the proposed amendments to the LTIP in 2013.

Stated in 000	Currency	**Minimum potential remuneration[a]**	Threshold value of STIP and LTIP awards[b]	Target value of STIP and LTIP awards[c]	Maximum value of STIP and LTIP awards[d]	**Maximum potential remuneration**
Hugo Bague	£	**£441**	£618	£1,324	£2,648	**£3,089**
Preston Chiaro	US$	**US$789**	US$927	US$1,973	US$3,945	**US$4,734**
Jacynthe Côté	C$	**C$930**	C$1,093	C$2,325	C$4,650	**C$5,580**
Alan Davies	A$	**A$771**	A$1,115	A$2,391	A$4,782	**A$5,553**
Andrew Harding	£	**£546**	£789	£1,693	£3,385	**£3,931**
Jean-Sébastien Jacques	£	**£436**	£591	£1,264	£2,529	**£2,965**
Harry Kenyon-Slaney	£	**£512**	£740	£1,588	£3,176	**£3,688**
Debra Valentine	US$	**US$672**	US$940	US$2,015	US$4,030	**US$4,702**

(a) Base salary is the minimum potential remuneration.

(b) Calculated based on threshold performance under the STIP and threshold PSP vesting.

(c) Calculated based on target performance under the STIP and target PSP vesting.

(d) Calculated based on outstanding performance under the STIP and maximum PSP vesting.

Remuneration mix

The graphs below show the proportion of the package delivered through fixed and variable remuneration. The values have been calculated based on the proposed amendments to the LTIP in 2013. The PSP, STIP deferred shares and STIP cash are all performance related remuneration.

Proportion of the 2013 remuneration package value delivered through fixed and variable remuneration

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Remuneration Report appendix

Long-term incentives vesting outcomes for the period ended 31 December 2012

2009 PSP awards (four-year performance period)

A group of eight comparator companies was used to assess Rio Tinto s relative TSR performance, which is the performance measure used to determine the vesting of awards made under the 2009 PSP. For PSP awards made from and including 2010, two indices are used for assessing Rio Tinto s relative TSR performance as detailed in the table on page 112. The Committee is recommending the inclusion of a relative EBIT margin measure for awards to be granted from 2013 representing one-third of the total potential value of the overall award.

PSP awards were only made to executive directors and PGCEOs in 2009 (Tom Albanese, Preston Chiaro, Bret Clayton, Jacynthe Côté, Guy Elliott and Sam Walsh). Other executives were awarded only MSP and SOP grants in 2009 which vested respectively in January 2012 and March 2012.

PSP performance period that ended on 31 December 2012

Comparator companies[a]	Alcoa, Anglo American, Barrick Gold, BHP Billiton, Freeport-McMoRan, Newmont Mining, Vale, Xstrata
Performance period (4 years)	1 January 2009 31 December 2012
Performance condition	Rio Tinto must achieve a ranking of 5th (median of the comparator group) for threshold vesting at 35 per cent. The maximum vesting is 1.5 times the award with equal steps between 5th and 1st rank. No awards vest below the threshold levels.
TSR Ranking	3rd (108.2 per cent TSR)
% of shares vested	92.5 per cent (61.7 per cent of maximum)
% of shares forfeited	7.5 per cent (38.3 per cent of maximum)

(a) The comparator companies were selected at the start of the performance period.

The 2008 average share price was abnormally inflated by the BHP Billiton bid. The Committee at that time used the average of the Rio Tinto share price over the three-month period commencing 12 February 2009 (as opposed to a 12-month period commencing 1 January 2008) for the purpose of calculating the opening share price for TSR performance over the performance period. It used the same period in relation to the PSP comparator companies. However, the usual 12-month methodology was used to calculate the ending share prices for TSR comparison

purposes, for Rio Tinto and comparator companies. The usual conventions were also applied to set the levels of award based upon the prior year average share price which resulted in a significant reduction in shares awarded compared to the prior year. This approach was consistently adopted by the Committee for the 2009 SOP awards which vested in 2012.

The table below summarises the average vesting of performance shares for executive directors and PGCEOs over the five-year period 2009-2013.

Performance period	Vesting year	% of shares vested	% of maximum shares vested
2005-2008	2009	92.5	62
2006-2009	2010	39.6	26
2007-2010	2011	36.4	24
2008-2011	2012	0.0	0
2009-2012	2013	92.5	62
Average vesting		52.2	35

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Remuneration Report appendix continued

2010 SOP awards (three-year performance period)

The HSBC Global Mining Index is used to assess Rio Tinto s relative TSR performance which is the performance measure used to determine the vesting of awards made under the SOP.

SOP performance period that ended on 31 December 2012

Comparator group	HSBC Global Mining Index
Performance period (3 years)	1 January 2010-31 December 2012
Rio Tinto outperformance	26.0%
Outperformance required for full vesting	15.8%
% of options vested	100%
% of options forfeited	

The methodology used to calculate the starting share prices for TSR comparison purposes, for Rio Tinto and the index, was the 12-month average prior to the commencement of the performance period. The methodology used to calculate the ending share prices for TSR comparison purposes, for Rio Tinto and the index, was the last 12 months in the performance period. The usual conventions were also applied to set the number of options awarded, based upon the prior year average share price.

The table below summarises the average vesting of share options for executive directors and PGCEOs over the five-year period 2009-2013.

Performance period	Vesting year	% of options vested
2006-2008	2009	100
2007-2009	2010	0
2008-2010	2011	0
2009-2011	2012	100
2010-2012	2013	100
Average vesting		60

MSP awards

Although executives are not eligible to receive awards under the MSP, Alan Davies received grants prior to his appointment as PGCEO.

Plan period	Plan period that ended 31 December 2012
Vesting period	22 March 2010-31 December 2012
% of shares vested	100
% of shares forfeited	

Debra Valentine received an MSP award when she joined the Group in 2008 which vested in January 2012.

Five-year TSR and relevant index TSR

Relative TSR is the single performance measure used to determine the vesting of awards made under the PSP and SOP prior to 2013. Rio Tinto s TSR relative to the relevant index, or the comparator group in the case of the PSP, over the performance period has a direct impact on the levels of LTIP vesting.

The effect of this performance on shareholder wealth, as measured by TSR delivered during the relevant calendar year, is detailed in the table.

Year	Dividends paid during the year US cents per share	Share price Rio Tinto plc pence 1 Jan	Share price Rio Tinto plc pence 31 Dec	Share price Rio Tinto Limited A$ 1 Jan	Share price Rio Tinto Limited A$ 31 Dec	**Total shareholder return (TSR) Group %**
2012	163.5	3,125	3,512	60.30	66.01	14.7
2011	117.0	4,487	3,125	85.47	60.30	(31.1)
2010	90.0	3,390	4,487	74.89	85.47	31.3
2009	68.0	1,231	3,390	29.97	74.89	171.5
2008	152.0	4,392	1,231	105.65	29.97	(71.4)

The graph below illustrates the TSR performance of the Group against the HSBC Global Mining Index and the MSCI over the past five years. These two indices are used to assess Rio Tinto s relative TSR performance for awards made under the PSP from and including 2010. The HSBC Global Mining Index alone is used to determine the vesting of awards made under the SOP. The graph has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and is not an indication of the likely vesting of awards granted under the PSP and SOP. The remuneration structure table on pages 97 to 99 provides further details of the performance conditions for the PSP and SOP.

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What we paid our non-executive directors

Fees

The table below sets out the annual fees payable to the chairman and the non-executive directors.

	2013	2012	2011
Director fees			
Chairman s fee	**£700,000**	£700,000	£700,000
Non-executive director base fee	**£85,000**	£85,000	£80,000
Senior independent director	**£40,000**	£40,000	£35,000
Committee fees			
Audit Committee chairman	**£35,000**	£35,000	£35,000
Audit Committee member	**£20,000**	£20,000	£15,000
Remuneration Committee chairman	**£30,000**	£30,000	£30,000
Remuneration Committee member	**£15,000**	£15,000	£10,000
Sustainability Committee chairman	**£30,000**	£30,000	£25,000
Sustainability Committee member	**£15,000**	£15,000	£10,000
Nominations Committee member	**£7,500**	£7,500	£7,500
Overseas meeting allowances			
Long distance (flights over 10 hours per journey)	**£10,000**	£10,000	£7,500
Medium distance (flights of 5-10 hours per journey)	**£5,000**	£5,000	£3,500

Details of each element of remuneration paid to the chairman and non-executive directors during 2012 are set out in Table 1b. No post-employment, long-term or termination payments were paid and no share-based payments were made. The total payments made to the chairman and non-executive directors in 2012 are within the maximum aggregate annual amount of £3 million set out in the Group s constitutional documents approved by shareholders at the 2009 annual general meetings.

Employee share plans

Management Share Plan (MSP)

The primary focus of the MSP is to support the Group s ability to attract and retain key staff below executive level in an increasingly tight and competitive labour market. Executives are not eligible to participate in the MSP.

Retention of key individuals is also important given the long-term nature of the delivery of the business strategy. MSP awards are conditional awards not subject to a performance condition as they vest subject to continued employment, at the end of three years, and thus act as an effective retention tool. Shares to satisfy the awards are purchased in the market and no new shares are issued.

All employee share plans

Executives may participate in broad-based share and share option plans which are available to Group employees generally and for which performance conditions do not apply. These plans form part of standard remuneration practice

whereby employees are offered participation in plans to encourage alignment with the long-term performance of the Group.

New global employee share plan

The Committee believes that all employees should be given the opportunity to become shareholders in our business. Following the approval received by shareholders in 2012 at the annual general meetings, the Committee implemented a new global employee share purchase plan in 2012. The new plan has been offered to all eligible employees across the world save for any local jurisdictional restrictions. Under the plan employees may acquire shares up to the value of US$5,000 per year, capped at ten per cent of base salary. Each share purchased will be matched by the Company providing the participant holds the shares, and remains employed, at the end of the three-year vesting period. The Committee believes the new plan will serve to engage, retain and motivate employees over the long term.

The participation rate following the initial launch of the Plan was approximately 25 per cent of the eligible employee population.

Dilution

Awards under the SOP, PSP and all employee Plans may be satisfied by treasury shares, the issue of new shares or the purchase of shares in the market. Currently, Rio Tinto plc satisfies these awards by the issue of new shares or the transfer of shares from treasury. Rio Tinto Limited satisfies these awards by the market purchase and delivery of shares to plan participants. Rio Tinto plc complies with applicable corporate governance guidelines in relation to the issue of new shares. All other share awards are satisfied by the use of shares which are purchased in the market. Further information in respect of the number of shares issued under plan arrangements can be found in note 45 to the financial statements.

Shareholder voting

The table below sets out the results of the resolutions to approve the Group s 2011 remuneration report at the 2012 AGMs.

Total votes cast	Votes for	Votes against	Votes withheld*
1,210,514,384	1,145,753,353	64,761,031	19,698,032

* a vote withheld is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution.

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Remuneration Report appendix continued

Table 1a Executives remuneration

Stated in US$ 000[(a)]		Short-term benefits					Long-term benefits	Value of share based awards[(f)]		
		Base salary	Cash bonus[(b)]	Other cash based benefits[(c)]	Non monetary benefits[(d)]	Total short-term benefits[(e)]	Other long-term benefits	BDP[(g)]	CCA[(h)]	PSP
Executive directors										
Tom Albanese	2012	1,667		3	306	1,976		338		2,675
	2011	1,619		3	429	2,051		535		2,384
Guy Elliott	2012	1,165		24	213	1,402		268		1,924
	2011	1,143		24	312	1,479		396		1,650
Sam Walsh	2012	1,702	1,115	93	146	3,056		964		3,152
.	2011	1,622	1,211	93	2	2,928		922		2,390
Other key management personnel										
Hugo Bague	2012	677	354	139	208	1,378		290		852
	2011	651	388	131	320	1,490		210	27	654
Preston Chiaro	2012	786	196		101	1,083		294		1,284
	2011	762	389		209	1,360		376		1,118
Bret Clayton	2012	760		3	1,153	1,916		247		1,241
	2011	738	476		1,070	2,284		270		1,076
Jacynthe Côté	2012	921	101	12	128	1,162		320		1,467
	2011	916	480	7	35	1,438		300	44	1,199
Alan Davies	2012	258	123	59	152	592		265		105
Andrew Harding	2012	687	401	125	642	1,855		319		1,018
	2011	658	389	114	680	1,841		226	27	779
Harry Kenyon-Slaney	2012	727	415	144	203	1,489		318		995
	2011	658	369	132	72	1,231		224	19	694
Doug Ritchie	2012	995		8	164	1,167		289		1,221
	2011	947	473		75	1,495		287	33	912
Debra Valentine	2012	648	342	26	1,483	2,499		376		845
	2011	620	399	26	790	1,835		226	30	642

Notes to Table 1a Executives remuneration

(a) The total remuneration is reported in US dollars. The amounts have been converted using the relevant 2012 average exchange rates of £1=US$1.5848, A$1=US$1.0357, and C$1=US$1.0006. The annual cash bonus payable under

the STIP has been converted using the relevant 2012 year end exchange rates of £1=US$1.6171, A$1=US$1.0375 and 1C$=US$1.0037.

(b) Cash bonus relates to the cash portion of the 2012 STIP to be paid in March 2013.

(c) Other cash based benefits include cash in lieu of a car and fuel. For Hugo Bague, Harry Kenyon-Slaney and Andrew Harding, it includes a cash supplement equal to 20 per cent of the amount by which their Contributory Salary exceeds the Earning Cap as defined in the Rio Tinto Pension Fund. For Alan Davies, it includes the difference between the Company superannuation contributions and the minimum level allowed in Australia under the Superannuation Guarantee legislation or the concessional contributions limits, which can be paid as a taxable cash allowance. For Jacynthe Côté, it includes a residual amount paid out in 2012 for her 2011 flexible perquisites and a residual amount to be paid out in 2013 for her 2012 flexible perquisites.

(d) Non monetary benefits for executives include healthcare, provision of a car, professional advice, flexible perquisites, activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics and secondment costs comprising housing, education, tax equalisation and relocation payments made to and on behalf of executives living outside their home country. For Tom Albanese and Guy Elliott, it includes the value of company provided transport. Rio Tinto provides accident cover for employee members of the Rio Tinto Pension Fund. Some of the executives are members of the Rio Tinto Pension Fund; the total premium paid in 2012 was US$8,433.

(e) Total short-term benefits represents the disclosure of total emoluments and compensation required under the UK Companies Act 2006 (UK) and total remuneration under the Australian Corporations Act 2001 and applicable accounting standards.

(f) The value of share based awards has been determined in accordance with the recognition and measurement requirements of IFRS 2 Share-based Payment . The fair value of awards granted under the Share Option Plan (SOP), the Management Share Plan (MSP), the Bonus Deferral Plan (BDP), the Performance Share Plan (PSP) and the Share Savings Plan (SSP) have been calculated at their dates of grant using valuation models provided by external consultants, Lane Clark and Peacock LLP, including an independent lattice-based option valuation model and a Monte Carlo valuation model which take into account the constraints on vesting and exercise attached to these awards. Further details of the valuation methods and assumptions used for these awards are included in note 45 (Share Based Payments) in the 2012 full financial statements. The fair value of other share based awards is measured at the purchase cost of the shares from the market. The non-executive directors do not participate in the long-term incentive share schemes.

(g) BDP (Bonus Deferral Plan) represents the deferral of the 2010, 2011 and 2012 bonus under STIP into Rio Tinto Shares.

(h) CCA (Company Contributed Awards) represents the shares provided to employees below the executive directors and PGCEO level under the 2008 BDP to provide and enhance retention.

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		Long-term benefits							
		Value of share based awards[f]			Post-employment benefits[j]				
Stated in US$ 000[a]		MSP	SOP	Others[i]	Pension and superannuation	Other post-employment benefits[k]	Termination benefits	Total remuneration	Currency of actual payment [l]
Executive directors									
Tom Albanese	2012		1,951	6	2,156			9,102	£
	2011		1,668	8	1,974			8,620	£
Guy Elliott	2012		1,407	7	605			5,613	£
	2011		1,189	7	563			5,284	£
Sam Walsh	2012		817	3	424			8,416	A$
	2011		1,047	3	384			7,674	A$
Other key management personnel									
Hugo Bague	2012		793	6	43			3,362	£
	2011	182	579	6	43			3,190	£
Preston Chiaro	2012		975	2	383			4,021	US$
	2011		818	1	256			3,929	US$
Bret Clayton	2012		944		339	3		4,690	US$
	2011		791		234	2		4,657	US$
Jacynthe Côté	2012		1,114		474			4,537	US$/C$
	2011	8	860		436	1		4,286	US$/C$
Alan Davies	2012	121	0	1	3			1,087	A$
Andrew Harding	2012	0	881	8	43			4,124	£
	2011	173	644	8	43			3,741	£
Harry Kenyon-Slaney	2012		523	8	149			3,482	£
	2011	80	376	9	139			2,772	£
Doug Ritchie	2012		1,009	2	280			3,968	A$
	2011	454	714	2	253			4,150	A$
Debra Valentine	2012	6	785	1	214	5		4,731	US$
	2011	339	573	1	208	5		3,859	US$

(i) Others include the Share Savings Plan and Share Ownership Plan as described in the Remuneration Report on page 113.

(j) The costs shown for defined benefit pension plans and post retirement medical benefits are the service costs attributable to the individual, calculated in accordance with IAS19. The cost for defined contribution plans is the amount contributed in the year by the Company.

(k) For Bret Clayton and Debra Valentine, the 2011 Other post employment benefits have been restated as an incorrect methodology was used to value them. The figures previous disclosed in 2011 were US$1,000 for Bret Clayton and US$7,000 for Debra Valentine.

(l) Jacynthe Côté s remuneration was stated in US dollars until 29 February 2012 using a fixed exchange rate of US$1=C$0.987167. Effective 1 March 2012, her salary and all other short-term benefits received are paid in Canadian dollars.

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Remuneration Report appendix continued

Table 1b Non-executive directors remuneration

Stated in US$ 000[a]		Short-term benefits Fees	Other cash based benefits[b]	Non-monetary benefits[c]	Total remuneration[d]	Currency of actual payment
Chairman						
Jan du Plessis	2012	1,109		225	1,334	£
	2011	1,123		333	1,456	£
Non-executive directors						
Robert Brown	2012	170	87	119	376	£
	2011	156	46	55	257	£
Vivienne Cox	2012	170	48	100	318	£
	2011	175	18	22	215	£
Sir Rod Eddington	2011	51	22	7	80	A$
Michael Fitzpatrick	2012	186	58	122	366	A$
	2011	166	55		221	A$
Yves Fortier	2011	55	29	18	102	£
Ann Godbehere	2012	202	32	100	334	£
	2011	196	18	25	239	£
Richard Goodmanson	2012	218	95	137	450	£
	2011	196	48	17	261	£
Andrew Gould[e]	2012	85		8	93	£
	2011	238	12		250	£
Lord Kerr	2012	202	48	83	333	£
	2011	180	12	19	211	£
Christopher Lynch[f]	2012	152	89	145	386	A$
	2011	43	22		65	A$
Paul Tellier	2012	202	87	115	404	£
	2011	180	46	38	264	£
John Varley	2012	235	95		330	£
	2011	59			59	£

Notes to Table 1b Non-executive directors remuneration

(a) The total remuneration is reported in US dollars. The amounts have been converted using the relevant 2012 average exchange rates of £1 =US$1.5848, A$1= US$1.0357.

(b) Other cash based benefits for non-executive directors comprise overseas meeting allowances.

(c) Non monetary benefits include for Jan du Plessis the value of company provided transport, medical insurance premiums and activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics. For Robert Brown, Vivienne Cox, Michael Fitzpatrick, Ann Godbehere, Richard Goodmanson, Lord Kerr, Christopher Lynch and Paul Tellier, it includes the value of activities in relation to Rio Tinto s sponsorship of the medals for the 2012 London Olympics. For Andrew Gould, it includes the value of a retirement gift. Rio Tinto plc provides accident cover for non-executive directors; the total premium paid in 2012 was US$5,465.

(d) Represents disclosure of short-term benefits total emoluments and compensation required under the UK Companies Act 2006 and total remuneration under the Australian Corporations Act 2001 and applicable accounting standards.

(e) Andrew Gould retired from the boards in May 2012.

(f) Christopher Lynch s fees (other than statutory superannuation contributions) were paid to the Transurban Group until July 2012.

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Table 2 Directors pension entitlements (as at 31 December 2012)

Defined benefit pensions

Age	Years of service completed	Accrued benefits At 31 Dec 2011 £ 000 pa pension	**At 31 Dec 2012 £ 000 pa pension**	**Change in accrued benefits during the year ended 31 Dec 2012 £ 000 pa pension**	Change in accrued benefit net of inflation[(a)] £ 000 pa pension	Transfer value At 31 Dec 2011 £ 000	**At 31 Dec 2012 £ 000**	Change, net of personal contributions[(f)] £ 00
55	31	476	**522**	**46**	33	8,485	**10,192**	1,707
57	32	514	**547**	**33**	17	11,937	**12,925**	988
		A$ 000 lump sum	**A$ 000 lump sum**	**A$ 000 lump sum**	A$ 000 lump sum	A$ 000	**A$ 000**	A$ 00
63	21	6,245	**6,836**	591	466	6,245	**6,836**	591

Defined contribution pensions

	Age	Years of service completed	Company contributions Year to 31 Dec 2011 A$ 000	**Year to 31 Dec 2012 A$ 000**
Australian director				
Sam Walsh	63	21	59	64

Notes to Table 2

(a) Price inflation is calculated as the increase in the relevant retail or consumer price index over the year to 31 December 2012, except for Australia where a September to September change is used.

(b) Tom Albanese accrued pension benefits in the US plans for service up to 30 June 2006 and is accruing benefits in the UK plans for subsequent service.

(c) The transfer value of benefits in the UK plans is calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996.

(d) The transfer value of benefits in the US plans is represented by the Accumulated Benefit Obligation calculated on the accounting assumptions used for the Group s post-retirement benefits disclosures.

(e) Tom Albanese and Guy Elliott have benefits provided through a combination of funded and unfunded arrangements. The pension and transfer values shown are in respect of their total benefits.

(f) Member contributions relating to Sam Walsh s defined benefit pension have been classified as employer contributions rather than personal contributions. This is a different treatment to that used in prior years to better reflect his benefits, and ensure consistency with the figures in Table 1a. The overall transfer value and the accrued benefits are unaffected.

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Remuneration Report appendix continued

Table 3 Directors and executives beneficial interests in Rio Tinto shares

	Rio Tinto plc			Rio Tinto Limited			Movements	
	1 Jan 2012[(a)]	31 Dec 2012[(b)]	19 Feb 2013[(b)]	1 Jan 2012[(a)]	31 Dec 2012[(b)]	19 Feb 2013[(b)]	Exercise of options[(c)]	Compensation[(d)]
ese	251,328	253,042	253,042				957	85
vn	2,200	2,200	4,200					
ox	2,912	2,912	2,912					
is	30,000	30,000	30,000					
	103,078	103,272	103,278				112,423	185
				6,252	6,252	6,252		
here	1,046	2,111	2,981					
n	9,287	12,465	12,465					
uld	2,642	2,642	2,642					
	12,000	15,000	15,000					
.	2,070	2,070	2,070	5,121	6,890	6,890		
	13,852	16,039	16,039					
	2,985	2,985	2,985					
				46,950	46,950	46,950		
e	24,216	34,910	34,910				288	22,035
aro	99,182	99,373	99,412					
n	28,280	28,616	28,621					18,668
té	18,266	22,636	22,636					7,425
.				7,821	7,821	7,821		
	69	154	154	15,737	24,684	24,684		13,281
en								
ney	21,831	27,815	27,815					10,206
e				29,955	42,399	42,399		24,360
	12,240	29,852	30,032				180	30,783

Notes to Table 3

(a) Or date of appointment, if later.

(b) Or date of retirement, if earlier.

(c) Shares obtained through the exercise of options under the Rio Tinto Share Savings Plan or the SOP. The number of shares retained may differ from the number of options exercised.

(d) Shares obtained through the Rio Tinto Share Ownership Plan and/or vesting of awards under the PSP, MSP and BDP.

(e) Share movements due to sale or purchase of shares, shares received under the Dividend Reinvestment Plan, shares purchased/sold through the Rio Tinto America Savings Plan or non-executive directors Share Purchase Plan.

(f) Appointed 14 February 2013.

(g) Interests in outstanding awards under LTIPs and option schemes are set out in Tables 4 and 5.

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Table 4 Executives with awards under long-term incentive plans 2012

Market price at award	**1 Jan 2012**[a]	Awarded	Lapsed/ cancelled	Dividend shares	Vested	**31 Dec 2012**	Performance period concludes	Date electi
£40.58	**20,127**					**20,127**	01-Dec-13	
£40.58	**6,380**					**6,380**	01-Dec-13	
£36.15		7,069				**7,069**	01-Dec-14	
£40.58	**8,837**					**8,837**	01-Dec-13	
£36.15		7,062				**7,062**	01-Dec-14	
£40.58	**7,472**					**7,472**	01-Dec-13	
£36.15		8,636				**8,636**	01-Dec-14	
£40.58	**9,979**					**9,979**	01-Dec-13	
£36.15		9,096				**9,096**	01-Dec-14	
A$81.00	**823**					**823**	01-Dec-13	
A$65.85	**2,315**					**2,315**	01-Dec-14	
£40.58	**15,956**					**15,956**	01-Dec-13	
£40.58	**7,465**					**7,465**	01-Dec-13	
£36.15		7,096				**7,096**	01-Dec-14	
£40.58	**7,521**					**7,521**	01-Dec-13	
£36.15		6,729				**6,729**	01-Dec-14	
A$81.00	**7,639**					**7,639**	01-Dec-13	
A$65.85		7,221				**7,221**	01-Dec-14	
£40.58	**6,802**					**6,802**	01-Dec-13	
£36.15		7,244				**7,244**	01-Dec-14	
A$81.00	**17,914**					**17,914**	01-Dec-13	
A$65.85		18,490				**18,490**	01-Dec-14	

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Remuneration Report appendix continued

Table 4 Executives with awards under long-term incentive plans 2012 continued

Market price at award	**1 Jan 2012[a]**	Awarded	Lapsed/ cancelled	Dividend shares	Vested	**31 Dec 2012**	Performance period concludes	Date c electio
£52.58	**59,362**		59,362				31-Dec-11	
£19.82	**48,019**					**48,019**	31-Dec-12	
£37.30	**79,486**					**79,486**	31-Dec-13	
£41.51	**56,943**					**56,943**	31-Dec-14	
£36.15		54,230				**54,230**	31-Dec-15	
£52.58	**14,128**		9,424		4,704		31-Dec-11	16-Feb-1
£37.30	**31,531**					**31,531**	31-Dec-13	
£41.51	**22,943**					**22,943**	31-Dec-14	
£36.15		22,056				**22,056**	31-Dec-15	
£52.58	**23,688**		23,688				31-Dec-11	
£19.82	**20,904**					**20,904**	31-Dec-12	
£37.30	**40,559**					**40,559**	31-Dec-13	
£41.51	**27,565**					**27,565**	31-Dec-14	
£36.15		25,724				**25,724**	31-Dec-15	
£52.58	**22,871**		22,871				31-Dec-11	
£19.82	**20,182**					**20,182**	31-Dec-12	
£37.30	**39,160**					**39,160**	31-Dec-13	
£41.51	**26,670**					**26,670**	31-Dec-14	
£36.15		24,893				**24,893**	31-Dec-15	
£52.58	**22,299**		14,874		7,425		31-Dec-11	15-Feb-1
£19.82	**23,787**					**23,787**	31-Dec-12	
£37.30	**46,153**					**46,153**	31-Dec-13	
£41.51	**31,682**					**31,682**	31-Dec-14	
£36.15		30,056				**30,056**	31-Dec-15	
A$75.03	**9,750**					**9,750**	31-Dec-13	
A$81.00	**6,228**					**6,228**	31-Dec-14	
A$65.85	**6,663**					**6,663**	31-Dec-15	
£52.58	**30,930**		30,930				31-Dec-11	
£19.82	**35,743**					**35,743**	31-Dec-12	
£37.30	**59,166**					**59,166**	31-Dec-13	
£41.51	**39,805**					**39,805**	31-Dec-14	
£36.15		37,899				**37,899**	31-Dec-15	
A$126.48	**6,485**		4,326		2,159		31-Dec-11	14-Feb-1
A$47.60	**1,365**		911		454		31-Dec-11	14-Feb-1

A$75.03	**31,064**				**31,064**	31-Dec-13	
£41.51	**23,219**				**23,219**	31-Dec-14	
£36.15		22,390			**22,390**	31-Dec-15	
£52.58	**7,210**		4,810	2,400		31-Dec-11	27-Feb-1
£37.30	**31,531**				**31,531**	31-Dec-13	
£41.51	**33,936**				**33,936**	31-Dec-14	
£36.15		22,390			**22,390**	31-Dec-15	

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	Conditional award granted	Market price at award	**1 Jan 2012**[(a)]	Awarded	Lapsed/cancelled	Dividend shares	Vested	**31 Dec 2012**	Performance period concludes	Date of election	Market price at election
e Share Plan continued											
e	10-Mar-08	A$126.48	**8,691**		5,797		2,894		31-Dec-11	22-Feb-12	A$68.5
	09-Jul-09	A$47.60	**1,829**		1,220		609		31-Dec-11	22-Feb-12	A$68.5
	22-Mar-10	A$75.03	**32,180**					**32,180**	31-Dec-13		
	06-May-11	A$79.57	**24,713**					**24,713**	31-Dec-14		
	19-Mar-12	A$65.85		25,417				**25,417**	31-Dec-15		
	10-Mar-08	£52.58	**13,967**		9,316		4,651		31-Dec-11	27-Feb-12	£37.0
	22-Mar-10	£37.30	**31,887**					**31,887**	31-Dec-13		
	06-May-11	£41.51	**22,553**					**22,553**	31-Dec-14		
	19-Mar-12	£36.15		21,257				**21,257**	31-Dec-15		
	10-Mar-08	A$126.48	**21,366**		21,366				31-Dec-11		
	09-Jul-09	A$47.60	**4,497**		4,497				31-Dec-11		
	17-Mar-09	A$52.01	**26,670**					**26,670**	31-Dec-12		
	09-Jul-09	A$47.60	**5,614**					**5,614**	31-Dec-12		
	22-Mar-10	A$75.03	**55,842**					**55,842**	31-Dec-13		
	06-May-11	A$79.57	**61,752**					**61,752**	31-Dec-14		
	19-Mar-12	A$65.85		63,540				**63,540**	31-Dec-15		
t Share Plan											
e	17-Mar-09	£19.82	**16,769**			562	17,331		31-Dec-11	16-Feb-12	£36.3
g[(b)]	22-Mar-10	A$75.03	**5,118**					**5,118**	31-Dec-12		
	21-Mar-11	A$81.00	**3,487**					**3,487**	31-Dec-13		
	19-Mar-12	A$65.85	**3,997**					**3,997**	31-Dec-14		
	17-Mar-09	A$52.01	**8,490**			253	8,743		31-Dec-11	14-Feb-12	A$69.2
	09-Jul-09	A$47.60	**1,787**			53	1,840		31-Dec-11	14-Feb-12	A$69.2
ney	17-Mar-09	£19.82	**7,403**			248	7,651		31-Dec-11	27-Feb-12	£37.0
e	17-Mar-09	A$52.01	**8,572**			255	8,827		31-Dec-11	22-Feb-12	A$68.5
	09-Jul-09	A$47.60	**1,804**			53	1,857		31-Dec-11	22-Feb-12	A$68.5
	14-Sep-09	A$58.05	**9,879**			294	10,173		31-Dec-11	22-Feb-12	A$68.5
	10-Mar-08	£52.58	**6,053**			332	6,385		15-Jan-12	27-Feb-12	£37.0
	17-Mar-09	£19.82	**19,107**			640	19,747		31-Dec-11	27-Feb-12	£37.0

Notes to Table 4

(a) Or date of appointment.

(b) Alan Davies was appointed on 1 September 2012.

(c) Awards denominated in pounds sterling were for Rio Tinto plc ordinary shares of 10p each and awards denominated in Australian dollars were for Rio Tinto Limited shares.

(d) The weighted fair value per share of conditional awards granted under the BDP was £35.77 for Rio Tinto plc and A$64.98 for Rio Tinto Limited and for PSP was £26.27 for Rio Tinto plc and A$47.99 for Rio Tinto Limited and for MSP was A$64.96 for Rio Tinto Limited.

(e) Conditional awards are awarded at no cost to the recipient and no amount remains unpaid on any shares granted.

(f) The amount in US dollars has been converted from sterling at the rate of £1 = US$1.58475 and Australian dollars at the rate of A$1 = US$1.03565, being the average exchange rates for 2012.

(g) Details of performance conditions for the PSP are provided below.

Four-year performance period.

Subject to the mix chosen (see above) awards have a maximum face value of 292 per cent of base salary with the potential for 1.5 times of this value, ie 438 per cent of base salary, for outstanding performance. The expected value of awards is 190 per cent of base salary.

For 2012 awards, conditional share awards vest subject to the achievement of a stretching TSR performance condition, comparing Rio Tinto s TSR performance against:

50 per cent: the HSBC Global Mining Index

50 per cent: the Morgan Stanley Capital World Index (MSCI)

Vesting of awards made in 2012 is as follows:

Outperformance of the index by 8 per cent per annum	1.5x award vests
Performance between index and 8 per cent out-performance	Proportionate vesting for performance between index and 8 per cent outperformance of the index.
Outperformance of the index by approximately 5 per cent per annum	1.0x award vests
Performance equal to index	0.35x award vests
Performance less than index	Nil vesting

If, but only if, vesting is achieved, a cash payment will be paid equal to the dividends that would have been received had the number of shares which have vested at the end of the performance period been held throughout the performance period.

(h) As of 19 February 2013, the executives in the table above had 1,537,797 shares awarded and not vested under long-term incentive plans.

(i) The 2009 PSP awards granted on 17 March and 9 July 2009 and with a performance period that concluded 31 December 2012 vested at 92.5 per cent.

(j) Details of performance conditions for BDP are provided below.

50 per cent of the STIP is delivered in cash and 50 per cent delivered in deferred shares under the BDP.

The BDP vests in the December of the third year after the end of performance year to which they relate.

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Remuneration Report appendix continued

Table 5 Executives holding options to acquire Rio Tinto plc and Rio Tinto Limited shares 2012

	Date of grant	**1 Jan 12[a]**	Granted	**Vested during 2012**	Exercised	Lapsed/ cancelled
Share Savings Plan						
Tom Albanese	06-Oct-06	**957**		**957**	957	
	04-Oct-11	**531**				
Hugo Bague	17-Oct-08	**288**		**288**	288	
	20-Oct-09	**84**				
	04-Oct-11	**425**				
Preston Chiaro	05-Oct-10	**189**				
	04-Oct-11	**243**				
Alan Davies	05-Oct-10	**323**				
Guy Elliott	17-Oct-08	**629**				
Andrew Harding	20-Oct-09	**723**				
Harry Kenyon-Slaney	05-Oct-07	**280**				
	20-Oct-09	**434**				
Doug Ritchie	20-Oct-09	**422**				
Debra Valentine	05-Oct-10	**189**				
Sam Walsh	20-Oct-09	**125**				
	05-Oct-10	**457**				
Share Option Plan						
Tom Albanese	07-Mar-03	**168,459**				
	22-Apr-04	**101,706**				
	09-Mar-05	**101,592**				
	07-Mar-06	**81,722**				
	17-Mar-09	**72,029**		**72,029**		
	22-Mar-10	**119,230**				
	06-May-11	**85,415**				
	19-Mar-12		81,345			
Hugo Bague	17-Mar-09	**15,714**		**15,714**		
	22-Mar-10	**47,297**				
	06-May-11	**34,415**				
	19-Mar-12		33,085			
Preston Chiaro	07-Mar-06	**62,067**				
	17-Mar-09	**31,355**		**31,355**		
	22-Mar-10	**60,838**				
	06-May-11	**41,348**				
	19-Mar-12		38,586			
Bret Clayton	07-Mar-06	**13,033**				
	17-Mar-09	**30,274**		**30,274**		
	22-Mar-10	**58,740**				
	06-May-11	**40,005**				
	19-Mar-12		37,339			

Jacynthe Côté	17-Mar-09	**35,680**		**35,680**		
	22-Mar-10	**69,230**				
	06-May-11	**47,523**				
	19-Mar-12		45,084			
Alan Davies	07-Mar-06	**3,151**				
	17-Mar-09	**6,279**		**6,279**		

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	Vested and exercisable on 31 Dec 12	31 Dec 12	Exercise price	Value of options exercised during 2012	Market price on date of exercise	Date from which first exercisable	Expiry date
Share Savings Plan							
Tom Albanese			£17.084	£18,896.92	£36.83	01-Jan-12	01-Jul-12
		531	£28.630			01-Jan-17	01-Jul-17
Hugo Bague			£26.576	£479.23	£28.24	01-Jan-12	01-Jul-12
		84	£21.480			01-Jan-13	01-Jul-13
		425	£28.630			01-Jan-17	01-Jul-17
Preston Chiaro		**189**	£31.660			01-Jan-13	06-Jan-13
		243	£24.580			01-Jan-14	05-Jan-14
Alan Davies		**323**	A$59.26			01-Jan-14	01-Jul-14
Guy Elliott		**629**	£26.576			01-Jan-14	01-Jul-14
Andrew Harding		**723**	A$48.73			01-Jan-15	01-Jul-15
Harry Kenyon-Slaney		**280**	£23.850			01-Jan-13	01-Jul-13
		434	£21.480			01-Jan-15	01-Jul-15
Doug Ritchie		**422**	A$48.73			01-Jan-15	01-Jul-15
Debra Valentine		**189**	£31.660			01-Jan-13	06-Jan-13
Sam Walsh		**125**	A$48.73			01-Jan-15	01-Jul-15
		457	A$59.26			01-Jan-16	01-Jul-16
Share Option Plan							
Tom Albanese	168,459	**168,459**	£10.434			07-Mar-06	07-Mar-13
	101,706	**101,706**	£10.979			22-Apr-09	22-Apr-14
	101,592	**101,592**	£15.086			09-Mar-08	09-Mar-15
	81,722	**81,722**	£22.397			07-Mar-09	07-Mar-16
	72,029	**72,029**	£16.530			17-Mar-12	17-Mar-19
		119,230	£37.050			22-Mar-13	22-Mar-20
		85,415	£42.450			06-May-14	06-May-21
		81,345	£35.179			19-Mar-15	19-Mar-22
Hugo Bague	15,714	**15,714**	£16.530			17-Mar-12	17-Mar-19
		47,297	£37.050			22-Mar-13	22-Mar-20
		34,415	£42.450			06-May-14	06-May-21
		33,085	£35.179			19-Mar-15	19-Mar-22
Preston Chiaro	62,067	**62,067**	£22.397			07-Mar-09	07-Mar-16
	31,355	**31,355**	£16.530			17-Mar-12	17-Mar-19
		60,838	£37.050			22-Mar-13	22-Mar-20
		41,348	£42.450			06-May-14	06-May-21
		38,586	£35.179			19-Mar-15	19-Mar-22
Bret Clayton	13,033	**13,033**	£22.397			07-Mar-09	07-Mar-16
	30,274	**30,274**	£16.530			17-Mar-12	17-Mar-19
		58,740	£37.050			22-Mar-13	22-Mar-20
		40,005	£42.450			06-May-14	06-May-21
		37,339	£35.179			19-Mar-15	19-Mar-22
Jacynthe Côté	35,680	**35,680**	£16.530			17-Mar-12	17-Mar-19
		69,230	£37.050			22-Mar-13	22-Mar-20
		47,523	£42.450			06-May-14	06-May-21

		45,084	£35.179			19-Mar-15	19-Mar-22
Alan Davies	3,151	**3,151**	A$54.951			07-Mar-09	07-Mar-16
	6,279	**6,279**	A$33.450			17-Mar-12	17-Mar-19

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Remuneration Report appendix continued

Table 5 Executives holding options to acquire Rio Tinto plc and Rio Tinto Limited shares 2012 continued

	Date of grant	1 Jan 12[a]	Granted	Vested during 2012	Exercised	Lapsed/ cancelled
Share Option Plan						
Guy Elliott	13-Mar-02	**41,691**			41,691	
	07-Mar-03	**117,886**				
	22-Apr-04	**89,213**				
	09-Mar-05	**88,332**				
	07-Mar-06	**70,330**				
	17-Mar-09	**53,615**		**53,615**		
	22-Mar-10	**88,749**				
	06-May-11	**59,708**				
	19-Mar-12		56,849			
Andrew Harding	17-Mar-09	**6,268**		**6,268**		
	22-Mar-10	**46,597**				
	06-May-11	**34,829**				
	19-Mar-12		33,585			
Harry Kenyon-Slaney	17-Mar-09	**6,938**		**6,938**		
	22-Mar-10	**47,297**				
	19-Mar-12		33,585			
Doug Ritchie	07-Mar-06	**7,308**				
	17-Mar-09	**8,230**		**8,230**		
	22-Mar-10	**48,270**				
	06-May-11	**37,070**				
	19-Mar-12		38,126			
Debra Valentine	17-Mar-09	**13,558**		**13,558**		
	22-Mar-10	**47,831**				
	06-May-11	**33,830**				
	19-Mar-12		31,886			
Sam Walsh	07-Mar-06	**48,079**				
	17-Mar-09	**40,005**		**40,005**		
	22-Mar-10	**83,763**				

Notes to Table 5

(a) Or date of appointment.

(b) All options granted over ordinary shares. Rio Tinto plc ordinary shares of 10p each stated in sterling. Rio Tinto Limited ordinary shares stated in Australian dollars. Each option is granted over one share at no cost to participants. Details of the performance conditions for the SOP are provided in the Executive remuneration structure table on page 99.

(c) The closing price of Rio Tinto plc ordinary shares at 31 December 2012 was £35.115 and of Rio Tinto Limited ordinary shares at 31 December 2012 was A$66.01. The high and low prices during 2012 of Rio Tinto plc and Rio Tinto Limited shares were £39.88 and £27.155 and A$72.30 and A$48.63 respectively.

(d) The exercise price represents the price payable on the options.

(e) The weighted fair value per option during 2012, at date of grant, was as follows: Rio Tinto plc SOP was £11.85; Rio Tinto Limited SOP was A$19.69.

(f) Details of the performance condition for the SOP are provided below.

Three-year performance period.

Awards have a maximum face value of 300 per cent of base salary.

Options vest subject to the achievement of a stretching TSR performance condition, comparing Rio Tinto s TSR performance to that of the HSBC Global Mining Index.

Vesting of awards made in 2012 is as follows:

Outperformance of the index by 5 per cent per annum	Awards vest in full
Performance between index and 5 per cent outperformance	Proportionate vesting of residual award for performance between index and 5 per cent outperformance of the index
Performance equal to index	Awards of up to 20,000 options or one-third of the award (whichever is higher)
Performance less than index	Nil vesting

The SOP will cease operation from 2013. No further awards of share options will be made.

(g) As of 19 February 2013, the executives held 2,599,763 options to acquire Rio Tinto plc and Rio Tinto Limited shares.

(h) Between 31 December 2012 and 19 February 2013 no options were granted to the executives.

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	Vested and exercisable on 31 Dec 12	31 Dec 12	Exercise price	Value of options exercised during 2012	Market price on date of exercise	Date from which first exercisable	Expiry date
Share Option Plan							
Guy Elliott			£12.050	£1,052,697.75	£37.30	13-Mar-05	13-Mar-12
	117,886	**117,886**	£10.434			07-Mar-06	07-Mar-13
	89,213	**89,213**	£10.979			22-Apr-09	22-Apr-14
	88,332	**88,332**	£15.086			09-Mar-08	09-Mar-15
	70,330	**70,330**	£22.397			07-Mar-09	07-Mar-16
	53,615	**53,615**	£16.530			17-Mar-12	17-Mar-19
		88,749	£37.050			22-Mar-13	22-Mar-20
		59,708	£42.450			06-May-14	06-May-21
		56,849	£35.179			19-Mar-15	19-Mar-22
Andrew Harding	**6,268**	**6,268**	A$33.450			17-Mar-12	17-Mar-19
		46,597	A$76.150			22-Mar-13	22-Mar-20
		34,829	£42.450			06-May-14	06-May-21
		33,585	£35.179			19-Mar-15	19-Mar-22
Harry Kenyon-Slaney	**6,938**	**6,938**	£16.530			17-Mar-12	17-Mar-19
		47,297	£37.050			22-Mar-13	22-Mar-20
		33,585	£35.179			19-Mar-15	19-Mar-22
Doug Ritchie	**7,308**	**7,308**	A$54.951			07-Mar-09	07-Mar-16
	8,230	**8,230**	A$33.450			17-Mar-12	17-Mar-19
		48,270	A$76.150			22-Mar-13	22-Mar-20
		37,070	A$81.800			06-May-14	06-May-21
		38,126	A$64.688			19-Mar-15	19-Mar-22
Debra Valentine	**13,558**	**13,558**	£16.530			17-Mar-12	17-Mar-19
		47,831	£37.050			22-Mar-13	22-Mar-20
		33,830	£42.450			06-May-14	06-May-21
		31,886	£35.179			19-Mar-15	19-Mar-22
Sam Walsh	**48,079**	**48,079**	A$54.951			07-Mar-09	07-Mar-16
		40,005	A$33.450			17-Mar-12	17-Mar-19
		83,763	A$76.150			22-Mar-13	22-Mar-20

	Value of options granted in 2012 US$000 s	% of 2012 total remuneration that consists of options
Executive directors		
Tom Albanese	393	4.3
Guy Elliott	276	4.9
Sam Walsh		

Other Executive Committee members		
Hugo Bague	165	4.9
Preston Chiaro	191	4.8
Bret Clayton	185	3.9
Jacynthe Côté	222	4.9
Alan Davies		
Andrew Harding	168	4.1
Harry Kenyon-Slaney	168	4.8
Doug Ritchie	204	5.1
Debra Valentine	159	3.4

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Directors report continued

Audited information

Under Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the information included in respect of the non-executive directors and the directors short-term employee benefits and termination benefits in Tables 1a and 1b, and the information included in respect of the directors accrued benefits, transfer values and defined contribution pension in Table 2, Table 4 and Table 5 are all auditable. The Australian Securities and Investments Commission issued an order dated 22 December 2010 (as amended on 17 February 2012) under which the Remuneration report must be prepared and audited in accordance with the requirements of the Corporations Act 2001 applied on the basis of certain modifications set out in the order (as detailed on page 223). The information provided in this Remuneration report has been audited as required by section 308(3C) of the Corporations Act.

Going concern

The directors, having made appropriate enquiries, have satisfied themselves that no material uncertainties that cast significant doubt about the ability of the Companies and the Group to continue as a going concern have been identified, and they have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis.

Annual general meetings

The 2013 annual general meetings will be held on 18 April in London and 9 May in Sydney. Separate notices of the 2013 annual general meetings are produced for the shareholders of each Company. The Directors report is made in accordance with a resolution of the board.

Jan du Plessis

Chairman

6 March 2013

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Shareholder information

Organisational structure

The Rio Tinto Group consists of Rio Tinto plc, which is registered in England and Wales under company number 719885, and is listed on the London Stock Exchange, and Rio Tinto Limited, which is registered in Australia under ABN 96 004 458 404, and is listed on the Australian Securities Exchange. Rio Tinto is headquartered in London and has executive offices in Melbourne.

Nomenclature and financial data

Rio Tinto plc and Rio Tinto Limited operate together and are 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 , L.L.C. , A.S. or SA have generally been omitted from Group company to distinguish between Rio Tinto plc and Rio Tinto Limited. Financial data in US dollars (US$) is derived from, and should be read in conjunction with, the 2012 financial statements. In general, financial data in pounds sterling (£) and Australian dollars (A$) have been translated from the consolidated financial statements and have been provided solely for convenience; exceptions arise where data can be extracted directly from source records. Certain key information has been provided in all three currencies in the 2012 financial statements.

History

Rio Tinto plc was incorporated on 30 March 1962 (then called The Rio Tinto-Zinc Corporation Limited (RTZ)) and was formed by the merger of The Rio Tinto Company and The Consolidated Zinc Corporation. The Rio Tinto Company was incorporated in 1873 to reopen ancient copper workings in Spain. The Consolidated Zinc Corporation s origins trace back to the Australian mining industry in the early twentieth century. Operating out of Broken Hill in New South Wales, it came to prominence with the mining of silver, lead and zinc deposits and later expanded into lead and zinc smelting.

Rio Tinto Limited was incorporated on 17 December 1959 (then called The Rio Tinto Mining Company of Australia Limited) and in 1962 the Australian interests of Consolidated Zinc Corporation and the Rio Tinto Company Limited of the United Kingdom were merged to form Conzinc Riotinto of Australia Limited as a limited liability company under the laws of the State of Victoria, Australia. In 1980, Conzinc Riotinto of Australia Limited changed its name to CRA Limited.

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

RTZ and CRA began operating in 1995 through a dual listed companies structure. In 1997, the RTZ Corporation became Rio Tinto plc and CRA Limited became Rio Tinto Limited, together known as the Rio Tinto Group.

In 2007, Rio Tinto completed an agreed takeover of the Canadian aluminium producer Alcan Inc.

Dual listed companies structure

In 1995, Rio Tinto shareholders approved the terms of the dual listed companies merger (the DLC structure) which was designed to place the shareholders of both Companies in substantially the same position as if they held shares in a single entity owning all of the assets of both Companies.

Following the approval of the DLC structure, both Companies entered into a DLC Merger Sharing Agreement (the Sharing Agreement) through which each Company agreed to ensure that the businesses of Rio Tinto plc and Rio Tinto Limited are managed together, to ensure that the boards of directors of each Company are the same, and to give effect to certain arrangements designed to provide shareholders of each Company with a common economic interest in the DLC structure.

In order to achieve this third objective, the Sharing Agreement provided for the ratio of dividend, voting and capital distribution rights attached to each Rio Tinto plc share and to each Rio Tinto Limited share to be fixed in an Equalisation Ratio which has remained unchanged at 1:1. The Sharing Agreement has provided for this ratio to be revised in special circumstances where, for example, certain modifications are made to the share capital of one Company, such as rights issues, bonus issues, share splits and share consolidations, but not to the share capital of the other. Outside these specified circumstances, the Equalisation Ratio can only be altered with the approval of shareholders under the Class Rights Action approval procedure described under Voting rights. In addition, any adjustments are required to be confirmed by the Group s external auditors.

Consistent with the creation of the DLC structure, directors of each Company seek to act in the best interests of Rio Tinto as a whole. The Class Rights Action approval procedure is intended to deal with instances where there may be a conflict of interest between the shareholders of each Company.

To ensure that the boards of both Companies are identical, resolutions to appoint or remove directors must be put to shareholders of both Companies as a joint electorate (as Joint Decisions as described under Voting rights). It is a requirement that a person can only be a director of one Company if that person is also a director of the other Company. So, for example, if a person was removed as a director of Rio Tinto plc, he or she would also cease to be a director of Rio Tinto Limited.

One consequence of the DLC merger is that Rio Tinto is subject to a wide range of laws, rules and regulatory review across multiple jurisdictions. Where these rules differ, Rio Tinto, as a Group, aims to comply with the strictest applicable level.

Dividend rights

The Sharing Agreement provides for dividends paid on Rio Tinto plc and Rio Tinto Limited shares to be equalised on a net cash basis, that is without taking into account any associated tax credits. Dividends are determined in US dollars and are then, except for ADR holders, translated and paid in sterling and Australian dollars. The Companies are also required to announce and pay their dividends and other distributions as close in time to each other as possible.

In the unlikely event that one Company did not have sufficient distributable reserves to pay the equalised dividend or the equalised capital distribution, it would be entitled to receive a top up payment from the other Company. The top up payment could be made as a dividend on the DLC Dividend Share, or by way of a contractual payment.

If the payment of an equalised dividend would contravene the law applicable to one of the Companies, then they may depart from the Equalisation Ratio. However, should such a departure occur, then the relevant Company will put aside reserves to be held for payment on the relevant shares at a later date.

Rio Tinto shareholders have no direct rights to enforce the dividend equalisation provisions of the Sharing Agreement.

The DLC Dividend Shares can also be utilised to provide the Group with flexibility for internal funds management by allowing dividends to be paid between the two parts of the Group. Such dividend payments are of no economic significance to the shareholders of either Company, as they will have no effect on the Group s overall resources.

Voting rights

In principle, the Sharing Agreement provides for the shareholders of Rio Tinto plc and Rio Tinto Limited to vote as a joint electorate on all matters which affect shareholders of both Companies in similar ways. These are referred to as Joint Decisions. Such Joint Decisions include the creation of new classes of share capital, the appointment or removal of directors and auditors and the receiving of the annual financial statements. All shareholder resolutions including Joint Decisions are voted on a poll.

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Shareholder information continued

The Sharing Agreement also provides for the protection of shareholders of each Company by requiring their separate approval for decisions that do not affect the shareholders of both Companies equally. Matters requiring this approval procedure are referred to as Class Rights Actions and are voted on a poll. For example, fundamental elements of the DLC merger cannot be changed unless approved separately by shareholders of both Companies under the Class Rights Action approval procedure.

Exceptions to these principles can arise in situations such as where legislation requires the separate approval of a decision by the appropriate majority of shareholders in one Company and approval of the matter by shareholders of the other Company is not required.

Where a matter has been expressly categorised as either a Joint Decision or a Class Rights Action, the directors do not have the power to change that categorisation. If a matter falls within both categories, it is treated as a Class Rights Action. In addition, the directors can determine that matters not expressly listed in either category should be put to shareholders for their approval under either procedure.

To facilitate the joint voting arrangements each Company has entered into shareholder voting agreements. Each Company has issued a Special Voting Share to a special purpose company held in trust by a common Trustee.

Rio Tinto plc has issued its Special Voting Share (RTP Special Voting Share) to RTL Shareholder SVC and Rio Tinto Limited has issued its Special Voting Share (RTL Special Voting Share) to RTP Shareholder SVC. The total number of votes cast on Joint Decisions by the shareholders of one Company are voted at the parallel meeting of the other Company. The role of these special purpose companies in achieving this is described below.

In exceptional circumstances, certain shareholders of the Companies can be excluded from voting at the respective Company s general meetings because they have acquired shares in one Company in excess of a given threshold without making an offer for all the shares in the other Company. If this should occur, the votes cast by these excluded shareholders will be disregarded.

Following the Companies general meetings the overall results of the voting are announced to the stock exchanges, to the media in the UK and Australia, and published on the Rio Tinto website.

At a Rio Tinto plc shareholders meeting at which a Joint Decision is considered, each Rio Tinto plc share carries one vote and the holder of its Special Voting Share has one vote for each vote cast by the public shareholders of Rio Tinto Limited. The holder of the Special Voting Share is required to vote strictly, and only, in accordance with the votes cast by public shareholders for and against the equivalent resolution at the parallel Rio Tinto Limited shareholders meeting.

The holders of Rio Tinto Limited ordinary shares do not actually hold any voting shares in Rio Tinto plc by virtue of their holding in Rio Tinto Limited and cannot enforce the voting arrangements relating to the Special Voting Share.

At a Rio Tinto Limited shareholders meeting at which a Joint Decision is considered, each Rio Tinto Limited share carries one vote and the holder of its Special Voting Share will have one vote for each vote cast by the public shareholders of Rio Tinto plc in their parallel meeting. The holder of the Special Voting Share is required to vote strictly, and only, in accordance with the votes cast for and against the equivalent resolution at the parallel Rio Tinto

plc shareholders meeting.

The holders of Rio Tinto plc ordinary shares do not actually hold any voting shares in Rio Tinto Limited by virtue of their holding in Rio Tinto plc and cannot enforce the voting arrangements relating to the Special Voting Share.

Capital distribution rights

If either of the Companies goes into liquidation, the Sharing Agreement provides for a valuation to be made of the surplus assets of both Companies. If the surplus assets available for distribution by one Company on each of the shares held by its shareholders exceed the surplus assets available for distribution by the other Company on each of the shares held by its shareholders, then an equalising payment between the two Companies shall be made, to the extent permitted by applicable law, such that the amount available for distribution on each share held by shareholders of each Company conforms to the Equalisation Ratio. The objective is to ensure that the shareholders of both Companies have equivalent rights to the assets of the combined Group on a per share basis, taking account of the Equalisation Ratio.

The Sharing Agreement does not grant any enforceable rights to the shareholders of either Company upon liquidation of a Company.

Limitations on ownership of shares and merger obligations

The laws and regulations of the UK and Australia impose restrictions and obligations on persons who control interests in publicly listed companies in excess of defined thresholds that, under certain circumstances, include obligations to make a public offer for all of the outstanding issued shares of the relevant company. The threshold applicable to Rio Tinto plc under UK law and regulations is 30 per cent and to Rio Tinto Limited under Australian law and regulations is 20 per cent (on a stand alone basis or, taking into account only Rio Tinto plc interests, on a Joint Decision basis).

As part of the DLC merger, the Articles of Association of Rio Tinto plc and the Constitution of Rio Tinto Limited were amended with the intention of extending these laws and regulations to the combined enterprise and, in particular, to ensure that a person cannot exercise control over one Company without having made offers to the public shareholders of both Companies. It is consistent with the creation of the single economic enterprise, and the equal treatment of the two sets of shareholders, that these laws and regulations should operate in this way. The Articles of Association of Rio Tinto plc and the Constitution of Rio Tinto Limited impose restrictions on any person who controls, directly or indirectly, 20 per cent or more of the votes on a Joint Decision. If, however, such a person only has an interest in either Rio Tinto Limited or Rio Tinto plc, then the restrictions will only apply if they control, directly or indirectly, 30 per cent or more of the votes at that Company s general meetings.

If one of the thresholds specified above is breached then, subject to certain limited exceptions and notification by the relevant Company, such persons may not attend or vote at general meetings of the relevant Company, may not receive dividends or other distributions from the relevant Company, and may be divested of their interest by the directors of the relevant Company. These restrictions continue to apply until such persons have either made a public offer for all of the publicly held shares of the other Company, or have reduced their controlling interest below the thresholds specified, or have acquired through a permitted means at least 50 per cent of the publicly held shares of each Company.

These provisions are designed to ensure that offers for the publicly held shares of both Companies would be required to avoid the restrictions set out above, even if the interests which breach the thresholds are only held in one of the Companies. The directors do not have the discretion to exempt a person from the operation of these rules.

Under the Sharing Agreement, the Companies agree to co-operate to enforce the restrictions contained in their Articles of Association and Constitution.

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Guarantees

In 1995, each Company entered into a Deed Poll Guarantee in favour of creditors of the other Company. Pursuant to the Deed Poll Guarantees, each Company guaranteed the contractual obligations of the other Company and the obligations of other persons which are guaranteed by the other Company, subject to certain limited exceptions. Beneficiaries under the Deed Poll Guarantees may make demands upon the guarantor thereunder without first having recourse to the Company or persons whose obligations are being guaranteed. The obligations of the guarantor under each Deed Poll Guarantee expire upon termination of the Sharing Agreement and under other limited circumstances, but only in respect of obligations arising after such termination and, in the case of other limited circumstances, the publication and expiry of due notice. The shareholders of the Companies cannot enforce the provisions of the Deed Poll Guarantees.

Markets

Rio Tinto plc

The principal market for Rio Tinto plc shares is the London Stock Exchange with the shares trading through the Stock Exchange Electronic Trading Service (SETS) system.

Rio Tinto plc shares are also listed on NYSE Euronext Brussels and its American depositary receipts are listed on the New York Stock Exchange. Rio Tinto plc delisted from NYSE Euronext Paris with effect from 23 February 2012.

As at 19 February 2013, there were 45,666 holders of record of Rio Tinto plc s shares. Of these holders, 364 had registered addresses in the US and held a total of 494,542 Rio Tinto plc shares, representing 0.03 per cent of the total number of Rio Tinto plc shares issued and outstanding as at such date. In addition, 110,519,168 Rio Tinto plc shares were registered in the name of a custodian account in London which represented 7.75 per cent of Rio Tinto plc shares issued and outstanding. These shares were represented by 110,519,168 Rio Tinto plc ADRs held of record by 400 ADR holders. In addition, certain accounts of record with registered addresses other than in the US hold shares, in whole or in part, beneficially for US persons.

Rio Tinto Limited

Rio Tinto Limited shares are listed on the Australian Securities Exchange (ASX). The ASX is the principal trading market for Rio Tinto Limited shares. The ASX is a national stock exchange with an automated trading system.

As at 19 February 2013, there were 207,950 holders of record of Rio Tinto Limited shares. Of these holders, 302 had registered addresses in the US, representing approximately 0.04 per cent of the total number of Rio Tinto Limited shares issued and outstanding as of such date. In addition, nominee accounts of record with registered addresses other than in the US may hold Rio Tinto Limited shares, in whole or in part, beneficially for US persons.

Category	Depositary actions	Associated fee
Depositing or substituting the underlying shares	Issuance of ADSs against the deposit of shares, including deposits and issuance in respect of:	US$5.00 per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered

	Share distributions, stock split, rights, merger Exchange of securities or other transactions Other events or distributions affecting the ADSs or the deposited securities	
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	US$5.00 for each 100 ADSs (or portion thereof)
Withdrawing an underlying share	Acceptance of ADSs surrendered for withdrawal of deposited securities	US$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	US$2.50 per ADS
General depositary services, particularly those charged on an annual basis	Other services performed by the depositary in administering the ADRs Provide information about the depositary s right, if any, to collect fees and charges by offsetting them against dividends received and deposited securities	US$0.02 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the depositary by billing holders or deducting such charge from one or more cash dividends or other cash distributions
Expenses of the depositary	Expenses incurred on behalf of holders in connection with: Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment The depositary s or its custodian s compliance with applicable law, rule or regulation Stock transfer or other taxes and other governmental charges	Expenses payable at the sole discretion of the depositary by billing holders or by deducting charges from one or more cash dividends or other cash distributions

Cable, telex, facsimile and electronic transmission/delivery

Expenses of the depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)

Any other charge payable by the depositary or its agents

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Shareholder information continued

American depositary receipts (ADRs)

Rio Tinto plc has a sponsored ADR facility with JPMorgan Chase Bank NA (JPMorgan) under a Deposit Agreement, dated 13 July 1988, as amended on 11 June 1990, as further amended and restated on 15 February 1999, 18 February 2005 when JPMorgan became Rio Tinto plc s depositary and on 29 April 2010. The ADRs evidence Rio Tinto plc American Depositary Shares (ADS), each representing one ordinary share. The shares are registered with the US Securities and Exchange Commission (SEC), are listed on the NYSE and are traded under the symbol RIO.

Fees and charges payable by a holder of ADSs

In accordance with the terms of the Deposit Agreement, JPMorgan may charge holders of Rio Tinto ADSs, either directly or indirectly, fees or charges up to the amounts described in the table on the previous page.

Fees and payments made by the depositary to the issuer

JPMorgan has agreed to reimburse certain company expenses related to the Rio Tinto plc ADR programme and incurred by the Group in connection with the programme. The Group is entitled to receive US$1.05 million in respect of expenses incurred by the Group in connection with the ADR programme for the year ended 31 December 2012. JPMorgan did not pay any amount on the Group s behalf to third parties. JPMorgan also waived certain of its standard fees and expenses associated with the administration of the programme relating to routine programme maintenance, reporting, distribution of cash dividends, annual meeting services and report mailing services.

Under certain circumstances, including removal of JPMorgan as depositary or termination of the ADR programme by the Company, the Company is required to repay JPMorgan any amounts of administrative fees and expenses waived during the 12-month period prior to notice of removal or termination.

Share ownership

Substantial shareholders

Under the UK Disclosure and Transparency Rules and the Australian Corporations Act, any shareholder of Rio Tinto plc with voting rights of three per cent or more, or any person with voting power of five per cent or more in Rio Tinto Limited, is required to provide the Companies with notice.

The shareholders who have provided such, or an equivalent, notice are:

Rio Tinto plc	Date of notice	Number of shares	Percentage of issued share capital
The Capital Group Companies, Inc	13 Jun 2006	41,031,494	3.90
AXA S.A.	29 Jan 2008	48,493,873	4.86

Capital Research and Management Company	2 Jul 2009	75,461,183	4.95
BlackRock Inc.	4 Dec 2009	127,744,871	8.38
Shining Prospect Pte. Ltd	13 Mar 2012	182,550,329	12.7
Rio Tinto Limited			
BlackRock Group	1 Feb 2013	21,861,589	5.02
Shining Prospect Pte. Ltd[(a)]	4 Feb 2008		

(a) Shining Prospect Pte. Ltd, a Singapore-based entity owned by Chinalco (Aluminum Corporation of China) holds 182,550,329 Rio Tinto plc shares. Through the operation of Australian Corporations Act as modified, this interest gives these entities and their associates voting power of 9.8 per cent in the Rio Tinto Group on a Joint Decision matter, making them substantial shareholders of Rio Tinto Limited, as well as of Rio Tinto plc.

As far as is known, Rio Tinto plc and Rio Tinto Limited are not directly or indirectly owned or controlled by another corporation or by any government or natural person. Rio Tinto is not aware of any arrangement which may result in a change in control. No shareholder possesses voting rights that differ from those attaching to Rio Tinto plc s and Rio Tinto Limited s securities.

As of 19 February 2013, the total amount of the Group s voting securities owned by the directors in Rio Tinto plc was 191,930 ordinary shares of 10p each and in Rio Tinto Limited was 60,092 ordinary shares, in aggregate representing less than one per cent of the Group s total number of shares in issue.

Analysis of ordinary shareholders

	Rio Tinto plc				Rio Tinto Limited			
As at 19 February 2013	No of accounts	%	Shares	%	**No of accounts**	**%**	**Shares**	**%**
1 to 1,000 shares	34,225	74.95	11,294,638	0.80	**174,667**	**83.99**	**51,961,217**	**11.93**
1,001 to 5,000 shares	8,961	19.62	17,898,941	1.27	**29,833**	**14.35**	**59,229,868**	**13.59**
5,001 to 10,000 shares	820	1.80	5,647,088	0.40	**2,319**	**1.11**	**16,081,332**	**3.69**
10,001 to 25,000 shares	481	1.05	7,599,590	0.54	**846**	**0.41**	**12,327,112**	**2.83**
25,001 to 125,000 shares	562	1.23	33,514,308	2.37	**225**	**0.11**	**10,371,598**	**2.38**
125,001 to 250,000 shares	193	0.42	35,114,046	2.49	**14**	**0.01**	**2,588,813**	**0.59**
250,001 to 1,250,000 shares	282	0.62	158,847,183	11.25	**32**	**0.02**	**14,949,453**	**3.43**
1,250,001 to 2,500,000 shares	66	0.14	110,312,166	7.81	**4**	**0.00**	**8,186,930**	**1.88**
2,500,001 shares and over	76	0.17	1,031,656,726[(a)]	73.07	**10**	**0.00**	**260,062,397**	**59.68**
			1,425,496,959[(b)]	100.00			**435,758,720[(c)]**	**100.00**
Number of holdings less than					**3,593**			

marketable parcel
of A$500

(a) This includes 110,519,168 shares held in the name of a nominee on the share register. The shares are listed on the NYSE in the form of American Depositary Receipts (ADRs).

(b) The total issued share capital is made up of 1,411,884,686 publicly held shares; 13,612,273 shares held in Treasury.

(c) Publicly held shares in Rio Tinto Limited.

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Twenty largest registered shareholders

In accordance with the ASX Listing Rules, below are the names of the 20 largest registered holders of Rio Tinto Limited shares and the number of shares and the percentage of issued capital each holds:

Rio Tinto Limited	Number of shares	**Percentage of issued share capital**
HSBC Custody Nominees (Australia) Limited	89,470,664	**20.53**
J.P. Morgan Nominees Australia Limited	60,892,759	**13.97**
National Nominees Limited	51,569,088	**11.83**
Citicorp Nominees Pty Limited	17,336,936	**3.98**
BNP Paribas Noms Pty Ltd (DRP)	10,965,711	**2.52**
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	9,498,938	**2.18**
J.P. Morgan Nominees Australia Limited (Cash Income a/c)	8,492,224	**1.95**
AMP Life Limited (BSP a/c)	4,278,397	**0.98**
UBS Wealth Management Australia Nominees Pty Ltd	3,957,974	**0.91**
Australian Foundation Investment Company Limited	3,599,706	**0.83**
Argo Investments Limited	2,456,539	**0.56**
HSBC Custody Nominees (Australia) Limited (NT Comnwlth Super Corp a/c)	2,333,748	**0.54**
Perpetual Trustee Company Limited	1,885,764	**0.43**
BNP Paribas Nominees Pty Ltd (Agency Lending DRP a/c)	1,510,879	**0.35**
Navigator Australia Ltd (MLC Investment Sett a/c)	944,886	**0.22**
UBS Nominees Pty Ltd	908,850	**0.21**
Woodross Nominees Pty Ltd	825,181	**0.19**
Australian United Investment Company Limited	815,000	**0.19**
UBS Nominees Pty Ltd	665,000	**0.15**
QIC Limited	623,000	**0.14**
	273,031,244	**62.66**

Large registered shareholders are nominees who hold securities on behalf of beneficial shareholders.

Dividends

Both Companies have paid dividends on their shares every year since incorporation in 1962. The rights of Rio Tinto shareholders to receive dividends are explained under the description of the Dual listed companies structure on page 127.

Dividend policy

The aim of Rio Tinto s progressive dividend policy is to increase the US dollar value of ordinary dividends over time. The rate of the total annual dividend, in US dollars, is determined taking into account the results for the past year and the outlook. Under Rio Tinto s dividend policy, the interim dividend is set at one half of the total ordinary dividend for the previous year and the final ordinary dividend is expected to be at least equal to the previous interim dividend.

Dividend determination

The majority of the Group s sales are transacted in US dollars, making this the most reliable measure for the Group s global business performance. It is Rio Tinto s main reporting currency and consequently the natural currency for dividend determination. Dividends determined in US dollars are translated at exchange rates prevailing two days prior to the announcement and are then declared payable in sterling by Rio Tinto plc and in Australian dollars by Rio Tinto Limited. On request, shareholders of Rio Tinto plc can elect to receive dividends in Australian dollars and shareholders of Rio Tinto Limited can elect to receive dividends in sterling. These dividend amounts are calculated by converting the declared dividend using currency exchange rates applicable five business days prior to the dividend payment date.

Shareholders who wish to receive their dividends in any other currencies should contact the Companies share registrars, who also offer payment services in other currencies, subject to a fee.

2012 dividends

The 2012 interim and final dividends were determined at 72.5 US cents and at 94.5 US cents per share respectively and the applicable conversion rates for the interim and final dividend were US$1.56160 and US$1.56610 to the pound sterling and US$1.05825 and US$1.03090 to the Australian dollar respectively. For those Rio Tinto plc shareholders who elected to receive their interim dividend in Australian dollars the applicable conversion rate was A$1.54975 and for Rio Tinto Limited shareholders who elected to receive their dividend in sterling the applicable conversion rate was £0.64527.

Final dividends of 60.34 pence or 91.67 Australian cents per share will be paid on 11 April 2013. For those Rio Tinto plc shareholders requesting the 2012 final dividend be paid in Australian dollars, those holders of Rio Tinto plc ADRs (each representing one share) and those Rio Tinto Limited shareholders requesting the 2012 final dividend be paid in pounds sterling, the applicable conversion rates will be announced on 4 April 2013.

The charts on the next page set out the amounts of interim and final dividends paid or payable on each share or ADR in respect of each financial year, but before deduction of any withholding tax.

These have been restated for the impact of the 2009 rights issues and the ADR ratio change.

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Shareholder information continued

	2012	2011	2010	2009	2008 restated
Rio Tinto Group US cents per share					
Interim	**72.50**	54.00	45.00		55.61
Final	**94.50**	91.00	63.00	45.00	55.61
Total	**167.00**	145.00	108.00	45.00	111.22
Rio Tinto plc UK pence per share					
Interim	**46.43**	33.14	28.21		29.64
Final	**60.34**	57.33	39.14	28.84	37.85
Total	**106.77**	90.47	67.35	28.84	67.49
Rio Tinto Limited Australian cents per share					
Interim	**68.51**	49.81	49.27		63.25
Final	**91.67**	84.20	61.94	51.56	82.97
Total	**160.18**	134.01	111.21	51.56	146.22
Rio Tinto plc US cents per ADR					
Interim	**73.99**	53.55	43.45		55.61
Final [a]		91.56	63.25	45.00	55.61
Total [a]		145.11	106.70	45.00	111.22

(a) The final dividend payable to holders of ADRs for the 2012 financial year will be announced on 4 April 2013 when the GBP:USD currency conversion rate is determined. The ADR dividend for 2010 is re-stated from the 2010 Annual report and reflects the dividend after currency conversion.

Dividend reinvestment plan (DRP)

Rio Tinto offers a DRP to registered shareholders, which provides the opportunity to use cash dividends to purchase Rio Tinto shares in the market. Due to local legislation the DRP cannot be extended to shareholders in the US, Canada and certain other countries.

Exchange rates

The following tables show, for the periods and dates indicated, certain information regarding the exchange rates for the pound sterling and Australian dollar, based on the Noon Buying Rates for pounds sterling and Australian dollars expressed in US dollars per £1.00 and per A$1.00.

Pounds sterling

Year ended 31 December[c]	Period end	Average rate	High	Low
Jan 2013	1.59	1.60	1.63	1.57
Dec 2012	1.55	1.56	1.57	1.54
Nov 2012	1.56	1.58	1.60	1.55

Oct 2012	1.61	1.61	1.62	1.60
Sep 2012	1.62	1.61	1.63	1.59
Aug 2012	1.58	1.57	1.59	1.56
2012	1.63	1.59	1.63	1.53
2011	1.55	1.60	1.67	1.67
2010	1.56	1.55	1.64	1.43
2009	1.62	1.57	1.70	1.35
2008	1.44	1.86	2.03	1.44

Share price information

The following table shows share prices for the period indicated, the reported high and low middle market quotations, which represent an average of bid and asked prices, for Rio Tinto plc s shares on the London Stock Exchange based on the Daily Official List, the highest and lowest sale prices of the Rio Tinto plc ADRs as reported on the NYSE composite tape and the high and low closing sale prices of Rio Tinto Limited shares based upon information provided by the ASX. There is no established trading market in the US for Rio Tinto Limited s shares.

	Pence per Rio Tinto plc share		US$ per Rio Tinto plc ADS[a]		A$ per Rio Tinto Limited share	
	High	Low	High	Low	High	Low
2008[b]	7,078	1,049	118.03	12.50	156.10	32.00
2009[b]	3,420	1,140	55.93	19.63	74.89	29.38
2010	4,584	2,812	72.65	39.30	87.94	61.70
2011	4,712	2,713	76.67	40.50	88.68	59.00
2012	3,988	2,716	62.70	42.32	72.30	48.63
Aug 2012	3,200	2,716	50.70	43.00	56.86	48.63
Sep 2012	3,282	2,718	53.18	43.16	57.80	49.34
Oct 2012	3,260	2,915	52.09	46.81	59.15	53.36
Nov 2012	3,214	2,935	51.31	47.20	60.00	56.25
Dec 2012	3,568	3,120	58.22	49.71	66.53	58.41
Jan 2013	3,691	3,440	59.92	54.82	69.25	64.60
2011						
First quarter	4,712	3,874	76.67	61.07	88.68	77.41
Second quarter	4,528	4,033	74.99	64.79	88.30	77.30
Third quarter	4,595	2,889	74.00	44.08	84.35	60.20
Fourth quarter	3,620	2,713	58.94	40.50	70.75	59.00
2012						
First quarter	3,988	3,331	62.70	51.24	72.30	61.40
Second quarter	3,556	2,772	57.25	42.32	66.79	52.90
Third quarter	3,282	2,716	53.18	43.00	58.97	48.63
Fourth quarter	3,568	2,915	58.22	46.81	66.53	53.36

(a) On 12 April 2010, Rio Tinto announced a ratio change for the Rio Tinto plc ADR programme. With effect from 30 April 2010, one ADR represents one ordinary share of 10p in Rio Tinto plc. Prior to this date one ADR represented four ordinary shares of 10p. To effect this change ADR holders received three additional ADRs for every one ADR held as of 22 April 2010, the ADR record date. Prior year comparatives have been restated for the impact of the ratio change.

(b) None of these prices have been restated to take account of the rights issues undertaken in 2009.

Australian dollars

Year ended 31 December[c]	Period end	Average rate	High	Low
Jan 2013	1.04	1.05	1.06	1.04
Dec 2012	1.04	1.05	1.06	1.04
Nov 2012	1.04	1.04	1.05	1.03
Oct 2012	1.04	1.03	1.04	1.02
Sep 2012	1.04	1.04	1.06	1.02
Aug 2012	1.03	1.05	1.06	1.03
2012	1.04	1.04	1.08	0.97
2011	1.02	1.03	1.10	0.94
2010	1.02	0.92	1.02	0.81
2009	0.890	0.790	0.940	0.620
2008	0.698	0.852	0.983	0.607

(c) The Noon Buying Rate on such dates differed slightly from the rates used in the preparation of Rio Tinto s financial statements as of such date. No representation is made that pound sterling and Australian dollar amounts have been, could have been or could be converted into dollars at the Noon Buying Rate on such dates or at any other dates.

Material contracts

Articles of Association and Constitution

As explained on pages 127 to 128, under the terms of the DLC structure the shareholders of Rio Tinto plc and of Rio Tinto Limited entered into certain contractual arrangements which are designed to place the shareholders of both Companies in substantially the same position as if they held shares in a single entity which owned all of the assets of both Companies. Please refer to the section on Guarantees on page 129 for further information. Generally and as far as is permitted by the UK Companies Act and the Australian Corporations Act and ASX Listing Rules this principle is reflected in the Articles of Association of Rio Tinto plc and in the Constitution of Rio Tinto Limited. The summaries below include descriptions of material rights of the shareholders of both Rio Tinto plc and Rio Tinto Limited.

Objects

At the 2009 annual general meetings, shareholders of Rio Tinto plc and Rio Tinto Limited approved amendments to the constitutional documents whereby the object clauses were removed to allow the Companies to have the widest possible scope of activities.

Directors

Under Rio Tinto plc s Articles of Association a director may not vote in respect of any proposal in which he or any other person connected with him has any material interest other than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, except where resolutions:

indemnify him or a third party in respect of obligations incurred by the director on behalf of, or for the benefit of, the Company, or in respect of obligations of the Company, for which the director has assumed responsibility under an indemnity, security or guarantee;

relate to an offer of securities in which he may be interested as a holder of securities or as an underwriter;

concern another body corporate in which the director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate;

relate to an employee benefit in which the director will share equally with other employees; and

relate to liability insurance that the Company is empowered to purchase for the benefit of directors of the Company in respect of actions undertaken as directors (or officers) of the Company.

Under Rio Tinto Limited s Constitution, except where a director is constrained by Australian law, a director may be present at a meeting of the board while a matter in which the director has a material personal interest is being considered and may vote in respect of that matter.

The directors are empowered to exercise all the powers of the Companies to borrow money, to charge any property or business of the Companies or all or any of their uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Companies or of any other person. The directors shall restrict the borrowings of Rio Tinto plc to the limitation that the aggregate amount of all moneys borrowed by the Company and its subsidiaries shall not exceed an amount equal to one and one half times the Company s share capital plus aggregate reserves unless sanctioned by an ordinary resolution of the Company.

Directors are not required to hold any shares of either Company by way of qualification. The Remuneration report on pages 100 to 101 provides information on shareholding policies relating to executive and non-executive directors. Please refer to Corporate Governance page 73 for information on appointment of directors.

Rights attaching to shares

Under English law, dividends on shares may only be paid out of profits available for distribution, as determined in accordance with generally accepted accounting principles and by the relevant law. Shareholders are entitled to receive such dividends as may be declared by the directors. The directors may also pay shareholders such interim dividends as appear to them to be justified by the financial position of the Group.

Any Rio Tinto plc dividend unclaimed after 12 years from the date the dividend was declared, or became due for payment, will be forfeited and returned to the Company. Any Rio Tinto Limited dividend unclaimed may be invested or otherwise used by the board for the benefit of the Company until claimed or otherwise disposed of according to Australian law.

Voting rights

Voting at any general meeting of shareholders on a resolution on which the holder of the Special Voting Share is entitled to vote shall be decided by a poll, and any other resolution shall be decided by a show of hands unless a poll has been duly demanded. On a show of hands, every shareholder who is present in person or by proxy or other duly authorised representative and is entitled to vote has one vote regardless of the number of shares held. The holder of the Special Voting Share is not entitled to vote on a show of hands. On a poll, every shareholder who is present in person

or by proxy or other duly authorised representative and is entitled to vote has one vote for every ordinary share for which he or she is the holder and, in the case of Joint Decisions, the holder of the Special Voting Share has one vote for each vote cast by the shareholders at the parallel meeting of the other Company s shareholders.

A poll may be demanded by any of the following:

- the chairman of the meeting;
- at least five shareholders entitled to vote on the resolution;
- any shareholder or shareholders representing in the aggregate not less than one tenth (Rio Tinto plc) or one 20th (Rio Tinto Limited) of the total voting rights of all shareholders entitled to vote on the resolution;
- any shareholder or shareholders holding shares conferring a right to vote at the meeting on which there have been paid-up sums in the aggregate equal to not less than one tenth of the total sum paid up on all the shares conferring that right (Rio Tinto plc); or
- the holder of the Special Voting Share.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a Rio Tinto plc general meeting is three members present (in person or by proxy or other duly authorised representative) and entitled to vote and for a Rio Tinto Limited general meeting is two members present in person or by proxy or other duly authorised representative.

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Shareholder information continued

Matters are transacted at general meetings by the proposing and passing of resolutions:

- ordinary resolutions, which require the affirmative vote of a majority of the votes of those persons voting at a meeting at which there is a quorum, for example the election of directors; and
- special resolutions, which require the affirmative vote of not less than three fourths of the persons voting at a meeting at which there is a quorum, for example amending the Articles of Association of Rio Tinto plc or the Constitution of Rio Tinto Limited.

The DLC Merger Sharing Agreement further classifies resolutions as Joint Decisions and Class Rights Actions as explained under Voting rights on page 133.

Annual general meetings must be convened with 21 days written notice for Rio Tinto plc and with 28 days notice for Rio Tinto Limited. Other meetings of Rio Tinto plc must be convened with 21 days written notice for the passing of a special resolution and with 14 days notice for any other resolution, depending on the nature of the business to be transacted. All meetings of Rio Tinto Limited require 28 days notice. In calculating the period of notice the days of delivery or receipt of the notice and the date of the meeting are not included. Among other things, the notice must specify the nature of the business to be transacted.

Variation of rights

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the relevant legislation, with the consent in writing of holders of three fourths in value of the shares of that class or upon the adoption of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles of Association and Constitution relating to proceedings at a general meeting apply, except that the quorum for Rio Tinto plc should be two or more persons who hold or represent by proxy not less than one third in nominal value of the issued shares of the class.

Rights in a winding-up

Except as the shareholders have agreed or may otherwise agree, upon a winding-up, the balance of assets available for distribution:

- after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and
- subject to any special rights attaching to any class of shares

is to be distributed among the holders of ordinary shares according to the amounts paid-up on the shares held by them. This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of a special resolution of the shareholders, divide among the shareholders the whole or any part of the assets in kind.

The DLC Merger Sharing Agreement further sets out the rights of ordinary shareholders in a liquidation as explained on page 128.

Facility agreement

Rio Tinto Finance plc and Rio Tinto Finance Limited entered into a facility agreement on 12 November 2010 as borrowers with a syndicate of banks. The facility is guaranteed by Rio Tinto plc and Rio Tinto Limited. The facility comprises a US$6 billion multi-currency five-year revolving credit facility (including a US$ denominated same day access swingline facility). The funds made available under the Facility Agreement may be used for the general corporate purposes of the Group.

Advances under the revolving facility bear an interest rate per annum equal to the margin (which is dependent on the Group s long-term credit rating as determined by Moody s and Standard & Poors and the level of drawdown) plus LIBOR or EURIBOR (in relation to any euro loan) plus any mandatory cost.

The Facility Agreement contains no financial covenants.

At 31 December 2012, the facility was undrawn. Further details of the Group s credit facilities are set out in note 23 of the 2012 financial statements.

During the last quarter of 2012, the Group entered into bi-lateral bank facility agreements amounting to US$2 billion in aggregate. The facilities are denominated in US dollars and for a term of one year and extendable at the Group s option by a further 364 days. At 31 December 2012 the facility was undrawn. Any borrowings under each facility are at prevailing LIBOR rates plus an agreed margin dependent on the amount of drawdown and the credit rating of the group. The facility is not subject to financial covenants.

Exchange controls and foreign investment

Rio Tinto plc

There are no UK foreign exchange controls or other restrictions on the import or export of capital or on the payment of dividends to non-resident holders of Rio Tinto plc shares or that affect the conduct of Rio Tinto plc s operations. The Bank of England, however, administers financial sanctions against specified targets related to certain regimes. There are no restrictions under Rio Tinto plc s Articles of Association or under UK law that limit the right of non-resident owners to hold or vote Rio Tinto plc shares.

Rio Tinto Limited

Under current Australian legislation, the Reserve Bank of Australia does not restrict the import and export of funds and no permission is required for the movement of funds into or out of Australia, except that restrictions apply to certain financial transactions relating to specified individuals and entities associated with certain regimes.

The Department of Foreign Affairs and Trade has responsibility for the administration of restrictions relating to terrorists and their sponsors, and the former Iraqi regime.

Rio Tinto Limited may be required to deduct withholding tax from foreign remittances of dividends, to the extent that they are unfranked, and from payments of interest.

Acquisitions of interests in shares, voting power or certain other equity instruments in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (the Takeovers Act). The Takeovers Act applies to any acquisition of 15 per cent or more of the outstanding shares of, or voting power in, an Australian company or to any transaction that results in one non-resident, or a group of associated non-residents, controlling 15 per cent or more of the shares of or voting power in, an Australian company. The Takeovers Act also applies to any transaction which results in a group of non-associated non-residents controlling 40 per cent or more of the shares of, or voting power in, an Australian company. Persons who are proposing such acquisitions or transactions are required to notify the Treasurer of their intention. The Treasurer has the power to order divestment in cases where such acquisitions or transactions have already occurred. The Takeovers Act does not affect the rights of owners whose interests are held in compliance with the legislation.

Limitations on voting and shareholding

Except for the provisions of the Takeovers Act 1975 there are no limitations imposed by law, Rio Tinto plc s Articles of Association or Rio Tinto Limited s Constitution, on the rights of non-residents or foreign persons to hold or vote the Group s ordinary shares or ADSs that would not apply generally to all shareholders.

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Taxation

UK resident individuals shareholdings in Rio Tinto plc

Taxation of dividends

Dividends carry a tax credit equal to one ninth of the dividend. Individuals who are liable to income tax at the basic rate will have no further tax to pay. Higher rate tax payers are liable to tax on UK dividends at 32.5 per cent, which after taking account of the tax credit produces an effective tax liability of 25 per cent of the dividend received. Additional rate tax payers are liable to tax on UK dividends at 42.5 per cent until 5 April 2013 and 37.5 per cent thereafter, which after taking account of the tax credit produces an effective tax liability of 36.1 per cent of any dividend received up to 5 April 2013 and 30.5 per cent thereafter.

Dividend reinvestment plan (DRP)

The taxation effect of participation in the DRP will depend on individual circumstances. Shareholders will generally be liable to tax on dividends reinvested in the DRP on the same basis as if they had received the cash and arranged the investment. The dividend should, therefore, be included in the annual tax return.

The shares acquired should be added to shareholdings at the date and at the net cost shown on the share purchase advice. The actual cost of the shares for Rio Tinto plc shareholders, including the stamp duty/stamp duty reserve tax and broker s commission, will form the base cost for capital gains tax purposes.

Capital gains tax

Shareholders who have any queries on capital gains tax issues are advised to consult their financial adviser.

Details of relevant events since 31 March 1982 and adjusted values for Rio Tinto plc securities as at that date are available on the Group s website.

Australian resident individuals shareholdings in Rio Tinto Limited

Taxation of dividends

The basis of the Australian dividend imputation system is that when Australian resident shareholders receive dividends from Rio Tinto Limited they may be entitled to a credit for the Australian tax paid by the Group in respect of that income, depending on the tax status of the shareholder.

The application of the system results in the Australian tax paid by the Group being allocated to shareholders by way of franking credits attaching to the dividends they receive. Such dividends are known as franked dividends. A dividend may be partly or fully franked. The current Rio Tinto Limited dividend is fully franked and the franking credits attached to the dividend are shown in the distribution statement provided to shareholders.

The extent to which a company can frank a dividend depends on the credit balance in its franking account. Credits to this account can arise in a number of ways, including when a company pays company tax or receives a franked dividend from another company. The dividend is required to be included in a resident individual shareholder s assessable income. In addition, an amount equal to the franking credit attached to the franked dividend is also included in the assessable income of the resident individual, who may then be entitled to a rebate of tax equal to the

franking credit amount included in their income. Should the franking credits exceed the tax due, the excess is refunded to the resident individual.

The effect of the dividend imputation system on non-resident shareholders is that, to the extent that the dividend is franked, no Australian tax will be payable and there is an exemption from dividend withholding tax.

A withholding tax is normally levied at the rate of 15 per cent when unfranked dividends are paid to non-resident shareholders residing in a country with which Australia has a taxation treaty. Most Western countries have a taxation treaty with Australia. A rate of 30 per cent applies to countries where there is no taxation treaty.

Since 1988, all dividends paid by Rio Tinto Limited have been fully franked. It is the Group s policy to pay fully franked dividends whenever possible. The boards expect Rio Tinto Limited to be able to pay fully franked dividends for the foreseeable future.

Dividend reinvestment plan (DRP)

Shareholders will generally be liable for tax on dividends reinvested in the DRP on the same basis as if they had received the cash and arranged the investment. The dividend should therefore be included in the annual tax return as assessable income.

The shares acquired should be added to the shareholding at the date of acquisition at the actual cost of the shares, which is the amount of the dividend applied by the shareholder to acquire shares and any incidental costs associated with the acquisition will form part of the cost base or reduced cost base of the shares for capital gains tax purposes.

Capital gains tax

The Australian capital gains tax legislation is complex. If shareholders have acquired shares after 19 September 1985 they may be subject to capital gains tax on the disposal of those shares.

Generally, disposal of shares held on capital account would give rise to a capital gain or loss. A capital gain arises when the proceeds on disposal are greater than the cost base of shares. A capital loss arises when the proceeds on sale are less than the cost base or reduced cost base. Where a capital gain arises on shares held for at least 12 months, individual, trust and superannuation fund shareholders may be eligible for a capital gains tax discount.

Shareholders are advised to seek the advice of an independent taxation consultant on any possible capital gains tax exposure.

US residents

The following is a summary of the principal UK tax, Australian tax and US Federal income tax consequences of the ownership of Rio Tinto plc ADSs, Rio Tinto plc shares and Rio Tinto Limited shares, the Group s ADSs and shares by a US holder as defined below. It is not intended to be a comprehensive description of all the tax considerations that are relevant to all classes of taxpayer. Future changes in legislation may affect the tax consequences of the ownership of the Group s ADSs and shares.

It is based in part on representations by the Group s depositary bank as depositary for the ADRs evidencing the ADSs and assumes that each obligation in the deposit agreements will be performed in accordance with its terms.

You are a US holder if you are a beneficial owner of the Group s ADSs and shares and you are: a citizen or resident of the US; a domestic corporation; an estate whose income is subject to US federal income tax regardless of its source; or a trust if a US court can exercise primary supervision over the trust s administration and one or more US persons are

authorised to control all substantial decisions of the trust.

This section applies to US holders only if shares or ADSs are held as capital assets for tax purposes. This section does not apply to shareholders who are members of a special class of holders subject to special rules, including a dealer in securities, a trader in securities who elects to use a mark-to-market method of accounting for securities holdings, a tax exempt organisation, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns ten per cent or more of Rio Tinto s voting stock, a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, or a person whose functional currency is not the US dollar.

This section is based on the US Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations, published rulings and court decisions, and on the convention between the US and UK, and the convention between the US and Australia which may affect the tax consequences of the ownership of the Group s ADSs and shares. These laws and conventions are subject to change, possibly on a retroactive basis.

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Shareholder information continued

For the purposes of the Conventions and of the Code, US holders of ADSs are treated as the owners of the underlying shares.

The summary describes the treatment applicable under the conventions in force at the date of this report.

UK taxation of shareholdings in Rio Tinto plc

Taxation of dividends

US holders are not liable to UK withholding tax on dividends paid by Rio Tinto plc. Dividends carry a tax credit equal to one ninth of the net dividend, or ten per cent of the net dividend plus the tax credit. The tax credit is not repayable to US holders.

Capital gains

A US holder will not normally be liable to UK tax on capital gains realised on the disposition of Rio Tinto plc ADSs or shares unless the holder carries on a trade, profession or vocation in the UK through a permanent establishment in the UK and the ADSs or shares have been used for the purposes of the trade, profession or vocation or are acquired, held or used for the purposes of such a permanent establishment.

Inheritance tax

Under the UK Estate Tax Treaty, a US holder, who is domiciled in the US and is not a national of the UK, will not be subject to UK inheritance tax upon the holder s death or on a transfer during the holder s lifetime unless the ADSs and shares form part of the business property of a permanent establishment in the UK or pertain to a fixed base situated in the UK used in the performance of independent personal services. In the exceptional case where ADSs or shares are subject both to UK inheritance tax and to US Federal gift or estate tax, the UK Estate Tax Treaty generally provides for tax payments to be relieved in accordance with the priority rules set out in the Treaty.

Stamp duty and stamp duty reserve tax

Transfers of Rio Tinto plc ADSs will not be subject to UK stamp duty provided that the transfer instrument is not executed in, and at all times remains outside, the UK. Electronic paperless purchases of Rio Tinto plc shares are subject to stamp duty reserve tax (SDRT) at a rate of 0.5 per cent (rounded to the nearest penny). Purchases of Rio Tinto plc shares using a stock transfer form are subject to Stamp Duty at a rate of 0.5 per cent on transactions over £1,000 (rounded up to the nearest £5). Conversions of Rio Tinto plc shares into Rio Tinto plc ADSs will be subject to additional Stamp Duty or SDRT at a rate of 1.5 per cent on all transfers to the depositary or its nominee.

Australian taxation of shareholdings in Rio Tinto Limited

Taxation of dividends

US holders are not normally liable to Australian withholding tax on dividends paid by Rio Tinto Limited because such dividends are normally fully franked under the Australian dividend imputation system, meaning that they are paid out

of income that has borne Australian income tax. Any unfranked dividends would suffer Australian withholding tax which under the Australian income tax convention is limited to 15 per cent of the gross dividend.

Capital gains

US holders are not normally subject to any Australian tax on the disposal of Rio Tinto Limited ADSs or shares unless they have been used in carrying on a trade or business wholly or partly through a permanent establishment in Australia, or the gain is in the nature of income sourced in Australia.

Gift, estate and inheritance tax

Australia does not impose any gift, estate or inheritance taxes in relation to gifts of shares or upon the death of a shareholder.

Stamp duty

An issue or transfer of Rio Tinto Limited shares does not require the payment of Australian stamp duty.

US federal income tax

In general, taking into account the earlier assumptions that each obligation of the Deposit Agreement and any related agreement will be performed according to its terms, for US federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to US federal income tax.

Taxation of dividends

Under the US federal income tax laws, and subject to the Passive Foreign Investment Company, or PFIC, Rules discussed below, if you are a US holder, the gross amount of any dividend the Group pays out of its current or accumulated earnings and profits (as determined for US federal income tax purposes) is subject to US federal income taxation.

If you are a non-corporate US holder, dividends paid to you in taxable years beginning after 31 December 2012 will be taxed at ordinary income rates on dividends.

You must include any Australian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of shares, or the depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. The amount of the dividend distribution that you must include in your income as a US holder will be the US dollar value of the non-US dollar payments made, determined at the spot UK pound/US dollar rate (in the case of Rio Tinto plc) or the spot Australian dollar/US dollar rate (in the case of Rio Tinto Limited) on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the US for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, any Australian tax withheld in accordance with the Australia/United States Tax Treaty and paid over to Australia will be creditable or deductible against your US federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 20 per cent tax rate beginning after 31 December 2012.

For foreign tax credit purposes, dividends will generally be income from sources outside the US and will, depending on your circumstances, generally be either passive or general income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Taxation of capital gains

Subject to the PFIC rules discussed below, if you are a US holder and you sell or otherwise dispose of the Group s ADSs or shares, you will recognise capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount that you realise and your tax basis, determined in US dollars, in your shares or ADSs. Capital gain of a non-corporate US holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes.

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Passive Foreign Investment Company (PFIC) Rules

We believe that the Group s shares or ADSs should not be treated as stock of PFIC for US federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, unless the shares or ADSs are marketable stock and a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs, gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain. Instead, if you are a US holder, you would be treated as if you had realised such gain and certain excess distributions rateably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

Documents on display

Rio Tinto is subject to the Securities and Exchange Commission reporting requirements for foreign companies. A Form 20-F, which corresponds with the Form 10-K for US public companies, was filed with the SEC on 15 March 2013. Rio Tinto s Form 20-F and other filings can be viewed on the Rio Tinto website as well as the SEC website at www.sec.gov. ADR holders may also read without charge and copy at prescribed rates any document filed at the public reference facilities of the SEC s principal office at 100 F Street NE, Washington, DC 20549, US. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

2012 Financial statements

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Group income statement

Years ended 31 December

	Note	2012 US$m	2011 US$m	2010 US$m
Continuing operations				
Consolidated sales revenue	2	**50,967**	60,537	55,171
Net operating costs (excluding items shown separately)	4	**(37,536)**	(36,260)	(35,262)
Impairment charges less reversals	6	**(13,953)**	(9,174)	(982)
Gains and losses on consolidation and disposal of interests in businesses	2, 38	**845**	185	753
Exploration and evaluation costs	13	**(1,970)**	(1,437)	(594)
Profits on disposal of interests in undeveloped projects	13	**494**	89	522
Operating (loss)/profit		**(1,153)**	13,940	19,608
Share of profit after tax of equity accounted units	7	**1,034**	704	1,101
Impairment after tax of investments in equity accounted units	6	**(2,457)**	(592)	
(Loss)/profit before finance items and taxation		**(2,576)**	14,052	20,709
Finance items				
Net exchange gains/(losses) on external debt and intragroup balances	25	**497**	(154)	529
Net gains on derivatives not qualifying for hedge accounting		**87**	51	162
Finance income	8	**116**	115	163
Finance costs	8	**(276)**	(497)	(778)
Amortisation of discount		**(416)**	(353)	(294)
		8	(838)	(218)
(Loss)/profit before taxation		**(2,568)**	13,214	20,491
Taxation	9	**(429)**	(6,439)	(5,296)
(Loss)/profit from continuing operations		**(2,997)**	6,775	15,195
Discontinued operations				
Loss after tax from discontinued operations	2	**(7)**	(10)	(97)
(Loss)/profit for the year		**(3,004)**	6,765	15,098
attributable to non-controlling interests		**(14)**	939	860
attributable to owners of Rio Tinto (net (losses)/earnings)		**(2,990)**	5,826	14,238
Basic (loss)/earnings per share				
(Loss)/profit from continuing operations	10	**(161.3c)**	303.5c	731.0c
Loss from discontinued operations	10	**(0.4c)**	(0.5c)	(4.9c)
(Loss)/profit for the year	10	**(161.7c)**	303.0c	726.1c
Diluted (loss)/earnings per share				
(Loss)/profit from continuing operations	10	**(161.3c)**	301.5c	726.7c

Loss from discontinued operations	10	**(0.4c)**	(0.5c)	(4.9c)
(Loss)/profit for the year	10	**(161.7c)**	301.0c	721.8c

The notes on pages 146 to 215 are an integral part of these consolidated financial statements.

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Group statement of comprehensive income

Years ended 31 December

	Note	**2012 US$m**	2011 US$m	2010 US$m
(Loss)/profit after tax for the year		**(3,004)**	6,765	15,098
Other comprehensive income:				
Currency translation adjustment		**674**	(974)	1,504
Currency translation, on companies disposed of, transferred to the income statement		**(3)**	46	6
Cash flow hedge fair value (losses)/gains		**(67)**	82	(93)
Cash flow hedge losses transferred to the income statement		**99**	141	95
Gains/(losses) on revaluation of available for sale securities		**34**	(236)	215
Gains on revaluation of available for sale securities transferred to the income statement		**(355)**	(19)	(10)
Actuarial losses on post retirement benefit plans	46	**(420)**	(1,956)	(782)
Share of other comprehensive (loss)/income of equity accounted units, net of tax		**(108)**	48	206
Tax relating to components of other comprehensive income	9	**84**	468	253
Other comprehensive (loss)/income for the year, net of tax		**(62)**	(2,400)	1,394
Total comprehensive (loss)/income for the year		**(3,066)**	4,365	16,492
attributable to owners of Rio Tinto		**(3,192)**	3,504	15,350
attributable to non-controlling interests		**126**	861	1,142

The notes on pages 146 to 215 are an integral part of these consolidated financial statements.

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Group cash flow statement

Years ended 31 December

	Note	2012 US$m	2011 US$m	2010 US$m
Cash flow from consolidated operations[(a)]		**15,928**	26,589	22,126
Dividends from equity accounted units		**522**	799	1,404
Cash flows from operations		**16,450**	27,388	23,530
Net interest paid		**(837)**	(613)	(696)
Dividends paid to holders of non-controlling interests in subsidiaries		**(422)**	(548)	(457)
Tax paid		**(5,823)**	(6,197)	(4,100)
Net cash generated from operating activities		**9,368**	20,030	18,277
Cash flow from investing activities				
Acquisitions of subsidiaries, joint ventures & associates	38	**(1,336)**	(4,156)	(907)
Disposals of subsidiaries, joint ventures & associates	38	**251**	387	604
Purchase of property, plant & equipment and intangible assets	2	**(17,458)**	(12,335)	(4,591)
Sales of financial assets		**693**	104	227
Purchases of financial assets		**(50)**	(146)	(145)
Other funding of equity accounted units		**(311)**	(745)	(154)
Other investing cash flows (including net proceeds from the disposal of assets held for sale)		**37**	53	3,255
Cash used in investing activities		**(18,174)**	(16,838)	(1,711)
Cash flow before financing activities		**(8,806)**	3,192	16,566
Cash flow from financing activities				
Equity dividends paid to owners of Rio Tinto		**(3,038)**	(2,236)	(1,754)
Own shares purchased from owners of Rio Tinto		**(1,471)**	(5,504)	
Proceeds from additional borrowings		**8,569**	4,704	1,947
Cash movement on equity accounted unit funded balances	25		1,683	
Repayment of borrowings		**(681)**	(496)	(11,307)
Purchase of non-controlling interests	38	**(76)**	(2,243)	
		2,945	424	250

	Note			
Proceeds from issue of equity to non-controlling interests[b]				
Other financing cash flows		**77**	242	254
Net cash flow from financing activities		**6,325**	(3,426)	(10,610)
Effects of exchange rates on cash and cash equivalents		**49**	(71)	(139)
Net (decrease)/increase in cash and cash equivalents		**(2,432)**	(305)	5,817
Opening cash and cash equivalents less overdrafts		**9,654**	9,959	4,142
Closing cash and cash equivalents less overdrafts	22	**7,222**	9,654	9,959
(a) Cash flow from consolidated operations				
(Loss)/profit from continuing operations		**(2,997)**	6,775	15,195
Adjustments for:				
Taxation		**429**	6,439	5,296
Finance items		**(8)**	838	218
Share of profit after tax of equity accounted units		**(1,034)**	(704)	(1,101)
Impairment after tax of investments in equity accounted units		**2,457**	592	
Gain on consolidation and on disposal of interests in businesses	38	**(845)**	(185)	(753)
Impairment charges less reversals	6	**13,953**	9,174	982
Depreciation and amortisation		**4,441**	3,817	3,437
Provisions (including exchange differences on provisions)	27	**807**	961	907
Utilisation of provisions	27	**(835)**	(627)	(507)
Utilisation of provision for post retirement benefits	27	**(670)**	(678)	(1,110)
Change in inventories		**(432)**	(1,000)	(492)
Change in trade and other receivables		**465**	108	(1,316)
Change in trade and other payables		**262**	1,239	983
Other items		**(65)**	(160)	387
		15,928	26,589	22,126

(b) Cash proceeds from the issue of equity to non-controlling interests include US$1.8 billion from the transfer of a 47 per cent interest in Simfer Jersey Limited, a Rio Tinto subsidiary, to Chalco Iron Ore Holdings Limited, a consortium led by Chalco (and reimbursing Rio Tinto for historic project costs) plus subsequent cash calls to meet project costs, and US$0.9 billion of proceeds from subscription by non-controlling interests in a rights offering by Turquoise Hill Resources Ltd. Refer to the Statement of changes in equity on page 143, and to note 38.

The notes on pages 146 to 215 are an integral part of these consolidated financial statements.

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Group statement of financial position

At 31 December

	Note	**2012 US$m**	2011 US$m
Non-current assets			
Goodwill	12	**2,774**	8,187
Intangible assets	13	**6,628**	7,955
Property, plant and equipment	14	**75,131**	64,967
Investments in equity accounted units	15	**5,312**	9,833
Inventories	17	**423**	381
Trade and other receivables	18	**2,603**	2,365
Deferred tax assets	19	**3,358**	1,875
Other financial assets (including tax recoverable and loans to equity accounted units)	21	**1,151**	1,996
		97,380	97,559
Current assets			
Inventories	17	**6,136**	5,307
Trade and other receivables	18	**5,319**	6,058
Tax recoverable		**153**	278
Other financial assets (including loans to equity accounted units)	21	**533**	585
Cash and cash equivalents	22	**7,082**	9,670
		19,223	21,898
Assets of disposal groups held for sale	20	**970**	88
Total assets		**117,573**	119,545
Current liabilities			
Borrowings and other financial liabilities	23	**(2,228)**	(1,447)
Trade and other payables	26	**(9,244)**	(9,381)
Tax payable		**(827)**	(2,651)
Provisions including post retirement benefits	27	**(1,522)**	(1,487)
		(13,821)	(14,966)
Non-current liabilities			
Borrowings and other financial liabilities	23	**(24,591)**	(20,357)
Trade and other payables	26	**(539)**	(719)
Tax payable		**(383)**	(382)
Deferred tax liabilities	19	**(4,736)**	(6,210)
Provisions including post retirement benefits	27	**(15,069)**	(17,670)
		(45,318)	(45,338)
Liabilities of disposal groups held for sale	20	**(413)**	(33)
Total liabilities		**(59,552)**	(60,337)
Net assets		**58,021**	59,208

Capital and reserves			
Share capital			
Rio Tinto plc	28	**230**	234
Rio Tinto Limited	29	**5,715**	5,582
Share premium account		**4,244**	4,208
Other reserves	30	**14,849**	14,731
Retained earnings	30	**21,827**	27,784
Equity attributable to owners of Rio Tinto		**46,865**	52,539
Attributable to non-controlling interests		**11,156**	6,669
Total equity		**58,021**	59,208

The notes on pages 146 to 214 are an integral part of these consolidated financial statements.

The financial statements on pages 139 to 223 were approved by the directors on 6 March 2013 and signed on their behalf by

Jan du Plessis
Chairman

Sam Walsh Chief executive

Guy Elliott Chief financial officer

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Group statement of changes in equity

Years ended

31 December 2012	Attributable to owners of Rio Tinto						
	Share capital (notes 28 and 29) US$m	Share premium US$m	Other reserves (note 30) US$m	Retained earnings (note 30) US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Opening balance	5,816	4,208	14,731	27,784	52,539	6,669	59,208
Total comprehensive loss for the year[(a)]			98	(3,290)	(3,192)	126	(3,066)
Currency translation arising on Rio Tinto Limited s share capital[(b)]	133				133		133
Dividends				(3,038)	(3,038)	(422)	(3,460)
Share buyback schemes	(4)		4	(764)	(764)		(764)
Own shares purchased/treasury shares reissued for share options and other items			(62)	(41)	(103)		(103)
Treasury shares reissued and other movements		36		3	39		39
Newly consolidated operations[(c)(d)]						2,902	2,902
Change in equity held by Rio Tinto[(e)]				1,128	1,128	166	1,294
Equity issued to holders of non-controlling interests[(f)]						1,595	1,595
Employee share options and other IFRS 2 charges taken to the income statement			78	45	123	120	243
Closing balance	5,945	4,244	14,849	21,827	46,865	11,156	58,021

31 December 2011	Attributable to owners of Rio Tinto						
	Share capital (notes 28 and 29) US$m	Share premium US$m	Other reserves (note 30) US$m	Retained earnings (note 30) US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Opening balance	5,847	4,258	15,643	32,499	58,247	6,265	64,512
Total comprehensive income for the year[(a)]			(924)	4,428	3,504	861	4,365
Currency translation arising on Rio Tinto Limited s share capital[(b)]	(19)				(19)		(19)
Dividends				(2,236)	(2,236)	(548)	(2,784)
Share buyback schemes	(12)		12	(6,210)	(6,210)		(6,210)
Own shares purchased/treasury shares reissued for share options and other items		(50)	(71)	10	(111)		(111)
Newly consolidated operations[(g)]						1,555	1,555
Change in equity held by Rio Tinto[(g)(h)(i)]				(793)	(793)	(1,882)	(2,675)
Equity issued to holders of non-controlling interests						424	424
Company no longer consolidated						(6)	(6)
Employee share options			71	86	157		157
Closing balance	5,816	4,208	14,731	27,784	52,539	6,669	59,208

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Group statement of changes in equity continued

31 December 2010	Attributable to owners of Rio Tinto						
	Share capital (notes 28 and 29) US$m	Share premium US$m	Other reserves (note 30) US$m	Retained earnings (note 30) US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Opening balance	5,170	4,174	14,010	20,477	43,831	2,094	45,925
Total comprehensive income for the year[a]			1,645	13,705	15,350	1,142	16,492
Currency translation arising on Rio Tinto Limited s share capital[b]	677				677		677
Dividends				(1,754)	(1,754)	(457)	(2,211)
Own shares purchased/treasury shares reissued for share options and other items		84	(84)	(31)	(31)		(31)
Consolidation of Oyu Tolgoi[j]						3,236	3,236
Equity issued to holders of non-controlling interests						250	250
Employee share options			48	69	117		117
Cash settled share options reclassified as equity settled			24	33	57		57
Closing balance	5,847	4,258	15,643	32,499	58,247	6,265	64,512

(a) Refer to Statement of comprehensive income for further details.

(b) Refer to note 1 (d)

(c) Rio Tinto gained control of the non Oyu Tolgoi LLC (OT) assets of Ivanhoe Mines Limited (Ivanhoe) on 24 January 2012 when its share reached 51 per cent. The Group had gained control of OT in December 2010 by virtue of contractual rights which permit the exercise of control over certain policies and activities of OT. On

2 August 2012, Ivanhoe was renamed Turquoise Hill Resources Ltd. (Turquoise Hill). Within newly consolidated operations, US$2,678 million represents non-controlling interests in the non OT assets, of which US$1,439 million relates to the 49 per cent non-controlling interests portion of net loans receivable from Rio Tinto Group companies. Refer to note 38.

(d) Rio Tinto acquired a controlling interest in Richards Bay Minerals (RBM), with consolidation effective from 3 September 2012 (the acquisition date). US$224 million within newly consolidated operations relates to the provisional fair value of non-controlling interests at acquisition date. Refer to note 38.

(e) The majority of the adjustments to equity held by Rio Tinto arise from Chalco s acquisitions of shares in Simfer Jersey Limited, a Rio Tinto subsidiary, as set out in the Simandou Joint Development Agreement (SJDA). The Chalco consortium made a payment of US$1.35 billion on 24 April 2012 in exchange for an equity interest of 47 per cent in Simfer Jersey Limited, reimbursing Rio Tinto for historic project costs. The transfer on 24 April 2012 resulted in an adjustment to retained earnings attributable to owners of Rio Tinto of US$1.05 billion, relating to the amount received over the carrying value of Rio Tinto s interest transferred.

(f) Equity issued to holders of non-controlling interests include US$0.9 billion of proceeds from a rights offering by Turquoise Hill, and cash calls of US$480 million following the transfer described in (e), which resulted in the Chalco consortium being issued with additional equity interest in proportion to its interest.

(g) The purchase of Rio Tinto Coal Mozambique (RTCM, formerly Riversdale Mining Limited (Riversdale)), in 2011 was treated as a step acquisition. Non-controlling interests of US$1,498 million arose at the acquisition date, when Rio Tinto s share in Riversdale reached 52.6 per cent. These non-controlling interests reversed as Rio Tinto increased its interests in Riversdale to 100 per cent. An amount of US$479 million has been recognised directly in equity in relation to Rio Tinto s interests purchased after the acquisition date, representing the excess of consideration paid to acquire these additional shareholdings, over non-controlling interests acquired. Refer to note 38.

(h) A reduction of US$339 million in non-controlling interests arose as Rio Tinto increased its economic share in OT through the acquisition of additional interests in Ivanhoe. Adjustments to retained earnings attributable to owners of Rio Tinto of US$129 million related to the aggregate excess of consideration paid for the additional investments in Ivanhoe, over the value of the additional economic share acquired in OT. Refer to note 38.

(i) In relation to the Group s purchase of an additional stake in Coal & Allied, adjustments to retained earnings of US$185 million were made for the excess of consideration paid to acquire shareholdings of US$45 million from non-controlling interests.

(j) Rio Tinto consolidated Oyu Tolgoi LLC on 15 December 2010 following the signing of a new agreement with Turquoise Hill (formerly Ivanhoe Mines Limited).

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Reconciliation with Australian Accounting Standards

The Group s financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and conform to IFRS as adopted by the European Union (EU IFRS), which differ in certain respects from the version of IFRS that is applicable in Australia referred to as Australian Accounting Standards (AAS).

Prior to 1 January 2004, the Group s financial statements were prepared in accordance with UK GAAP. Under IFRS goodwill on acquisitions prior to 1998, which was eliminated directly against equity in the Group s UK GAAP financial statements, has not been reinstated. This was permitted under the rules governing the transition to IFRS set out in IFRS 1.The equivalent Australian Standard, AASB 1, does not provide for the netting of goodwill against equity. As a consequence, shareholders funds under AAS include the residue of such goodwill, which amounted to US$535 million at 31 December 2012 (2011: US$537 million; 2010: US$584 million). Save for the exception described above, the Group s financial statements drawn up in accordance with IFRS are consistent with the requirements of AAS.

Outline of dual listed companies structure and basis of financial statements

The Rio Tinto Group

These are the financial statements of the Group formed through the merger of economic interests of Rio Tinto plc and Rio Tinto Limited (Merger), and presented by both Rio Tinto plc and Rio Tinto Limited as their consolidated accounts in accordance with both United Kingdom and Australian legislation and regulations.

Merger terms

On 21 December 1995, Rio Tinto plc and Rio Tinto Limited, which are listed respectively on Stock Exchanges in the United Kingdom and Australia, entered into a dual listed companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to Rio Tinto plc s Memorandum and Articles of Association and Rio Tinto Limited s Constitution.

As a result, Rio Tinto plc and Rio Tinto Limited and their respective groups operate together as a single economic enterprise, with neither assuming a dominant role. In particular, the arrangements:

- confer upon the shareholders of Rio Tinto plc and Rio Tinto Limited a common economic interest in both groups;
- provide for common boards of directors and a unified management structure;
- provide for equalised dividends and capital distributions; and
- provide for the shareholders of Rio Tinto plc and Rio Tinto Limited to take key decisions, including the election of directors through an electoral procedure in which the public shareholders of the two companies effectively vote on a joint basis.

The merger involved no change in the legal ownership of any assets of Rio Tinto plc or Rio Tinto Limited, nor any change in the ownership of any existing shares or securities of Rio Tinto plc or Rio Tinto Limited, nor the issue of any shares, securities or payment by way of consideration, save for the issue by each company of one special voting share to a trustee company which provides the joint electoral procedure for public shareholders. During 2002, each of the parent companies issued a DLC Dividend Share to facilitate the efficient management of funds within the DLC structure.

Accounting standards

The financial statements have been drawn up in accordance with IFRS. The Merger was accounted for as a merger under UK GAAP. As permitted under the rules governing the transition to IFRS, which are set out in IFRS 1, the Group did not restate business combinations that occurred before the transition date of 1 January 2004. As a result, the DLC merger of economic interests described above continues to be accounted for as a merger under IFRS.

The main consequence of adopting merger rather than acquisition accounting is that the statement of financial position of the merged Group includes the assets and liabilities of Rio Tinto plc and Rio Tinto Limited at their carrying values prior to the merger, subject to adjustments to achieve uniformity of accounting policies, rather than at their fair values at the date of the merger. For accounting purposes Rio Tinto plc and Rio Tinto Limited are viewed as a single public parent company (with their respective public shareholders being the shareholders in that single company). As a result the amounts attributable to both Rio Tinto plc and Rio Tinto Limited public shareholders are included in the amounts attributed to owners of Rio Tinto on the statement of financial position, income statement and statement of comprehensive income.

Australian Corporations Act

The financial statements are drawn up in accordance with an order, under section 340 of the Australian Corporations Act 2001, issued by the Australian Securities and Investments Commission (ASIC) on 22 December 2010 (as amended on 17 February 2012). The main provisions of the order are that the financial statements are prepared in accordance with IFRS and include a reconciliation from IFRS to the Australian equivalents of IFRS (see above).

For further details of the ASIC Class Order relief see page 223.

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Notes to the 2012 financial statements

1 Principal accounting policies

Corporate information

The financial statements of the Group were authorised for issue in accordance with a directors resolution on 6 March 2013. Rio Tinto plc and Rio Tinto Limited are listed and incorporated respectively on Stock Exchanges in the United Kingdom and Australia. Rio Tinto plc s registered office is at 2 Eastbourne Terrace, London W2 6LG, United Kingdom. Rio Tinto Limited s registered office is at 120 Collins Street, Melbourne, Australia, 3000.

Rio Tinto s business is finding, mining and processing mineral resources. Major products are iron ore, aluminium, copper, diamonds, coal, uranium, gold and industrial minerals (borax, titanium dioxide and salt). Activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and Africa.

Basis of preparation

The basis of preparation and the accounting policies used in preparing the financial statements for the year ended 31 December 2012 are set out below.

The financial statements for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and conform to IFRS as adopted by the EU (EU IFRS) and interpretations issued from time to time by the IFRS Interpretations Committee (IFRIC) and adopted by the EU that are mandatory for the year ended 31 December 2012, the Companies Act 2006 applicable to companies reporting under IFRS and in accordance with applicable United Kingdom law, applicable Australian law as amended by the Australian Securities and Investments Commission Order dated 22 December 2010 (as amended on 17 February 2012) and Article 4 of the European Union IAS regulation. The financial statements are prepared on a going concern basis (page 126).

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2011, except for the following:

Amendment to IFRS 7, Financial Instruments: Disclosures Transfers of Financial Assets . This amends required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity s financial position. The amendment relates to disclosure only and has no impact on Group earnings or shareholders funds in the current or prior year.

The Group has not applied the following pronouncements which are not mandatory for 2012:

Mandatory for 2013

Amendment to IAS 1, Presentation of Financial Statements Presentation of items of other comprehensive income .

- IAS 19 (revised 2011), Employee Benefits .

- IAS 28 (revised 2011), Investments in Associates and Joint Ventures .

- Amendments to IFRS 7, Financial instruments: Disclosures Offsetting Financial Assets and Financial Liabilities .

- IFRS 10, Consolidated Financial Statements .

- IFRS 11, Joint Arrangements .

IFRS 10 and 11 are mandatory for 2013 under IFRS.

- IFRS 12, Disclosures of Interests in Other Entities .

- IFRS 13, Fair Value Measurement .

- Annual improvements 2011

- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine .

Mandatory for 2014

- Amendments to IAS 32 Financial instruments: Presentation Offsetting Financial Assets and Financial Liabilities

Mandatory for 2015

- IFRS 9, Financial instruments

In relation to those pronouncements which are mandatory for 2013:

The amendment to IAS 19 only allows the expected return on assets to assume returns in line with the discount rate applied to the calculation of the pension liability whereas the current standard allows a higher assumed rate based on the assets actually held. The Group expects the annual pre-tax pension expense to be permanently higher under the revised standard by some US$100 to US$200 million, with the precise amount depending on the value of assets in the pension plans and the asset classes in which they are invested. The higher expense will be matched by lower actuarial gains and losses and there is therefore no impact on the statement of financial position.

IFRS 10 replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements , and SIC 12 Consolidation Special Purpose Entities ; it provides a revised definition of control and establishes that as the basis for determining which entities are consolidated in the financial statements.

All entities within the Group have been reviewed to assess the impact of IFRS 10; there have not been any material reclassifications to or from controlled entities.

IFRS 11 replaces IAS 31 Interests in Joint Ventures . The classification and subsequent accounting for joint arrangements now depends on whether parties that share joint control of an arrangement have rights to the assets and

obligations for the liabilities of the arrangement, in which case it is a Joint Operation, or rights to the net assets of the arrangement, in which case it is a Joint Venture.

For Joint Operations the Group will account for its share of the assets, liabilities, revenues and expenses relating to its interest in the Joint Operation in accordance with applicable IFRSs. Joint Ventures will be accounted for using the equity accounting method.

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All arrangements within the Group have been reviewed to assess the impact of IFRS 11. It has been concluded that certain of the Group s operations (including Queensland Alumina Limited, New Zealand Aluminium Smelters Limited, and Pechiney Reynolds Quebec Inc.) that were previously equity accounted will now be accounted for as Joint Operations. As a result the Group will no longer recognise Investments in equity accounted units or Share of profit/(loss) after tax of equity accounted units for these arrangements, but will instead consolidate its share of their assets and liabilities (including its share of any assets held and liabilities incurred jointly), revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly) on a line by line basis. The Group understands that practice is still developing in relation to the specific facts and circumstances which apply to some of the Group s other operations and is therefore currently considering the impact of adoption of IFRS 11 on these operations.

IFRS 13 is prospective in application. It establishes a single source of guidance for all fair value measurements. The standard provides guidance on how to measure fair value when fair value is required or permitted under other standards. It does not change when an entity is required to use fair value. The Group is currently assessing the impact of IFRS 13 but, based on preliminary analysis, it is not expected to be material.

IFRIC 20 specifies the accounting for post-production stripping costs. As explained in note (h) below the Group currently defers stripping costs incurred during the production stage of its operations, for those operations where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. At 1 January 2011, which will be the earliest period presented in the Group s 2013 financial statements, the net book value carried forward in property, plant and equipment and in investments in jointly controlled entities and associates was US$1.3 billion (pre tax). Under the interpretation this balance can only be carried forward if it can be identified with a remaining component of the orebody. The Group is currently finalising its analysis but expects that approximately US$0.7 billion of that balance will be written off at 1 January 2011 (approximately US$0.4 billion net of taxation and non-controlling interests). The impact on 2011 and 2012 is not currently expected to exceed US$0.2 billion net of tax and non controlling interests.

The other standards which are mandatory for 2013 either relate to disclosure only or are not expected to be material to the Group s earnings or shareholders funds. The Group is currently evaluating the impact of those pronouncements which are mandatory beyond 2013.

Judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management s best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgments and estimation is contained in the accounting policies and/or the Notes to the financial statements, and the key areas are summarised below.

Areas of judgment that have the most significant effect on the amounts recognised in the financial statements are:

- Merger accounting for the 1995 merger of the economic interests of Rio Tinto plc and Rio Tinto Limited into the dual listed companies (DLC) structure (see Dual listed companies structure);

Review of asset carrying values, impairment charges and reversals and the recoverability of goodwill note 1(e) and (i), note 6 and note 12;

Estimation of asset lives note 1(e) and (i);

Determination of ore reserve estimates note 1(j);

Close down restoration and clean up obligations note 1(k);

Deferral of stripping costs note 1(h);

Recognition of deferred tax on mining rights recognised in acquisitions note 1(m);

Recoverability of potential deferred tax assets note 19 (d) and (f);

Capitalisation of exploration and evaluation costs note 1(f);

Identification of functional currencies note 1(d);

Basis of consolidation note 1(b) Acquisitions; and

Post retirement cost assumptions note 1(n).

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Review of asset carrying values, impairment charges and reversals and the recoverability of goodwill note 1(e) and (i), note 6 and note 12;

Estimation of close down restoration and clean-up costs and the timing of expenditure note 1(k) and note 27;

Estimation of liabilities for post retirement costs note 46;

Recoverability of potential deferred tax assets note 19 (d) and (f);

Capitalisation of exploration and evaluation costs note 1(f); and

Contingencies note 32.

These areas of judgment and estimation are discussed further in critical accounting policies and estimates on page 156.

(a) Accounting convention

The financial information included in the financial statements for the year ended 31 December 2012, and for the related comparative periods, has been prepared under the historical cost convention, as modified by the revaluation of certain derivative contracts, financial assets and the accounting for post retirement assets and liabilities. The Group s policy in respect of these items is set out in the notes below.

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Notes to the 2012 financial statements continued

1 Principal accounting policies continued

(b) Basis of consolidation

The financial statements consist of the consolidation of the accounts of Rio Tinto plc and Rio Tinto Limited (together the Companies) and their respective subsidiaries (together the Group) together with the Group s share of joint ventures and associates accounted for as described below.

All intragroup transactions and balances have been eliminated on consolidation.

Subsidiaries: Subsidiaries are entities controlled by the Companies. Control is the power to govern the financial and operating policies of those entities in order to obtain benefits from their activities. Control is presumed to exist where the Companies own more than one half of the voting rights (which is not always the same as more than 50 per cent ownership) unless it can be demonstrated that this does not constitute control. Control does not exist where other parties hold veto rights over significant operating and financial decisions of an entity or where the Companies have the power to govern an entity but cannot obtain benefit from its activities. Control does exist where another party or parties own more than one half of the voting rights of an entity but the Group can control those voting rights either through a contractual arrangement or through board control.

Joint ventures: A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Group has an ownership interest of more than 50 per cent because of the veto rights held by joint venture partners. The Group has two types of joint venture:

Jointly controlled entities (JCEs): A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long term interest. JCEs are accounted for using the equity accounting method.

Jointly controlled assets (JCAs): JCAs do not involve the establishment of a corporation, partnership or other entity. A JCA is a joint venture in which the venturers have joint control over the assets contributed to or acquired for the purposes of the joint venture. This includes situations where the participants benefit from the joint activity through a share of the production, rather than by receiving a share of the results of trading. The Group s proportionate interest in the assets, liabilities, revenues, expenses and cash flows of JCAs are incorporated into the Group s financial statements under the appropriate headings.

Associates: An associate is an entity that is neither a subsidiary nor a joint venture, over which the Group has significant influence. Significant influence is presumed to exist where the Group has between 20 per cent and 50 per cent of the voting rights, unless it can be clearly demonstrated that this is not the case. Significant influence can also arise where the Group holds less than 20 per cent if it has the power to participate in the financial and operating policy decisions affecting the entity.

Investments in associates are accounted for using the equity method of accounting. Under this method of accounting the investment is recorded initially at cost to the Group, including any goodwill on acquisition. In subsequent periods

the carrying amount of the investment is adjusted to reflect the Group s share of the associates retained post-acquisition profit or loss and other comprehensive income.

The Group uses the term Equity accounted units to refer to associates and JCEs collectively. For all equity accounted units the carrying value will include any long term debt interests that in substance form part of the Group s net investment.

Where necessary, adjustments are made to the assets, liabilities and results of subsidiaries, joint ventures and associates to bring their accounting policies into line with those used by the Group.

Acquisitions

The acquisition method of accounting is used for acquisitions. This means that the purchase consideration is allocated to the identifiable assets acquired and liabilities assumed (the identifiable net assets) on the basis of fair value at the date of acquisition which is the date on which control is obtained. Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date.

Costs related to the acquisition of a subsidiary are expensed as incurred.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at the non-controlling interest s proportionate share of the acquiree s identifiable net assets or at fair value. Where required by accounting standards non-controlling interests are treated as equity options and valued on that basis. Goodwill (see note (e)) and amounts attributable to non-controlling interests will differ depending on the basis used.

Where the Group has a previously held non-controlling interest in the acquiree, this is remeasured to fair value at the acquisition date with any gain or loss being recognised in the income statement. The cash cost of such a purchase is included in Investing activities in the cash flow statement.

For purchases from non-controlling interests, the difference between the purchase price and the relevant carrying value of the share of net assets acquired is recorded in equity. The cash cost of such purchases is included in Financing activities in the cash flow statement.

The results of businesses acquired during the year are included in the consolidated financial statements from the date on which control, joint control or significant influence commences.

Disposals

Individual non-current assets or disposal groups (i.e. groups of assets and liabilities) to be disposed of, by sale or otherwise in a single transaction, are classified as held for sale if the following criteria are met at the period end:

the carrying amount will be recovered principally through a sale transaction rather than through continuing use, and

the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for such sales, and

the sale is highly probable.

Disposal groups held for sale are carried at the lower of their carrying amount and fair value less costs to sell. Comparative statement of financial position information is not restated. Disposal groups acquired with a view to resale are held at fair value determined at the acquisition date. For these assets acquired for resale no profits or losses are recognised between the acquisition date and the disposal date, unless there is a subsequent impairment.

On classification as held for sale, the assets are no longer depreciated.

The results of businesses disposed of are taken out of the financial statements from the date on which control, joint control or significant influence ceases. The cash proceeds of such disposals are included in Investing activities in the cash flow statement. At this point any interest in the entity retained by the Group is remeasured to its fair value and the change in carrying amount is recognised in the income statement. This fair value is the initial carrying amount for any retained interest which may be subsequently accounted for as an associate, joint venture or financial asset depending on the facts. Any amounts previously recognised in other comprehensive income in respect of the entity disposed of, or for which control, joint control or significant influence has ceased, are accounted for as if the Group had directly disposed of the related assets or liabilities.

Gains or losses on disposals to non-controlling interests where control is retained are recorded in equity. The cash proceeds of such disposals are included in Financing activities in the cash flow statement.

(c) Sales revenue

Sales revenue comprises sales to third parties at invoiced amounts. Most sales are priced ex works, free on board (fob) or cost, insurance and freight (cif). Amounts billed to customers in respect of shipping and handling are classified as sales revenue where the Group is responsible for carriage, insurance and freight. All shipping and handling costs incurred by the Group are recognised as operating costs. If the Group is acting solely as an agent, amounts billed to customers are offset against the relevant costs. Revenue from services is recognised as services are rendered and accepted by the customer.

Sales revenue excludes any applicable sales taxes. Mining royalties are presented as an operating cost or, where they are in substance a profit based tax, within taxes.

Revenues from the sale of significant by-products such as gold are included in sales revenue. Sundry revenue incidental to the main revenue generating activities of the operations and which is a consequence of producing and selling the main products is treated as a credit to operating costs.

Third party commodity swap arrangements for delivery and receipt of smelter grade alumina are offset within operating costs.

Sales revenue is only recognised on individual sales when all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and

the costs incurred or to be incurred in respect of the sale can be measured reliably.
These conditions are generally satisfied when title passes to the customer. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it will be shipped, the destination port or the customer s premises.

The majority of the Group s products are sold to customers under contracts, which vary in tenure and pricing mechanisms, with some volumes sold in the spot market.

Certain of the Group s products, such as iron ore, were previously sold under long term contracts at an annual benchmark price. Since 2010 pricing for all iron ore customers has changed to a quarterly basis reflecting the structural shift away from annual benchmark pricing. A proportion of iron ore volumes continued to be sold on the spot market in 2012. Substantially all iron ore sales are reflected at final prices in the results for the period, based on the best available information at the period end.

Sales revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, sales revenue is initially recognised on a provisional basis using the Group s best estimate of contained metal, and adjusted subsequently.

Certain products are provisionally priced , i.e. the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 180 days after delivery to the customer. The final price is based on the market price at the relevant quotation point stipulated in the contract.

As is customary in the industry, revenue on provisionally priced sales is recognised based on estimates of the fair value of the consideration receivable based on relevant forward market prices. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, for which there exists an active and freely traded commodity market such as the London Metals Exchange and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue. Information on provisionally priced sales contracts is included in note 31.

(d) Currency translation

The functional currency for each entity in the Group, and for JCEs and associates, is the currency of the primary economic environment in which that entity operates. For many entities, this is the currency of the country in which they are located. Transactions denominated in other currencies are converted to the functional currency at the exchange rate ruling at the date of the transaction. The accounting for hedged transactions is discussed in note (p) below. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

The Group s accounting policies for derivative financial instruments and hedge accounting are explained in more detail in note 1(p) (iii). The Group s financial statements are presented in US dollars, as that currency most reliably reflects the global business performance of the Group as a whole. On consolidation, income statement items for each entity are translated from the functional currency into US dollars at average rates of exchange where the average approximates the rate at the date of transactions. Statement of financial position items are translated into US dollars at year end exchange rates.

Exchange differences arising on the translation of the net assets of entities with functional currencies other than the US dollar are recognised directly in the foreign currency translation reserve. These translation differences are shown in the statement of comprehensive income with the exception of translation adjustments relating to Rio Tinto Limited s share capital which are shown in the Group statement of changes in equity.

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Notes to the 2012 financial statements continued

1 Principal accounting policies continued

Where an intragroup balance is, in substance, part of the Group s net investment in an entity, exchange gains and losses on that balance are taken to the foreign currency translation reserve. Except as noted above, or in note (p) below relating to derivative contracts, all other exchange differences are charged or credited to the income statement in the year in which they arise.

(e) Goodwill and intangible assets (excluding exploration and evaluation expenditure)

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group s share of identifiable net assets acquired, the difference is treated as purchased goodwill. When the fair value of the Group s share of identifiable net assets acquired exceeds the cost of consideration, the difference is immediately recognised in the income statement.

In 1997 and previous years, goodwill was eliminated against reserves in the year of acquisition as a matter of accounting policy, as was then permitted under UK GAAP. Such goodwill was not reinstated under subsequent UK accounting standards or on transition to IFRS.

Goodwill is not amortised; it is tested annually for impairment. Investments in equity accounted units (EAUs) including any goodwill are tested for impairment as a single asset when a trigger for impairment has been identified. The Group s impairment policy is explained in note 1(i).

Purchased intangible assets are initially recorded at cost. Finite life intangible assets are amortised over their useful economic lives on a straight line or units of production basis, as appropriate. Intangible assets that are deemed to have indefinite lives and intangible assets that are not yet ready for use are not amortised; they are reviewed annually for impairment in accordance with accounting policy note 1(i).

The Group considers that intangible assets have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite future periods in view of the Group s investment intentions. The life cycles of the products and processes that depend on the asset are also considered.

(f) Exploration and evaluation

Exploration and evaluation expenditure comprises costs that are directly attributable to:

researching and analysing existing exploration data;

conducting geological studies, exploratory drilling and sampling;

examining and testing extraction and treatment methods; and/or

compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential. Expenditure on exploration activity is not capitalised.

Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project s viability and therefore it is probable that future economic benefits will flow to the Group.

The carrying values of capitalised evaluation expenditure are reviewed for impairment twice a year by management. In the case of undeveloped mining projects (projects for which the decision to mine has not yet been approved at the appropriate authorisation level within the Group) which have arisen through acquisition, there may be only mineralised material to form a basis for that review. The review is based on a status report summarising the Group s intentions for development. In some cases, the undeveloped projects are regarded as successors to orebodies, smelters or refineries currently in production. Where this is the case, it is intended that these will be developed and go into production when the current source of ore is exhausted or to replace the reduced output which results when existing smelters and/or refineries are closed. It is often the case that technological and other improvements will allow successor smelters and/or refineries to more than replace the capacity of their predecessors.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, as defined in IAS 16, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes the estimated close down and restoration costs associated with the asset. Once an undeveloped mining project has been established as commercially viable, expenditure other than that on land, buildings, plant and equipment is capitalised under Mining properties and leases together with any amount transferred from Exploration and evaluation . Commercial viability is deemed to be achieved when the Group is confident that the project will provide a satisfactory return relative to its perceived risks and is likely to go ahead. Costs of an undeveloped smelter or refinery project are capitalised under Capital works in progress provided that the project is deemed to be commercially viable and likely to go ahead.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine (or pit), before production commences, stripping costs are capitalised as part of the investment in construction of the mine (or pit) and are subsequently amortised over the life of the mine (or pit) on a units of production basis.

Costs which are necessarily incurred whilst commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. Interest on borrowings related to construction or development projects is capitalised until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

(h) Deferred stripping

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the

first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

The Group s determination of whether multiple pit mines are considered separate or integrated operations depends on each mine s specific circumstances. The following factors would point towards the stripping costs for the individual pits being accounted for separately:

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If mining of the second and subsequent pits is conducted consecutively with that of the first pit, rather than concurrently.

If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset.

If the pits are operated as separate units in terms of mine planning and the sequencing of overburden removal and ore mining, rather than as an integrated unit.

If expenditures for additional infrastructure to support the second and subsequent pits are relatively large.

If the pits extract ore from separate and distinct orebodies, rather than from a single orebody.

If the designs of the second and subsequent pits are significantly influenced by opportunities to optimise output from the several pits combined, including the co-treatment or blending of the output from the pits then this would point to treatment as an integrated operation in accounting for stripping costs.

The relative importance of each of the above factors is considered in each case to determine whether, on balance, the stripping costs should be attributed to the individual pit or to the combined output from several pits.

The Group defers stripping costs incurred during the production stage of its operations where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine (or pit). The amount of stripping costs deferred is based on the ratio (Ratio) obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. In some operations, the quantity of ore is a more practical basis for matching costs with the related economic benefits where there are important co-products or where the grade of the ore is relatively stable from year to year. Stripping costs incurred in the period are deferred to the extent that the current period Ratio exceeds the life of mine (or pit) Ratio. Such deferred costs are then charged against reported profits to the extent that, in subsequent periods, the current period Ratio falls short of the life of mine (or pit) Ratio.

The life of mine (or pit) Ratio is based on proven and probable reserves of the mine (or pit); it is a function of the mine (or pit) design(s) and therefore changes to that design will generally result in changes to the Ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of mine (or pit) Ratio even if they do not affect the mine (or) pit design(s). Changes to the life of mine (or pit) Ratio are accounted for prospectively.

In the production stage of some mines (or pits), further development of the mine (or pit) requires a phase of unusually high stripping activity that is similar in nature to pre-production mine development. The costs of this unusually high level of stripping activity are deferred and charged against reported profits on a units of production basis in subsequent periods. This accounting treatment is consistent with that for pre-production mine development.

Deferred stripping costs are included in Mining properties and leases within property, plant and equipment or within Investments in equity accounted units , as appropriate. Amortisation of deferred stripping costs is included in net operating costs or in the Group s share of the results of its equity accounted units, as appropriate.

(i) Depreciation and impairment

Depreciation of non-current assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the mine if that is shorter and there is no alternative use for the asset.

The useful lives of the major assets of a cash-generating unit are often dependent on the life of the orebody to which they relate. Where this is the case, the lives of mining properties, and their associated refineries, concentrators and other long lived processing equipment generally relate to the expected life of the orebody. The life of the orebody, in turn, is estimated on the basis of the life-of-mine plan. Where the major assets of a cash-generating unit are not dependent on the life of a related orebody, management applies judgment in estimating the remaining service potential of long lived assets. In the case of smelters, factors affecting the remaining service potential include smelter technology and electricity purchase contracts when the power is not sourced from the company s or certain local government s own electricity generating capacity.

Depreciation commences when an asset is available for use. The major categories of property, plant and equipment are depreciated on a units of production and/or straight line basis as follows:

Units of production basis

For mining properties and leases and certain mining equipment, the consumption of the economic benefits of the asset is linked to the production level. Except as noted below, these assets are depreciated on a units of production basis.

In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves and, for some mines, other mineralisation. This other mineralised material may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction.

Straight line basis

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis.

Development costs that relate to a discrete section of an orebody, and which only provide benefit over the life of those reserves, are depreciated over the estimated life of that discrete section. Development costs incurred which benefit the entire orebody are depreciated over the estimated life of the orebody.

Impairment of non-current assets

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable. All goodwill and intangible assets that are not yet ready for use or have an indefinite life are tested annually for impairment regardless of whether there has been any change in events or circumstances.

Impairment is assessed at the level of cash-generating units which, in accordance with IAS 36 Impairment of Assets , are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

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Notes to the 2012 financial statements continued

1 Principal accounting policies continued

In some cases, the business units within product groups consist of several operations with independent cash generating streams, which constitute separate cash-generating units.

Goodwill acquired through business combinations is allocated to the cash-generating unit, or groups of cash-generating units if that is the lowest level within the Group at which goodwill is monitored for internal management purposes, that is expected to benefit from the related business combination.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant cash-generating unit in its current condition) and fair value less costs to sell (FVLCS). The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm s length transaction. This is often estimated using discounted cash flow techniques.

Where recoverable amount is assessed using FVLCS based on discounted cash flow techniques, the resulting estimates are based on detailed life of mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36.

The cash flow forecasts for FVLCS purposes are based on management s best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up. For the purposes of determining FVLCS from a market participant s perspective, the cash flows incorporate management s price and cost assumptions in the short and medium term. In the longer term, operating margins are assumed to remain constant where appropriate, as it is considered unlikely that a market participant would prepare detailed forecasts over a longer term period. The cash flow forecasts may include net cash flows expected to be realised from extraction, processing and sale of mineralised material that does not currently qualify for inclusion in proven or probable ore reserves. Such non-reserve material is only included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

As noted above, cost levels incorporated in the cash flow forecasts for fair value purposes are based on the current life-of-mine plan or long term production plan for the cash-generating unit. Because future cash flows are estimates for the asset in its current condition, value in use does not reflect future cash flows associated with improving or enhancing an asset s performance. Anticipated enhancements to assets may be included in FVLCS calculations.

Where the recoverable amount of a cash-generating unit is dependent on the life of its associated orebody, expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The mine plan takes account of all relevant characteristics of the orebody, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be

used. The life-of-mine plan is therefore the basis for forecasting production output and production costs in each future year.

Forecast cash flows for ore reserve estimation for Joint Ore Reserves Committee (JORC) purposes are generally based on Rio Tinto s price forecasts of commodity prices, which assume short term market prices will revert to the Group s assessment of the long term price, generally over a period of three to five years. For most commodities, these forecast commodity prices are derived from a combination of analyses of the marginal costs of the producers and of the incentive price of these commodities. These assessments often differ from current price levels and are updated periodically. For the long run, the Group does not believe that forward prices quoted in the metals markets provide a good indication of future price levels since forward prices tend to be strongly influenced by spot price levels. Rio Tinto s price forecasts of commodity prices include an element of carbon pricing. These price forecasts are also used for impairment testing unless management deems that in certain economic environments, a market participant would not assign Rio Tinto s view on prices, in which case management base them upon assumptions which a market participant would be expected to use under these economic conditions.

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

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Group s weighted average cost of capital is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual cash-generating units operate. For final feasibility studies and ore reserve estimation, internal hurdle rates are used which are generally higher than the weighted average cost of capital.

For operations with a functional currency other than the US dollar, the impairment review is undertaken in the relevant functional currency. The great majority of the Group s sales are based on prices denominated in US dollars. To the extent that the currencies of countries in which the Group produces commodities strengthen against the US dollar without commodity price offset, cash flows and, therefore, net present values are reduced.

Management considers that over the long term, there is a tendency for movements in commodity prices to compensate to some extent for movements in the value of the US dollar (and vice versa). However, such compensating changes are not synchronised and do not fully offset each other. In estimating fair value, a forecast of the long term exchange rates, for the Australian and Canadian dollars, is made having regard to spot exchange rates, historical data and external forecasts, and is linked to price assumptions.

IAS 36 requires that value in use be based on exchange rates current at the time of the assessment.

Non-current assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Determination of ore reserve estimates

The Group estimates its ore reserves and mineralisation based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves and, for certain mines, other mineralisation determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payment of close down and restoration costs and clean-up costs.

For the purposes of disclosure with this combined Annual report on Form 20-F estimates of ore reserves have been computed in accordance with the SEC s Industry Guide 7, rather than in accordance with the JORC code, and are shown on pages 51 to 60. 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 2012, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price is predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto s own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

In assessing the life of a mine for accounting purposes, mineralisation is only taken into account where there is a high degree of confidence of economic extraction.

(k) Close down, restoration and clean-up obligations

The Group has provisions for close down and restoration costs which include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas for the mines and certain refineries and smelters.

Close down and restoration costs are a normal consequence of mining or production, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine, refinery or smelter. Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their costs based on feasibility and engineering studies using current restoration standards and techniques.

Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs with, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise. This may occur during development or during the production phase of a facility.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan, and are updated annually during the life of the operation to reflect known developments, e.g. revisions to cost estimates and to the estimated lives of operations. The estimates are subject to formal review at regular intervals.

The initial closure provision is capitalised within property, plant and equipment. Subsequent movements in these closure provisions, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are also capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date and the cost is charged to the income statement.

Clean-up costs result from environmental damage that was not a necessary consequence of operations, and may include remediation, compensation and penalties. Provision is made for the estimated present value of such costs at the statement of financial position date. These costs are charged to the income statement. Movements in these clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a financing cost.

Remediation procedures may commence soon after the time the disturbance, remediation process and estimated remediation costs become known, but can continue for many years depending on the nature of the disturbance and the remediation techniques used.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value, primarily on a weighted average cost basis. Average costs are calculated by reference to the cost levels experienced in the relevant month together with those in opening inventory. Cost for raw materials and stores is the purchase price and for partly processed and saleable products is generally the cost of production. For this purpose the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore and the production of alumina and aluminium;

- the depreciation of mining properties and leases and of property, plant and equipment used in the extraction and processing of ore and the production of alumina and aluminium; and

- production overheads.

Work in progress inventory includes ore stockpiles and other partly processed material. Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed, the ore is expensed as mined. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine s cut off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the statement of financial position date it is included within non-current assets and net realisable value is calculated on a discounted cash flow basis. Quantities of stockpiled ore are assessed primarily through surveys and assays.

(m) Taxation

Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the statement of financial position date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. Provision for deferred tax is based on

the difference between the carrying value of the asset and its income tax base (which may be nil). Even where there is no income tax base, the existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision for the mining rights because it is expected that the carrying amount will be recovered primarily through use of the rights and not from disposal. Also, the Group is only entitled to a deduction for capital gains tax purposes if the mining rights are sold or formally relinquished.

Notes to the 2012 financial statements continued

1 Principal accounting policies continued

(n) Post employment benefits

For defined benefit post employment plans, the difference between the fair value of the plan assets (if any) and the present value of the plan liabilities is recognised as an asset or liability in the statement of financial position.

Any asset recognised is restricted, if appropriate, to the present value of any amounts the Group expects to recover by way of refunds from the plan or reductions in future contributions.

Actuarial gains and losses arising in the year are taken to the statement of comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. All of the amounts charged to the income statement in respect of these plans are included within operating costs or in the Group s share of the results of equity accounted units as appropriate.

The most significant assumptions used in accounting for pension plans are the long term rate of return on plan assets, the discount rate and the mortality assumptions. The long term rate of return on plan assets is used to calculate the expected return on pension assets, which is credited to the Group s income statement. The discount rate is used to determine the net present value of future liabilities. The discount rate used is the yield on high quality corporate bonds with maturity and terms that match those of the post employment obligations as closely as possible. Where there is no developed corporate bond market in a country, the rate on government bonds is used. Each year, the unwinding of the discount on those liabilities is charged to the Group s income statement as the interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Valuations of liabilities are carried out using the projected unit method which values benefits accrued at the valuation date with allowance where appropriate for future increases to pay and pensions. The long term rate of return on pension plan assets is determined as management s best estimate of the long term return on the major asset classes, i.e. equity, debt, property and other, weighted by the actual allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging.

The values attributed to plan liabilities and the long term rate of return are assessed in accordance with the advice of independent qualified actuaries.

The Group s contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

(o) Cash and cash equivalents

For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand, deposits held on call with banks and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdrafts that are repayable on demand which are shown as current liabilities on the statement of financial position.

(p) Financial instruments

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. The Group s policy with regard to financial risk management is set out in note 31. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. When the Group enters into derivative contracts these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions.

Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Derivatives are included within financial assets at fair value through profit or loss unless they are designated as hedges. Assets in this category are classified based on their maturity.

(b) Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, with the exception of items for which the Group may not recover substantially all of its investment for reasons other than credit deterioration, which are classified as available-for-sale. Trade receivables are included within this category; however, trade receivables subject to provisional pricing are valued as explained in note 1 (c) Sales revenue.

(c) Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other categories. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the statement of financial position date or the asset matures within less than twelve months.

(ii) Financial liabilities

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost.

Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the

effective interest method.

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(iii) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and transaction costs are expensed in the income statement. They are subsequently re-measured subject to IAS 39 at their fair value at each statement of financial position date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or of firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk. Where derivatives are held with different counterparties or with the same counterparty and management has no intention to settle the derivatives and the underlying asset or liability or firm commitment, on a net basis, the fair values of the derivative assets and liabilities and the hedged asset or liability or firm commitment are shown separately in the statement of financial position as there is no legal right of offset.

When a fair value interest rate hedging instrument expires or is sold, or when a fair value interest rate hedge no longer meets the criteria for hedge accounting, the fair value adjustments which have been made to the hedged item are amortised through the income statement over the remaining life of the hedged item or written off immediately where the hedged item is derecognised.

Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss, for example when the forecast sale that is being hedged takes place. When the forecast transaction that is being hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are transferred from equity and adjust the cost of the asset. The gains and losses are recognised subsequently in the income statement when the non-financial asset is amortised or sold.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, although the forecasted transaction is still expected to occur, any cumulative gain or loss relating to the instrument which is held in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting: Any derivative contracts that do not qualify for hedge accounting are marked to market at the statement of financial position date.

Embedded derivatives: Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. In some cases, the embedded derivatives may be designated as hedges and will be accounted for as described above.

(iv) Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm s length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

(a) The fair values of cash, short term borrowings and loans to joint ventures and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

(b) The fair values of medium and long term borrowings are calculated as the present value of the estimated future cash flows using quoted prices in active markets or an appropriate market based yield curve. The carrying value of the borrowings is amortised cost.

(c) Derivative financial assets and liabilities are carried at fair value based on quoted prices in an active market where available. Where no price information is available from a quoted market source, fair value is estimated based on the Group s views on relevant future prices using modelling techniques. The fair values of the various derivative instruments used for hedging purposes are disclosed in note 31. Movements on the hedging reserve are disclosed within note 30.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, an evaluation is made as to whether a decline in fair value is significant or prolonged based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the company invested in operates.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(q) Share based payments

The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is determined from the market value of the shares at the date of award and adjusted for any market based vesting conditions attached to the award e.g. relative Total Shareholder Return (TSR) performance. Fair values are subsequently re-measured at the date of the statement of financial position to reflect the market value of shares at the measurement date and, where relevant, the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred directly to equity as part of the consideration for the equity instruments issued.

The Group s equity-settled share plans are settled either by the issue of shares by the relevant parent company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings for Rio Tinto plc plans and to other reserves for Rio Tinto Limited plans.

If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to retained earnings or other reserves as appropriate. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (e.g. TSR).

The Group uses fair values provided by independent actuaries calculated using a lattice based option valuation model.

Notes to the 2012 financial statements continued

1 Principal accounting policies continued

Non-market based vesting conditions (e.g. earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each statement of financial position date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

The terms of each plan are considered at the statement of financial position date. If a cash-settled plan changes to become equity-settled then the accumulated liability is transferred directly to equity at the date of change.

Further information about the treatment of individual share based payment plans is provided in note 45.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Group s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of Rio Tinto. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of Rio Tinto.

Critical accounting policies and estimates

(i) Dual listed company reporting

As explained in detail in the Outline of dual listed companies structure and basis of financial statements , the consolidated financial statements of the Rio Tinto Group deal with the results, assets and liabilities of both of the dual listed companies, Rio Tinto plc and Rio Tinto Limited, and their subsidiaries. In other words, Rio Tinto plc and Rio Tinto Limited are viewed as a single parent company with their respective shareholders being the shareholders in that single company.

The 2012 Annual report satisfies the obligations of Rio Tinto Limited to prepare consolidated accounts under Australian company law, as amended by an order issued by the Australian Securities and Investments Commission on 22 December 2010 (as amended on 17 February 2012). The 2012 financial statements disclose the effect of the adjustments to the Group s consolidated profit, consolidated total comprehensive income and consolidated shareholders funds as prepared under IFRS that would be required under the version of IFRS that is applicable in Australia, referred to as Australian Accounting Standards (AAS).

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

(ii) Impairment review of asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year.

Where the recoverable amounts of the Group s cash generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in estimates of long term commodity prices including any carbon element, exchange rates, operating costs and discount rates.

Note 12 outlines the significant judgments and assumptions made in performing impairment testing of non-current assets.

(iii) Estimation of asset lives and determination of ore reserve estimates

Intangible assets are considered to have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite periods into the future in view of the Group s investment intentions.

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

For the purposes of disclosure with this combined Annual report on Form 20-F estimates of ore reserves have been computed in accordance with the SEC s Industry Guide 7, rather than in accordance with the JORC code, and are shown on pages 51 to 60. 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 2012, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price is predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto s own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

The estimation of ore reserves requires judgment to interpret available geological data and then to select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licences.

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

New geological data as well as changes in the above assumptions 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 and restoration costs.

(iv) Close down, restoration and clean-up obligations

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs with, where appropriate, probability weighting for the different

remediation or closure outcomes which could realistically arise. The ultimate cost of environmental disturbance is uncertain and management uses its judgment and experience to provide for these costs over the life of the operations. Cost estimates can vary in response to many factors including changes to the relevant legal or local/national government ownership requirements, the Group s environmental policies, the emergence of new restoration techniques, the timing of the expenditures and the effects of inflation. Experience gained at other mine or production sites is also a significant consideration.

Cost estimates are updated throughout the life of the operation. The accuracy range for operations with a remaining life of more than ten but less than 40 years is plus or minus 30 per cent. For operations with a remaining life of more than five but less than ten years the range is 20 per cent. Operations must produce a full decommissioning plan five years prior to the estimated date of closure. The accuracy range of the full decommissioning plan is plus or minus 15 per cent.

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The expected timing of expenditure included in cost estimates can also change, for example in response to changes in ore reserves, production rates, operating licence or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Some expenditure can continue into perpetuity.

Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgment.

As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

(v) Deferral of stripping costs

Stripping of waste materials takes place throughout the production stage of the mine or pit. Some mining companies expense these production stage stripping costs as incurred, while others defer such stripping costs. In operations that experience material fluctuations in the ratio of waste materials to ore or contained minerals on a year to year basis over the life of the mine or pit, deferral of stripping costs reduces the volatility of the cost of stripping expensed in individual reporting periods. Those mining companies that expense stripping costs as incurred will therefore report greater volatility in the results of their operations from period to period.

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

The Group s determination of whether multiple pit mines are considered separate or integrated operations depends on each mine s specific circumstances and the analysis requires judgment; another company could make the determination that a mine is separate or integrated differently than the Group, even if the fact pattern appears to be similar. To the extent the determination is different; the resulting accounting would also be different.

During 2012, production stage stripping costs capitalised by subsidiaries and equity accounted operations were US$411 million and the amounts charged against pre-tax profit was US$67 million (2011: production stage costs exceeded the amount charged against pre-tax profit by US$257 million; 2010: production stage costs exceeded the amount charged against pre-tax profit by US$123 million).

There was US$11 million impairment (net of reversals) of deferred stripping costs in both 2012 and 2011. In 2010, there was no impairment of deferred stripping costs.

The net book value of stripping costs in property, plant and equipment and in investments in equity accounted units at 31 December 2012 was US$1.9 billion (2011: US$1.6 billion; 2010: US$1.3 billion).

Information about the stripping ratios of the business units, including equity accounted units, that account for the majority of the deferred stripping costs at 31 December 2012, along with the year in which the deferred stripping costs are expected to be fully amortised, is set out in the following table:

Actual stripping ratio for year

				Life of mine stripping ratio		
	2012	2011	2010	**2012**	2011	2010
Kennecott Utah Copper (2029)[a][b]	**3.31**	2.09	2.09	**2.07**	1.94	1.48
Grasberg Joint Venture (2016)[a]	**2.21**	3.52	4.15	**2.24**	2.54	3.13
Diavik (2012)[c]	**0.02**	0.64	1.21	**0.98**	0.96	0.95
Escondida (2091)[a][d]	**0.13**	0.17	0.13	**0.11**	0.13	0.14

(a) Stripping ratios shown are waste to ore for KUC and Grasberg and waste to pounds of copper mined for Escondida.

(b) KUC s actual stripping ratio for 2012 increased over the prior year due to waste stripping associated with the Cornerstone pushback in the south wall of the Bingham Canyon mine.

(c) Diavik s stripping ratio is disclosed as bench cubic metre per carat. The 2012 actual ratio has reduced because production is now from the bottom of the A418 pit requiring less movement of waste per carat. A418 deferred stripping costs are fully amortised as at 31 December 2012.

(d) Escondida is an equity accounted unit.

Rio Tinto Borax capitalised stripping costs during the production stage of the mine as part of a distinct period of new development which was completed in 2004. The capitalised costs will be fully amortised in 2042.

As noted in the Basis of preparation, IFRIC 20 will change the accounting for post production stripping costs. Implementation, which is mandatory in 2013, is expected to result in a write off to retained earnings of some US$0.4 billion at 1 January 2011, which is the date of transition.

(vi) Recognition of deferred tax on mining rights recognised in acquisitions

On transition to IFRS with effect from 1 January 2004, deferred tax was provided in respect of fair value adjustments on acquisitions in previous years. No other adjustments were made to the assets and liabilities recognised in prior year acquisitions. Accordingly, shareholders funds were reduced by US$720 million primarily as a result of deferred tax on fair value adjustments to mining rights.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. Provision for deferred tax is based on the difference between the carrying value of the asset and its income tax base (which may be nil). Even where there is no income tax base, the existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision for the mining rights because it is expected that the carrying amount will be recovered primarily through use of the rights and not from disposal. Also, the Group is only entitled to a deduction for capital gains tax purposes if the mining rights are sold or formally relinquished. For acquisitions after 1 January 2004, provision for deferred tax on acquisition results in a consequential increase in the amounts attributed to goodwill under IFRS. Amounts attributed to goodwill for business combinations in 2011 and 2012 are shown in note 38.

(vii) Capitalisation of exploration and evaluation costs and other costs prior to the decision to mine/construct

Under the Group s accounting policy, exploration expenditure is not capitalised. Evaluation expenditure is capitalised when there is a high degree of confidence in the project s viability and it is therefore considered probable that future economic benefits will flow to the Group.

A project s viability is determined based on whether it will provide a satisfactory return relative to the perceived risks of the project and coincides with the point at which construction of the project/the decision to mine is approved at the appropriate authorisation level within the Group (the Investment

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Notes to the 2012 financial statements continued

1 Principal accounting policies continued

Committee; and the Board where appropriate). In determining whether to approve a project, the Investment Committee reviews the ore reserves estimate together with analyses regarding the net present value of the project and sensitivity analyses around key assumptions.

There are occasions when the Group concludes that the asset recognition criteria are met at an earlier stage than approval to construct/mine. In these cases, evaluation expenditure is capitalised if there is a high degree of confidence in the project s viability. The Group s view is that a high degree of confidence is greater than more likely than not (that is greater than 50 per cent) and less than virtually certain (that is less than 90 per cent certainty). Determining whether there is a high degree of confidence in an evaluation project s viability requires a significant degree of judgment and assessment of all relevant factors such as the nature and objective of the project; the project s current stage; project timeline; current estimates of the project s net present value including sensitivity analyses around key assumptions; the main risks of the project. Development expenditure incurred prior to the decision to construct/mine is subject to the same criteria for capitalisation, being a high degree of confidence in a project s viability.

In accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources , the criteria for the capitalisation of exploration and evaluation costs is applied consistently from period to period.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(viii) Identification of functional currencies

The functional currency for each entity in the Group, and for equity accounted units, is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other mining companies may make different judgments based on similar facts. For many of Rio Tinto s entities, their functional currency is the currency of the country in which they operate. The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

The majority of the ex-Alcan businesses acquired by the Group in 2007 changed from US functional currency to local functional currency for accounting purposes on 1 January 2011. The integration of the ex-Alcan businesses with the existing aluminium business of Rio Tinto changed the economic environment for these ex-Alcan businesses since acquisition in several ways. In particular, the divestment of the majority of the ex-Alcan downstream operations, the legal reorganisations that transferred ownership of certain ex-Alcan companies within the Rio Tinto group and the centralisation of certain functions such as procurement, pensions and shipping brought their business model closer to that for the rest of Rio Tinto s operations, the majority of which have the local currency as their functional currency. In addition, whilst financing is only a secondary indicator of functional currency, the magnitude of US dollar

denominated debt, which had been largely repaid by 1 January 2011, was a factor in the original determination of US functional currency at acquisition.

(ix) Estimation of liabilities for post retirement costs

The value of the Group s liabilities for post-retirement benefits will ultimately depend upon the amount of benefits paid out. This in turn will depend upon the future pay increases received by members of final pay plans, the level of inflation (for those benefits that are subject to some form of inflation protection), the number of individuals and how long individuals live in retirement.

Most of the Group s defined benefit pension plans are closed to new entrants and most of the liabilities relate to former employees. As a consequence, the carrying value of the Group s post-retirement liabilities is less sensitive to the assumption about future salary increases than it is to the assumption regarding future inflation. The assumption regarding future inflation is derived using market yields on inflation-linked instruments where possible, combined with consensus views on future inflation. This assumption is derived using the same process at each reporting date. Changes to the assumption therefore reflect changes to the market and consensus views of future inflation.

The Group reviews the actual mortality rates of retirees in its major pension plans on a regular basis and uses these rates to set its current mortality assumptions. It also allows for future improvements in mortality having regard to standard improvement scales in each country.

The discount rate used to value post-retirement liabilities is set in accordance with IAS 19 Post retirement benefits based upon the yields on high quality corporate bonds in the relevant currency and of a duration consistent with the nature of the liabilities. The discount rate will vary from one period to another in line with movements in corporate bond yields, but at any given measurement date there is relatively little estimation uncertainty.

Details of the key assumptions, how they have moved since the previous statement of financial position date and the sensitivity of the carrying value to changes in the assumptions, are set out in note 46.

For 2012 the charge against income for post retirement benefits net of tax and non-controlling interests was US$535 million. This charge included both pension and post retirement healthcare benefits. The charge is net of the expected return on assets which was US$481 million after tax and non-controlling interests.

The average future increase in compensation levels was assumed to be 3.4 per cent in 2012 and will be 3.4 per cent for 2013. The average discount rate used was 4.3 per cent in 2012 and will be 3.9 per cent in 2013 reflecting the net impact of changes in corporate bond yields in the regions where the Group has pension obligations.

The weighted average expected long term rate of return on assets used to determine the 2012 pension cost was 5.0 per cent. Starting in 2013, the expected rate of return on assets will no longer be used to determine pensions cost, as it is replaced by interest income on assets, calculated using the discount rate, in accordance with the revisions to IAS 19.

Based on the known changes in assumptions noted above and other expected circumstances, and in the absence of the revisions to IAS 19 and IFRS 11, Joint Arrangements , which are effective on 1 January 2013, the expected impact of post retirement costs on the Group s IFRS net earnings in 2013 would be US$4 million less than in 2012. The actual charge will be impacted by the revisions to IAS 19 and IFRS 11 and other factors that cannot be predicted, such as the effect of changes in benefits, number of employees and exchange rates.

The revisions to IAS 19 do not have a material impact on the Group s statement of financial position.

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The table below sets out the potential change in the Group s 2012 net earnings (after tax and non-controlling interests) that would result from hypothetical changes to post retirement assumptions and estimates. The sensitivities are viewed for each assumption in isolation although a change in one assumption is likely to result in some offset elsewhere. The figures in the table only show the impact on underlying and net earnings. Changing the assumptions would also have an impact on the statement of financial position.

	US$ million
Sensitivity of Group s 2012 underlying and net earnings to changes in:	
Expected return on assets	
increase of 1 percentage point	94
decrease of 1 percentage point	(94)
Discount rate	
increase of 0.5 percentage points	(1)
decrease of 0.5 percentage points	4
Inflation	
increase of 0.5 percentage points	(33)
decrease of 0.5 percentage points	31
Salary increases	
increase of 0.5 percentage points	(8)
decrease of 0.5 percentage points	7
Demographic allowance for additional future mortality improvements	
participants assumed to have the mortality rates of individuals who are one year older	19
participants assumed to have the mortality rates of individuals who are one year younger	(19)

(x) Recoverability of potential deferred tax assets

The Group has tax losses, and other deductible temporary differences, mainly in UK, French, Canadian, US and Australian taxable entities that have the potential to reduce tax payments in future years. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the projected future taxable profits of these taxable entities and after taking account of specific risk factors that affect the recovery of these assets.

The possible tax assets i.e. the amounts that would be recognised if there were no need to assess recoverability on losses and other temporary differences in these taxable entities, are shown in the table below and totalled US$18,512 million at 31 December 2012 (2011: US$3,834 million). Of these possible tax assets, US$3,358 million have been recognised as deferred tax assets (2011: US$1,875 million), leaving US$15,154 million (2011: US$1,959 million) unrecognised, as recovery is not considered probable.

The recognised amounts do not include deferred tax assets that have been offset against recognised deferred tax liabilities. This is a change in presentation for 2012 and comparatives have been restated accordingly. In previous years, with the exception of capital losses, tax losses have been shown at their full value before offsetting deferred tax liabilities.

US$ million	Recognised		Unrecognised	
At 31 December	**2012**	2011	**2012**	2011

UK	**212**	229	**235**	267
France[a]	**499**	515	**1,034**	797
Canada	**67**	21	**136**	131
US	**365**	340	**17**	20
Australia[b]	**2,093**	657	**12,913**	200
Other	**122**	113	**819**	544
Total	**3,358**	1,875	**15,154**	1,959

(a) The amount recognised takes account of legislation changes introduced in 2011 and 2012 which restrict the recovery of losses.

(b) The unrecognised amount includes temporary differences that are deductible for the purposes of Mineral Resources Rent Tax (MRRT).

(xi) Contingencies

Disclosure is made of material contingent liabilities unless the possibility of any loss arising is considered remote. Contingencies are disclosed in note 32.

(xii) Basis of consolidation

In determining whether the Group has control, joint control or significant influence over an entity, the Group considers whether other parties hold veto rights over significant operating and financial policies. In some instances, the Group has control of an entity where other parties own more than one half, or in some cases all, of the voting rights of an entity but the Group can control those voting rights through a contractual arrangement. In such circumstances, the Group considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to govern the financial and operating policies of the entity.

In some cases, the Group makes acquisitions over a period of days, weeks or months. It is a matter of judgment as to whether the payments made during this period form part of one transaction or a number of separate transactions. In the latter case, the transactions will be treated as an acquisition in stages. The effect on the financial statements of treatment as an acquisition in stages is that any excess of consideration over identifiable net assets for transactions after control has been gained will be recorded as a reduction in equity. If the transactions were treated as one acquisition then all such excess consideration would be treated as goodwill. In addition, acquisitions of shares after the date on which control is gained and which are accounted for in stages are shown within Financing activities in the cash flow statement rather than in Investing activities.

Factors which are considered in this judgment are the length of time between the acquisition date and completion of the transaction and whether, at the time of the initial share purchase, it was clear what percentage ownership would ultimately be obtained.

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Notes to the 2012 financial statements continued

2 Operating segments

		Restated[b]	Restated[b]
	2012	2011	2010
Sales revenue[a]	**US$m**	US$m	US$m
Iron Ore	**24,279**	29,475	23,582
Aluminium	**10,105**	12,159	11,313
Copper	**6,661**	7,634	7,797
Energy	**5,783**	7,003	5,446
Diamonds & Minerals	**4,056**	3,654	3,477
Other operations	**6,730**	8,246	10,151
Reportable segments total	**57,614**	68,171	61,766
Inter-segment transactions	**(2,048)**	(2,817)	(2,758)
Product Group Total	**55,566**	65,354	59,008
Items excluded from Underlying earnings	**31**	(56)	
Gross sales revenue	**55,597**	65,298	59,008
Less share of equity accounted units sales revenue	**(4,630)**	(4,761)	(3,837)
Consolidated sales revenue	**50,967**	60,537	55,171
Depreciation and amortisation[c]			
Iron Ore	**1,488**	1,169	960
Aluminium	**1,093**	1,098	1,062
Copper	**634**	538	568
Energy	**769**	520	367
Diamonds & Minerals	**444**	371	301
Other operations	**403**	535	587
Reportable segments total	**4,831**	4,231	3,845
Other items	**111**	113	114
Less: depreciation and amortisation of equity accounted units	**(501)**	(527)	(522)
Depreciation and amortisation per note 4	**4,441**	3,817	3,437
Underlying earnings[d]			
Iron Ore	**9,242**	13,267	10,313
Aluminium	**3**	442	611
Copper	**1,092**	1,932	2,530
Energy	**283**	1,074	1,187
Diamonds & Minerals	**119**	(162)	204
Other operations	**(528)**	(120)	237
Reportable segments total	**10,211**	16,433	15,082
Inter-segment transactions	**(8)**	40	(15)
Other items	**(698)**	(593)	(554)

Exploration and evaluation not attributed to product groups	**(97)**	(102)	(52)
Net finance costs	**(105)**	(229)	(474)
Underlying earnings	**9,303**	15,549	13,987
Items excluded from Underlying earnings[(e)]	**(12,293)**	(9,723)	251
Net (loss)/earnings attributable to owners of Rio Tinto per income statement	**(2,990)**	5,826	14,238
Tax charge			
Iron Ore	**4,271**	5,939	4,602
Aluminium	**(154)**	64	36
Copper	**(32)**	626	705
Energy	**(11)**	496	537
Diamonds & Minerals	**68**	29	(39)
Other operations	**(266)**	11	(136)
Reportable segments total	**3,876**	7,165	5,705
Other items	**(244)**	(370)	(216)
Exploration and evaluation not attributed to product groups	**(26)**	(28)	1
Net finance costs	**(78)**	(140)	(152)
	3,528	6,627	5,338
Tax credit excluded from Underlying earnings[(e)]	**(3,099)**	(188)	(42)
Tax charge per income statement	**429**	6,439	5,296

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	2012 US$m	Restated[b] 2011 US$m	Restated[b] 2010 US$m
Capital expenditure			
Iron Ore	**7,149**	4,004	1,702
Aluminium	**2,550**	1,957	963
Copper	**4,347**	3,784	990
Energy	**1,819**	1,327	685
Diamonds & Minerals	**1,785**	1,392	314
Other Operations	**637**	729	570
Reportable segments total	**18,287**	13,193	5,224
Other items	**159**	251	75
Less: capital expenditure of equity accounted units	**(1,028)**	(1,146)	(746)
Capital expenditure per Financial information by business units	**17,418**	12,298	4,553
Add: Proceeds from disposal of property, plant and equipment	**40**	37	38
Capital expenditure per statement of cash flow	**17,458**	12,335	4,591

Rio Tinto s management structure is based on the principal product groups shown above together with the global functions that support the business. The chief executive of each product group reports to the chief executive of Rio Tinto. The chief executive of Rio Tinto monitors the performance of each product group based on a number of measures including capital expenditure and operating cash flows, with Underlying earnings being the key financial performance indicator. Finance costs and net debt are managed on a group basis.

Generally, business units are allocated to product groups based on their primary product. The Energy product group includes both coal and uranium businesses. The Diamonds & Minerals product group includes businesses with products such as borates, salt and titanium dioxide feedstock together with diamond operations and the Simandou iron ore project, which is the responsibility of the Diamonds & Minerals product group chief executive. The Copper group includes certain gold operations in addition to copper.

The financial information by business unit provided on page 219 of these financial statements provide additional voluntary disclosure which the Group considers is useful to the users of the financial statements.

(a) Sales revenue

Gross sales revenue includes the sales revenue of equity accounted units (after adjusting for sales to subsidiaries) of US$5,068 million (2011: US$5,240 million, 2010: US$4,048 million) in addition to consolidated sales revenue. Consolidated sales revenue includes subsidiary sales of US$438 million (2011: US$479 million, 2010: US$210 million) to equity accounted units which are not included in gross sales revenue.

Intersegment transactions relate to sales between the Aluminium Product Group and Constellium (formerly Alcan Engineered Products) and Other Aluminum operations whose results are reported within Other operations.

(b) Restatements

Dampier Salt and the Simandou iron ore project were transferred from the Iron Ore product group to the Diamonds & Minerals product group following changes to the Group s management structure, and accordingly information for 2011

and 2010 has been reclassified.

Comparatives for gross revenue for 2011 and 2010 have been restated (2011: US$324 million, 2010: US$206 million) to exclude amounts relating to product sold by the Group to an equity accounted unit and subsequently sold to third parties. The amount was correctly included within consolidated sales revenue which remain unchanged.

(c) Depreciation and amortisation

Product group depreciation and amortisation totals include 100 per cent of subsidiaries depreciation and amortisation and include Rio Tinto s share of the depreciation and amortisation of equity accounted units. Rio Tinto s share of the depreciation and amortisation charge of equity accounted units is deducted to arrive at depreciation and amortisation excluding equity accounted units as shown in note 4. These figures exclude impairment charges, which are excluded from Underlying earnings.

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Notes to the 2012 financial statements continued

2 Operating segments continued

(d) Underlying earnings

Underlying earnings is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations and to enhance comparability of reporting periods.

The measure of Underlying earnings is used by the chief executive of Rio Tinto to assess the performance of the product groups. Underlying earnings and Net earnings both represent amounts attributable to Rio Tinto shareholders. The following items are excluded from Net earnings in arriving at Underlying earnings each period irrespective of materiality:

- Profits less losses on acquisitions/disposal of interests in businesses.
- Impairment charges/reversal.
- Profit/(loss) after tax from discontinued operations.
- Exchange and derivative gains and losses. This exclusion includes Exchange gains/(losses) on US dollar net debt and intragroup balances, gains and losses on currency interest rate derivatives not qualifying for hedge accounting and gains/(losses) on commodity derivatives not qualifying for hedge accounting.

In addition, there is a final judgemental category which includes, where applicable, other credits and charges that, individually, or in aggregate if of a similar type, are of a nature or size to require exclusion in order to provide additional insight into underlying business performance.

Product group earnings include earnings of subsidiaries and equity accounted units stated before finance items but after the amortisation of discount.

Rio Tinto s share of the Underlying earnings of equity accounted units amount to US$1,008 million in 2012 (2011: US$834 million; 2010: US$1,202 million). This amount is attributable as follows: US$778 million profit to the Copper group and US$230 million profit to other product groups (2011: US$660 million profit attributable to the Copper product group and US$174 million profit to other product groups; 2010: US$1,016 million profit attributable to the Copper product group and US$186 million profit to other product groups). These amounts are included in Underlying earnings of the relevant product groups and include the Underlying earnings of the Group s tolling entities which process bauxite and alumina. Tolling entities recharge the majority of their costs and generally have minimal earnings.

The Energy product group s Underlying earnings in 2012 included US$258 million profit after tax in relation to the divestments of equity interest in Extract Resources and Kalahari Minerals. 2010 included US$229 million profit after

tax in relation to the divestment of Maules Creek and Vickery coal projects. The Diamonds & Minerals product group s Underlying earnings in 2009 included US$797 million profit after tax in relation to the divestment of undeveloped potash assets in Argentina and Canada.

(e) Reconciliation of net earnings to Underlying earnings

Exclusions from Underlying earnings	**Pre-tax[j] 2012 US$m**	**Taxation 2012 US$m**	**Non-controlling interests 2012 US$m**	**Discontinued operations[j] 2012 US$m**	**Net amount 2012 US$m**	Net amount 2011 US$m	Net amount 2010 US$m
Impairment charges net of reversals (note 6)	**(16,410)**	**2,028**	**22**		**(14,360)**	(9,290)	(739)
Gains and losses on consolidation and disposal of interests in businesses[f]	**845**	**(18)**			**827**	167	619
Exchange and derivative gains/(losses):							
Exchange gains/(losses) on US dollar net debt and intragroup balances	**494**	**(78)**	**13**		**429**	(147)	434
Gains/(losses) on currency and interest rate derivatives not qualifying for hedge accounting	**103**	**(8)**	**(37)**		**58**	(19)	56
Gains on commodity derivatives not qualifying for hedge accounting	**80**	**(14)**			**66**	109	(61)
Deferred tax asset write off[g]		**(134)**			**(134)**	(342)	
MRRT[h]		**1,205**	**(75)**		**1,130**		
Other exclusions[i]	**(595)**	**118**	**175**	**(7)**	**(309)**	(201)	(58)
Total excluded from Underlying earnings	**(15,483)**	**3,099**	**98**	**(7)**	**(12,293)**	(9,723)	251
Net (loss)/earnings	**(2,568)**	**(429)**	**14**	**(7)**	**(2,990)**	5,826	14,238
Underlying earnings	**12,915**	**(3,528)**	**(84)**		**9,303**	15,549	13,987

(f) Net gains arising on the consolidation and disposal of interests in businesses for the year ended 31 December 2012 relate principally to consolidation of Richards Bay Minerals (RBM) and Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Limited). Refer to note 38.

Gains arising on the disposal of interests in businesses for the year ended 31 December 2011 relate principally to the divestment of the Group s talc business. Refer to note 38.

Gains arising on the disposal of interests in businesses for the year ended 31 December 2010 relate principally to the sale of the Group s 48 per cent interest in Cloud Peak Energy Inc.

(g) Deferred tax assets were written off as a result of restrictions on the utilisation of French losses introduced in 2011 and to eliminate the increase in deferred tax assets following the impairment of French aluminium assets in 2012.

(h) A deferred tax asset was recognised following the introduction of the Minerals Resource Rent Tax (MRRT) on 1 July 2012.

(i) In the period following consolidation of RBM, adjustments were made in respect of inventory on hand at the acquisition date which had been recognised at fair value on consolidation. These adjustments, which include amounts relating to inventory sold since 3 September 2012, totalled US$186 million (net of tax) and have been excluded from Underlying earnings.

Other charges excluded from Underlying earnings in 2012 comprise costs relating to acquisitions, potential divestments and similar corporate projects.

(j) Exclusions from Underlying earnings relating to both equity accounted units (EAUs) and discontinued operations are stated after tax. Exclusions from Underlying earnings relating to EAUs are included in the column Pre-tax .

Net (loss)/earnings relating to EAUs are included in the column Pre-tax and the results of discontinued operations are shown in the column Discontinued operations .

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3 Operating segments additional information

Sales revenue by destination[a]	2012 %	2011 %	2010 %	2012 US$m	Restated[b] 2011 US$m	Restated 2010 US$m
China	**32.3**	30.9	28.1	**17,948**	20,149	16,568
Japan	**15.8**	16.3	15.8	**8,787**	10,671	9,301
Other Asia	**15.2**	15.8	14.4	**8,464**	10,322	8,523
United States of America	**12.7**	13.8	15.2	**7,085**	9,019	8,975
Europe (excluding United Kingdom)	**11.5**	11.6	14.1	**6,380**	7,549	8,340
Canada	**3.3**	2.9	3.3	**1,823**	1,926	1,925
Australia	**2.6**	2.5	2.0	**1,420**	1,643	1,160
United Kingdom	**1.2**	1.4	2.3	**678**	922	1,334
Other	**5.4**	4.8	4.8	**3,012**	3,097	2,882
Gross sales revenue	**100**	100	100	**55,597**	65,298	59,008
Less share of equity accounted units sales revenue				**(4,630)**	(4,761)	(3,837)
Consolidated sales revenue				**50,967**	60,537	55,171

(a) Gross sales revenue by geographical destination are based on the ultimate country of destination of the product, if known. If the eventual destination of the product sold through traders is not known then revenue is allocated to the location of the product at the time when the risks and rewards of ownership are passed. Rio Tinto is domiciled in both the United Kingdom and Australia.

(b) Comparatives for gross revenue have been restated (2011: US$324 million, 2010: US$206 million) to exclude amounts relating to product sold by the Group to an equity accounted unit and subsequently sold to third parties. The amount was correctly included within consolidated sales revenue which remain unchanged.

Sales revenue by product[c]

Gross sales revenues of the Group are derived from the following products sold to external customers:	2012 US$m	Restated 2011 US$m	Restated 2010 US$m
Iron Ore	**24,756**	29,867	23,834
Aluminium	**12,535**	14,327	12,721
Coal	**5,060**	6,026	5,154
Copper	**4,749**	5,144	5,716
Industrial Minerals	**3,460**	3,131	2,955
Gold	**614**	1,012	1,086
Diamonds	**754**	726	682
Other	**3,669**	5,065	6,860
Gross sales revenue	**55,597**	65,298	59,008

Share of equity accounted units sales and intra-subsidiary/equity accounted units sales	**(4,630)**	(4,761)	(3,837)
Consolidated sales revenue	**50,967**	60,537	55,171

(c) Gross sales revenues of the Group are derived from the above products sold to external customers.

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Notes to the 2012 financial statements continued

3 Operating segments additional information continued

Non-current assets other than excluded items

The total of non-current assets other than items excluded is shown by location below. This is allocated based on the location of the business units holding the assets.

	2012	2011
Non-current assets other than excluded items[d]	**US$m**	US$m
Australia	**39,789**	40,081
Canada	**18,216**	22,458
Mongolia	**14,759**	11,195
Africa	**4,872**	5,685
United States	**5,443**	5,012
South America	**2,875**	2,325
United Kingdom	**1,016**	894
France	**590**	1,095
Europe (excluding France)	**505**	1,000
Indonesia	**884**	770
Other countries	**1,719**	496
	90,668	91,011
Non-current assets excluded from analysis above:		
Deferred tax assets	**3,358**	1,875
Tax recoverable	**86**	74
Derivatives and other financial assets	**1,048**	1,454
Loans to equity accounted units[e]	**603**	1,695
Accounts receivable	**1,617**	1,450
Total non-current assets per statement of financial position	**97,380**	97,559

(d) Non-current assets by location exclude financial instruments, deferred tax assets, post-employment benefit assets and accounts receivable. Allocation is based on the location of the business units holding the assets, and includes investments in equity accounted units totalling US$4,726 million (2011: US$8,606 million) which represents the Group s share of net assets excluding quasi equity loans shown separately within Loans to equity accounted units above.

(e) Loans to equity accounted units comprise quasi equity loans of US$586 million (2011: US$1,227 million) included in Investments in equity accounted units on the face of the statement of financial position and non-quasi equity loans of US$17 million (2011: US$468 million) shown within other financial assets .

4 Net operating costs

	Note	2012 US$m	2011 US$m	2010 US$m
Raw materials and consumables		**9,597**	10,975	12,004
Amortisation of intangible assets	13	**300**	314	369
Depreciation of property, plant and equipment	14	**4,141**	3,503	3,068
Employment costs	5	**8,464**	6,908	6,406
Repairs and maintenance		**2,919**	2,533	1,946
Shipping costs		**1,896**	1,885	1,890
Other freight costs		**1,179**	959	838
Decrease/(increase) in finished goods and work in progress		**212**	(31)	(377)
Royalties		**2,374**	2,790	2,104
Amounts charged by jointly controlled entities[(a)]		**3,445**	3,730	2,934
Net foreign exchange (losses)/gains		**3**	(84)	(4)
Other external costs		**3,112**	2,901	3,304
Provisions (including exchange differences on provisions)	27	**807**	961	907
Research and development		**129**	148	187
Costs included above qualifying for capitalisation		**(534)**	(836)	(140)
Other operating income		**(508)**	(396)	(174)
Net operating costs (excluding items shown separately)		**37,536**	36,260	35,262

(a) Amounts charged by jointly controlled entities mainly relate to toll processing but also include purchases from jointly controlled entities of bauxite and aluminium which are then processed by the product group or sold to third parties. Generally, purchases are in proportion to the Group s share of the jointly controlled entity but in 2012, US$690 million (2011: US$849 million; 2010: US$564 million) related to purchases of the other venturer s share of production.

Information on auditors remuneration is included in note 40.

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5 Employment costs

	Note	2012 US$m	2011 US$m	2010 US$m
Employment costs				
Wages and salaries		**8,149**	6,696	6,328
Social security costs		**156**	128	98
Net post retirement cost	46	**746**	604	573
Share option charge	45	**239**	156	124
		9,290	7,584	7,123
Less: charged within provisions		**(826)**	(676)	(717)
Total employment costs	4	**8,464**	6,908	6,406

6 Impairment charges

	Pre-tax 2012 US$m	Taxation 2012 US$m	Non-controlling interests 2012 US$m	Net amount 2012 US$m	Net amount 2011 US$m	Net amount 2010 US$m
Aluminium[a]	(12,397)	1,397		**(11,000)**	(8,855)	
Rio Tinto Coal Mozambique[b]	(3,269)	409		**(2,860)**		
Diamonds[c]	(659)	199		**(460)**	(344)	(115)
Alcan Engineered Products[d]						(589)
Other	(85)	23	22	**(40)**	(91)	(35)
Total	(16,410)	2,028	22	**(14,360)**	(9,290)	(739)
Comprising:						
Impairment of consolidated balances[e]	(13,953)	2,028	22	**(11,903)**	(8,698)	(739)
Impairment of investments in equity accounted units[e]	(3,241)	784		**(2,457)**	(592)	
Total impairment in the Financial Information by Business Unit (page 220)[e]	(17,194)	2,812	22	**(14,360)**	(9,290)	(739)
Tax on impairment of investments in equity accounted units	784	(784)				
Total impairment in the income statement	(16,410)	2,028	22	**(14,360)**	(9,290)	(739)

(a) The annual impairment review of the Group s Aluminium businesses resulted in an impairment of US$6,056 million to goodwill (2011: US$7,405 million, 2010: no impairment charge). The review also resulted in a US$4,430 million pre-tax impairment of property, plant and equipment (2011: US$1,186 million, 2010: no impairment charge) related to Rio Tinto Alcan and Other Aluminium operations, a US$1,310 million post-tax impairment of investments in equity accounted units (2011: US$579 million, 2010: no impairment charge) relating to Rio Tinto Alcan and Other Aluminium operations, a US$407 million pre-tax impairment to intangible assets (2011 and 2010: no impairment charge), and a pre-tax adjustment of US$194 million to other assets and liabilities.

Details of the 2012 impairment review relating to the Group s aluminium businesses are set out in note 12.

(b) The annual impairment review of Rio Tinto Coal Mozambique resulted in an impairment of US$541 million to goodwill. The review also resulted in a US$1,581 million pre-tax impairment to exploration and evaluation assets held within intangible assets and a US$1,147 million post-tax impairment of investments in equity accounted units. Details of the 2012 impairment review relating to Rio Tinto Coal Mozambique are set out in note 12.

(c) Of the net impairment to the Group s diamond business during 2012, 2011 and 2010, US$659 million pre-tax (2011: US$643 million pre-tax; 2010: US$381 million pre-tax) relates to Argyle and was triggered by the announcement during the year of the Diamonds strategic review, as well as a change to the forecast ramp-up date for the underground project. In 2012, the estimate of value in use was based on the policy in note 1(i). In 2011 and 2010, recovery in prices resulted in a reversal of impairment relating to Diavik of US$176 million pre-tax and US$247 million pre-tax in 2011 and 2010 respectively.

(d) Impairment to the Alcan Engineered Product businesses arose following finalisation of the proceeds and terms of the proposed sales transaction, which affected the assessment of fair value less costs to sell. The estimated proceeds were assessed in line with the policy in note 1(i).

(e) In 2011, charges of US$9,290 million (2010: US$739 million) are reduced by net credits for tax of US$476 million (2010: US$243 million) and US$349 million (2010: nil) relating to impairment of consolidated balances and investments in equity accounted units respectively.

Notes to the 2012 financial statements continued

7 Share of profit after tax of equity accounted units

	2012 US$m	2011 US$m	2010 US$m
Sales revenue: Rio Tinto share[a]	**5,499**	6,099	4,722
Operating costs	**(3,781)**	(4,872)	(2,818)
Profit before finance items and taxation	**1,718**	1,227	1,904
Finance items	**(103)**	(54)	(87)
Share of profit after tax of equity accounted units	**47**	38	21
Profit before taxation	**1,662**	1,211	1,838
Taxation	**(628)**	(507)	(737)
Profit for the year (Rio Tinto share)	**1,034**	704	1,101

(a) Sales revenue of equity accounted units excludes charges by equity accounted units to Group subsidiaries.

8 Finance income and finance costs

	Note	2012 US$m	2011 US$m	2010 US$m
Finance income from equity accounted units		**14**	35	33
Other finance income (including bank deposits and other financial assets)		**102**	80	130
Total finance income		**116**	115	163
Interest payable and similar charges[a]		**(1,043)**	(990)	(853)
Charges related to refinancing				(107)
Amounts capitalised	14	**767**	493	182
Total finance costs		**(276)**	(497)	(778)

(a) Interest payable and similar charges relate to interest on bank loans and other borrowings. This includes a fair value loss on interest rate swaps designated as hedges of US$25 million (2011: US$311 million gain; 2010: US$186 million loss) and a fair value loss on bonds and notes attributable to interest rate risk of US$13 million (2011: US$308 million loss; 2010: US$196 million loss).

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9 Taxation

	Note	2012 US$m	2011 US$m	2010 US$m
Taxation charge				
Current		**3,876**	6,131	5,026
Deferred	19	**(3,447)**	308	270
		429	6,439	5,296

Prima facie tax reconciliation	2012 US$m	2011 US$m	2010 US$m
(Loss)/profit before taxation	**(2,568)**	13,214	20,491
Deduct: share of profit after tax of equity accounted units	**(1,034)**	(704)	(1,101)
Add: impairment after tax of investments in equity accounted units[(a)]	**2,457**	592	
Parent companies and subsidiaries (loss)/profit before tax	**(1,145)**	13,102	19,390
Prima facie tax payable at UK rate of 24% (2011: 26%; 2010: 28%)	**(275)**	3,407	5,429
Higher rate of taxation on Australian earnings at 30%	**845**	759	295
Items excluded in arriving at Underlying earnings:			
Impairment charges	**1,321**	1,909	(23)
Gains on disposal of businesses and on newly consolidated operations	**(185)**	(30)	(77)
Foreign exchange on excluded finance items	**(50)**	15	(32)
Impact of tax law changes on recognition of deferred tax assets[(b)]	**(1,205)**	342	
Other exclusions	**157**	(91)	13
Impact of changes in tax rates and laws	**(5)**	20	(96)
Other tax rates applicable outside the UK and Australia	**(71)**	112	110
Resource depletion and other depreciation allowances	**(121)**	(182)	(163)
Research, development and other investment allowances	**(57)**	(78)	(74)
Recognition of previously unrecognised deferred tax assets	**(84)**		(13)
Unrecognised current year operating losses	**202**	272	95
Foreign exchange differences		(3)	(63)
Withholding taxes	**6**	27	35
Other items	**(49)**	(40)	(140)
Total taxation charge[(c)]	**429**	6,439	5,296

(a) Impairment of investments in equity accounted units is net of tax credits of US$784 million (2011: US$349 million).

(b) Minerals Resource Rent Tax (MRRT) is an additional tax on profits from the mining of iron ore and coal in Australia, which came into effect on 1 July 2012. In computing MRRT liabilities, a deduction is given in respect of

the market value of the mining assets as at 1 May 2010. A deferred tax asset has been recognised in 2012 on the temporary difference between the amount that is deductible for tax purposes and the carrying value of the assets in the accounts, to the extent that its recovery is probable. This temporary difference will reverse over the life of the mines.

(c) This tax reconciliation relates to the Group s parent companies, subsidiaries and proportionally consolidated units.
The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2012	2011	2010
	Total	Total	Total
	US$m	US$m	US$m
Tax on exchange adjustments	**(1)**	13	27
Cash flow hedge fair value losses/(gains):			
Cash flow hedge fair value losses/(gains)	**26**	(24)	24
Cash flow hedge losses transferred to the income statement	**(50)**	(52)	(34)
Losses/(gains) on revaluation of available for sale securities	**6**	21	(25)
Gains on revaluation of available for sale securities transferred to the income statement	**1**	1	1
Currency translation reclassified		(3)	
Actuarial losses on post retirement benefit plans	**110**	567	216
Deferred tax on share options	**(8)**	(55)	47
	84	468	256
Share of tax on other comprehensive expense of equity accounted units		(3)	(3)
Tax relating to components of other comprehensive income/(expense) for the year[(a)]	**84**	465	253

(a) This comprises deferred tax credits of US$81 million (2011: US$511 million; 2010: US$226 million) and current tax credits of US$3 million (2011: charge of US$43 million 2010 credit of: US$30 million), plus share of tax on other comprehensive income of equity accounted units shown separately. See note 19.

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Notes to the 2012 financial statements continued

10 (Loss)/earnings per ordinary share

	2012 Earnings US$m	**2012 Weighted average number of shares (millions)**	**2012 Per share amount (cents)**	2011 Earnings US$m	2011 Weighted average number of shares (millions)	2011 Per share amount (cents)
Basic (loss)/earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	**(2,983)**	**1,849.1**	**(161.3)**	5,836	1,923.1	303.5
Basic loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	**(7)**	**1,849.1**	**(0.4)**	(10)	1,923.1	(0.5)
Total basic (loss)/earnings per share profit for the year[(a)]	**(2,990)**	**1,849.1**	**(161.7)**	5,826	1,923.1	303.0
Diluted (loss)/earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	**(2,983)**	**1,849.1**	**(161.3)**	5,836	1,935.5	301.5
Diluted loss per share attributable	**(7)**	**1,849.1**	**(0.4)**	(10)	1,935.5	(0.5)

to ordinary shareholders of Rio Tinto discontinued operations						
Total diluted (loss)/earnings per share profit for the year[b]	**(2,990)**	**1,849.1**	**(161.7)**	5,826	1,935.5	301.0

	2010 Earnings US$m	2010 Weighted average number of shares (millions)	2010 Per share amount (cents)
Basic earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	14,335	1,961.0	731.0
Basic loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	(97)	1,961.0	(4.9)
Total basic earnings per share profit for the year[a]	14,238	1,961.0	726.1
Diluted earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	14,335	1,972.6	726.7
Diluted loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	(97)	1,972.6	(4.9)
Total diluted earnings per share profit for the year	14,238	1,972.6	721.8

(a) The weighted average number of shares is calculated as the average number of Rio Tinto plc shares outstanding not held as treasury shares of 1,413.4 million (2011: 1,487.3 million; 2010: 1,525.2 million) plus the average number of Rio Tinto Limited shares outstanding of 435.8 million (2011: 435.8 million; 2010: 435.8 million). No Rio Tinto Limited shares were held by Rio Tinto plc in any of the periods presented.

(b) In accordance with IAS 33 Earnings per share , the effects of anti-dilutive potential have not been included when calculating diluted loss per share for the year ended 31 December 2012. For the purposes of calculating diluted earnings per share, the effect of dilutive securities of 12.4 million shares in 2011 (2010: 11.6 million shares) is added to the weighted average number of shares described in (a) above. This effect is calculated under the treasury stock method. The Group s only potential dilutive ordinary shares are share options for which terms and conditions are described in note 45.

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11 Dividends

	2012	2011	2010
	US$m	US$m	US$m
Rio Tinto plc previous year final dividend paid	**1,295**	955	686
Rio Tinto plc Interim dividend paid	**1,054**	778	664
Rio Tinto Limited previous year final dividend paid	**380**	279	206
Rio Tinto Limited Interim dividend paid	**309**	224	198
Dividends paid during the year	**3,038**	2,236	1,754
Dividends per share: paid during the year	**163.5c**	117.0c	90.0c
Dividends per share: proposed in the announcement of the results for the year	**94.5c**	91.0c	63.0c

	Dividends per share 2012	Dividends per share 2011	Dividends per share 2010
Rio Tinto plc previous year final (pence)	**57.33p**	39.14p	28.84p
Rio Tinto plc Interim (pence)	**46.43p**	33.14p	28.21p
Rio Tinto Limited previous year final fully franked at 30% (Australian cents)	**84.20c**	61.94c	51.56c
Rio Tinto Limited Interim fully franked at 30% (Australian cents)	**68.51c**	49.81c	49.27c

	Number of shares 2012 (millions)	Number of shares 2011 (millions)	Number of shares 2010 (millions)
Rio Tinto plc previous year Final	**1,416.7**	1,522.6	1,524.8
Rio Tinto plc Interim	**1,410.9**	1,479.5	1,526.0
Rio Tinto Limited previous year Final	**435.8**	435.8	435.8
Rio Tinto Limited Interim	**435.8**	435.8	435.8

The dividends paid in 2012 are based on the following US cents per share amounts: 2011 final 91.0 cents, 2012 interim 72.5 cents (2011 dividends paid: 2010 final 63.0 cents, 2011 interim 54.0 cents; 2010 dividends paid: 2009 final 45.0 cents, 2010 interim 45.0 cents).

The number of shares on which Rio Tinto plc dividends are based excludes those held as treasury shares. 2012, 2011 and 2010, no Rio Tinto Limited shares were held by Rio Tinto plc.

In addition, the directors of Rio Tinto announced a final dividend of 94.5 cents per share on 14 February 2013. This is expected to result in payments of US$1,745 million (Rio Tinto plc: US$1,333 million, Rio Tinto Limited: US$412 million). The dividends will be paid on 11 April 2013 to Rio Tinto plc shareholders on the register at the close of business on 8 March 2013 and to Rio Tinto Limited shareholders on the register at the close of business on 13 March 2013.

The proposed Rio Tinto Limited dividends will be franked out of existing franking credits or out of franking credits arising from the payment of income tax during 2013.

The approximate amount of the Rio Tinto Limited consolidated tax group s retained profits and reserves that could be distributed as dividends and franked out of credits, that arose from net payments of income tax in respect of periods up to 31 December 2012 (after deducting franking credits expected to be utilised on the 2012 final dividend declared), is US$18,041 million.

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Notes to the 2012 financial statements continued

12 Goodwill

	2012 US$m	2011 US$m
Net book value		
At 1 January	**8,187**	15,316
Adjustment on currency translation	**207**	(404)
Newly consolidated operations	**977**	680
Impairment charges	**(6,597)**	(7,405)
At 31 December	**2,774**	8,187
cost	**23,033**	22,125
accumulated impairment	**(20,259)**	(13,938)
At 1 January		
cost	**22,125**	21,906
accumulated impairment	**(13,938)**	(6,590)

At 31 December 2012, goodwill has been allocated as follows:

	2012 US$m	2011 US$m
Net book value		
Copper Oyu Tolgoi (note 38)	**1,149**	983
Richards Bay Minerals	**806**	
Aluminium		5,864
Rio Tinto Coal Mozambique (note 38)		530
Other	**819**	810
	2,774	8,187

Impairment tests for goodwill

Post-tax discount rates

In arriving at fair value less costs to sell for each operation, a base post-tax discount rate of 6.9 per cent (2011: 6.6 per cent) has been applied to the post-tax cash flows expressed in real terms. The base discount rate used has been increased by a premium of between one and four per cent for operations in countries with a higher risk profile and has been decreased by up to 0.5 per cent for assets relating to commodities with a lower risk profile.

Aluminium

The annual impairment review of the Group s Aluminium businesses resulted in an impairment to the remaining goodwill relating to the former Alcan businesses of US$6,056 million (2011: US$7,405 million; 2010: no impairment charge). The recoverable amount has been assessed by reference to fair value less costs to sell, using discounted cash flows, in line with the policy set out in note 1(i).

Fair value less costs to sell (FVLCS) was determined by estimating discounted cash flows until the end of the life of each site based on long-term production plans, including closure restoration and environmental clean-up costs. Aluminium benefits from a global marketplace with substantial barriers to entry and there are a limited number of competitors who are able to access effectively the key resources necessary to make aluminium. In addition, continued global industrialisation is expected to support demand for aluminium in the long term. The industry has however been running with surpluses in production over the past several years. Limited constraints on the ability of Chinese production to meet domestic demand and London Metal Exchange (LME) inventories at all time high levels have both had a negative impact on the price outlook. The further deterioration in aluminium market conditions in the second half of 2012, together with strong currencies in certain regions and high raw material costs, has had a negative impact on the current market values of the aluminium industry. A current market participant s view of fair value might not include the full value of the Group s planned improvements in cash margins from existing operations and from the successful implementation of growth projects; however the Group s view is that a market participant would ascribe some value to these aspects of the business.

The key assumptions to which the calculation of FVLCS for the Aluminium businesses is most sensitive are the aluminium price; the Canadian dollar and Australian dollar exchange rates against the US dollar; operating costs; and discount rates. Aluminium prices and operating costs have been estimated in line with the policy in note 1(i).

Key assumptions

Aluminium prices

Short term prices are consistent with market observable prices, thereafter they are transitioned to a long-term price based on detailed analysis of market fundamentals.

Both prices and margins are kept constant in real terms from 2022 onwards. Alumina and bauxite prices are not considered a key assumption as they are typically priced as a percentage of aluminium prices. For the purposes of sensitivities any reasonable possible changes consider movements in both aluminium and alumina as a result of this relationship.

The long-term aluminium price for impairment testing purposes decreased by three per cent in real terms compared to prior year, marginally above the mid-point of the range published by market commentators of US$1,984 and US$2,932 per tonne, with an average of US$2,419 per tonne.

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Foreign exchange rates

In the determination of FVLCS, the Group uses the 30-day moving average spot exchange rates, kept constant in real terms, as a proxy for long-term future exchanges rates. For those currencies that show a strong correlation with world commodity prices, specifically the Australian and Canadian dollar, the spot exchange rate is adjusted to ensure consistency with the Group s view of long-term commodity prices. In 2013 and 2014, the 30 day moving average spot exchange rate is used and a linear annual increase or decrease is assumed over the period from 2014 to 2017. These long run exchange rate assumptions are applied from 2017. To determine the long run exchange rates used for the impairment assessment, an adjustment is made to account for the difference between internal commodity price forecasts and the market s expectation of commodity prices.

Operating costs

Operating costs are based on long-term production plans and known cost improvement strategies, both of which market participants are aware of. Underlying input cost assumptions are consistent with related output price assumptions. As noted above, margins are assumed to remain constant from 2022 onwards.

Goodwill sensitivity analysis

Since all of the goodwill within subsidiary companies relating to aluminium businesses has been impaired, an adverse change to any of the key assumptions would lead to a reassessment of impairment indicators which could lead to a further impairment to intangible assets, property, plant and equipment and investments in equity accounted units. It is estimated that adverse changes in key assumptions would lead to the following decreases in FVLCS which may lead to a further impairment within the Aluminium cash-generating units:

	US$ billion
0.5% increase in discount rate applied to post-tax cash flows	1.8
5% decrease in aluminium and alumina prices	4.0
5% strengthening of local currencies	2.0
5% increase in operating costs	3.1

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, except where modifying the aluminium price directly affects the price assumption for certain input costs and further assumes that there is no mitigating action by management.

Oyu Tolgoi

Goodwill of US$983 million arose following consolidation on 15 December 2010 of Oyu Tolgoi LLC, of which US$881 million was calculated in accordance with the requirement in IFRS to recognise a deferred tax asset or liability on the difference between the fair value of newly consolidated assets and liabilities and their tax base. Subsequent to this date, a further US$166 million of goodwill was allocated to the Oyu Tolgoi cash-generating unit on consolidation of the remaining Turquoise Hill Resources Ltd. assets on 24 January 2012. Accordingly, US$1,149 million goodwill was tested for impairment within the Oyu Tolgoi cash-generating unit.

Oyu Tolgoi s annual impairment review did not result in an impairment charge for 2012 (2011 and 2010: no impairment charge). The recoverable amount has been assessed by reference to FVLCS, in line with the policy set out in note 1(i). FVLCS was determined by estimating cash flows until the end of the life of mine plan.

The key assumptions to which the calculation of FVLCS for Oyu Tolgoi is most sensitive are the long-term copper prices; discount rates; operating costs; and the timing of the underground project. Other assumptions include the long-term gold price, Mongolian Tugrik and Chinese Yuan exchange rates against the US dollar. Future selling prices and operating costs have been estimated in line with the policy set out in note 1(i). Based on the assessment of FVLCS, the recoverable amount exceeds the carrying value of all assets by approximately 10.0 per cent.

A five per cent decrease in the long-term copper price, in isolation, would lead to a decrease in the FVLCS and lead to it being equal to its carrying amount. A 0.5 per cent increase in the discount rate, in isolation, would lead to a decrease in the FVLCS and also lead to it being equal to its carrying amount. A five per cent increase in operating costs, in isolation, would lead to a US$437 million decrease in the FVLCS which reduces the headroom to 3.7 per cent.

If the timing of the underground project is delayed, this could have an adverse impact upon the recoverable amount due to the delay in commencing full production. A twelve month delay would eliminate the excess above carrying value and result in an estimated US$150 million impairment to goodwill.

Richards Bay Minerals

The Group consolidated Richards Bay Minerals on 3 September 2012. The majority of goodwill of US$811 million arose in accordance with the requirement in IFRS to recognise a deferred tax asset or liability on the difference between the provisional fair value of newly consolidated assets and liabilities and their tax base. The recognition of Richards Bay Minerals identifiable assets and liabilities in the statement of financial position was based on fair values at the acquisition date determined with the assistance of an independent third party valuer. These fair values are provisional and will be finalised within one year of the acquisition.

Richards Bay Minerals annual impairment review resulted in no impairment charge for 2012 (2011 and 2010: no impairment charge). The recoverable amount has been assessed by reference to FVLCS, in line with the policy set out in note 1(i). FVLCS was determined by estimating cash flows until the end of the life of mine plan.

The key assumptions to which the calculation of FVLCS for Richards Bay Minerals is most sensitive are the long-term titanium slag prices and discount rates. Other assumptions include the long-term pig iron and zircon prices, the South African Rand exchange rate against the US dollar and operating costs. Future selling prices and operating costs have been estimated in line with the policy set out in note 1(i).

A five per cent decrease in the long-term titanium slag price, in isolation, would lead to a US$208 million decrease in the FVLCS which would still result in an excess of the recoverable amount over the carrying value of assets. A 0.5 per cent increase in the discount rate, in isolation, would lead to a US$167 million decrease in the FVLCS which would also result in an excess of the recoverable amount over the carrying value of assets.

Refer to note 38 for further information relating to the consolidation of Richards Bay Minerals.

Notes to the 2012 financial statements continued

12 Goodwill continued

Rio Tinto Coal Mozambique (formerly Riversdale Mining Limited)

The Group acquired a controlling interest in Riversdale Mining Limited on 8 April 2011. Goodwill of US$530 million arose in accordance with the requirement in IFRS to recognise a deferred tax asset or liability on the difference between the fair value of newly consolidated assets and liabilities and their tax base. The acquisition was based on a multi-mine development which assumed a low cost barging solution as a primary means to transport coal to export markets. The acquisition was predicated on the development of three mines, namely Benga, Zambeze and Tete East that would support an eventual annual production level of 29 million tonnes per annum.

The annual impairment review for Rio Tinto Coal Mozambique (RTCM) resulted in a full impairment of the goodwill of $541 million in 2012 (2011: no impairment charge). The recoverable amount has been assessed by reference to FVLCS, in line with the policy set out in note 1(i).

FVLCS was determined by estimating discounted cash flows until the end of the assets life based on long term production plans, including closure restoration and environmental clean-up costs. In Mozambique, the development of infrastructure to support the coal asset is more challenging than initially anticipated. The Group originally sought to transport coal by barge along the Zambeze River, however this option did not receive government approval. These infrastructure constraints combined with a downward revision to estimates of recoverable coking coal volumes on the RTCM tenements have caused a reduction to the overall scale and ramp up schedule of RTCM and consequently a downward revision of its FVLCS.

The key assumptions to which the calculation of FVLCS for RTCM is most sensitive are the thermal coal and hard coking coal price; operating costs; discount rates; and infrastructure assumptions. Coal prices and operating costs have been estimated in line with the policy set out in note 1(i).

Key assumptions

Coal prices

Short term prices are consistent with market observable prices, thereafter they are transitioned to a long-term price based on detailed analysis of market fundamentals.

For the purpose of sensitivity analyses any reasonable possible change considers movements in both long-term thermal coal and hard coking coal prices.

The long-term thermal coal price for impairment testing purposes was within the range published by market commentators of US$70 and US$112 per tonne, with an average of US$92 per tonne, albeit at the upper end of this range. While the long-term price assumption was near the top end of the range, the market commentator prices exclude the impact of carbon pricing, whereas the long-term prices used include an element of carbon pricing (see note 1(i)). The price used for impairment testing purposes is based on an assessment of future climate policy evolution and the range of carbon prices that could result from this process.

The long-term hard coking coal price for impairment testing purposes was marginally above the range published by market commentators of US$132 and US$203 per tonne. The market commentators price does not typically look beyond a five year period; whilst the Group believe that a willing market participant would consider long-term prices, with the long-term price increase resulting from the high level of uncertainty surrounding the hard coking coal supply availability, with the operating and incentive curve volumes insufficient to satisfy demand regardless of the price. If the long term (plus five years) price of US$203 per tonne published by market commentators was used to derive the FVLCS, then the recoverable amount would be lower by an amount estimated to be up to US$100 million.

Operating costs

Operating costs are based on long term production plans which a market participant would be aware of. Underlying input cost assumptions are consistent with related output price assumptions.

Infrastructure assumptions

The FVLCS is based upon RTCM reaching a total output of some 11.5 million tonnes per annum using the existing Sena-Beira railway network and that the current railway network is expanded to an overall capacity of 20 million tonnes per annum by the network owner. The FVLCS also assumes a constant user charge for the railway network which is based upon the best, currently available information. If the timing of the expansion to the network is delayed or does not occur, the annual production would be restricted to just the Benga asset which would lead to a decrease in the recoverable amount estimated to be up to US$300 million.

Goodwill sensitivity analysis

Since all of the goodwill related to RTCM has been impaired, an adverse change to any of the key assumptions would lead to a reassessment of impairment indicators which could lead to a further impairment to property, plant and equipment and investments in equity accounted units. It is estimated that adverse changes in key assumptions would lead to the following decreases in FVLCS which may lead to a further impairment within the RTCM cash generating unit:

	US$ million
0.5% increase in discount rate applied to post-tax cash flows	143
5% decrease in long-term thermal coal and hard coking coal prices	258
5% increase in operating costs	250
Infrastructure restriction (as described above)	311

Each of the sensitivities above was determined assuming the relevant key assumption moved in isolation.

Other

Other goodwill includes US$518 million (2011: US$506 million) relating to Australian Iron Ore which comprises the business units located in the Pilbara region of Western Australia that mine iron ore, namely Robe River and Hamersley Iron. The recoverability of the Other goodwill has been assessed by reference to FVLCS using discounted cash flows, which is in line with the policy set out in note 1(i). The recoverable amounts were determined to be in excess of carrying value, and there are no reasonably possible changes in key assumptions that would cause the remaining goodwill to be impaired by a significant amount.

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13 Intangible assets

Year ended 31 December 2012	Exploration and evaluation[a] US$m	Trademarks, patented and non patented technology US$m	Contract based intangible assets[b] US$m	Other intangible assets US$m	Total[d] US$m
Net book value					
At 1 January 2012	**2,857**	**228**	**4,335**	**535**	**7,955**
Adjustment on currency translation	**22**	**4**	**107**	**15**	**148**
Expenditure during the year	**923**	**1**		**84**	**1,008**
Amortisation for the year[c]		**(20)**	**(127)**	**(153)**	**(300)**
Impairment charges, net of reversals	**(1,581)**	**5**	**(412)**	**(7)**	**(1,995)**
Disposals, transfers and other movements	**(168)**	**(6)**	**(18)**	**4**	**(188)**
At 31 December 2012	**2,053**	**212**	**3,885**	**478**	**6,628**
cost	**3,634**	**322**	**5,165**	**1,248**	**10,369**
accumulated amortisation and impairment	**(1,581)**	**(110)**	**(1,280)**	**(770)**	**(3,741)**

Year ended 31 December 2011	Exploration and evaluation[a] US$m	Trademarks, patented and non patented technology US$m	Contract based intangible assets[b] US$m	Other intangible assets US$m	Total[d] US$m
Net book value					
At 1 January 2011	307	259	4,537	597	5,700
Adjustment on currency translation	14	(6)	(79)	(4)	(75)
Expenditure during the year	248			161	409
Amortisation for the year[c]		(24)	(123)	(167)	(314)
Impairment charges		(1)		(11)	(12)
Newly consolidated operations	2,425				2,425
Disposals, transfers and other movements	(137)			(41)	(178)
At 31 December 2011	2,857	228	4,335	535	7,955
cost	2,857	361	5,436	1,106	9,760
accumulated amortisation and impairment		(133)	(1,101)	(571)	(1,805)

(a) Exploration and evaluation assets useful life is not determined until transferred to property, plant & equipment. The impairment charge in 2012 of US$1,581 million (2011:nil) related to exploration and evaluation assets within Rio Tinto Coal Mozambique (RTCM) (see note 6).

(b) The Group benefits from certain intangible assets acquired with Alcan including power supply contracts, customer contracts and water rights. The water rights are expected to contribute to the efficiency and cost effectiveness of operations for the foreseeable future: accordingly, these rights are considered to have indefinite lives and are not subject to amortisation. These water rights constitute the majority of the Contract based intangible assets . The water rights have been allocated to cash generating units within Aluminium.

In 2012, the recoverable amount of these cash-generating units was determined based on fair value less costs to sell (FVLCS), using a methodology and assumptions consistent with those described in note 1(i) and note 12. Refer to note 12 for assumptions and sensitivities relating to the estimates of FVLCS for the Group s Aluminium businesses.

(c) Finite life intangible assets are amortised over their useful economic lives on a straight line or units of production basis, as appropriate. Where amortisation is calculated on a straight line basis, the following useful lives have been determined:

Trademark, patented and non-patented technology
Trademarks: 14 to 20 years
Patented and non-patented technology: 10 to 20 years

Contract based intangible assets
Power contracts: 2 to 39 years
Other purchase and customer contracts: 5 to 15 years

Other intangible assets
Internally generated intangible assets and computer software: 2 to 5 years
Other intangible assets: 2 to 20 years

(d) There are no intangible assets either pledged as security or held under restriction of title.

Exploration and evaluation expenditure

The charge for the year and the net amount of intangible assets capitalised during the year are as follows:

	2012 US$m	2011 US$m	2010 US$m
Net expenditure in the year (net of proceeds of US$217 million (2011: US$52 million; 2010: US$568 million) on disposal of undeveloped projects)	**(2,608)**	(1,604)	(135)
Changes in accruals (including impairment of undeveloped projects of US$nil (2011: US$37 million; 2010: nil) and non-cash proceeds on disposal of undeveloped projects)	**209**	8	(80)
Amount capitalised during the year	**923**	248	143
Net charge for the year	**(1,476)**	(1,348)	(72)
Reconciliation to income statement			
Exploration and evaluation costs	**(1,970)**	(1,437)	(594)
Profit on disposal of interests in undeveloped projects	**494**	89	522
Net charge for the year	**(1,476)**	(1,348)	(72)

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Notes to the 2012 financial statements continued

14 Property, plant and equipment

Year ended 31 December 2012	Mining properties and leases[(a)] US$m	Land and buildings[(b)] US$m	Plant and equipment US$m	Capital works in progress US$m	Total US$m
Net book value					
At 1 January 2012	16,475	6,135	27,132	15,225	64,967
Adjustment on currency translation	227	101	561	251	1,140
Adjustments to capitalised closure costs (note 27)	(2,943)				(2,943)
Interest capitalised[(c)] (note 8)			1	766	767
Additions	210	172	1,062	15,718	17,162
Depreciation for the year[(a)(d)]	(860)	(351)	(2,930)		(4,141)
Impairment charges, net of reversals[(e)]	(136)	(340)	(3,330)	(1,366)	(5,172)
Disposals	(2)	(8)	(89)	(11)	(110)
Newly consolidated operations (note 38)	2,525	277	735	241	3,778
Subsidiaries no longer consolidated	(3)	(37)	(44)	(21)	(105)
Transfers and other movements[(f)]	1,484	1,086	6,938	(9,720)	(212)
At 31 December 2012	16,977	7,035	30,036	21,083	75,131
cost	23,557	10,805	56,052	23,797	114,211
accumulated depreciation and impairment	(6,580)	(3,770)	(26,016)	(2,714)	(39,080)
Non-current assets held under finance leases[(g)]		16	29		45
Other non-current assets pledged as security[(h)]	1,877	226	2,023	158	4,284

Year ended 31 December 2011	Mining properties and leases[(a)] US$m	Land and buildings[(b)] US$m	Plant and equipment US$m	Capital works in progress US$m	Total US$m
Net book value					

At 1 January 2011	14,029	6,299	28,615	7,081	56,024
Adjustment on currency translation	(96)	(88)	(354)	(189)	(727)
Adjustments to capitalised closure costs (note 27)	2,835				2,835
Interest capitalised[c] (note 8)				493	493
Additions	178	114	981	10,652	11,925
Depreciation for the year[a][d]	(672)	(321)	(2,510)		(3,503)
Impairment charges, net of reversals[e]	(142)	(91)	(956)	(568)	(1,757)
Disposals		(12)	(66)	(33)	(111)
Newly consolidated operations (note 38)			19		19
Subsidiaries no longer consolidated	(90)	(68)	(118)	(6)	(282)
Transfers and other movements[f]	433	302	1,521	(2,205)	51
At 31 December 2011	16,475	6,135	27,132	15,225	64,967
cost	22,186	9,327	48,080	16,558	96,151
accumulated depreciation and impairment	(5,711)	(3,192)	(20,948)	(1,333)	(31,184)
Non-current assets held under finance leases[g]		18	24		42
Other non-current assets pledged as security[h]	13	29	1,674	977	2,693

(a) Mining properties include deferred stripping costs of US$1,431 million (2011: US$1,119 million). Amortisation of deferred stripping costs of US$67 million (2011: US$50 million; 2010: US$11 million) is included within Depreciation for the year . Impairment of deferred stripping costs of US$11 million is charged to the income statement in 2012 (2011: US$11 million; 2010: nil).

(b) At 31 December 2012, the net book value amount for land and buildings includes freehold US$6,919 million (2011: US$6,004 million); long leasehold US$93 million (2011: US$75 million); and short leasehold US$23 million (2011: US$56 million).

(c) Interest is capitalised at a rate based on the Group s cost of borrowing or at the rate on project specific debt, where applicable. The Group s average borrowing rate used for capitalisation of interest is 4.6 per cent (2011: 4.8 per cent; 2010: 5.0 per cent).

(d) Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis as follows:

Land and Buildings
Land: Not depreciated
Buildings: 5 to 50 years

Plant and equipment
Other plant and equipment: 3 to 35 years
Power assets: 25 to 100 years
Capital work in progress: Not depreciated

(e) During 2012, impairment charges primarily relate to the impairment of Alcan and other aluminium businesses and Argyle. During 2011 the impairment charge primarily relates to Alcan. Refer to note 6 for details.

(f) Transfers and other movements includes reclassifications between categories.

(g) The finance leases under which these assets are held are disclosed in note 24.

(h) Excludes assets held under finance leases. Non-current assets pledged as security represent amounts pledged as collateral against US$588 million (2011: US$202 million) of loans, which are included in note 23.

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15 Investments in equity accounted units

Summary statement of financial position (Rio Tinto share)	**2012** **US$m**	Restated[c] 2011 US$m
Rio Tinto s share of assets		
Non-current assets	**8,787**	13,374
Current assets	**2,356**	3,048
	11,143	16,422
Rio Tinto s share of liabilities		
Current liabilities	**(1,593)**	(2,084)
Non-current liabilities	**(4,238)**	(4,505)
	(5,831)	(6,589)
Rio Tinto s share of net assets[a][b]	**5,312**	9,833

(a) Further details of investments in jointly controlled entities and associates are set out in notes 35 and 36.

(b) The impact of impairment charges on the Group s investments in equity accounted units is summarised in note 6. At 31 December 2012, the Group had no investment in associates with shares listed on recognised stock exchanges (2011: the quoted value of such associates was US$6,412 million).

(c) For 2011, loan receivable balances of US$1,176 million due from Rio Tinto Group companies, previously netted within non-current liabilities, have been reclassified to Rio Tinto s share of non-current assets. Rio Tinto s share of net assets remain unchanged as a result of the reclassification.

16 Net debt of equity accounted units (excluding amounts due to Rio Tinto)

	Group interest 2012 %	**Rio Tinto share of net debt/ (funds) 2012 US$m**	Group interest 2011 %	Rio Tinto share of net debt/ (funds) 2011 US$m

Jointly controlled entities				
Sohar Aluminium Company LLC	**20.0**	**367**	20.0	393
Minera Escondida Limitada	**30.0**	**47**	30.0	142
Richards Bay Minerals(d)			37.0	46
Associates				
Turquoise Hill Resources Ltd(d)			49.0	(278)
Port Waratah Coal Services	**29.2**	**410**	29.2	362
Mineração Rio do Norte S.A.	**12.0**	**29**	12.0	25
Other equity accounted units		**(72)**		(141)
		781		549

(a) In accordance with IAS 28 and IAS 31, the Group includes its net investment in equity accounted units in the consolidated statement of financial position. This investment is net of the Group s share of the net debt of such units, which is set out above. Further details of investments in jointly controlled entities and associates are set out in notes 35 and 36.

(b) Some of the debt of equity accounted units is subject to financial and general covenants.

(c) As 31 December 2012, US$15 million of the debt shown above is with recourse to Rio Tinto, with a maximum exposure of US$4m (2011: US$15 million with maximum exposure of US$5m).

(d) Richards Bay Minerals (RBM) and Turquoise Hill Resources Ltd. (Turquoise Hill, formerly Ivanhoe Mines Limited) were classified as subsidiaries at 31 December 2012. Net surplus of Turquoise Hill in 2011 excluded its share of the net debt of Oyu Tolgoi LLC. Refer to note 38 for further information relating to the consolidation of Turquoise Hill and RBM in 2012.

17 Inventories

	2012	2011
	US$m	US$m
Raw materials and purchased components	**1,310**	1,292
Consumable stores	**1,774**	1,385
Work in progress	**1,958**	1,814
Finished goods and goods for resale	**1,517**	1,197
	6,559	5,688
Comprising:		
Expected to be used within one year	**6,136**	5,307
Expected to be used after more than one year	**423**	381
	6,559	5,688

Inventory write downs, net of reversals, amounting to US$208 million (2011: US$184 million; 2010: US$115 million) were recognised during the year.

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Notes to the 2012 financial statements continued

18 Trade and other receivables

	Non current 2012 US$m	Current 2012 US$m	Non current 2011 US$m	Current 2011 US$m
Trade receivables		**3,218**	11	3,721
Provision for doubtful debts[(a)]		**(23)**		(35)
Trade receivables net		**3,195**	11	3,686
Amounts due from equity accounted units	**317**	**321**	318	422
Other receivables[(b)]	**1,140**	**1,470**	1,025	1,368
Pension surpluses (note 46)	**154**		88	
Prepayment of tolling charges to jointly controlled entities[(c)]	**755**		634	
Other prepayments	**237**	**333**	289	582
	2,603	**5,319**	2,365	6,058

(a) At 31 December 2012, trade and other receivables of US$23 million (2011: US$35 million) were impaired. The majority of these receivables were more than 90 days overdue.

(b) Non-current receivables at 31 December 2012 and 31 December 2011 included a US$700 million prepayment for an intangible asset, following signing of the agreement for the Simandou iron ore project. The prepayment is shown as a purchase of intangible assets in the cash flow statement for 2011.

(c) Rio Tinto Aluminium has made certain prepayments to jointly controlled entities for toll processing of bauxite and alumina. These prepayments will be charged to Group operating costs as processing takes place.

There is no material element of trade and other receivables that is interest bearing.

Due to their comparatively short term maturities, the fair value of current trade and other receivables including the majority of amounts classified as non-current assets, approximates their carrying value.

As of 31 December 2012, trade and other receivables of US$190 million (2011: US$159 million) were past due but not impaired. The ageing of these receivables is as follows:

2012	2011

	US$m	US$m
less than 30 days overdue	**117**	104
between 30 and 60 days overdue	**22**	29
between 60 and 90 days overdue	**19**	22
more than 90 days overdue	**32**	4
	190	159

These relate to a number of customers for whom there is no recent history of default or other indicators of impairment.

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

19 Deferred taxation

	2012	2011
	US$m	US$m
At 1 January	**4,335**	3,359
Adjustment on currency translation	**56**	(13)
(Credited)/charged to the income statement	**(3,447)**	308
Credited to statement of comprehensive income[a]	**(81)**	(511)
Newly consolidated operations (note 38)[b]	**1,027**	1,187
Transfer to asset held for sale (note 20)	**(93)**	
Other movements[c]	**(419)**	5
At 31 December	**1,378**	4,335
Comprising:		
deferred tax liabilities[d][e]	**4,736**	6,210
deferred tax assets[d][f][g]	**(3,358)**	(1,875)

Deferred tax balances for which there is a right of offset within the same jurisdiction are presented net on the face of the statement of financial position as permitted by IAS 12. The closing deferred tax liabilities and assets, prior to this offsetting of balances, are shown below.

	Total 2012 US$m	Total 2011 US$m
Deferred tax liabilities arising from:		
Accelerated capital allowances	**7,300**	8,424
Unrealised exchange gains	**738**	681
Capitalised interest	**683**	457
Unremitted earnings	**536**	480
Other temporary differences	**930**	844
	10,187	10,886
Deferred tax assets arising from:		
Capital allowances[h]	**(2,539)**	(502)
Tax losses	**(2,107)**	(1,454)
Post retirement benefits	**(1,791)**	(1,738)
Provisions	**(1,674)**	(2,057)
Unrealised exchange losses	**(246)**	(241)
Other temporary differences	**(452)**	(559)
	(8,809)	(6,551)
(Credited)/charged to the income statement		
Decelerated capital allowances	**(3,270)**	(172)
Tax losses	**(432)**	66
Provisions	**(45)**	(16)
Tax on unremitted earnings	**(26)**	39
Unrealised exchange losses	**58**	299
Post retirement benefits	**85**	117
Other temporary differences	**183**	(25)
	(3,447)	308

(a) The amounts credited directly to the Statement of comprehensive income relate to tax relief on share options, provisions for tax on exchange differences on intragroup loans qualifying for reporting as part of the net investment in subsidiaries, on cash flow hedges and on actuarial gains and losses on pension schemes and post retirement healthcare plans.

(b) Deferred tax relating to newly consolidated operations is principally due to deferred tax liabilities arising on the difference between the fair value and the tax base of the assets of Richards Bay Minerals and Turquoise Hill Resources Ltd. in 2012 and Rio Tinto Coal Mozambique in 2011. Refer to note 38.

(c) Other movements include deferred tax relating to tax payable recognised by subsidiary holding companies on the profits of the equity accounted units to which it relates.

(d) The deferred tax liability of US$4,736 million (2011: US$6,210 million) includes US$4,771 million (2011: US$6,036 million) due in more than one year. The deferred tax asset of US$3,358 million (2011: US$1,875 million) includes US$3,212 million (2011: US$1,767 million) receivable in more than one year.

(e) Deferred tax is not recognised on the unremitted earnings of subsidiaries and jointly controlled entities where the Group is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. If these earnings were remitted, tax of US$198 million (2011: US$187 million) would be payable.

(f) US$15,154 million (2011: US$1,959 million) of potential deferred tax assets have not been recognised as assets in these financial statements. US$12,631 million (2011: $nil) of the potential assets relate to temporary differences that are deductible for the purposes of Minerals Resource Rent Tax (MRRT). US$1,034 million (2011: US$797 million) of the potential assets relate to trading losses in France, which were acquired as part of the Alcan acquisition. US$447 million (2011: US$595 million) of the potential assets relate to realised or unrealised capital losses, recovery of which depends on the existence of capital gains in future years. There is a time limit, the shortest of which is 2 years, for the recovery of US$116 million of these potential assets (2011: US$45 million).

(g) There is a limited time period, the shortest of which is 4 years, for the recovery of US$1,017 million (2011: US$896 million) of tax losses and other tax assets which have been recognised as deferred tax assets in the financial statements.

(h) Deferred tax assets arising from capital allowances include amounts arising following the introduction of the Minerals Resource Rent Tax (MRRT) on 1 July 2012. Refer to note 9.

20 Assets and liabilities held for sale

At 31 December 2012 assets and liabilities held for sale comprise Palabora Mining Company Limited and Zululand Anthracite Colliery, which was acquired with Riversdale Mining Limited. On 11 December 2012, Rio Tinto announced that it had reached a binding agreement to sell its 57.7 per cent effective interest in Palabora for $373 million. The purchaser is a consortium comprising South African and Chinese entities led by the Industrial Development Corporation of South Africa Limited and Hebei Iron & Steel Group. The sale is subject to customary regulatory approvals in South Africa and China which are expected to take four to six months.

In relation to Palabora, assets held for sale include: plant, property and equipment: $299 million, cash and other financial asset: $306 million and other assets: $275 million; liabilities held for sale include: provisions: $116 million, other financial liabilities: $100 million and other liabilities: $153 million. Other assets and liabilities held for sale relate to ZAC, which was classified as held for sale on acquisition.

At 31 December 2011 assets and liabilities held for sale comprise Zululand Anthracite Colliery, which was acquired with Riversdale Mining Limited.

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Notes to the 2012 financial statements continued

21 Other financial assets

	Non-current 2012 US$m	Current 2012 US$m	Total 2012 US$m	Non-current 2011 US$m	Current 2011 US$m	Total 2011 US$m
Loans to equity accounted units	**17**	**270**	**287**	468	121	589
Derivative financial instruments	**378**	**25**	**403**	358	120	478
Equity shares and quoted funds	**405**	**71**	**476**	549	153	702
Other investments, including loans	**265**	**167**	**432**	547	191	738
Tax recoverable (non-current)	**86**		**86**	74		74
	1,151	**533**	**1,684**	1,996	585	2,581

Detailed information relating to other financial assets is given in note 31.

22 Cash and cash equivalents

	Note	2012 US$m	2011 US$m
Cash at bank and in hand		**1,267**	2,167
Other short term deposits		**5,815**	7,503
Balance per Group statement of financial position		**7,082**	9,670
Bank overdrafts repayable on demand (unsecured)	23	**(94)**	(16)
Cash and cash equivalents included in Assets held for sale		**234**	
Balance per Group cash flow statement		**7,222**	9,654

Cash and cash equivalents include US$108 million (2011: US$305 million) for which there are restrictions on remittances. Other short term borrowings principally earn interest at a floating rate based on Libor plus a fixed spread.

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23 Borrowings and other financial liabilities

Borrowings at 31 December	Note	Non-current 2012 US$m	Current 2012 US$m	Total 2012 US$m	Non-current 2011 US$m	Current 2011 US$m	Total 2011 US$m
USD Commercial Paper			**200**	**200**			
Alcan Inc. Global Notes 4.875% due 2012[b]						498	498
Alcan Inc. Global Notes 4.50% due 2013[a][b]			**498**	**498**	489		489
Rio Tinto Finance (USA) Limited Bonds 5.875% 2013[a][b]			**595**	**595**	610		610
Rio Tinto Finance (USA) Limited Bonds 7.125% 2013[a][b]			**100**	**100**	100		100
Alcan Inc. Global Notes 5.20% due 2014[a][b]		**498**		**498**	488		488
Rio Tinto Finance (USA) Limited Bonds 8.95% 2014[a][b]		**1,935**		**1,935**	1,957		1,957
Rio Tinto Finance (USA) plc Bonds 1.125% 2015		**498**		**498**			
Alcan Inc. Global Notes 5.00% due 2015[a][b]		**501**		**501**	475		475
Rio Tinto Finance (USA) Limited Bonds 1.875% 2015		**500**		**500**	500		500
Rio Tinto Finance (USA) Limited Bonds 2.500% 2016		**696**		**696**	695		695
Rio Tinto Finance (USA) Limited Bonds 2.250% 2016		**497**		**497**	496		496
Rio Tinto Finance (USA) plc Bonds 2.0% 2017		**499**		**499**			
Rio Tinto Finance (USA) plc Bonds 1.625% 2017		**1,241**		**1,241**			
Rio Tinto Finance (USA) Limited Bonds 6.5% 2018[a][b]		**2,059**		**2,059**	2,066		2,066
Rio Tinto Finance (USA) Limited Bonds 9.0% 2019[a][b]		**1,456**		**1,456**	1,451		1,451
Rio Tinto Finance Plc Euro Bonds 2.0% due 2020[a][c]		**971**		**971**			
Rio Tinto Finance (USA) Limited Bonds 3.5% 2020		**994**		**994**	993		993
Rio Tinto Finance (USA) Limited Bonds 4.125% 2021		**997**		**997**	996		996
Rio Tinto Finance (USA) Limited Bonds 3.750% 2021		**1,143**		**1,143**	1,143		1,143
		992		**992**			

Rio Tinto Finance (USA) plc Bonds 3.5% 2022							
Rio Tinto Finance (USA) plc Bonds 2.875% 2022		**984**		**984**			
Rio Tinto Finance Plc Euro Bonds 2.875% due 2024[(a)(c)]		**636**		**636**			
Rio Tinto Finance (USA) Limited Bonds 7.125% 2028[(a)(b)]		**1,053**		**1,053**	1,048		1,048
Alcan Inc. Debentures 7.25% due 2028		**107**		**107**	107		107
Rio Tinto Finance Plc Sterling Bonds 4.0% due 2029[(a)(c)]		**804**		**804**			
Alcan Inc. Debentures 7.25% due 2031		**432**		**432**	433		433
Alcan Inc. Global Notes 6.125% due 2033		**738**		**738**	737		737
Alcan Inc. Global Notes 5.75% due 2035		**283**		**283**	282		282
Rio Tinto Finance (USA) Limited Bonds 5.20% 2040		**1,146**		**1,146**	1,147		1,147
Rio Tinto Finance (USA) plc Bonds 4.75% 2042		**489**		**489**			
Rio Tinto Finance (USA) plc Bonds 4.125% 2042		**725**		**725**			
Loans from equity accounting units[(e)]		**111**	**72**	**183**	3,171	301	3,472
Other secured loans		**918**	**78**	**996**	388	64	452
Other unsecured loans		**519**	**556**	**1,075**	379	349	728
Finance leases	24	**41**	**12**	**53**	34	35	69
Bank overdrafts	22		**94**	**94**		16	16
Total borrowings including overdrafts[(d)]		**24,463**	**2,205**	**26,668**	20,185	1,263	21,448

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Notes to the 2012 financial statements continued

23 Borrowings and other financial liabilities continued

Other financial liabilities

	Non-current 2012 US$m	Current 2012 US$m	Total 2012 US$m	Non-current 2011 US$m	Current 2011 US$m	Total 2011 US$m
Derivative financial instruments	**70**	**23**	**93**	115	184	299
Other financial liabilities	**58**		**58**	57		57
Total other financial liabilities	**128**	**23**	**151**	172	184	356
Total borrowings and other financial liabilities	**24,591**	**2,228**	**26,819**	20,357	1,447	21,804

Detailed information relating to other financial liabilities is given in note 31.

(a) As at 31 December 2012, US$5.4 billion US dollar notional of the fixed rate US dollar borrowings were swapped to floating US dollar rates, US$1.6 billion US dollar notional equivalent of Euro borrowings were fully swapped to floating US dollar rates and US$0.8 billion US dollar notional equivalent of Pound Sterling borrowings were fully swapped to fixed US dollar rates. The Rio Tinto Finance Plc Sterling Bonds 4.0% due 2029 has been designated as a cash flow hedge. Other borrowings have been swapped to floating rates and fair value hedge accounting has been applied except for US$100 million of the Rio Tinto Finance (USA) Limited Bonds 7.125% due 2013 which is swapped but not in a fair value hedge; US$87 million of the Rio Tinto Finance (USA) Limited Bonds 5.875% due 2013 which is swapped but not in a fair value hedge; US$250 million of the Rio Tinto Finance (USA) Limited Bonds 8.95% due 2014; US$750 million of the Rio Tinto Finance (USA) Limited Bonds 6.5% due 2018; US$75 million of the Rio Tinto Finance (USA) Limited Bonds 7.125% due 2028; and US$200 million of the Alcan Inc. Global Notes 5.20% due 2014. The fair value of interest rate and cross currency interest rate swap assets and liabilities at 31 December 2012 was US$347 million and US$44 million, respectively. These are included in other financial assets and other financial liabilities in the statement of financial position. Details of the major interest rate and cross currency interest rate swaps are shown in note 31. US$0.8 billion of borrowings were subject to financial covenants.

(b) As at 31 December 2011, US$6.1 billion notional of the fixed rate borrowings were fully swapped to floating rates and US$0.3 billion notional of the Rio Tinto Finance (USA) Limited 9.0% due 2019 was swapped for the first two years to floating rates. Fair value hedge accounting has been applied to the entire amounts borrowed except for US$500 million of the Alcan Inc. Global Notes 4.875%due 2012, US$87 million of the Rio Tinto Finance (USA) Limited bonds 5.875% due 2013, US$250 million of the Rio Tinto Finance (USA) Limited Bonds 8.95% due 2014, US$750 million of the Rio Tinto Finance (USA) Limited Bonds 6.5% due 2018, US$75 million of the Rio Tinto Finance (USA) Limited Bonds 7.125% 2028 and the Rio Tinto Finance (USA) Limited 9.0% due 2019. The fair value of interest rate swap assets and liabilities at 31 December 2011 was US$347 million and US$2 million, respectively. These are included in other financial assets and other financial liabilities in the statement of financial

position. Details of the major interest rate swaps are shown in note 31.

(c) Rio Tinto has a US$10 billion (2011: US$10 billion) European Debt Issuance Programme (EDIP) against which the cumulative amount utilised was US$2.4 billion equivalent at 31 December 2012 (2011:US$ nil). The carrying value of these bonds after hedge accounting adjustments amounted to US$2.4 billion (2011: US$ nil) in aggregate.

(d) The Group s borrowings of US$26.7 billion (2011: US$21.4 billion) include some US$4.1 billion (2011: US$7.0 billion) which relates to subsidiary entity borrowings that are without recourse to the Group, some of which are subject to various financial and general covenants with which the respective borrowers were in compliance as at 31 December 2012.

(e) At 31 December 2011 US$3.4 billion of unsecured US dollar loans from equity accounted units which incurred interest at a rate of LIBOR plus 6.5% (LIBOR plus 6.5% from February 2011; 9.9% in prior periods), were denominated in US dollars and repayable out of future profits. There were no such loans at 31 December 2012. Balances at 31 December 2011 included amounts due from Oyu Tolgoi LLC to Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Limited) which eliminated on consolidation of Turquoise Hill Resources Ltd. in 2012, refer to note 38.

24 Capitalised finance leases

	Note	**2012 US$m**	2011 US$m
Present value of minimum lease payments			
Total minimum lease payments		**55**	70
Effect of discounting		**(2)**	(1)
	14	**53**	69
Payments under capitalised finance leases			
Due within one year		**12**	35
Between 1 and 3 years			15
Between 3 and 5 years		**20**	10
More than 5 years		**21**	9
	14	**53**	69

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25 Consolidated net debt

	2012 US$m	2011 US$m
Analysis of changes in consolidated net debt		
Opening balance	**(8,451)**	(4,071)
Adjustment on currency translation	**(383)**	(39)
Exchange gains/(losses) credited/(charged) to the income statement[(a)]	**422**	(85)
Cash movements excluding exchange movements	**(10,405)**	(4,498)
Debt of acquired companies[(b)]	**(540)**	
Other movements	**96**	242
Closing balance	**(19,261)**	(8,451)
Total borrowings in statement of financial position (note 23)	**(26,668)**	(21,448)
Derivatives related to net debt (note 31)	**294**	345
EAU funded balances excluded from net debt[(c)]	**31**	2,982
Adjusted total borrowings	**(26,343)**	(18,121)
Cash and cash equivalents (note 22)	**7,082**	9,670
Consolidated net debt	**(19,261)**	(8,451)

	2012 US$m	2011 US$m	2010 US$m
Exchange gains/(losses) on US dollar net debt and intragroup balances excluded from Underlying earnings			
Exchange gains/(losses) on US dollar net debt	**421**	(175)	1,119
Exchange gains/(losses) on intragroup balances	**54**	36	(589)
Exchange gains on loans from equity accounted units	**4**	1	20
Exchange gains/(losses) on settlement of dividend	**18**	(16)	(21)
Credited/(charged) to income statement	**497**	(154)	529

(a) Exchange gains taken to the income statement include amounts excluded from Underlying earnings.
(b) Relates to the consolidation of Turquoise Hill Resources Ltd. (Turquoise Hill) on 24 January 2012 and of Richards Bay Minerals on 3 September 2012. Refer to note 38.
(c) Consolidated net debt is stated net of the impact of certain funding arrangements relating to EAUs and partially owned subsidiaries (EAU funded balances). This adjustment is required in order to avoid showing borrowings twice in the net debt disclosure, where funding has been provided to an EAU by the Group and subsequently on lent by the EAU to a consolidated Group subsidiary. Following consolidation of Turquoise Hill on 24 January 2012, EAU funded balances in respect of Turquoise Hill and Oyu Tolgoi LLC (OT) at 31 December 2011 have been eliminated.

Further information relating to the currency and interest rate exposures arising from net debt and related derivatives is given in note 31.

26 Trade and other payables

	Non current 2012 US$m	**Current 2012 US$m**	Non current 2011 US$m	Current 2011 US$m
Trade payables		**3,214**		3,288
Amounts owed to equity accounted units	**106**	**408**	346	243
Other payables[(a)]	**83**	**1,082**	107	1,852
Employee entitlements	**55**	**860**		766
Royalties and mining taxes		**539**		653
Accruals and deferred income	**167**	**3,136**	126	2,572
Government grants deferred	**128**	**5**	140	7
	539	**9,244**	719	9,381

(a) Other payables include deferred consideration of US$82 million (2011: US$94 million) relating to certain assets acquired. All other accounts payable and accruals are non interest bearing.

Due to their short term maturities, the fair value of trade and other payables approximates their carrying value.

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27 Provisions (including post retirement benefits)

	Pensions and post retirement healthcare[(a)] US$m	Other employee entitlements[(b)] US$m	Close down and restoration/ environmental[(c)(d)(e)(f)] US$m	Other US$m	**Total 2012 US$m**	Total 2011 US$m
At 1 January	5,955	871	11,654	677	**19,157**	14,484
Adjustment on currency translation	107	20	218	10	**355**	(236)
Adjustments to mining properties (note14)[(f)]						
changes in estimate			(1,854)		**(1,854)**	2,022
change in discount rate			(1,089)		**(1,089)**	813
Charged/(credited) to profit:						
increases to existing provisions	380	225	107	5	**717**	655
new provisions		241	37	61	**339**	285
change in discount rate			(130)		**(130)**	96
unused amounts reversed	(2)	(16)	(90)	(6)	**(114)**	(82)
exchange (gains)/losses on provisions			(6)	1	**(5)**	7
amortisation of discount		1	431		**432**	365
Utilised in year	(670)	(399)	(306)	(130)	**(1,505)**	(1,305)
Actuarial losses recognised in equity	466				**466**	1,925
Newly consolidated operations (note 38)	26		61		**87**	
Subsidiaries no longer consolidated		(3)	(90)		**(93)**	(125)
Transfers (to)/from assets held for sale	(52)		(83)		**(135)**	128
Transfers and other movements	(11)	(89)	30	33	**(37)**	125
At 31 December	6,199	851	8,890	651	**16,591**	19,157
Statement of financial position analysis:						
Current	135	601	410	376	**1,522**	1,487
Non-current	6,064	250	8,480	275	**15,069**	17,670
Total	6,199	851	8,890	651	**16,591**	19,157

(a) The main assumptions used to determine the provision for pensions and post retirement healthcare, and other information, including the expected level of future funding payments in respect of those arrangements, are given in note 46.

(b) The provision for other employee entitlements includes a provision for long service leave of US$325 million (2011: US$313 million), based on the relevant entitlements in certain Group operations and includes US$77 million (2011: US$71 million) of provision for redundancy and severance payments.

(c) The Group s policy on close down and restoration costs is described in note 1(k) and 1(s)(iv), critical accounting policies and estimates . Close down and restoration costs are a normal consequence of mining, and the majority of

close down and restoration expenditure is incurred at the end of the relevant operation. Remaining lives of mines and infrastructure range from one to over 50 years with an average, weighted by closure provision, of around 21 years (2011: 19 years). Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. Provisions of US$8,890 million (2011: US$11,654 million) for close down and restoration costs and environmental clean up obligations include estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value at an average nominal rate of approximately four per cent per annum, based on an estimate of the long term, risk free, pre-tax cost of borrowing. Excluding the effects of future inflation and before discounting, this provision is equivalent to some US$13.0 billion (2011: US$14.8 billion).

(d) Non-current provisions for close down and restoration/environmental expenditure include amounts relating to environmental clean up of US$507 million (2011: US$327 million) expected to take place between one and five years from the statement of financial position date, and US$793 million (2011: US$1,028 million) expected to take place later than five years after the statement of financial position date.

(e) Close down and restoration/environmental liabilities at 31 December 2012 have not been adjusted for amounts of US$198 million relating to insurance recoveries and other financial assets held for the purposes of meeting these obligations.

(f) Close down and restoration/environmental remediation provisions decreased during the year following a Group wide review of estimated liabilities. The review included a re-evaluation of the methodology for estimating risk free discount rates in light of the impact of fiscal interventions and, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise.

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28 Share capital Rio Tinto plc

	2012 Number (million)	2011 Number (million)	2010 Number (million)	2012 US$m	2011 US$m	2010 US$m
Issued and fully paid up share capital of 10p each						
At 1 January	**1,453.400**	1,529.004	1,529.004	**234**	246	246
Ordinary shares purchased but uncancelled on 1 January[b]	**(1.800)**					
Own shares purchased and cancelled[b]	**(26.224)**	(75.604)		**(4)**	(12)	
At 31 December	**1,425.376**	1,453.400	1,529.004	**230**	234	246
Shares held by public						
At 1 January	**1,436.542**	1,526.305	1,523.969			
Shares reissued from treasury[a]	**0.939**	0.875	2.336			
Shares purchased and cancelled[b]	**(26.224)**	(75.604)				
Shares purchased and held in treasury[c]		(13.234)				
Shares purchased and awaiting cancellation[b]		(1.800)				
At 31 December	**1,411.257**	1,436.542	1,526.305			
Shares repurchased and held in treasury[b]	**14.119**	15.058	2.699			
Shares repurchased and awaiting cancellation[b]		1.800				
Shares held by public	**1,411.257**	1,436.542	1,526.305			
Total share capital	**1,425.376**	1,453.400	1,529.004			
Other share classes						
Special Voting Share of 10p each[d]	**1 only**	1 only	1 only			
DLC Dividend Share of 10p each[d]	**1 only**	1 only	1 only			
Equalisation Share of 10p each[d]	**1 only**	1 only	1 only			

(a) No new Ordinary shares were issued in 2012. 939,423 Ordinary shares were reissued from treasury during the year resulting from the exercise of options under Rio Tinto plc employee share based payment plans, with exercise prices between £10.43p and £39.46p per share (2011: no new ordinary shares were issued, and 875,057 Ordinary shares reissued from treasury with exercise prices between £10.43p and £47.12p per share; 2010: no new ordinary shares issued and 2,336,005 Ordinary shares reissued from treasury with exercise prices between £7.98p and £40.07p per share).

(b) The authority for the Company to buy back its Ordinary shares was renewed at the 2012 annual general meeting. From February to April 2011, 14,371,550 shares were bought back and held in treasury of which 1,137,550 were cancelled. From April to December 2011 76,266,945 shares were bought back of which 74,466,945 were cancelled in 2011. From January to March 2012 26,223,910 shares were bought back and cancelled and 1,800,000 shares purchased and awaiting cancellation at 31 December 2011 were cancelled.

(c) The aggregate consideration received for treasury shares reissued was US$39 million (2011: US$48 million; 2010: US$92 million). No new shares were issued as a result of the exercise of options under Rio Tinto plc employee share based payment plans in 2012, 2011 and 2010.

(d)

The Special Voting Share was issued to facilitate the joint voting by shareholders of Rio Tinto plc and Rio Tinto Limited on Joint Decisions, following the DLC merger. Directors have the ability to issue an Equalisation Share if that is required under the terms of the DLC Merger Sharing Agreement. The DLC Dividend Share was issued to facilitate the efficient management of funds within the DLC structure.

During 2012, US$41 million of shares (2011: US$86 million of shares; 2010: US$39 million of shares) were purchased by the Employee Share Ownership Trust on behalf of Rio Tinto plc to satisfy future share options and awards as they vest.

Information relating to share options and other share based incentive schemes is given in note 45 on share based payments.

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Notes to the 2012 financial statements continued

29 Share capital Rio Tinto Limited

	2012 Number (million)	2011 Number (million)	2010 Number (million)	2012 US$m	2011 US$m	2010 US$m
Issued and fully paid up share capital (no par value)						
At 1 January	**435.76**	435.76	435.76	**5,582**	5,601	4,924
Adjustment on currency translation				**133**	(19)	677
At 31 December	**435.76**	435.76	435.76	**5,715**	5,582	5,601
Special Voting Share[a]	**1 only**	1 only	1 only			
DLC Dividend Share[a]	**1 only**	1 only	1 only			
Total share capital	**435.76**	435.76	435.76			

(a) The Special Voting Share was issued to facilitate the joint voting by shareholders of Rio Tinto Limited and Rio Tinto plc on Joint Decisions following the DLC merger. Directors have the ability to issue an Equalisation Share if that is required under the terms of the DLC Merger Sharing Agreement. The DLC Dividend Share was issued to facilitate the efficient management of funds within the DLC structure. No shares were bought back during 2012 and 2011. During the year ended 31 December 2010, Rio Tinto Limited purchased and cancelled 171,072,520 ordinary shares off-market, which were held by Tinto Holdings Australia Pty Limited (a wholly owned subsidiary of Rio Tinto plc). The selective buyback and cancellation were approved by shareholders at the 2010 Rio Tinto Limited annual general meeting. As a result of these transactions, no ordinary shares in Rio Tinto Limited are held by the above subsidiary of Rio Tinto plc.

Share options exercised during the year to 31 December 2012 under various Rio Tinto Limited employee share option schemes were satisfied by the on-market purchase of Rio Tinto Limited shares by a third party on the Group s behalf.

Information relating to share options and other share based incentive schemes is given in note 45 on share based payments.

30 Other reserves and retained earnings

	2012 US$m	2011 US$m	2010 US$m
Capital redemption reserve[a]			
At 1 January	**24**	12	12
Own shares purchased and cancelled	**4**	12	
At 31 December	**28**	24	12
Hedging reserves[b]			

At 1 January	**(44)**	(155)	(128)
Parent and subsidiaries net cash flow hedge fair value (losses)/gains	**(60)**	84	(72)
Parent and subsidiaries net cash flow hedge losses transferred to the income statement	**46**	81	47
Net movement on equity accounted units cash flow hedges		2	(1)
Tax on the above	**(11)**	(56)	(1)
At 31 December	**(69)**	(44)	(155)
Available for sale revaluation reserves[c]			
At 1 January	**193**	427	247
(Losses)/gains on available for sale securities	**(25)**	(238)	213
Gains on available for sale securities transferred to the income statement	**(355)**	(19)	(10)
Tax on the above	**8**	23	(23)
At 31 December	**(179)**	193	427
Other reserves[d]			
At 1 January	**11,765**	11,785	11,776
Own shares purchased from Rio Tinto Limited shareholders to satisfy share options	**(62)**	(71)	(84)
Employee share options: value of services	**78**	71	48
Deferred tax on share options	**(3)**	(20)	21
Cash settled share options reclassified as equity settled			24
At 31 December	**11,778**	11,765	11,785
Foreign currency translation reserve[e]			
At 1 January	**2,793**	3,574	2,103
Parent and subsidiaries currency translation and exchange adjustments	**610**	(891)	1,230
Equity accounted units currency translation adjustments	**(108)**	54	208
Currency translation reclassified on disposal	**(3)**	46	6
Tax on the above	**(1)**	10	27
At 31 December	**3,291**	2,793	3,574
Total other reserves per statement of financial position	**14,849**	14,731	15,643

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	2012 US$m	2011 US$m	2010 US$m
Retained earnings[f]			
At 1 January	**27,784**	32,499	20,477
Parent and subsidiaries (loss)/profit for the year	**(3,528)**	5,720	14,229
Equity accounted units retained profit for the year	**538**	106	9
Actuarial losses[g]	**(398)**	(1,911)	(769)
Tax relating to components of other comprehensive income	**98**	513	236
Total comprehensive (loss)/income for the year	**(3,290)**	4,428	13,705
Share buyback scheme	**(764)**	(6,210)	
Dividends paid	**(3,038)**	(2,236)	(1,754)
Change in equity interest held by Rio Tinto	**1,128**	(793)	
Own shares purchased/treasury shares reissued for share options and other items[h]	**(38)**	10	(31)
Employee share options and other IFRS 2 charges taken to the income statement	**45**	86	69
Cash settled share options reclassified as equity settled			33
At 31 December	**21,827**	27,784	32,499

(a) The capital redemption reserve was set up to comply with section 733 of the Companies Act 2006 (previously 170 of the Companies Act 1985) when shares of a company are redeemed or purchased wholly out of the company s profits. The amount at 31 December 2012 and 31 December 2011 reflects the amount by which the Company s issued share capital is diminished in accordance with this section.

(b) The hedging reserve records gains or losses on cash flow hedges that are recognised initially in equity, as described in note 1 (p) (iii).

(c) The available for sale revaluation reserves record fair value gains or losses relating to available for sale securities, as described in note 1 (p) (i) (d).

(d) Other reserves record the cumulative amount recognised under IFRS 2 in respect of options granted but not exercised to acquire shares in Rio Tinto Limited, less, where applicable, the cost of shares purchased to satisfy share options exercised. The cumulative amount recognised under IFRS 2 in respect of options granted but not exercised to acquire shares in Rio Tinto plc is recorded in retained earnings.

(e) Exchange differences arising on the translation of the Group s net investment in foreign controlled companies are taken to the foreign currency translation reserve, as described in note 1(d). The cumulative differences relating to an investment are transferred to the income statement when the investment is disposed of.

(f) Retained profit and movements in reserves of subsidiaries include those arising from the Group s share of proportionally consolidated units.

(g) There were no actuarial losses relating to equity accounted units during the year (2011: US$5 million; 2010: US$4 million).

(h) In 2011, this is stated net of a US$95 million reclassification between share premium and retained earnings, relating to the weighted average cost of shares held that was applied to the sale of shares in Rio Tinto plc to Rio Tinto Limited, and for the satisfaction of share options, in prior periods.

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Notes to the 2012 financial statements continued

31 Financial instruments and risk management

Except, where stated, the information given below relates to the financial instruments of the parent companies and their subsidiaries and proportionally consolidated units, and excludes those of equity accounted units. The information is grouped in the following sections:

A Financial assets and liabilities by categories

B Derivatives and financial instruments

C Fair values

A (a) Financial assets and liabilities by categories

At 31 December 2012	Note	**Total US$m**	Loans and receivables US$m	Available for sale securities US$m	Held at fair value US$m	Held to maturity assets/other financial liabilities US$m
Financial assets						
Cash and cash equivalents	22	**7,082**	7,082			
Trade and other receivables[a]	18	**6,338**	6,338			
Equity shares and quoted funds	21	**476**		476		
Other investments, including loans	21	**432**	172		260	
Currency and commodity contracts: designated as hedges[c]	21	**10**			10	
Derivatives and embedded derivatives not related to net debt: not designated as hedges[c]	21	**46**			46	
Derivatives related to net debt[c]	21,23,25	**347**			347	
Loans to equity accounted units including quasi equity loans		**873**	873			
Total financial assets		**15,604**	14,465	476	663	
Financial liabilities						
Trade and other payables[b]	26	**(7,759)**				(7,759)
Short term borrowings and bank overdrafts	23	**(2,205)**				(2,205)
Medium and long term borrowings	23	**(24,463)**				(24,463)
Deferred consideration	26	**(82)**				(82)
Forward commodity contracts: designated as hedges[c]	23					

Derivatives related to net debt[c]	23,25	**(53)**	(53)	
Other derivatives and embedded derivatives not designated ashedges[c]	23	**(40)**	(40)	
Other financial liabilities	23	**(58)**		(58)
Total financial liabilities		**(34,660)**	(93)	(34,567)

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At 31 December 2011	Note	Total US$m	Loans and receivables US$m	Available for sale securities US$m	Held at fair value US$m	Held to maturity assets/other financial liabilities US$m
Financial assets						
Cash and cash equivalents	22	9,670	9,670			
Trade and other receivables[(a)]	18	6,738	6,738			
Equity shares and quoted funds	21	702		702		
Other investments, including loans	21	738	140		338	260
Currency and commodity contracts: designated as hedges[(c)]	21	86			86	
Derivatives and embedded derivatives not related to net debt: not designated as hedges[(c)]	21	45			45	
Derivatives related to net debt[(c)]	21,23,25	347			347	
Loans to equity accounted units including quasi equity loans		1,816	1,816			
Total financial assets		20,142	18,364	702	816	260
Financial liabilities						
Trade and other payables[(b)]	26	(8,121)				(8,121)
Short term borrowings and bank overdrafts	23	(1,263)				(1,263)
Medium and long term borrowings	23	(20,185)				(20,185)
Deferred consideration	26	(94)				(94)
Forward commodity contracts: designated as hedges[(c)]	23	(210)			(210)	
Derivatives related to net debt[(c)]	23,25	(2)			(2)	
Other derivatives and embedded derivatives not designated as hedges[(c)]	23	(87)			(87)	
Other financial liabilities	23	(57)				(57)
Total financial liabilities		(30,019)			(299)	(29,720)

(a) This excludes pension surpluses, prepayment of tolling charges to jointly controlled entities, other prepayments and specific balances within other receivables.

(b) Trade and other payables includes trade payables, amounts owed to equity accounted units, other payables excluding deferred consideration disclosed separately and accruals.

(c) These financial assets and liabilities in aggregate agree to total derivative financial instruments disclosed in notes 21 (Other financial assets) and 23 (Borrowings and other financial liabilities).

A (b) Financial risk management

Funding and exposure management

The Group s policies on financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group s long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk, liquidity risk and capital management.

The Group mainly sells commodities it has produced and also enters into third party transactions and physical swaps on alumina to balance the regional positions and to balance the loading on production facilities.

The Group has a diverse portfolio of commodities and operates in a number of markets, which have varying responses to the economic cycle. The relationship between commodity prices and the currencies of most of the countries in which the Group operates provides further natural protection in the long term. Production of minerals, aluminium and alumina is an important contributor to the Gross Domestic Products of Australia and Canada, countries in which the Group has a large presence. As a consequence, the Australian and Canadian currencies have historically tended to strengthen when commodity prices are high. In addition, US dollar floating interest rates have historically also tended to be high when commodity prices are high, and vice versa, and hence the Group s interest rate policy is to generally borrow and invest, after the impact of hedging, at floating interest rates. However, in some circumstances, the Group reserves the right to maintain a higher proportion of fixed rate funding. These natural hedges significantly reduce the necessity for using derivatives or other forms of synthetic hedging. Such hedging is therefore undertaken to a strictly limited degree, as described below.

Treasury operations

Treasury operates as a service to the business of the Rio Tinto Group and not as a profit centre. Strict limits on the size and type of transactions permitted are laid down by the Rio Tinto board and are subject to rigorous internal controls. Senior management is advised of corporate cash and debt positions, as well as commodity, currency interest rate and interest rate derivatives through a monthly reporting framework.

Treasury policy

Rio Tinto does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has material exposure to such trading or speculative holdings through its investments in joint ventures and associates. Derivatives are used to separate funding and cash management decisions from currency exposure and interest rate management. Bank counterparty exposures are managed within allocated credit limits. Investment, funding and cash management activities are managed and co-ordinated by Treasury.

Notes to the 2012 financial statements continued

31 Financial instruments and risk management continued

(i) Foreign exchange risk

MANAGEMENT POLICY

Rio Tinto s shareholders equity, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s sales and the countries in which it operates. The US dollar, however, is the currency in which the majority of the Group s sales are denominated. Operating costs are influenced by the currencies of those countries where the Group s mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian and Canadian dollars are the most important currencies (apart from the US dollar) influencing costs. In any particular year, currency fluctuations may have a significant impact on Rio Tinto s financial results. A strengthening of the US dollar against the currencies in which the Group s costs are partly determined has a positive effect on Rio Tinto s Underlying earnings.

Given the dominant role of the US currency in the Group s affairs, the US dollar is the currency in which financial results are presented both internally and externally. It is also the most appropriate currency for financing the Group s operations. Borrowings and cash are predominantly denominated in US dollars, either directly or through the use of derivatives.

Certain US dollar debt and other financial assets and liabilities, including intragroup balances, are not held in the functional currency of the relevant subsidiary. This results in an accounting exposure to exchange gains and losses as the financial assets and liabilities are translated into the functional currency of the subsidiary that holds those assets and liabilities. These exchange gains and losses are recorded in the Group s income statement except to the extent that they can be taken to equity under the Group s accounting policy which is explained in note 1(d). Gains and losses on US dollar net debt and on intragroup balances are excluded from Underlying earnings. Other exchange gains and losses are included in Underlying earnings.

See section B for the details of cross currency interest rate and interest rate swaps relating to borrowings.

After taking into account relevant swap instruments, almost all of the Group s net debt is denominated in US dollars. The table below summarises, by currency, the net debt, after taking into account relevant currency swaps:

Net (debt)/funds by currency	Cash and cash equivalents US$m	Total borrowings in statement of financial position US$m	Derivatives related to net debt US$m	EAU funded balances excluded from net debt US$m	**Net debt 2012 US$m**	Net debt 2011 US$m
United States dollar	5,993	(24,991)	294		**(18,704)**	(8,701)
Australian dollar	676	(908)		31	**(201)**	(124)

South African rand	90	(348)			**(258)**	104
UK sterling	100				**100**	322
Euro	43	(220)			**(177)**	(133)
Canadian dollar	36	(195)			**(159)**	(81)
Other	144	(6)			**138**	162
Total	7,082	(26,668)	294	31	**(19,261)**	(8,451)

HEDGING STRATEGY

Under normal market conditions, the Group does not generally believe that active currency hedging of transactions would provide long term benefits to shareholders. The Group reviews its exposure on a regular basis and reserves the right to enter into hedges to maintain financial stability. Currency protection measures may be deemed appropriate in specific commercial circumstances, typically hedging of capital expenditures and other significant financial items such as acquisitions, disposals, tax and dividends, and are subject to strict limits laid down by the Rio Tinto board. A monthly treasury report is provided to senior management which summarises corporate debt exposed to currency risks after the impact of derivatives. Refer to section B for the details of currency forward, cross currency interest rate and option contracts used to manage the currency risk exposures of the Group at 31 December 2012.

SENSITIVITIES

The sensitivities below give the estimated effect of a ten per cent strengthening in the closing exchange rate of the US dollar against significant currencies on the value of financial instruments. The sensitivity associated with a ten per cent weakening of a particular currency would be equal and opposite to the figures presented. The impact is expressed in terms of the effect on net earnings, Underlying earnings and equity, assuming that each exchange rate moves in isolation. The sensitivities are based on financial assets and financial liabilities held at 31 December 2012, where balances are not denominated in the functional currency of the subsidiary, and exclude financial assets and liabilities held by equity accounted units. These balances will not remain constant throughout 2013, and therefore the sensitivities should be used with care.

At 31 December 2012

Gains/(losses) associated with 10% strengthening of the US dollar

Currency Exposure	**Closing exchange rate US cents**	**Effect on net earnings US$m**	**Of which amount impacting Underlying earnings US$m**	**Impact directly on equity US$m**
Australian dollar	**104**	**(823)**	**83**	**1**
Canadian dollar	**100**	**(1,441)**	**32**	**1**
South African rand	**12**	**3**	**1**	
Euro	**132**	**27**	**(31)**	
New Zealand dollar	**82**	**53**		

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At 31 December 2011

Gains/(losses) associated with 10% strengthening of the US dollar

Currency Exposure	Closing exchange rate US cents	Effect on net earnings US$m	Of which amount impacting Underlying earnings US$m	Impact directly on equity US$m
Australian dollar	101	(536)	78	(1)
Canadian dollar	98	(1,190)	41	
South African rand	12	(4)	(5)	
Euro	130	239	(22)	(1)
New Zealand dollar	77	52	4	

(ii) Interest rate risk

MANAGEMENT POLICY

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. Rio Tinto s interest rate management policy is generally to borrow and invest at floating interest rates. This approach is based on historical correlation between interest rates and commodity prices. In some circumstances, a higher proportion of fixed rate funding may be considered appropriate.

HEDGING STRATEGY

As noted above, Rio Tinto hedges its interest rate risk by entering into interest rate derivatives to achieve its policies. The market value of such instruments moves in alignment with the market and at times can act as an alternative source of funding. The Group reviews the positions on a regular basis and may act to monetise in-the-money instruments either to take advantage of favourable market conditions or manage counterparty credit risk. During 2012, the Group closed out interest rate swaps with a notional principal of US$200 million (2011: US$1,325 million) giving rise to a net cash inflow of US$3 million (2011: US$96 million) including accrued interest of US$3 million (2011: US$15 million). The interest rate swaps were in fair value hedge relationships prior to close out. See section B for the details of currency and interest rate swaps relating to borrowings.

At the end of 2012, US$17.7 billion (2011: US$10.8 billion) of the Group s adjusted total borrowings was at fixed rates after taking into account interest and currency interest rate swaps, resulting in a fixed to floating debt ratio of 67 per cent fixed to 33 per cent floating (2011: 60 per cent fixed to 40 per cent floating). On a net debt basis, the fixed to floating debt ratio was 91 per cent fixed to 9 per cent floating (2011: 128 per cent fixed to (28) per cent floating). The weighted average effective interest rate on total adjusted borrowings as at 31 December 2012 was 4% (2011: 5%) and the weighted average maturity was around 9 years (2011: around 10 years).

The weighted average effective interest rate is based on interest rates and carrying value of gross borrowings at the year end. Interest rates, as at 31 December, are applied for debt at floating rates.

The net debt ratio at the end of 2012 and 2011 reflects the high level of cash, cash equivalents and other liquid resources held by the Group and the impact of borrowings held at fixed rates.

See note 23 Borrowings for the details of debt outstanding at 31 December 2012.

SENSITIVITIES

Based on the Group s net debt (refer to note 25) and other floating rate financial instruments outstanding as at 31 December 2012, the effect on net earnings of a half percentage point increase in US dollar LIBOR interest rates, with all other variables held constant, would be a decrease of US$9 million (2011: increase of US$8 million) reflecting the high level of cash at period end. The Group has an exposure to interest rate volatility within shareholders equity arising from fair value movements on derivatives in the cash flow reserve. The derivatives have an underlying exposure to Pound Sterling and US Dollar rates. With all factors remaining constant and based on the composition of derivatives impacting the cash flow reserve at 31 December 2012, the sensitivity of a 100 basis point increase in interest rates in each of the currencies in isolation would impact equity, before tax, by US$126 million charge (2011: US$nil) for Pound Sterling and US$125 million credit (2011: US$nil) for US Dollar. A 100 basis point decrease would have broadly the same impact in the opposite direction. These balances will not remain constant throughout 2013, and therefore the sensitivities should be used with care.

(iii) Commodity price risk

MANAGEMENT POLICY

The Group s normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Rio Tinto board and to rigid internal controls.

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

Certain products, predominantly copper concentrate are provisionally priced , i.e. the selling price is determined normally 30 to 180 days after delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue recognised on provisionally priced sales is based on estimates of fair value of the consideration receivable which is based on forward market prices. At each reporting date provisionally priced metal sales are marked to market based on the forward selling price for the period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper for which an active and freely traded commodity market exists such as the LME and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

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Notes to the 2012 financial statements continued

31 Financial instruments and risk management continued

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue.

At the end of 2012, the Group had 249 million pounds of copper sales (2011: 181 million pounds) that were provisionally priced at US 360 cents per pound (2011: US 344 cents per pound). The final price of these sales will be determined during the first half of 2013. A ten per cent change in the price of copper realised on the provisionally priced sales would increase or reduce net earnings by US$56 million (2011: US$41 million).

HEDGING STRATEGY

Rio Tinto s exposure to commodity prices is diversified by virtue of its broad commodity base and the Group does not generally believe commodity price hedging would provide a long term benefit to shareholders. The Group may hedge certain commitments with some of its customers or suppliers. Details of commodity derivatives held at 31 December 2012 are set out in section B.

SENSITIVITIES

The Group s commodity derivatives are impacted by changes in market prices and include those aluminium forward and option contracts embedded in electricity purchase contracts outstanding at 31 December 2012. The Group s sensitivity to changes in market prices, based on the assumption that the market price increases by ten per cent with all other variables held constant, would not be significant in terms of the resulting change in the Group s net earnings for the year or, where applicable, the change in equity. The Group s own use contracts are excluded from the sensitivity analysis as they are outside the scope of IAS 39. Such contracts to buy or sell non financial items can be net settled but were entered into and continue to be held for the purpose of the receipt or delivery of the non financial item in accordance with the business unit s expected purchase, sale or usage requirements. The sensitivity does not include the impact arising from derivatives held by equity accounted units. Including equity accounted units primarily impacts the sensitivity to a 10% increase in aluminium prices and would result in a US$37 million reduction in net earnings (2011: US$85 million).

(iv) Credit risk

TREASURY MANAGEMENT POLICY

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including investments in government securities, deposits with banks and financial institutions, other short term investments, interest rate and currency derivative contracts and other financial instruments.

CREDIT RISKS RELATED TO RECEIVABLES

Customer credit risk is managed by each business unit subject to Rio Tinto s established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal

or external rating criteria. Where customers are rated by an independent credit rating agency, these ratings are used to set credit limits. In circumstances where no independent credit rating exists, the credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

At 31 December 2012, the Group had approximately 80 customers (2011: 108 customers) that owed the Group more than US$5 million each and these balances accounted for approximately 68 per cent (2011: 76 per cent) of all receivables owing. There were 25 customers (2011:46 customers) with balances greater than US$20 million accounting for just over 48 per cent (2011: just over 55 per cent) of total amounts receivable. Note 18 provides details of trade and other receivables past due but not impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (refer to table of financial assets and liabilities reported above). The Group does not hold collateral as security for any trade receivables.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS AND CASH DEPOSITS

Credit risk from investments in government securities (primarily US Government treasuries and funds) or AAA rated money market funds and balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty mainly based upon specific assessment criteria. Counterparty credit limits are reviewed by the Rio Tinto Board at least annually. The limits are set to minimise the concentration of credit risk and therefore mitigate the potential for financial loss through counterparty failure.

The maximum credit risk exposure of the Group s financial assets at the balance sheet date is as follows:

	Note	**2012 US$m**	2011 US$m
Cash and cash equivalents	22	**7,082**	9,670
Trade and other receivables	18	**6,338**	6,738
Investments	21	**432**	738
Derivative assets	21	**403**	478
Total		**14,255**	17,624

(v) Liquidity and Capital risk management

Management policy

The Group s overriding objective when managing capital is to safeguard the business as a going concern whilst maximising returns for the companies shareholders. In practice, this involves regular reviews by the Board and senior management. These reviews take into account the Group s strategic priorities, economic and business conditions and opportunities that are identified to invest across all points of the commodities cycle, and the focus on the progressive dividend policy, whilst also striving to maintain the Group s overall credit rating. The resulting capital structure provides the Group with a high degree of financial flexibility at a low cost of capital.

To maintain an overall credit rating, the Group considers various financial metrics including the overall level of borrowings and their maturity profile, liquidity levels, total capital, cash flow, EBITDA and interest cover ratios either on a statutory reported basis or as expected to be adjusted by the credit rating agencies.

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The Group s total capital, which is defined as equity attributable to owners of Rio Tinto plus equity attributable to non-controlling interests plus net debt, amounted to US$77 billion at 31 December 2012 (2011: US$68 billion).

Total capital	2012 US$m	2011 US$m
Equity attributable to owners of Rio Tinto (see Group statement of financial position)	**46,865**	52,539
Equity attributable to non-controlling interests (see Group statement of financial position)	**11,156**	6,669
Net debt (note 25)	**19,261**	8,451
Total capital	**77,282**	67,659

Net debt is a measure used by management and the Board of Directors to manage the Group s capital structure and liquidity risks and therefore is linked to the Group s financial and operational excellence strategic driver. It is also used to manage the Group s interest rate risks and foreign exchange risks on borrowings and cash. Net debt is disclosed and defined in note 25. Net debt increased from US$8.5 billion at 31 December 2011 to US$19.3 billion at 31 December 2012 as operating cash inflows were offset by outflows relating to capital expenditure, acquisitions, the increase in the dividend and the share buy-back programme. Net debt to total capital was 25 per cent at 31 December 2012 (2011: 12 per cent) and interest cover was 13 times (2011: 27 times).

The unified credit status of the Group is maintained through cross guarantees whereby contractual obligations of Rio Tinto plc and Rio Tinto Limited are automatically guaranteed by the other.

The Group has access to various forms of financing including its US Shelf Programme, European Debt Issuance Programme, Commercial Paper and credit facilities. In March 2012, under its US Shelf Programme, the Group issued four Rio Tinto Finance (USA) Plc bonds amounting to a US$500 million 1.125% bond due 2015, a US$500 million 2.0% bond due 2017, a US$1,000 million 3.5% bond due 2022 and a US$500 million 4.75% bond due 2042. In August 2012, the Group issued three Rio Tinto Finance (USA) plc bonds amounting to a US$1,250 million 1.625% bond due 2017, a US$1,000 million 2.875% bond due 2022 and a US$750 million 4.125% bond due 2042. In December 2012, under its European Debt Issuance Programme, the Group issued three Rio Tinto Finance plc bonds amounting to a EUR750 million 2.0% bond due 2020, a EUR500 million 2.875% bond due 2024 and a GBP500 million 4.0% bond due 2029. The Euro denominated bonds were swapped using cross currency interest rate swaps to US dollar floating rate bonds and the GBP bond was swapped to a US dollar fixed rate bond.

In May 2011, the Group issued three Rio Tinto Finance (USA) Limited bonds amounting to a US$700 million 2.5% bond due 2016, a US$1,000 million 4.125% bond due 2021 and a US$300m 5.2% bond due 2040. This was followed by the issuance of three further Rio Tinto Finance (USA) Limited bonds in September 2011 amounting to a US$500 million 2.25% bond due 2016, a US$1,150 million 3.75% bond due 2021 and a US$350 million 5.2% bond due 2040.

During the last quarter of 2012, the Group entered into bi-lateral bank facility agreements amounting to US$2 billion in aggregate. The facilities are denominated in US dollars and have a term of one year that is extendable, at the Group s option, by a further 364 days. At 31 December, the facilities were undrawn. Any borrowings under each facility are at prevailing LIBOR rates plus an agreed margin dependent on the amount of drawdown and the credit rating of the Group. The facilities are not subject to financial covenants.

In November 2010, the Group entered into a US$6 billion multi-currency committed revolving credit facility maturing in November 2015 with its relationship banks. At 31 December 2012, the facility was undrawn. Any borrowings under this facility are at prevailing LIBOR rates plus an agreed margin dependent on the amount of drawdown and the

credit rating of the Group. The facility is not subject to any financial covenants. The overall agreement also enables same day access to a US$ swing-line facility. The funds available under the facility agreement may be used for general corporate purposes of the Group.

In February 2011, the Group commenced a US$5 billion share buy-back programme which, subject to market conditions, was intended to be completed by the end of 2012. In August 2011, the share buy-back programme was increased by US$2 billion to US$7 billion and the completion date accelerated to March 2012. At 31 December 2011, 91 million Rio Tinto plc shares had been bought back at a total cost of US$5.5 billion. During 2012 a further 26 million Rio Tinto plc shares were bought back at a total cost of US$1.5 billion.

In 2011, Oyu Tolgoi LLC (OT) received additional funding through shareholder loans from wholly owned subsidiaries of Turquoise Hill Resources Ltd. (Turquoise Hill, formerly Ivanhoe Mines Limited, an EAU in 2011) which amounted to US$2.2 billion. Of this funding, Turquoise Hill (an EAU in 2011) was funded US$1.7 billion by Rio Tinto. Turquoise Hill became a subsidiary during 2012. For further details, refer to note 38 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses .

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Notes to the 2012 financial statements continued

31 Financial instruments and risk management continued

A (c) Financial liability analysis

The table below analyses the Group s financial liabilities by relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

At 31 December 2012

(Outflows)/Inflows	Within 1 year or on demand US$m	Between 1 and 2 years US$m	Between 2 and 3 years US$m	Between 3 and 4 years US$m	Between 4 and 5 years US$m	After 5 years US$m	**Total US$m**
Non-derivative financial liabilities							
Trade and other payables	(7,612)	(147)					**(7,759)**
Borrowings before swaps	(2,199)	(2,627)	(1,798)	(1,342)	(2,054)	(16,328)	**(26,348)**
Expected future interest payments[a]	(1,072)	(970)	(878)	(847)	(821)	(6,891)	**(11,479)**
Other financial liabilities	(49)	(90)	(31)	(5)	(5)		**(180)**
Derivative financial liabilities[c]							
Derivatives related to net debt net settled[a]							
Derivatives related to net debt gross settled[a]:							
gross inflows	80	80	80	80	80	1,359	**1,759**
gross outflows	(71)	(71)	(71)	(71)	(71)	(1,297)	**(1,652)**
Total	(10,923)	(3,825)	(2,698)	(2,185)	(2,871)	(23,157)	**(45,659)**

At 31 December 2011

(Outflows)/Inflows	Within 1 year or on demand US$m	Between 1 and 2 years US$m	Between 2 and 3 years US$m	Between 3 and 4 years US$m	Between 4 and 5 years US$m	After 5 years US$m	**Total US$m**
Non-derivative financial liabilities							
Trade and other payables	(7,724)	(397)					**(8,121)**
Borrowings before swaps	(1,264)	(1,226)	(2,696)	(1,056)	(1,233)	(13,492)	**(20,967)**

Expected future interest payments[a]	(1,093)	(830)	(713)	(630)	(606)	(4,794)	**(8,666)**
Other financial liabilities	(246)	(255)	(27)	(15)	(16)	(4)	**(563)**
Derivative financial liabilities[c]							
Derivatives related to net debt net settled[a,b]	(1,400)	(1)					**(1,401)**
Derivatives related to net debt gross settled[a]:							
gross inflows							
gross outflows							
Total	(11,727)	(2,709)	(3,436)	(1,701)	(1,855)	(18,290)	**(39,718)**

(a) Interest payments have been projected using interest rates applicable at 31 December. Where debt is subject to variable interest rates, future interest payments are subject to change in line with market rates.

(b) In 2011, Turquoise Hill (formerly Ivanhoe Mines Limited) was treated as an EAU. In this financial year, the Group agreed to provide Turquoise Hill with an interim loan facility of US$1,800 million while Rio Tinto and Turquoise Hill work together to complete project financing for the development of the Oyu Tolgoi copper-gold project. At 31 December 2011, US$1,399 million of the facility remained undrawn and was reflected in amounts due within 1 year or on demand. During 2012, the company became a subsidiary and the facility is now reported as an intragroup borrowing.

(c) The maturity grouping is based on the earliest payment date.

(d) The maximum carrying value of borrowings repayable, after the impact of swaps, in any financial year is US$2.7 billion (2011: US$2.7 billion).

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B Derivative financial instruments

The Group s derivatives, including embedded derivatives, as at 31 December 2012, are summarised below:

	Total fair Value			
	2012		2011	
	Asset	**Liability**	Asset	Liability
Derivatives designated as hedges	**US$m**	**US$m**	US$m	US$m
Copper forward contracts[a]				(210)
Aluminium forward contracts[b]			72	
Aluminium forward contracts embedded in electricity purchase contracts[c]	**10**		14	
Interest rate swaps[d]	**346**		341	(1)
Cross currency interest rate swaps[e]		**(44)**		
Total derivatives designated as hedges	**356**	**(44)**	427	(211)
Derivatives not designated as hedges	**US$m**	**US$m**	US$m	US$m
Currency forward contracts and swaps	**4**	**(4)**	22	(6)
Aluminium forward contracts[b]	**17**	**(10)**	19	(34)
Aluminium options embedded in electricity purchase contracts[c]	**25**	**(15)**	1	(15)
Aluminium forward contracts embedded in electricity purchase contracts[c]			3	
Other embedded derivatives		**(11)**		(32)
Interest rate swaps[d]	**1**		6	(1)
Currency options embedded in borrowing contracts		**(9)**		
Total derivatives not designated as hedges	**47**	**(49)**	51	(88)
Total derivative instruments	**403**	**(93)**	478	(299)
Analysed by maturity:				
Less than 1 year	**25**	**(23)**	120	(184)
Between 1 and 5 years	**73**	**(17)**	104	(115)
More than 5 years	**305**	**(53)**	254	
Total	**403**	**(93)**	478	(299)
Total net derivative instruments	**310**		179	

	2012	2011
Reconciliation to statement of financial position	**US$m**	US$m
non-current assets (note 21)	**378**	358
current assets (note 21)	**25**	120
current liabilities (note 23)	**(23)**	(184)
non-current liabilities (note 23)	**(70)**	(115)
Total net derivatives instruments, detailed above	**310**	179

(a) The copper forward contracts were entered into as a condition of the refinancing of Palabora in 2005, and to reduce the Group s exposure to movements in the copper price. The balance at 31 December 2012 is included within assets

held for sale (see note 20).

(b) The aluminium forward contracts were entered into to convert aluminium sales made at a fixed price to LME cash and to hedge the sales from high cost smelters.

The ineffective portion arising from cash flow hedges recognised in the income statement was a gain of US$6 million pre tax.

The aluminium forward contracts which were taken out to convert aluminium sales made as a fixed price to LME cash are not designated as hedges as they largely offset.

(c) Aluminium embedded derivatives (forward contracts and options) are contained within certain aluminium smelter electricity purchase contracts. These contracts reduce the Group s exposure to movements in the aluminium price.

(d) The interest rate swaps are used to convert certain fixed rate borrowings to a floating rate. For further details, see note 23 Borrowings and other financial liabilities .

(e) The cross currency interest rate swaps are used to convert non US dollar denominated borrowings to either fixed or floating US dollar borrowings. For further details see note 23 Borrowings and other financial liabilities .

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Notes to the 2012 financial statements continued

31 Financial instruments and risk management continued

C Fair values

The carrying amounts and fair values of all of the Group s financial instruments which are not carried at an amount which approximates their fair value at 31 December are shown in the following table. The fair values of the Group s cash, short term borrowings and loans to equity accounted units approximate their carrying values as a result of their short maturity or because they carry floating rates of interest (see note 1(p)).

	31 December 2012		31 December 2011	
	Carrying value US$m	**Fair value US$m**	Carrying value US$m	Fair value US$m
Short term borrowings (note 23)	**(2,205)**	**(2,224)**	(1,263)	(1,265)
Medium and long term borrowings (note 23)	**(24,463)**	**(27,260)**	(20,185)	(21,863)

C (a) Valuation hierarchy

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2012:

	Total	**Level 1[a]**	**Level 2[b]**	**Level 3[c]**	**Not held at fair value**
Assets					
Equity shares and quoted funds (note 21)	**476**	**300**	**16**	**160**	
Other investments, including loans (note 21)	**432**	**136**	**6**	**118**	**172**
	908	**436**	**22**	**278**	**172**
Derivatives[d]					
Forward contracts: designated as hedges (Section B)	**10**			**10**	
Forward contracts and option contracts, not designated as hedges (Section B)	**6**		**4**	**2**	
Derivatives related to net debt (Section B)	**294**		**294**		
	1,218	**436**	**320**	**290**	**172**

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2011:

	Total	Level 1[a]	Level 2[b]	Level 3[c]	Not held at fair value
Assets					
Equity shares and quoted funds (note 21)	702	643	14	45	

Other investments, including loans (note 21)	738	145		193	400
	1,440	788	14	238	400
Derivatives[(d)]					
Forward contracts: designated as hedges (Section B)	(124)		(138)	14	
Forward contracts and option contracts, not designated as hedges (Section B)	(42)	1	(32)	(11)	
Derivatives related to net debt (Section B)	345		345		
	1,619	789	189	241	400

(a) Valuation is based on unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares and other quoted funds.
(b) Valuation is based on inputs that are observable for the financial instruments which includes quoted prices for similar instruments or identical instruments in markets which are not considered to be active or either directly or indirectly based on observable market data.
(c) Valuation is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).
(d) The net asset or liability derivative balance for the three different categories reconcile to the net asset and liability balances presented in B.

C (b) Level 3 Financial assets and Financial liabilities

The table below shows the summary of changes in the fair value of the Group s level 3 financial assets and financial liabilities for the year ended 31 December 2012 and 31 December 2011.

	31 December 2012 Level 3 financial assets and financial liabilities	31 December 2011 Level 3 financial assets and financial liabilities
Opening balance	**241**	185
Currency translation adjustments	**2**	(2)
Realised gains to income statement	**17**	17
Unrealised losses to income statement	**(1)**	30
Unrealised losses to comprehensive income	**(18)**	14
Additions	**17**	6
Disposals	**(75)**	(9)
Closing balance	**183**	241
Total losses for the year included in the income statement for assets and liabilities held at year end	**17**	26

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32 Contingent liabilities and commitments

	2012 US$m	2011 US$m
Capital commitments (including those related to joint ventures and associates)[(a)]		
Within 1 year	**11,487**	9,700
Between 1 and 3 years	**1,399**	3,300
Between 3 and 5 years	**127**	41
After 5 years	**38**	
Total	**13,051**	13,041

(a) Capital commitments incurred by the Group relating to joint ventures and associates amount to US$1,180 million (2011: US$215 million). Capital commitments incurred jointly with other venturers (Rio Tinto share) relating to joint ventures amount to US$208 million (2011: US$1,260 million).

Operating leases

The aggregate amount of minimum lease payments under non cancellable operating leases are as follows:

	2012 US$m	2011 US$m
Within 1 year	**415**	523
Between 1 and 3 years	**690**	766
Between 3 and 5 years	**555**	564
After 5 years	**852**	1,052
	2,512	2,905

Unconditional purchase obligations

The aggregate amount of future payment commitments for the next 5 years under unconditional purchase obligations outstanding at 31 December was:

	2012 US$m	2011 US$m
Within 1 year	**2,700**	2,578
Between 1 and 2 years	**2,321**	2,080
Between 2 and 3 years	**2,428**	1,748
Between 3 and 4 years	**2,239**	1,631
Between 4 and 5 years	**2,040**	1,580
After 5 years	**12,822**	12,303
	24,550	21,920

Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at fixed or minimum prices. The future payment commitments set out above have not been discounted and mainly relate to commitments under take or pay power and freight contracts. They exclude unconditional purchase obligations of jointly controlled entities, apart from those relating to the Group s tolling arrangements.

	2012 US$m	2011 US$m
Contingent liabilities (excluding those relating to joint ventures and associates)		
Indemnities and other performance guarantees[(a)]	**766**	706
Contingent liabilities relating to joint ventures and associates[(b)]		
Share of contingent liabilities of joint ventures and associates	**225**	
Incurred in relation to interests in joint ventures	**309**	147
Incurred in relation to other venturers contingent liabilities	**64**	78

(a) Indemnities and performance guarantees represent the potential outflow of funds from the group for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements) not provided for in the statement of financial position, where the likelihood of the guarantees or indemnities being called is assessed as possible rather than probable or remote.

(b) Amounts disclosed include those arising as a result of the Group s investments in both jointly controlled assets and jointly controlled entities.

There are a number of legal claims currently outstanding against the Group. No material loss to the Group is expected to result from these claims.

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Notes to the 2012 financial statements continued

33 Average number of employees

	Subsidiaries and proportionally consolidated units			Equity accounted units (Rio Tinto share)[a]			Group Total		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
The principal locations of employment were:									
Australia and New Zealand	**23,767**	20,875	18,772	**2,342**	2,544	2,428	**26,109**	23,419	21,200
Canada	**13,410**	13,689	13,418	**278**	295	295	**13,688**	13,984	13,713
Europe	**5,760**	6,601	15,205	**3,184**	3,377	223	**8,944**	9,978	15,428
Africa	**7,055**	6,107	5,451	**2,226**	2,328	2,204	**9,281**	8,435	7,655
United States	**4,564**	4,995	6,416	**375**	406	721	**4,939**	5,401	7,137
Mongolia	**2,904**	1,131			358	490	**2,904**	1,489	490
Indonesia	**2,467**	2,325	2,261			13	**2,467**	2,325	2,274
South America	**235**	347	430	**1,307**	1,221	1,175	**1,542**	1,568	1,605
Other countries	**1,143**	895	869	**202**	436	343	**1,345**	1,331	1,212
Discontinued operations			6,180						6,180
	61,305	56,965	69,002	**9,914**	10,965	7,892	**71,219**	67,930	76,894

(a) Employee numbers, which represent the average for the year, include 100 per cent of employees of subsidiary companies. Employee numbers for proportionally consolidated and equity accounted units are proportional to the Group s interest. Average employee numbers include a part year effect for companies acquired or disposed of during the year.

Part time employees are included on a full time equivalent basis. Temporary employees are included in employee numbers.

People employed by contractors are not included.

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34 Principal subsidiaries and consolidated operations

At 31 December 2012

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held (%)	Group interest (%)
Australia				
Argyle Diamond Limited	Mining and processing of diamonds	Ordinary	100	100
Coal & Allied Industries Limited[(a)]	Coal mining	Ordinary	80	80
Dampier Salt Limited	Salt production	Ordinary	68.40	68.40
Energy Resources of Australia Limited	Uranium mining	Class A	68.39	68.39
Hamersley Iron Pty Limited	Iron ore mining	Ordinary	100	100
Queensland Coal Pty Limited[(b)]	Coal mining	Ordinary	100	100
Rio Tinto Aluminium (Holdings) Limited	Bauxite mining; alumina production; primary aluminium smelting	Ordinary	100	100
Canada				
Rio Tinto Canada Uranium Corporation	Uranium projects	Common shares	100	100
Iron Ore Company of Canada Inc.[(c)]	Iron ore mining; iron ore pellets	Common shares	58.72	58.72
QIT-Fer et Titane Inc.	Titanium dioxide feedstock;	Common shares	100	100
	high purity iron and steel	Class B preference shares	100	100
		CAD 0.01 preferred shares	100	100
Rio Tinto Alcan Inc.	Bauxite mining; alumina refining; production of specialty alumina; aluminium smelting; engineered products	Common shares	100	100
Turquoise Hill Resources Ltd[(d)]	Copper and gold mining	Common	50.82	50.82
Guinea				
Simfer S.A.	Iron ore project	Common	95	50.35
Madagascar				
QIT Madagascar Minerals SA[(e)]	Ilmenite mining		80	85
Mongolia				
Oyu Tolgoi LLC	Copper and gold mining (in development)	(f)		33.54
Mozambique				
Riversdale Mining Limited[(g)]	Coal mining (in development) and	Common shares	100	100

	exploration				
Namibia					
Rössing Uranium Limited[h]	Uranium mining	B N$1	71.16	}	68.58
		C N10c	70.59		
South Africa					
Palabora Mining Company Limited	Copper mining, smelting and refining	Ordinary R1	72.90		57.70
Richards Bay Titanium (Proprietary) Limited[i]	Titanium dioxide/high purity iron production	B Ordinary	100		
		B preference	100	}	74
		BHP Billiton preference	100		
Richards Bay Mining (Proprietary) Limited[i]	Ilmenite, rutile and zircon mining	B Ordinary	100	}	
		B Preference	100		74
		BHP Billiton preference	100		
United States of America					
Kennecott Holdings Corporation (including Kennecott Utah Copper, Kennecott Land and Kennecott Exploration)	Copper and gold mining, smelting and refining, land development and exploration activities	Common US$0.01	100		100
U.S. Borax Inc.	Mining, refining and marketing of borates	Common US$0.10	100		100

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies that have a more significant impact on the profit or assets of the Group. The Group s principal subsidiaries are mostly held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

(a) Of the Group s 80 per cent interest in Coal & Allied Industries Limited, an indirect share of 4.29 per cent, purchased during 2011, is held through its investment in an equity accounted unit.
(b) Queensland Coal Pty Limited is the main legal entity that owns the shares shown in note 37 of Hail Creek, Blair Athol, Clermont and Kestrel.
(c) This entity is incorporated in the United States of America but operates in Canada.
(d) The Group obtained a controlling 51 per cent stake in Ivanhoe Mines Limited (Ivanhoe) on 24 January 2012. Ivanhoe was renamed Turquoise Hill Resources Ltd. (Turquoise Hill) on 2 August 2012. Refer to note 38 for further details relating to the consolidation of Turquoise Hill.
(e) The Group s shareholding in QIT Madagascar Minerals SA carries 80 per cent of the total voting rights through common shares. The Group owns 85 per cent of the capital of QIT Madagascar Minerals SA through common shares and investment certificates (certificats d investissement).
(f) The Group holds no direct equity interest in Oyu Tolgoi LLC (OT). This entity is consolidated by virtue of contractual rights which permit the exercise of control over certain policies and activities of OT. The Group interest of 33.54 per cent arises through its 51 per cent investment in Turquoise Hill; Turquoise Hill owns 66 per cent of OT.
(g) This entity is incorporated in Australia but operates in Mozambique.
(h) The Group s shareholding in Rössing Uranium Limited carries 35.54 per cent of the total voting rights. Rössing is consolidated by virtue of Board control.
(i) Additional classes of shares issued by Richards Bay Titanium (Proprietary) Limited and Richards Bay Mining (Proprietary) Limited representing non-controlling interests are not shown. The Group s total legal and beneficial interest in Richards Bay Titanium (Proprietary) Limited and Richards Bay Mining (Proprietary) Limited is 74 per cent.

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35 Principal jointly controlled entities

At 31 December 2012

Company and country of incorporation/operation	Principal activities	Number of shares held	Class of shares held	Proportion of class held (%)		Group interest (%)
Australia						
Boyne Smelters Limited[a]	Aluminium smelting	153,679,560	Ordinary	59.4		59.4
Queensland Alumina Limited[a]	Alumina production	1,769,600	Ordinary	80		80
Chile						
Minera Escondida Limitada[b]	Copper mining and refining			30		30
Mozambique						
Rio Tinto Benga (Mauritius) Limited[a][c]	Coal mining (in development) and exploration	474,591,847	Class A	65		65
		65	Management	65		65
New Zealand						
New Zealand Aluminium Smelters Limited[a]	Aluminium smelting	24,998,400	Ordinary	79.4		79.4
Norway						
Sor-Norge Aluminium A.S.	Aluminium smelting	500,000	Ordinary B	50		50
Oman						
Sohar Aluminium Company L.L.C.	Aluminium smelting/power generation	37,500	Ordinary	20		20
United States of America						
Halco (Mining) Inc.	(d)	4,500	Common	45		45
Pechiney Reynolds Quebec Inc.	(e)	100	Common	50	}	50.3
		1	Preferred	100		

The Group has joint control of the above operations which are independent legal entities and therefore includes them in the financial statements using the equity accounting method.

The Group comprises a large number of operations and it is not practical to include all of them in this list. The list therefore only includes those jointly controlled entities that have a more significant impact on the profit or operating assets of the Group.

The Group s principal jointly controlled entities are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

With the exception of footnotes (c) to (e), all jointly controlled entities operate mainly in the countries in which they are incorporated.

(a) While the Group holds more than a 50 per cent interest in these entities, other participants have veto rights over operating, financing and strategic decision making. Accordingly, the Group does not have the ability to unilaterally control, and therefore does not consolidate these entities.
(b) The year end of Minera Escondida Limitada is 30 June. However, the amounts included in the consolidated financial statements of Rio Tinto are based on accounts of Minera Escondida Limitada that are coterminous with those of the Group.
(c) This entity is incorporated in Mauritius but operates mainly in Mozambique, where it has a 100% interest in Riversdale Mozambique Limitada, a coal mine located in Tete, Mozambique.
(d) Halco has a 51 per cent indirect interest in Compagnie des Bauxites de Guinée, a bauxite mine, the core assets of which are located in Guinea.
(e) Pechiney Reynolds Quebec has a 50.1 per cent interest in the Aluminerie de Becancour aluminium smelter, which is located in Canada.

36 Principal associates

At 31 December 2012

Company and country of incorporation/operation	Principal activities	Number of shares held	Class of shares held	Proportion of class held (%)	Group interest (%)
Brazil					
Mineração Rio do Norte S.A.[(a)]	Bauxite mining	25,000,000	Ordinary	12.5	} 12
		47,000,000	Preferred	11.8	
Cameroon					
Compagnie Camerounaise de l Aluminum	Aluminium smelting	1,623,127	Ordinary	46.7	46.7

The Group s principal associates are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

The Group comprises a large number of operations and it is not practical to include all of them in this list. The list therefore only includes those associates that have a more significant impact on the profit or operating assets of the Group.

(a) Mineração Rio do Norte S.A. is accounted for as an associated company because the Group has significant influence through representation on its Board of Directors.

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37 Principal jointly controlled assets and other proportionally consolidated units

At 31 December 2012

Name and country of operation	Principal activities	Group interest (%)
Australia		
Tomago Aluminium Joint Venture	Aluminium smelting	51.6
Bengalla[(a)]	Coal mining	32
Blair Athol Coal[(b)]	Coal mining	71.2
Clermont Coal	Coal mining	50.1
Hail Creek	Coal mining	82
Kestrel	Coal mining	80
Mount Thorley[(c)]	Coal mining	64
Warkworth[(d)]	Coal mining	44.5
Northparkes Mine	Copper/gold mining and processing	80
Gladstone Power Station	Power generation	42.1
Robe River Iron Associates[(e)]	Iron ore mining	53
Hope Downs Joint Venture	Iron ore mining	50
Brazil		
Consórcio de Alumínio Maranhão	Alumina production	10
Canada		
Alouette	Aluminium production	40
Diavik	Mining and processing of diamonds	60
Indonesia		
Grasberg expansion	Copper and gold mining	40

The Group comprises a large number of operations, and it is not practical to include all of them in this list. The list therefore only includes those proportionally consolidated units that have a more significant impact on the profit or operating assets of the Group.

The Group s proportionally consolidated units are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

(a) The Group owns a 40 per cent interest in Bengalla through its 80 per cent investment in Coal and Allied, giving a beneficial interest to the Group of 32 per cent.
(b) The Group has a direct interest of 57.2 per cent in Blair Athol Coal, and an additional 14 per cent interest through its investment in an equity accounted unit.
(c) The Group owns an 80 per cent interest in Mount Thorley through its 80 per cent investment in Coal and Allied, giving a beneficial interest to the Group of 64 per cent.
(d) The Group owns an 55.6 per cent interest in Warkworth through its 80 per cent investment in Coal and Allied, giving a beneficial interest to the Group of 44.5 per cent.
(e) The Group holds 65 per cent of Robe River Iron Associates, of which 30 per cent is held through a 60 per cent owned subsidiary. The Group s net beneficial interest is therefore, 53 per cent, net of amounts attributable to outside equity shareholders.

38 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses

2012 Acquisitions

Consolidation of Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Limited) excluding Oyu Tolgoi LLC

On 17 January 2012, Rio Tinto exercised its subscription right for anti-dilution. The subscription right entitled Rio Tinto to be issued 439,216 new shares in Ivanhoe Mines Limited (Ivanhoe) at a price of approximately US$19.38 per share, for total consideration of US$8 million, increasing the Group s share in Ivanhoe to 48.97 per cent (from the 48.94 per cent ownership at 31 December 2011) after dilutive activity.

On 24 January 2012 (the acquisition date), Rio Tinto purchased 15,100,000 shares of Ivanhoe from the market, (two sellers in a privately negotiated share purchase transaction), to increase its holding in Ivanhoe from 48.97 per cent to 51.01 per cent. The shares were purchased for an aggregate of US$299 million (C$302 million) at a price per share of US$19.79 (C$20.00). After completion of the share purchase, Rio Tinto owned 377,397,658 common shares in Ivanhoe.

The 24 January 2012 acquisition gave Rio Tinto control of the assets in Ivanhoe other than those relating to Oyu Tolgoi LLC (OT) (the non OT assets). The non OT assets are primarily copper, gold and coal mining properties along with other exploration properties. The Group had previously gained control of OT in December 2010 by virtue of its contractual rights which permit it to exercise control over certain policies and activities of OT.

Rio Tinto s move to a majority stake in Ivanhoe reinforced its commitment to developing OT as a low cost, long life asset in a sustainable and mutually beneficial manner with the Government and people of Mongolia. On 2 August 2012, Ivanhoe was renamed Turquoise Hill Resources Ltd. (Turquoise Hill).

100 per cent of the identifiable assets and liabilities of Ivanhoe not related to OT were consolidated from 24 January 2012.

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Notes to the 2012 financial statements continued

38 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses continued

Provisional fair values on consolidation disclosed at 30 June 2012 have been revised to reflect new information that existed at the date of acquisition. This has reduced Rio Tinto s share of net assets by US$136 million with the corresponding entry being mainly represented by a US$129 million increase in the loss on consolidation. Final fair values are disclosed below.

	US$m
Property, plant & equipment	**1,115**
Cash	**693**
Debt including embedded derivatives related to debt	**(377)**
Other assets and liabilities	**481**
Non-controlling interests	**(1,239)**
Goodwill	**166**
Net attributable assets including goodwill at the acquisition date	**839**
Total consideration:	
Fair value of the Group s previous interest in Turquoise Hill (excluding OT)	**678**
Cash price for additional two per cent interest	**299**
Less: cash price attributed to OT	**(78)**
Less: cash price attributed to loans receivable from less payable to Rio Tinto Group companies	**(60)**
Total	**839**
Reconciliation of loss on consolidation	
Fair value of the Group s previous interest in Turquoise Hill (excluding OT)	**678**
Book value of the Group s previous interest in Turquoise Hill (excluding OT)	**(845)**
Loss on consolidation	**(167)**
Reconciliation of amount included in the cash flow statement	
Cash price paid for additional two per cent interest	**299**
Less: Cash acquired on acquisition	**(693)**
Net cash inflow included in the acquisition of subsidiaries line in the cash flow statement	**(394)**

As required by IFRS 3, the identifiable assets and liabilities exclude balances receivable by Turquoise Hill from OT and balances payable to Rio Tinto by Turquoise Hill. Under IFRS 3, such balances are deemed to be settled at acquisition as they eliminate on consolidation. There was, however, no actual settlement of the balances and they remain due and payable. The element of the US$299 million cost of the additional two per cent interest in Turquoise Hill acquired which is deemed to relate to these balances is included in the US$394 million cash inflow on the acquisition of subsidiaries line of the cash flow statement. Shareholder loans of US$3.3 billion due from OT to Ivanhoe were included in the Group s external borrowings at 31 December 2011 and there were other less material balances between the non OT assets and Rio Tinto subsidiaries which were included in the Group s receivables and payables at 31 December 2011. At the date of gaining control these amounts totalled US$2.9 billion and eliminated

with the newly consolidated balances of Turquoise Hill. Where applicable, the interest rate payable on these balances was determined to be a market rate and there was therefore no gain or loss on deemed settlement.

Non-controlling interests arise from the 49 per cent of the non OT assets of Turquoise Hill not owned by Rio Tinto and from the portions of the assets and liabilities of Turquoise Hill subsidiaries not owned 100 per cent by Turquoise Hill. Non-controlling interests are recognised at their proportionate share of the fair value of the identifiable assets and liabilities of the companies in which they hold an interest.

Goodwill arising on consolidation of US$166 million comprises control premium of US$129 million and US$37 million calculated in accordance with the requirement in IFRS to recognise a deferred tax liability on the difference between the fair value of newly consolidated assets and liabilities and their tax base. This goodwill is not deductible for tax purposes.

For the period since consolidation of Ivanhoe (excluding OT) on 24 January 2012, sales revenue and results for the non OT assets were not material to the consolidated income statement. The impact of consolidating the non OT assets on 1 January 2012 rather than 24 January 2012 would also not have been material.

Consolidation of Richards Bay Minerals

On 7 September 2012, Rio Tinto increased its holding in Richards Bay Minerals (RBM) to 74 per cent with consolidation effective from 3 September 2012, following the completion of its acquisition of BHP Billiton s entire interests in RBM including BHP Billiton s 37 per cent indirect equity voting interests in the RBM operating companies. The purchase price paid by Rio Tinto on completion was US$1.7 billion.

The acquisition price was US$1.9 billion before contractual adjustments for cash payments made by RBM to BHP Billiton since the acquisition trigger date of 1 February 2012. This price includes US$0.6 billion for BHP Billiton s 37 per cent indirect equity interest in the RBM operating companies, US$1.0 billion for a 50 per cent interest in outstanding RBM shareholder financing arrangements and US$0.3 billion for a royalty stream.

The acquisition was the result of BHP Billiton exercising a put option as at 1 February 2012, previously agreed with Rio Tinto as part of RBM s restructuring in 2009.

RBM is a South African mineral sands mining and processing operation located in Kwa-Zulu Natal. It is one of the world s lowest cost producers of titanium dioxide feedstock and has mineralisation to support 20 years of production. Rio Tinto manages the RBM business and markets all of its products.

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The remaining 26 per cent of RBM is owned by a consortium of local communities and businesses (24 per cent) and RBM employees (two per cent), in line with South Africa s Broad Based Black Economic Empowerment (BBBEE) legislation.

Fair values on consolidation are provisional and will be subject to further review during the 12 months from 3 September 2012, being the effective date of consolidation.

	Provisional fair value US$m
Property, plant & equipment	**2,663**
Inventory	**792**
Deferred tax liabilities	**(957)**
Borrowings	**(163)**
Cash less overdrafts	**(7)**
Other assets and liabilities	**22**
Non-controlling interests	**(224)**
Goodwill	**811**
Net attributable assets including goodwill at the acquisition date	**2,937**
Total consideration:	
Provisional fair value of the Group s previous interest in RBM	**1,237**
Option price	**1,700**
Total	**2,937**
Reconciliation of gain on consolidation	
Provisional fair value of the Group s previous interest in RBM	**1,237**
Book value of the Group s previous interest in RBM	**(258)**
Recycled currency translation	**(14)**
Gain on consolidation	**965**
Reconciliation of amount included in the Group cash flow statement	
Cash price paid under option	**1,700**
Add: Net overdrafts acquired on acquisition	**7**
Net cash outflow included in the acquisition of subsidiaries line in the Group cash flow statement	**1,707**

The majority of the goodwill arising on consolidation represents the amount calculated in accordance with the requirement in IFRS 3 to recognise a deferred tax liability on the difference between the provisional fair value of newly consolidated assets and liabilities and their tax base. This goodwill is not deductible for tax purposes.

For accounting purposes, the BBBEE shareholders interest in RBM is treated as an equity option and has been included in the table of provisional fair values on that basis within the non-controlling interests line.

Sales revenue of US$372 million and loss after tax of US$134 million is included in the 2012 income statement from 3 September 2012. In the period following consolidation of RBM, adjustments were made in respect of inventory on hand at the acquisition date which had been recognised at fair value on consolidation. These adjustments, which

included amounts relating to inventory sold since 3 September 2012, totalled a charge of US$186 million (net of tax) and have been excluded from Underlying earnings. The pro forma consolidated results of the Group, if control had been gained on 1 January 2012, would have been US$51.9 billion sales revenue and the loss after tax would have been US$2.9 billion. In preparing the pro forma results, revenue and costs have been included from 1 January 2012 and intragroup transactions have been eliminated. A full year of depreciation has been charged on the provisional fair values determined at 3 September 2012. The actual RBM inventory write down included in the Group s 2012 results has not been adjusted. A full year of interest charge has been assumed on the acquisition cost. Tax charge/relief has been assumed where relevant.

Notes to the 2012 financial statements continued

38 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses continued

2011 and 2010 Acquisitions

Rio Tinto Coal Mozambique (formerly Riversdale Mining Limited)

On 8 April 2011 (the acquisition date), Rio Tinto acquired a controlling 52.6 per cent interest in Riversdale Mining Limited (Riversdale) for US$1,713 million net of cash acquired. Subsequent to the acquisition date, Rio Tinto continued to increase its interest in Riversdale and on 7 July 2011, its interest increased to 100 per cent; consideration paid for the remaining 47.4 per cent was US$1,977 million. Riversdale was delisted on 7 July 2011 and subsequently renamed Rio Tinto Coal Mozambique (RTCM). Due to the mutual proximity of the dates of individual increases in Rio Tinto s shareholding prior to the acquisition date, the transactions were accounted for as an acquisition taking place in only two stages, first the acquisition of a controlling interest on 8 April 2011, and second the purchase of additional interests after the acquisition date.

Provisional fair values on consolidation were determined for RTCM at 30 June 2011. The fair values were finalised by 8 April 2012, 12 months after the acquisition date. No adjustments were made.

Cash flows relating to the Group s purchase of its interest in RTCM during 2011 were allocated between investing and financing activities in accordance with the presentation requirements for staged acquisitions under IAS 7, Cash flow statements .

Hathor Exploration Limited

During 2011, between April and October, Rio Tinto built up a 5.8 per cent interest in Hathor Exploration Limited (Hathor), an uranium exploration company listed on the Toronto Stock Exchange. In October, an all cash offer was made for the remaining shares. On 30 November 2011 the conditions of the offer were satisfied and Rio Tinto acquired a controlling interest of 70.2 per cent of Hathor. By 31 December 2011 the Group s ownership had reached 88.0 per cent; by 12 January 2012 the remaining 12.0 per cent was acquired and Hathor has since been delisted from the Toronto Stock Exchange. Due to the mutual proximity of the dates of individual increases in Rio Tinto s shareholding subsequent to the acquisition date, and before the end of the year, these transactions were accounted for as taking place in one stage, at 30 November (the acquisition date), resulting in an ownership interest of 88 per cent being recognised.

Fair values recognised on acquisition were finalised by 30 November 2012, 12 months after the acquisition date. No adjustments were made.

Goodwill arising on acquisition comprised US$150 million, being Rio Tinto s 88 per cent share of the amount calculated in accordance with IFRS to recognise a deferred tax liability on the difference between the provisional fair value of newly consolidated assets and liabilities with their tax base.

Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Limited)

During the year ended 31 December 2011, Rio Tinto increased its ownership of shares in Ivanhoe Mines Limited by 132.7 million (2010: 145.6 million), for aggregate consideration of US$1,860 million (2010: US$1,189 million), increasing its ownership from 40.3 per cent to 49.0 per cent (2010: from 19.7 per cent to 40.3 per cent).

Consolidation of Oyu Tolgoi

On 15 December 2010, Rio Tinto consolidated provisional fair values relating to OT, following the signing of a new agreement with Ivanhoe, under which Rio Tinto obtained contractual control over certain policies and activities of OT. No direct equity interest was acquired under the agreement and the existing equity arrangements were not changed as a result of the agreement. OT is owned 66 per cent by Ivanhoe and 34 per cent by the Government of Mongolia. The signing of the agreement did not affect the Government of Mongolia s economic interest in OT.

The fair values were finalised by 15 December 2011, 12 months after the effective date of the agreement with Ivanhoe. During the course of the year ended 31 December 2011, certain reallocations between balance sheet categories were identified as additional information became available. An amount of US$1,087 million was reclassified to loans and borrowings, with corresponding adjustments of US$676 million to non-controlling interests and US$352 million to Investments in Equity Accounted Units.

The restatement arising from reallocation between balance sheet categories at 31 December 2010 resulted in an increase to Goodwill of US$20 million and a reduction of US$86 million to both the non-cash gain on consolidation recognised in the income statement, and to equity attributable to owners of Rio Tinto. Fair values have not been restated other than for the impact of the reallocation. The reallocation did not result in an impairment.

Ivanhoe Mines Ltd

In addition to the agreement described above, during the year ended 31 December 2010 Rio Tinto also entered into the transactions described below, in relation to its investment in Ivanhoe Mines Ltd (Ivanhoe).

					Ownership after transaction	
Date	Description	Shares acquired (million)	Price per Share C$	Aggregate consideration US$ million	Shares (million)	%
1 March 2010	Share purchase	**15.0**	**16.31**	**241**	**98.6**	**22.4**
30 June 2010	Warrant exercise	**46.1**	**US$8.54**	**393**	**144.7**	**29.6**
13 September 2010	Debt facility conversion	**40.1**	**US$10.00**	**(a)**	**184.8**	**34.9**
13 September 2010	Anti-dilution warrants	**0.6**	**3.15**	**2**	**185.4**	**34.9**
15 December 2010	Series B warrants (partial)	**33.8**	**US$8.88**	**300**	**219.2**	**38.6**
15 December 2010	Share purchase from Robert Friedland	**10.0**	**(b)**	**253**	**229.2**	**40.3**
Total		**145.6**		**1,189**		

(a) On 13 September 2010, Rio Tinto increased its ownership to 34.9 per cent following automatic conversion of the US$350 million convertible debt facility Rio Tinto made available to Ivanhoe in 2007, which was fully drawn down by mid 2008. The outstanding principal and accrued interest (US$400 million) under the credit facility automatically converted on maturity into common shares at a price of US$10 per share.

(b) The Robert Friedland share purchase has a price equal to the simple average of the closing price of Ivanhoe shares in the NYSE on the 20 days preceding 8 December 2010.

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2012 Disposals

Alcan Cable

On 21 May 2012, Rio Tinto reached an agreement to sell Alcan Cable to General Cable Corporation. Divestment of the North American portion was completed on 5 September 2012 for US$171 million, with divestment of the Tianjin, China operation completing on 3 December 2012 for US$58 million. Disposal proceeds include initial working capital adjustments. Finalisation of working capital adjustment will take place in 2013.

Chalco Joint Venture and Settlement Agreement with Government of Guinea for the Simandou Iron Ore Project

On 24 April 2012, Rio Tinto and Chinalco s listed subsidiary, Chalco, completed the formation of their joint venture (the JV) to develop and operate the Simandou iron ore project in Guinea, following the completion of all Chinese regulatory approvals. To complete their earn in, a consortium led by Chalco made a payment of US$1.35 billion, in line with an agreement reached with Rio Tinto on 29 July 2010.

Rio Tinto and the Chalco consortium now hold a 53 per cent and 47 per cent interest respectively in the JV through their investment in Simfer Jersey Ltd., a Rio Tinto subsidiary; this translates into a 50.35 per cent and 44.65 per cent interest in the Simandou project, through the JV s 95 per cent interest in Simfer S.A. (Simfer), the Rio Tinto subsidiary which currently undertakes the various aspects of the Simandou project. The remaining five per cent is held by the International Finance Corporation, part of the World Bank.

Under the Settlement Agreement signed by Rio Tinto and the Government of Guinea (GoG) on 22 April 2011, the Government has an option to take an interest of up to 35 per cent in Simfer, which will undertake the mining portion of the Simandou project in stages over a 20 year period.

The Settlement Agreement also provides for the transfer of ownership of railway and port infrastructure from Simfer to a newly formed Infrastructure SPV (InfraCo), with GoG entitled to take a 51 per cent interest in InfraCo. The other Simfer participants will take up an interest in the remaining portion of InfraCo equity in proportion to their relative interests in Simfer.

The infrastructure will be transferred to GoG ownership after 25 to 30 years. Simfer will retain its status as a foundation customer.

Certain provisions of the Settlement Agreement, including the GoG participation regime changes, require amendment to Simfer s current mining convention (Mining Convention), requires legislative ratification in order for these provisions to have full effect.

Both prior to and post participation by Chalco and GoG, Rio Tinto will retain control of Simfer and, therefore, the mining portion of the Simandou project. As such, Rio Tinto will continue to consolidate its interest in Simfer as a subsidiary. Contributions to funding made by Chalco to acquire its interest in the JV by purchasing a 47 per cent interest in Simfer Jersey Ltd during 2012, were credited to equity and included within financing cash flows in the Group cash flow statement. The effect on the Group of the options granted to GoG will be recognised upon legislative ratification of the amendments to the Mining Convention discussed above.

The eventual basis of consolidation of InfraCo remains to be determined pending finalisation of the detailed infrastructure agreements.

Other disposals

On 1 August 2012, Rio Tinto completed divestment of its Specialty Alumina businesses to H.I.G., and on 19 December 2012, sold the Lynemouth Power Station in the UK to RWE. The terms of these transactions are confidential. Together these disposals resulted in a post tax profit of US$16 million.

2011 Disposals

Constellium (formerly Alcan Engineered Products)

On 4 January 2011, Rio Tinto completed the divestment of 61 per cent of Alcan Engineered Products (AEP) to certain investment funds affiliated with Apollo Global Management, LLC (Apollo) and the Fonds Strategique d Investissement (FSI). The terms of the transaction are confidential. AEP was rebranded as Constellium on 3 May 2011.

Apollo is now the majority shareholder in Constellium (formerly AEP) with a 51 per cent stake in a new holding company for AEP, with the FSI holding 10 per cent. Rio Tinto holds a 36 per cent stake and accounts for its interest in Constellium as an equity accounted unit.

Divestment of the talc business

On 1 August 2011, Rio Tinto completed the divestment of its talc business to Imerys for gross consideration based on an enterprise value of US$340 million before any deductions or tax.

2010 Disposals

Rio Tinto completed the sale of Alcan Packaging global pharmaceuticals, global tobacco, food Europe and food Asia divisions to Amcor for a total consideration of US$1,948 million on 1 February 2010. The consideration was adjusted to exclude Medical Flexibles operations and to reflect actual business performance over the six months preceding completion.

Rio Tinto s 75.7 per cent owned subsidiary Coal & Allied sold the Maules Creek project to Aston Resources, a private Australian company, for A$480 million (US$427 million).

The sale was completed on 18 February 2010. Coal & Allied s Vickery asset was sold to Whitehaven Coal (ASX listed) for A$31.5 million (US$28 million), with an effective date of 4 February 2010.

The sale of the Alcan Packaging Food Americas division to Bemis Company Inc., for a total consideration of US$1.2 billion was completed on 1 March 2010.

On 5 July 2010, Rio Tinto completed the divestment of the remainder of its Alcan Packaging business with the closing of the sale of the Medical Flexibles business acquired by Amcor for US$66 million and of the sale of the Alcan Beauty Packaging business acquired by Sun European Partners LLP for an undisclosed sum.

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Notes to the 2012 financial statements continued

39 Directors and key management remuneration

Aggregate remuneration, calculated in accordance with the Companies Act 2006, of the directors of the parent companies was as follows:

	2012 US$ 000	2011 US$ 000	2010 US$ 000
Emoluments	**11,165**	10,145	11,384
Long term incentive plans		3,215	3,334
	11,165	13,360	14,718
Pension contributions: defined contribution plans	**66**	61	54
Gains made on exercise of share options	**1,668**		17,265

The Group defines key management personnel as the directors and members of the Executive Committee. The Executive Committee comprises the executive directors, product group chief executive officers (PGCEOs) and Group executives.

The aggregate remuneration incurred by Rio Tinto plc in respect of its directors was US$7,357,000 (2011: US$9,059,000; 2010: US$10,510,000). The aggregate pension contribution to defined contribution plans was nil (2011: nil, 2010: nil). The aggregate remuneration, including pension contributions and other retirement benefits, incurred by Rio Tinto Limited in respect of its directors was US$3,874,000 (2011: US$4,362,000; 2010: US$4,262,000). The aggregate pension contribution to defined contribution plans was US$66,000 (2011: US$61,000; 2010: US$54,000).

During 2012, three directors (2011: three; 2010: three) accrued retirement benefits under defined benefit arrangements, and one director (2011: one; 2010: one) accrued retirement benefits under defined contribution arrangements.

Emoluments included in the table above have been translated from local currency at the average rate for the year with the exception of bonus payments which, together with amounts payable under long term incentive plans, have been translated at the year end rate.

Detailed information concerning directors remuneration, shareholdings and options is shown in the Remuneration report, including Tables 1 to 5, on pages 92 to 125 of the 2012 Annual report.

Aggregate compensation, representing the expense recognised under IFRS, of the Group s key management, including directors, was as follows:

	2012 US$ 000	2011 US$ 000	2010 US$ 000
Short term employee benefits and costs	**27,164**	25,122	28,487

Post employment benefits	**5,121**	4,542	3,984
Share based payments	**32,435**	28,190	20,822
	64,720	57,854	53,293

The figures shown above include employment costs which comprise social security and accident premiums in the UK and US and payroll taxes in Australia paid by the employer as a direct additional cost of hire. In total, they amount to US$2,863,000 (2011: US$2,010,000; 2010: US$2,020,000) and although disclosed here, are not included in Table 1 of the Remuneration report.

Alan Davies received an interest free advance of A$55,600 (net) for home sale assistance in accordance with the terms and conditions of his international secondment, prior to his appointment to the Executive Committee. This advance is reimbursable to Rio Tinto if Mr Davies has not sold his home by 30 August 2014.

More detailed information concerning the remuneration of key management is shown in the *Remuneration report*, including Tables 1 to 5 on pages 114 to 125 of the 2012 Annual report.

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40 Auditors remuneration

	2012 US$m	Restated[f] 2011 US$m	Restated[f] 2010 US$m
Group Auditors remuneration[a]			
Audit of the company	**3.1**	2.8	2.7
Audit of subsidiaries	**14.1**	11.6	13.0
Total audit	**17.2**	14.4	15.7
Audit related assurance services	**1.5**	1.1	1.0
Other assurance services[b]	**3.8**	3.3	9.9
Total assurance services	**5.3**	4.4	10.9
Tax compliance[c]	**0.3**	0.3	0.1
Tax advisory services[c]	**0.4**	1.2	0.4
Services related to corporate finance transactions not covered above			
services in connection with bond issues/capital raising	**0.6**	0.5	0.3
services in connection with divestment programme	**0.3**	2.0	5.0
Other non-audit services not covered above	**0.5**	1.1	0.9
Total non-audit services	**2.1**	5.1	6.7
	24.6	23.9	33.3
Remuneration payable to other accounting firms[d]			
Audit of the accounts of the Group s subsidiaries	**2.9**	2.6	2.6
Taxation services[c]	**9.8**	12.0	6.6
Financial systems design and implementation	**0.5**	0.8	
Internal audit	**9.5**	10.5	6.5
Litigation services	**0.1**	0.3	0.4
Other services[e]	**58.1**	37.6	18.6
	80.9	63.8	34.7
Fees in respect of pension scheme audits	**0.1**	0.1	
	81.0	63.9	34.7

(a) The remuneration payable to PricewaterhouseCoopers, the Group Auditors, is approved by the Audit committee. The committee sets the policy for the award of non audit work to the auditors and approves the nature and extent of such work, and the amount of the related fees, to ensure that independence is maintained. The fees disclosed above consolidate all payments made to member firms of PricewaterhouseCoopers by the Companies and their subsidiaries, together with the Group s share of the payments made by proportionally consolidated units. Non-audit services arise largely from assurance and/or regulation related work.

(b) Other assurance services are mainly related to carve-out financial statements, sustainability assurance and limited assurance over the Taxes paid report.

(c) Taxation services includes tax compliance and advisory services. Tax compliance involves the preparation or review of returns for corporation, income, sales and excise taxes. Tax advisory services includes advice on non recurring acquisitions and disposals, advice on transfer pricing and advice on employee global mobility.

(d) Remuneration payable to other accounting firms does not include fees for similar services payable to suppliers of consultancy services other than accountancy firms.

(e) Other services in 2012, 2011 and 2010 in respect of other accounting firms includes costs relating to capital raising, divestments and similar corporate services, pension fund and payroll administration, advice on accounting matters, secondments of accounting firms staff, forensic audit and other consultancy.

(f) Comparatives have been restated to include payments to accounting firms for global expatriate tax services which are recharged to the Group by our relocation consultants.

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Notes to the 2012 financial statements continued

41 Related party transactions

Information about material related party transactions of the Rio Tinto Group is set out below:

Subsidiary companies and proportionally consolidated units

Details of investments in principal subsidiary companies are disclosed in note 34. Information relating to proportionally consolidated units can be found in note 37.

Equity accounted units

Transactions and balances with equity accounted units are summarised below. Purchases, trade and other receivables, and trade and other payables relate largely to amounts charged by jointly controlled entities for toll processing of bauxite and alumina. Sales relate largely to charges for supply of coal to jointly controlled marketing entities for onward sale to third party customers.

	2012	2011	2010
Income statement items	**US$m**	US$m	US$m
Purchases from equity accounted units	**(3,687)**	(4,211)	(3,009)
Sales to equity accounted units	**3,454**	4,079	3,038
Cash flow statement items	**US$m**	US$m	US$m
Cash movement on EAU funded balances (note 25)		1,683	
Net funding of equity accounted units	**(311)**	(745)	(154)
Statement of financial position items	**US$m**	US$m	
Investments in equity accounted units (note 15)[(a)]	**5,312**	9,833	
Loans to equity accounted units	**287**	589	
Loans from equity accounted units	**(183)**	(3,472)	
Trade and other receivables: amounts due from equity accounted units (note 18)	**1,393**	1,374	
Trade and other payables: amounts due to equity accounted units (note 26)	**(514)**	(589)	

(a) Further information about investments in equity accounted units is set out in notes 35 and 36.

Pension funds

Information relating to pension fund arrangements is disclosed in note 46.

Directors and key management

Details of directors and key management remuneration are set out in note 39 and in the Remuneration report on pages 92 to 125.

42 Exchange rates in US$

The principal exchange rates used in the preparation of the 2012 financial statements are:

	Annual average			Year end		
	2012	2011	2010	**2012**	2011	2010
Sterling	**1.58**	1.60	1.55	**1.62**	1.54	1.55
Australian dollar	**1.04**	1.03	0.92	**1.04**	1.01	1.02
Canadian dollar	**1.00**	1.01	0.97	**1.00**	0.98	1.00
South African rand	**0.12**	0.14	0.14	**0.12**	0.12	0.15
Euro	**1.29**	1.39	1.33	**1.32**	1.30	1.33

43 Bougainville Copper Limited (BCL)

Mining has been suspended at the Panguna mine since 1989. Safe mine access by company employees has not been possible since that time and an accurate assessment of the condition of the assets cannot therefore be made. Considerable funding would be required to recommence operations to the level which applied at the time of the mine s closure in 1989. An Order of Magnitude study undertaken in 2008 indicates that costs in a range of US$2 billion to US$4 billion would be required to reopen the mine assuming all site infrastructure is replaced. The directors consider that the Group does not currently realise a benefit from its interest in BCL and therefore BCL information continues to be excluded from the financial statements. BCL reported a net loss of US$2 million for the financial year (2011: net loss of US$2 million). This is based upon actual transactions for the financial year. The aggregate amount of capital and reserves reported by BCL as at 31 December 2012 was US$137 million (2011: US$139 million). The Group owns 215,920,089 shares in BCL, representing 53.8 per cent of the issued share capital. The investment of US$195 million was fully provided against in 1991. At 31 December 2012, the number of shares in BCL held by the Group, multiplied by the share price as quoted in the Australian Securities Exchange, resulted in an amount of US$111 million (2011: US$164 million).

44 Events after the statement of financial position date

On 13 February 2013, Turquoise Hill Resources Ltd. (Turquoise Hill) signed a binding agreement with Sumeru Gold BV for the sale of its 50 per cent interest in Altynalmas Gold Ltd (Altynalmas), which was acquired with Turquoise Hill on 24 January 2012, for a total cash consideration of US$300 million. Completion of the transaction is subject to customary closing conditions, including regulatory approvals from the Republic of Kazakhstan s competent authorities. Altynalmas owns the Kyzyl Gold Project in north eastern Kazakhstan. The transaction is expected to close in the second quarter of 2013.

Other than the items above, no events were identified after the statement of financial position date which could be expected to have a material impact on the consolidated financial statements.

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45 Share-based payments

Rio Tinto plc and Rio Tinto Limited (the Companies) have a number of share based payment plans, which are described in detail in the Remuneration report. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2 Share-based Payment .

The charge/(credit) that has been recognised in the income statement for Rio Tinto s share-based compensation plans, and the related liability (for cash-settled plans), is set out in the table below.

	Charge/(credit) recognised for the year			Liability at the end of the year	
	2012	2011	2010	**2012**	2011
	US$m	US$m	US$m	**US$m**	US$m
Equity-settled plans	**242**	157	119		
Cash-settled plans	**(3)**	(1)	5	**2**	2
Total	**239**	156	124	**2**	2

As noted in note 38, the Group gained control of Turquoise Hill Resources Ltd. (Turquoise Hill), which is a publicly quoted company, from 24 January 2012. Turquoise Hill has its own share based payment plans. Turquoise Hill also has two publicly quoted subsidiaries, Ivanhoe Australia Limited and South Gobi Resources Limited which have their own share based payment plans. The share based payment charge for all of these plans under Rio Tinto accounting policies and adjusted for acquisition accounting was US$76 million. The 2012 charge reflected costs associated with management changes at Turquoise Hill in the first half of the year. Such costs are not expected to recur. The plans are not material to the Group s income statement or statement of financial position. Turquoise Hill plans were not replaced with Rio Tinto plans on acquisition and as such their historical plans still apply.

The main Rio Tinto plc and Rio Tinto Limited plans are as follows:

Share Savings Plans

Awards under these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice-based option valuation model, including allowance for the exercise price being at a discount to market price.

No awards were granted under the Share Savings Plans in 2012 as these plans have been replaced by the Global Employee Share Plan.

Share Option Plan (SOP)

The Group has a policy of settling awards made under the SOP in equity, although the directors at their discretion can offer a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled, share based payment transactions. The performance conditions in relation to Total Shareholder Return (TSR) have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto s TSR and that of the index. The relationship between Rio Tinto s TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to

determine the fair value of the options.

Share Ownership Plan

The fair values of awards of Matching and Free Shares made by Rio Tinto are taken to be the market value of the shares on the date of purchase. These awards are settled in equity. The total fair value of shares awarded during the year was US$3 million (2011: US$3 million).

Performance Share Plan

Participants are assigned shares in settlement of their awards and therefore the Plan is accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The fair value of the awards was calculated using a Monte Carlo simulation model taking into account the TSR performance conditions. In each case fair values were adjusted for non receipt of dividends between grant date and date of vesting (excluding awards for executive directors and product group CEOs). Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards (except for the 2009 awards which applied to senior executives only with no allowance for forfeitures).

Management Share Plan

The Management Share Plan was introduced during 2007 to provide conditional share-based awards to management. The vesting of these awards is dependent on service and/or performance based conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends. Forfeitures are assumed prior to vesting at five per cent per annum of outstanding awards.

Bonus Deferral Plan

The Bonus Deferral Plan was originally introduced during 2009 for the mandatory deferral of the 2008 bonuses for executive directors, product group executives and for other executives. Additional Bonus Deferral Awards were made in 2010 and 2011 for the mandatory deferral of 50 per cent of the bonuses for executive directors and product group executives and 10 per cent of the bonuses for other executives.

The vesting of these awards is dependent only on service conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

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Notes to the 2012 financial statements continued

45 Share-based payments continued

Lattice-based option valuation model

The fair value of share options is estimated as at the date of grant using a lattice-based option valuation model. The significant assumptions used in the valuation model are disclosed below. Expected volatilities are based on the historical volatility of Rio Tinto s share returns under the UK and Australian listings. Historical data was used to estimate employee forfeiture and cancellation rates within the valuation model. Under the Share Option Plans, it is assumed that after options have vested, 20 per cent per annum of participants will exercise their options when the market price is at least 20 per cent above the exercise price of the option. Participants in the Share Savings Plans are assumed to exercise their options immediately after vesting.

The implied lifetime of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate used in the valuation model is equal to the yield available on UK and Australian zero-coupon government bonds (for Rio Tinto plc and Limited options respectively) at the date of grant with a term equal to the expected term of the options.

The key assumptions used in the valuations are noted in the table below:

Awards made in 2012	Risk-free interest rate %	Expected volatility %	Dividend yield %	Forfeiture rates %	Implied lifetime Years
Share Option Plan					
Rio Tinto plc	1.2	46.0	2.6		4.7
Rio Tinto Limited	4.0	37.0	2.1		5.4

Summary of options outstanding

A summary of the status of the Companies equity-settled share option plans at 31 December 2012 is presented below.

Options outstanding at 31 December 2012	Number	Weighted average exercise price per option £/A$	Weighted average remaining contractual life Years	Aggregate intrinsic value 2012 US$m
Rio Tinto plc Share Savings Plan (£21 £32)	1,046,692	26.19	1.7	15

Rio Tinto Limited Share Savings Plan (A$48 A$67)	1,770,782	53.65	2.0	24
Rio Tinto plc Share Option Plan (£10 £ 43)	3,306,883	24.47	5.3	63
Rio Tinto Limited Share Option Plan (A$17 A$82)	918,458	47.49	5.1	20
	7,042,815			122

As at 31 December 2011 there were 8,475,949 options outstanding with an aggregate intrinsic value of US$117 million.

Options exercisable at 31 December 2012				
Rio Tinto plc Share Option Plan (£10 £23)	1,999,254	15.59	3.4	63
Rio Tinto Limited Share Option Plan (A$17 A$55)	664,632	36.89	4.1	21
	2,663,886			84

As at 31 December 2012, there were no options (2011: no options) exercisable under either the Rio Tinto plc or the Rio Tinto Limited Share Savings Plans.

The Management Share Plan, Performance Share Plan and Bonus Deferral Plan together represent 83% of the total IFRS 2 charge for Rio Tinto plc and Rio Tinto Limited plans.

A summary of the status of these plans at 31 December is presented overleaf.

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Performance Share Plan

	Rio Tinto plc Awards				Rio Tinto Ltd Awards			
	2012 Number	Weighted average fair value at grant date 2012 £	2011 Number	Weighted average fair value at grant date 2011 £	2012 Number	Weighted average fair value at grant date 2012 A$	2011 Number	Weighted average fair value at grant date 2011 A$
Non-vested shares at 1 January	**2,473,203**	**33.67**	2,475,349	27.37	**1,204,561**	**71.24**	1,289,576	57.09
Awarded	**711,701**	**24.67**	782,919	31.28	**531,937**	**44.79**	466,965	62.26
Forfeited	**(44,625)**	**29.88**	(36,018)	32.37	**(24,794)**	**60.49**	(24,040)	69.76
Failed performance conditions	**(358,026)**	**40.69**	(366,574)	10.49	**(126,498)**	**89.65**	(254,234)	28.96
Vested	**(76,708)**	**35.08**	(382,473)	10.35	**(43,430)**	**82.61**	(273,706)	28.64
Non-vested shares at 31 December	**2,705,545**	**30.40**	2,473,203	33.67	**1,541,776**	**60.46**	1,204,561	71.24

	2012 Number	Weighted average share price 2012 £	2011 Number	Weighted average share price 2011 £	2012 Number	Weighted average share price 2012 A$	2011 Number	Weighted average share price 2011 A$
Shares issued in respect of vested awards during the year	**76,708**	**36.40**	382,473	43.27	**43,430**	**67.01**	273,706	87.81

In addition to the equity-settled awards shown above, there were 2,405 Rio Tinto plc cash-settled awards outstanding at 31 December 2012. The total liability for these awards at 31 December 2012 was less than US$1 million (2011: less than US$1 million).

Management Share Plan and Bonus Deferral Plan

Rio Tinto plc Awards	Rio Tinto Ltd Awards

	2012	Weighted average fair value at grant date 2012	2011	Weighted average fair value at grant date 2011	2012	Weighted average fair value at grant date 2012	2011	Weighted average fair value at grant date 2011
	Number	**£**	Number	£	**Number**	**A$**	Number	A$
Non-vested awards at 1 January	**2,565,372**	**30.05**	2,758,763	27.58	**1,574,088**	**65.23**	1,475,544	62.46
Awarded	**819,564**	**35.48**	828,730	39.83	**749,616**	**64.16**	544,812	79.60
Forfeited	**(135,133)**	**37.68**	(179,131)	30.92	**(62,583)**	**71.73**	(67,699)	61.31
Expired	**(3,411)**	**17.32**	(382)	46.13	**(4,032)**	**48.32**		
Vested	**(1,173,263)**	**20.34**	(842,608)	31.39	**(682,936)**	**48.60**	(378,569)	75.81
Non-vested awards at 31 December	**2,073,129**	**37.21**	2,565,372	30.05	**1,574,153**	**71.73**	1,574,088	65.23
Comprising of								
Management Share Plan	**1,838,633**	**37.12**	2,446,784	29.56	**1,409,513**	**71.96**	1,521,599	64.29
Bonus Deferral Plan	**234,496**	**37.90**	118,588	40.13	**164,640**	**69.74**	52,489	80.36

	2012	Weighted average share price 2012	2011	Weighted average share price 2011	2012	Weighted average share price 2012	2011	Weighted average share price 2011
	Number	**£**	Number	£	**Number**	**A$**	Number	A$
Shares issued in respect of vested awards during the year (including dividend shares applied on vesting)								
Management Share Plan	**1,251,063**	**35.63**	599,902	42.88	**697,695**	**65.30**	176,881	80.28
Bonus Deferral Plan	**7,533**	**33.87**	245,928	32.65	**372**	**69.74**	117,160	65.66

In addition to the equity-settled awards shown above, there were 5,680 Rio Tinto plc cash-settled awards and 966 Rio Tinto Limited cash settled awards outstanding at 31 December 2012. The total liability for the Rio Tinto plc awards at 31 December 2012 was less than US$1 million (2011: less than US$1 million) and for Rio Tinto Limited awards was less than US$1million (2011: less than US$1million).

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Notes to the 2012 financial statements continued

46 Post retirement benefits

Description of plans

The Group operates a number of pension and post retirement healthcare plans around the world. Some of these plans are defined contribution and some are defined benefit, with assets held in separate trusts, foundations and similar entities. Valuations of these plans are produced and updated annually to 31 December by qualified actuaries.

Pension plans

The majority of the Group s pension obligations are in Canada, the UK, the US, Switzerland and the Eurozone. There are some defined benefit obligations in Australia but the retirement arrangements there are predominantly defined contribution. In general the Group has a policy of moving towards defined contribution plans.

A number of defined benefit pension plans are sponsored by the Canadian entities. The two main plans are for salaried and bargaining employees.

Benefits for salaried staff are generally linked to final average pay and closed to new entrants, while benefits for bargaining employees are reviewed in negotiation with unions.

There are a number of pension arrangements in the UK. The defined benefit sections of these arrangements are linked to final pay and are closed to new members, with new employees being admitted to defined contribution sections.

A number of defined benefit pension plans are sponsored by the US entities. Benefits for salaried staff are generally linked to final average pay and closed to new entrants, while benefits for bargaining employees are reviewed in negotiation with unions.

In Europe, there are defined benefit plans in Switzerland, the Netherlands, Germany and France. The largest single plan is in Switzerland and provides benefits linked to final average pay.

In Australia, the main arrangements are principally defined contribution in nature but there are sections providing defined benefits linked to final pay, typically paid in lump sum form.

The Group also operates a number of unfunded defined benefit plans, which are included in the figures below.

Post retirement healthcare plans

Certain subsidiaries of the Group, mainly in the US and Canada, provide health and life insurance benefits to retired employees and in some cases to their beneficiaries and covered dependants. Eligibility for cover is dependent upon certain age and service criteria. These arrangements are generally unfunded, and are included in the figures below.

Plan assets

The proportions of the total fair value of assets in the pension plans for each asset class at the statement of financial position date were:

	2012	2011
Equities	**49.1%**	47.9%
Bonds	**37.8%**	39.5%
Property	**8.0%**	8.1%
Other	**5.1%**	4.5%
	100.0%	100.0%

The assets of the plans are generally managed on a day-to-day basis by external specialist fund managers. These managers may invest in the Group s securities subject to limits imposed by the relevant fiduciary committees and local legislation. The approximate total holding of Group securities within the plans is US$47 million (2011: US$22 million).

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Main assumptions (rates per annum)

The main assumptions for the valuations of the plans under IAS 19 are set out below. Information on the sensitivity of the results to the main assumptions is set out in the sensitivity section on page 214.

	UK	Australia[a]	US	Canada	Eurozone	Switzerland	Other (mainly Africa)[b]
At 31 December 2012							
Rate of increase in salaries	4.5%	3.9%	3.9%	3.3%	2.7%	2.3%	8.7%
Rate of increase in pensions	2.4%	2.2%		0.8%	1.5%		6.7%
Discount rate	4.3%	2.9%	4.0%	3.9%	3.1%	1.7%	8.3%
Inflation[c]	2.9%	2.2%	2.4%	2.0%	2.1%	1.3%	6.7%
At 31 December 2011							
Rate of increase in salaries	4.4%	3.8%	3.7%	3.3%	2.4%	2.4%	4.9%
Rate of increase in pensions	2.5%	2.1%		0.8%	1.5%		2.9%
Discount rate	4.7%	3.2%	4.3%	4.5%	4.2%	2.0%	5.4%
Inflation[c]	3.0%	2.1%	2.2%	2.0%	2.0%	1.4%	2.9%

(a) The discount rate shown for Australia is after tax.

(b) The assumptions vary by location for the Other plans. Assumptions shown are for Southern Africa.

(c) The inflation assumption shown for the UK is for the Retail Price Index. The assumption for the Consumer Price Index at 31 December 2012 was 2.2 per cent (2011: 2.0 per cent).

The main financial assumptions used for the healthcare plans, which are predominantly in the US and Canada, were: discount rate: 4.0 per cent (2011: 4.3 per cent), medical trend rate: 6.7 per cent reducing to 5.1 per cent by the year 2018 broadly on a straight line basis (2011: 6.7 per cent, reducing to 5.0 per cent by the year 2017), claims costs based on individual company experience.

For both the pension and healthcare arrangements the post retirement mortality assumptions allow for future improvements in longevity. The mortality tables used imply that a man aged 60 at the Statement of financial position date has a weighted average expected future lifetime of 25 years (2011: 25 years) and that a man aged 60 in 2032 would have a weighted average expected future lifetime of 27 years (2011: 27 years).

	UK	Australia	US	Canada	Eurozone	Switzerland	Other (mainly Africa)[a]
Long term rate of return expected at 1 January 2012							

Equities	6.9%	7.2%	7.2%	6.7%	7.1%	5.4%	9.5%
Bonds	3.3%	3.5%	3.7%	3.3%	3.6%	1.9%	5.2%
Property	4.8%	5.0%	5.0%	4.5%	4.9%	3.2%	7.3%
Other	2.8%	2.2%	2.8%	2.4%	2.7%	1.1%	3.7%
Long term rate of return expected at 1 January 2011							
Equities	7.6%	8.4%	7.8%	7.2%	7.0%	5.7%	8.6%
Bonds	4.4%	4.9%	4.6%	4.2%	4.4%	2.5%	4.8%
Property	5.8%	6.3%	5.9%	5.3%	5.2%	3.8%	6.7%
Other	3.5%	2.7%	3.1%	3.2%	2.8%	1.9%	3.1%

(a) The assumptions vary by location for the Other plans. Assumptions shown are for Southern Africa.
The expected rate of return on pension plan assets is determined as management s best estimate of the long term returns of the major asset classes equities, bonds, property and other weighted by the allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging. The expected rates of return shown have been reduced to allow for plan expenses including, where appropriate, taxes incurred within pension plans on investment returns.

Based on the assumptions made and the distribution of assets the weighted average expected return on assets as at 1 January 2012 was 5.0 per cent (2011: 5.9 per cent). Under the revised IAS 19 this assumption will not be needed for 2013.

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

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Notes to the 2012 financial statements continued

46 Post retirement benefits continued

Total expense recognised in the income statement

			2012	2011	2010
	Pension benefits	Other benefits	**Total US$m**	Total US$m	Total US$m
Current employer service cost for defined benefit plans	(255)	(14)	**(269)**	(250)	(233)
Interest cost	(773)	(46)	**(819)**	(910)	(974)
Expected return on assets	664		**664**	783	777
Past service cost	(3)	(2)	**(5)**	(2)	(29)
Gains on curtailment and settlement	28	6	**34**	61	111
Total defined benefit expense	(339)	(56)	**(395)**	(318)	(348)
Current employer service cost for defined contribution and industry-wide plans	(349)	(2)	**(351)**	(286)	(225)
Total expense recognised in the income statement	(688)	(58)	**(746)**	(604)	(573)

The above expense amounts are included as an employee cost within net operating costs. In 2012, US$34 million (pre-tax) of curtailment and settlement gains relating to the sale of businesses have been excluded from Underlying earnings (2011: US$21 million, 2010: US$88 million).

Total amount recognised in other comprehensive income before tax

	2012 US$m	2011 US$m	2010 US$m
Actuarial losses	**(433)**	(1,948)	(719)
(Loss) on currency translation on plans using US dollar functional currency			(67)
Gain/(loss) on application of asset limit	**13**	(13)	
Total loss recognised in other comprehensive income[(a)]	**(420)**	(1,961)	(786)
Cumulative amount recognised in Other Comprehensive Income at 31 December	**(4,967)**	(4,547)	(2,586)

(a) There was no loss related to equity accounted units in 2012 (2011: US$5 million loss; 2010: US$4 million loss).

(Deficits)/surpluses in the plans

The following amounts were measured in accordance with IAS 19 at 31 December:

			2012	2011	2010	2009	2008
	Pension benefits	Other benefits	**Total US$m**	Total US$m	Total US$m	Total US$m	Total US$m
Total fair value of plan assets	14,599		**14,599**	13,075	13,144	12,407	9,306
Present value of obligations funded	(18,340)		**(18,340)**	(16,798)	(15,507)	(15,148)	(11,044)
Present value of obligations unfunded	(1,056)	(1,250)	**(2,306)**	(2,135)	(2,002)	(2,385)	(1,784)
Present value of obligations total	(19,396)	(1,250)	**(20,646)**	(18,933)	(17,509)	(17,533)	(12,828)
Unrecognised past service cost	5	(3)	**2**	4	3	(7)	(12)
Effect of asset limit				(13)			(19)
Aggregate (deficit) to be shown in the statement of financial position	(4,792)	(1,253)	**(6,045)**	(5,867)	(4,362)	(5,133)	(3,553)
Comprising:							
Deficits	(4,946)	(1,253)	**(6,199)**	(5,955)	(4,472)	(5,150)	(3,713)
Surpluses	154		**154**	88	110	17	160
Net (deficits) on pension plans	(4,792)		**(4,792)**	(4,660)	(3,238)	(3,803)	(2,648)
Unfunded post retirement healthcare obligation		(1,253)	**(1,253)**	(1,207)	(1,124)	(1,330)	(905)

The surplus amounts shown above are included in the statement of financial position as Trade and other receivables. See note 18. Deficits are shown in the Statement of financial position as Post retirement benefits. See note 27.

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Contributions to plans

Contributions to defined benefit pension plans during 2012 totalled US$658 million (2011: US$610 million; 2010: US$1,036 million). Contributions of US$329 million (2011: US$269 million; 2010: US$212 million) were made to defined contribution arrangements and US$20 million (2011: US$16 million; 2010: US$12 million) to industry-wide plans; these are charged against profits and are included in the figures for defined contribution current employer service costs shown on the previous page.

Contributions for other benefits totalled US$62 million (2011: US$72 million; 2010: US$79 million).

Contributions to defined benefit pension plans for 2013 are estimated to be around US$143 million more than for 2012. This is kept under regular review and actual contributions will be determined in line with the Group s wider financing strategy. Healthcare plans are generally unfunded and contributions for future years will be equal to benefit payments and therefore cannot be predetermined.

Movements in the present value of the defined benefit obligation and in the fair value of assets

The amounts shown below include, where appropriate, 100 per cent of the costs, contributions, gains and losses in respect of employees who participate in the plans and who are employed in operations that are proportionally consolidated or equity accounted. Consequently, the costs, contributions, gains and losses may not correspond directly to the amounts disclosed above in respect of the Group. Defined contribution plans and industry-wide plans are excluded from the movements below.

	Pension benefits	Other benefits	**2012 Total US$m**	2011 Total US$m
Change in present value of obligation:				
Present value of obligation at start of the year	(17,730)	(1,203)	**(18,933)**	(17,509)
Current employer service cost	(255)	(14)	**(269)**	(250)
Interest cost	(773)	(46)	**(819)**	(910)
Contributions by plan participants	(40)	(3)	**(43)**	(47)
Experience gain	34	55	**89**	33
Changes in actuarial assumptions (loss)	(1,243)	(111)	**(1,354)**	(1,674)
Benefits paid	1,019	63	**1,082**	1,048
Arrangements divested	41	29	**70**	19
Inclusion of arrangements		(16)	**(16)**	(2)
Past service cost	(1)	(3)	**(4)**	(3)
Curtailments	28	6	**34**	61
Settlements	6		**6**	1
Currency exchange rate (loss)/gain	(482)	(7)	**(489)**	300
Present value of obligation at end of the year	(19,396)	(1,250)	**(20,646)**	(18,933)

	2012	2011	2010	2009	2008
Gains and losses on obligations	**89**	33	146	(139)	(37)

Experience gains/(losses): (i.e. variances between the estimate of obligations and the subsequent outcome)					
As a percentage of the present value of the year end obligations	**0%**	0%	1%	(1%)	0%
Change in assumptions (loss)/gain (US$m)	**(1,354)**	(1,674)	(1,207)	(1,671)	1,684

	Pension benefits	Other benefits	**2012** **Total** **US$m**	2011 Total US$m
Change in plan assets:				
Fair value of plan assets at the start of the year	13,075		**13,075**	13,144
Expected return on plan assets	664		**664**	783
Actuarial gain/(loss) on plan assets	832		**832**	(320)
Contributions by plan participants	40	3	**43**	47
Contributions by employer	666	60	**726**	695
Benefits paid	(1,019)	(63)	**(1,082)**	(1,048)
Arrangements divested	(13)		**(13)**	(5)
Settlements	(6)		**(6)**	(1)
Currency exchange rate gain/(loss)	360		**360**	(220)
Fair value of plan assets at the end of the year	14,599		**14,599**	13,075
Actual return on plan assets			**1,496**	463

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Notes to the 2012 financial statements continued

46 Post retirement benefits continued

	2012	2011	2010	2009	2008
Difference between the expected and actual return on plan assets:					
Gain/(loss) (US$m)	**832**	(320)	346	891	(3,308)
As a percentage of year end plan assets	**6%**	(2%)	3%	7%	(36%)

Sensitivity

The values reported for the defined benefit pension obligations are sensitive to the actuarial assumptions used for projecting future benefit payments and discounting those payments. The approximate sensitivities to the principal assumptions used to measure the obligations are:

		Approximate (increase)/ decrease in obligations	
		Pensions	**Other**
Assumption	Change in assumption	**US$m**	**US$m**
Discount rate	increase of 0.5 percentage points	**1,276**	**79**
	decrease of 0.5 percentage points	**(1,367)**	**(85)**
Inflation	increase of 0.5 percentage points	**(682)**	**(38)**
	decrease of 0.5 percentage points	**651**	**35**
Salary increases	increase of 0.5 percentage points	**(139)**	**(4)**
	decrease of 0.5 percentage points	**135**	**4**
Demographic allowance for future improvements in longevity	participants assumed to have the mortality rates of individuals who are one year older	**504**	**25**
	participants assumed to have the mortality rates of individuals who are one year younger	**(504)**	**(25)**

Post-retirement healthcare sensitivity to changes in assumptions

An increase of one per cent in the assumed medical cost trend rates would increase the aggregate of the current service cost and interest cost components of the post retirement healthcare expense by US$4 million (2011: US$5 million; 2010: US$7 million), and increase the benefit obligation for these plans by US$74 million (2011: US$71 million; 2010: US$72 million). A decrease of one per cent in the assumed medical cost trend rates would decrease the aggregate of the current service cost and interest cost components of the post retirement healthcare expense by US$4 million (2011: US$4 million; 2010: US$6 million), and decrease the benefit obligation for these plans by US$67 million (2011: US$60 million; 2010: US$62 million).

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Rio Tinto financial information by business unit

Twelve months ended 31 December

	Rio Tinto interest	Sales revenue[a]			EBITDA[b]			Net earnings[c]		
	%	**2012 US$m**	2011 US$m	2010 US$m	**2012 US$m**	2011 US$m	2010 US$m	**2012 US$m**	2011 US$m	2010 US$m
Iron Ore										
Hamersley	100.0	**17,832**	21,626	16,746	**11,989**	15,942	11,841	**7,588**	10,621	7,924
Robe River[d]	53.0	**4,353**	5,229	4,322	**3,150**	4,084	3,328	**1,549**	2,172	1,771
Iron Ore Company of Canada	58.7	**1,972**	2,471	2,447	**665**	1,329	1,379	**230**	491	491
Product group operations		**24,157**	29,326	23,515	**15,804**	21,355	16,548	**9,367**	13,284	10,186
Evaluation projects/other		**122**	149	67	**(129)**	(22)	129	**(125)**	(17)	127
		24,279	29,475	23,582	**15,675**	21,333	16,677	**9,242**	13,267	10,313
Aluminium	(e)									
Bauxite & Alumina		**3,038**	2,834	2,490	**146**	360	321	**(197)**	(12)	(32)
Primary Metal		**5,624**	6,985	6,415	**805**	1,385	1,354	**69**	450	496
Other Integrated Operations		**35**	46	46	**(55)**	(142)	(14)	**(24)**	(128)	(42)
Intersegment		**(1,401)**	(1,786)	(1,422)	**3**	2	(10)	**3**	3	(6)
Integrated Operations		**7,296**	8,079	7,529	**899**	1,605	1,651	**(149)**	313	416
Other Product Group Items		**2,650**	3,923	3,592	**124**	127	190	**92**	95	129
Product group operations		**9,946**	12,002	11,121	**1,023**	1,732	1,841	**(57)**	408	545
Evaluation projects/other		**159**	157	192	**62**	31	47	**60**	34	66
		10,105	12,159	11,313	**1,085**	1,763	1,888	**3**	442	611
Copper										
Kennecott Utah Copper	100.0	**2,412**	3,470	3,342	**1,004**	1,944	2,174	**567**	1,224	1,338
Escondida	30.0	**2,566**	2,167	2,699	**1,466**	1,203	1,806	**814**	659	1,013
Grasberg joint venture	(f)	**17**	406	611	**2**	262	403	**(17)**	129	206
Palabora	57.7	**1,072**	1,110	837	**64**	346	205	**3**	100	52

Northparkes	80.0	**453**	402	308	**247**	212	193	**144**	127	112
Product group operations		**6,520**	7,555	7,797	**2,783**	3,967	4,781	**1,511**	2,239	2,721
Evaluation projects/other		**141**	79		**(1,047)**	(573)	(282)	**(419)**	(307)	(191)
		6,661	7,634	7,797	**1,736**	3,394	4,499	**1,092**	1,932	2,530
Energy										
Rio Tinto Coal Australia	(g)	**4,998**	5,872	4,397	**1,030**	2,318	1,731	**402**	1,240	940
Rio Tinto Coal Mozambique	(h)	**10**			**(64)**	(8)		**(92)**	(7)	
Rössing	68.6	**352**	450	493	**(56)**	(83)	23	**(47)**	(48)	(3)
Energy Resources of Australia	68.4	**416**	675	533	**65**	77	118	**(131)**	(53)	22
Product group operations		**5,776**	6,997	5,423	**975**	2,304	1,872	**132**	1,132	959
Evaluation projects/other		**7**	6	23	**218**	(72)	427	**151**	(58)	228
		5,783	7,003	5,446	**1,193**	2,232	2,299	**283**	1,074	1,187
Diamonds & Minerals										
Diamonds	(i)	**741**	727	682	**103**	180	157	**(43)**	10	69
RTIT	(j)	**2,232**	1,580	1,331	**774**	345	255	**397**	151	74
Rio Tinto Minerals	(k)	**656**	901	1,015	**215**	239	209	**140**	144	199
Dampier Salt	68.4	**416**	434	442	**23**	23	79	**(4)**	(1)	29
Product group operations		**4,045**	3,642	3,470	**1,115**	787	700	**490**	304	371
Simandou iron ore project	(l)				**(328)**	(426)	(151)	**(262)**	(413)	(153)
Evaluation projects/other		**11**	12	7	**(129)**	(61)	(15)	**(109)**	(53)	(14)
		4,056	3,654	3,477	**658**	300	534	**119**	(162)	204

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Rio Tinto financial information by business unit continued

	Rio Tinto interest	Sales revenue[a]			EBITDA[b]			Net earnings[c]		
	%	**2012 US$m**	2011 US$m	2010 US$m	**2012 US$m**	2011 US$m	2010 US$m	**2012 US$m**	2011 US$m	2010 US$m
Other Operations	(m)	**6,730**	8,246	10,151	**(242)**	411	757	**(528)**	(120)	237
Intersegment transactions		**(2,048)**	(2,817)	(2,758)	**(10)**	58	(34)	**(8)**	40	(15)
Product Group Total		**55,566**	65,354	59,008	**20,095**	29,491	26,620	**10,203**	16,473	15,067
Other items					**(852)**	(843)	(594)	**(698)**	(593)	(554)
Exploration and evaluation					**(118)**	(127)	(48)	**(97)**	(102)	(52)
Net interest								**(105)**	(229)	(474)
Underlying earnings					**19,125**	28,521	25,978	**9,303**	15,549	13,987
Share of equity accounted unit sales and intra-subsidiary/equity accounted units sales		**(4,630)**	(4,761)	(3,837)						
Items excluded from Underlying earnings		**31**	(56)		**286**	115	575	**(12,293)**	(9,723)	251
Consolidated sales revenue/EBITDA/net earnings		**50,967**	60,537	55,171	**19,411**	28,636	26,553	**(2,990)**	5,826	14,238
Depreciation & amortisation in subsidiaries excluding capitalised depreciation					**(4,380)**	(3,817)	(3,437)			
Impairment charges[r]					**(17,194)**	(10,115)	(982)			
Depreciation & amortisation in equity accounted units					**(501)**	(527)	(522)			
Taxation and finance items in equity accounted units[r]					**88**	(125)	(903)			
(Loss)/profit on ordinary activities before finance items and tax					**(2,576)**	14,052	20,709			

Refer to notes (a) to (r) on page 222.

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	Rio Tinto interest	Capital expenditure[o] for the year to 31 December			Depreciation & amortisation for the year to 31 December			Operating assets[p] as at 31 December			Employees as at 31 Decem		
		2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	20
	%	**US$m**	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m	**Number**	Number	Num
Ore													
ersley	100.0	**4,828**	2,328	1,227	**1,051**	810	630	**14,647**	8,415	7,974	**9,129**	8,010	7,4
e River[d]	53.0	**1,579**	1,023	222	**308**	249	222	**4,731**	2,935	2,612	**1,784**	1,557	1,4
Ore pany of ada	58.7	**742**	653	253	**129**	110	108	**1,674**	1,177	847	**2,591**	2,361	2,
r								**16**	4	41	**18**	19	
		7,149	4,004	1,702	**1,488**	1,169	960	**21,068**	12,531	11,474	**13,522**	11,947	11,
minium	(e)												
kite & nina		**550**	665	428	**358**	351	324	**6,008**	9,504	8,249	**4,570**	4,649	4,
ary Metal		**1,975**	1,211	531	**708**	725	716	**12,275**	15,726	21,525	**10,471**	11,075	11,4
r grated rations		**25**	81	4	**27**	22	22	**1,323**	974	1,041	**1,008**	1,128	1,
grated rations		**2,550**	1,957	963	**1,093**	1,098	1,062	**19,606**	26,204	30,815	**16,049**	16,852	16,9
per													
necott Copper	100.0	**926**	561	259	**237**	227	296	**2,677**	2,025	1,870	**2,438**	2,291	2,0
ndida	30.0	**634**	481	206	**152**	135	119	**2,028**	1,548	1,468	**1,151**	1,077	1,0
berg joint ure	(f)	**136**	161	102	**31**	37	49	**679**	596	540	**2,463**	2,312	2,2
bora	57.7	**45**	64	33	**71**	86	69	**(q)**	3		**2,290**	2,292	2,1
hparkes	80.0	**61**	56	53	**44**	32	32	**405**	406	403	**373**	257	2
Tolgoi	(n)	**2,264**	2,225	290	**67**	3		**8,023**	5,049	2,489	**2,431**	1,131	2
r		**281**	236	47	**32**	18	3	**(1,130)**	2,467	948	**1,230**	852	6
		4,347	3,784	990	**634**	538	568	**12,682**	12,094	7,718	**12,376**	10,212	8,5
rgy													
Tinto Australia	(g)	**1,527**	1,016	609	**432**	349	266	**5,630**	3,993	3,145	**3,954**	3,874	3,1
Tinto ambique	(h)	**109**	172		**29**			**556**	3,363		**312**	137	
ing	68.6	**17**	39	35	**29**	28	31	**85**	153	201	**1,528**	1,637	1,5
gy urces of ralia	68.4	**166**	100	41	**279**	143	70	**129**	137	348	**624**	547	5
r								**596**	518		**19**	14	
		1,819	1,327	685	**769**	520	367	**6,996**	8,164	3,694	**6,437**	6,209	5,

monds & erals													
monds	(i)	**680**	445	186	**168**	146	70	**1,307**	1,170	1,185	**1,622**	1,218	1,(
T	(j)	**245**	144	91	**204**	155	145	**5,288**	2,930	2,708	**4,426**	3,804	3,5
Tinto erals	(k)	**97**	50	23	**31**	36	53	**593**	465	682	**1,246**	1,796	2,3
pier Salt	68.4	**46**	53	14	**30**	25	23	**291**	249	196	**497**	510	4
ndou ore ect	(l)	**717**	700		**10**	9	10	**567**	588	(42)	**977**	1,172	7
r					**1**			**3**	5	5	**88**	73	
		1,785	1,392	314	**444**	371	301	**8,049**	5,407	4,734	**8,856**	8,573	8,
er rations	(m)	**637**	729	570	**403**	535	587	**1,967**	3,830	7,160	**9,924**	9,953	16,9
luct up Total		**18,287**	13,193	5,224	**4,831**	4,231	3,845	**70,368**	68,230	65,595	**67,164**	63,746	67,(
segment actions								**213**	79	221			
assets of osal ps held ale	(q)							**351**	55	(101)			6,
r items		**159**	251	75	**111**	113	114	**(4,775)**	(4,392)	(2,097)	**4,055**	4,184	3,(
: jointly rolled ies and ciates		**(1,028)**	(1,146)	(746)	**(501)**	(527)	(522)						
l		**17,418**	12,298	4,553	**4,441**	3,817	3,437	**66,157**	63,972	63,618	**71,219**	67,930	76,8
back:													
eeds from of fixed s		**40**	37	38									
l capital nditure uding eeds)		**17,458**	12,335	4,591									
: Net								**(19,261)**	(8,451)	(4,071)			
: EAU ed nces uded from ebt								**(31)**	(2,982)	(1,300)			
ity butable io Tinto eholders								**46,865**	52,539	58,247			

Refer to notes (a) to (r) on page 222.

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Rio Tinto financial information by business unit continued

Business units have been classified according to the Group s management structure. Generally, business units are allocated to product groups based on their primary product. The Aluminium group excludes Pacific Aluminium, Other Aluminium and Constellium (formerly Alcan Engineered Products excluding Cable) which are included in Other Operations . Comparative amounts for 2011 and 2010 have been restated to be consistent with the 2012 presentation.

(a) Gross sales revenue includes 100 per cent of subsidiaries sales revenue and the Group s share of the sales revenue of equity accounted units (after adjusting for sales to subsidiaries).

(b) EBITDA of subsidiaries and the Group s share of EBITDA relating to equity accounted units represents profit before: tax, net finance items, depreciation and amortisation. Underlying EBITDA excludes the same items that are excluded from Underlying earnings.

(c) Net earnings represent profit after tax for the period attributable to the owners of the Rio Tinto Group. Earnings of subsidiaries and equity accounted units are stated before finance items but after the amortisation of discount related to provisions. Earnings attributed to business units do not include amounts that are excluded in arriving at Underlying earnings.

(d) The Group holds 65 per cent of Robe River Iron Associates, of which 30 per cent is held through a 60 per cent owned subsidiary. The Group s net beneficial interest is, therefore, 53 per cent, net of amounts attributable to outside equity shareholders.

(e) Aluminium is presented on an integrated operations basis splitting activities between Bauxite and Alumina, Primary Metal and Other integrated operations (which in total reflect the results of the integrated production of aluminium) and Other product group items which relate to other commercial activities.

(f) Under the terms of a joint venture agreement, Rio Tinto is entitled to 40 per cent of additional material mined as a consequence of expansions and developments of the Grasberg facilities since 1998.

(g) Includes Rio Tinto s 80 per cent interest in Coal and Allied (prior to 16 December 2011 Rio Tinto s interest was 75.7%) which is managed by Rio Tinto Coal Australia, a 100 per cent subsidiary of Rio Tinto. Coal and Allied owns a 40 per cent interest in Bengalla, an 80 per cent interest in Mount Thorley and a 55.6 per cent interest in Warkworth, giving the Group a beneficial interest at 31 December of 32 per cent, 64 per cent and 44.5 per cent respectively.

(h)

Rio Tinto Coal Mozambique (RTCM) owns and operates a number of exploration and early development stage projects, specialising in coal opportunities in southern Africa. Its principal interests are the Benga project, a 65:35 joint venture with Tata Steel Limited, which is equity accounted, and the wholly owned Zambeze coal project. These projects are located contiguously in the Tete and Moatize provinces of Mozambique. RTCM also has several prospective exploration tenements in the region.

(i) Diamonds includes Rio Tinto s interests in Argyle (100 per cent), Diavik (60 per cent) and Murowa (77.8 per cent).

(j) Includes Rio Tinto s interests in Rio Tinto Fer et Titane (RTFT) (100 per cent), QMM (80 per cent) and Richards Bay Minerals (RBM) (attributable interest of 74 per cent). During the year, the Group completed the acquisition of BHP Billiton s entire interests in RBM, increasing its stake from 37 per cent to 74 per cent. Operating assets at 31 December 2011 have been adjusted for amounts reclassified from Other items in respect of shareholder loans at RBM (refer to note 38).

(k) Includes Rio Tinto s interests in Rio Tinto Borax (100 per cent). Rio Tinto completed the sale of its 100 per cent interests in its talc operations on 1 August 2011.

(l) Following finalisation of the Simandou Joint Development Agreement, and subsequent earn-in by Chalco on 24 April 2012, Rio Tinto s interest in the Simandou Iron Ore project reduced from 95 per cent to 50.35 per cent (Refer to note 38). Following changes to Rio Tinto s management announced in July 2012, the Simandou iron ore project is now reported within Diamonds & Minerals.

(m) Other operations include Rio Tinto s 100 per cent interests in Pacific Aluminium, Other Aluminium, Rio Tinto Marine and its 36.33 per cent interest in Constellium (formerly Alcan Engineered Products excluding the Cable division). During the year, the Group completed the sale of Alcan Cable, with divestment of the North American portion completed on 5 September 2012 and the Tianjin, China operation on 3 December 2012. Rio Tinto completed the sale of its Colowyo coal mine on 1 December 2011.

(n) Rio Tinto s interest in Oyu Tolgoi LLC (OT) is held indirectly through its investment in Turquoise Hill Resources Ltd. (Turquoise Hill). The Group s remaining interests in the assets of Turquoise Hill, unrelated to OT, are reported in the Copper group within Other . On 24 January 2012, the Group took a majority stake in Turquoise Hill and has consolidated Turquoise Hill from 1 January 2012 (refer to note 38).

(o) Capital expenditure comprises the net cash outflow on purchases less disposals of property, plant and equipment, capitalised evaluation costs and purchases less disposals of other intangible assets. The details provided include 100 per cent of subsidiaries capital expenditure and Rio Tinto s share of the capital expenditure of equity accounted units. Amounts relating to equity accounted units not specifically funded by Rio Tinto are deducted and proceeds from disposals are added before arriving at total capital expenditure reported in the Group cash flow statement.

(p) Operating assets of subsidiaries comprise net assets excluding post retirement assets and liabilities, net of tax, and are before deducting net debt. Operating assets are stated after deduction of non-controlling interests, which are calculated by reference to the net assets of the relevant companies (i.e. inclusive of such companies debt and amounts due to or from Rio Tinto Group companies).

(q) Net assets of disposal groups held for sale at 31 December 2012 comprise Palabora Mining Company Ltd., following the reaching of a binding agreement to sell on 11 December 2012, and the Riversdale s Zululand Anthracite Colliery (ZAC) which was acquired with a view to resale. Net assets held for sale at 31 December 2011 related to ZAC.

Net assets of disposal groups held for sale in the Financial Information by Business Unit are presented after deducting amounts attributable to holders of non-controlling interests, including the non-controlling interests share of third party net debt and balances owed to/from Rio Tinto Group subsidiaries.

(r) Impairment charges in the reconciliation of EBITDA to (loss)/profit on ordinary activities are stated before tax credits of US$784 million (2011: US$349 million) on impairment of investments in equity accounted units, which is presented net of tax on the face of the Group Income Statement. Comparative amounts for 2011, previously presented net of tax, have been adjusted accordingly.

Australian Corporations Act summary of ASIC relief

Pursuant to section 340 of the Corporations Act 2001 (Corporations Act), the Australian Securities and Investments Commission issued an order dated 22 December 2010 (as amended on 17 February 2012) that granted relief to Rio Tinto Limited from certain requirements of the Corporations Act in relation to the Company s financial statements and associated reports. The order essentially continues the relief that has applied to Rio Tinto Limited since the formation of the Group s Dual Listed Companies (DLC) structure in 1995. The order applies to Rio Tinto Limited s financial reporting obligations for financial years and half-years ending between 31 December 2010 and 30 June 2014 (inclusive).

In essence, instead of being required under the Corporations Act to prepare consolidated financial statements covering only itself and its controlled entities, the order allows Rio Tinto Limited to prepare consolidated financial statements in which it, Rio Tinto plc and their respective controlled entities are treated as a single economic entity. In addition, those consolidated financial statements are to be prepared:

in accordance with the principles and requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and conforming to IFRS as adopted by the European Union (EU IFRS) rather than the Australian Accounting Standards (AAS) (except for one limited instance in the case of any concise report), and in accordance with United Kingdom financial reporting obligations generally;

on the basis that the transitional provisions of International Financial Reporting Standard 1 First-time Adoption of International Financial Reporting Standards should be applied using the combined financial statements previously prepared for Rio Tinto Limited, Rio Tinto plc and their respective controlled entities under Generally Accepted Accounting Principles in the United Kingdom, under which the DLC merger between Rio Tinto Limited and Rio Tinto plc was accounted for using merger , rather than acquisition , accounting (reflecting that neither Rio Tinto Limited nor Rio Tinto plc was acquired by, or is controlled by, the other, and meaning that the existing carrying amounts, rather than fair values, of assets and liabilities at the time of the DLC merger were used to measure those assets and liabilities at formation);

on the basis that Rio Tinto Limited and Rio Tinto plc are a single company (with their respective shareholders being the shareholders in that single company); and

with a reconciliation, from EU IFRS to AAS, of the following amounts: consolidated profit for the financial year, total consolidated income for the financial year and total consolidated equity at the end of the financial year (see page 145).

Those consolidated financial statements must also be audited in accordance with relevant Australian and United Kingdom requirements. Rio Tinto Limited must also prepare a Directors report which satisfies the content requirements of the Corporations Act (applied on the basis that for these purposes the consolidated entity is the Group, and the consolidated financial statements cover the Group. This includes a Remuneration report (see pages 92 to 125) prepared in accordance with requirements of the Corporations Act.

Rio Tinto Limited is also required to comply generally with the lodgement and distribution requirements of the Corporations Act (including timing requirements) in relation to those consolidated financial statements (including any

concise financial statements), the Auditor s report and the Directors report. The Corporations Act also requires that a binding resolution to adopt the Remuneration report be voted on by shareholders at the Company s annual general meeting.

Rio Tinto Limited is not required to prepare separate consolidated financial statements solely for it and its controlled entities. Rio Tinto Limited is also not required to prepare and lodge parent entity financial statements for itself in respect of each relevant financial year.

However, Rio Tinto Limited must in accordance with the Corporations Act include in the consolidated financial statements for the Group, as a note, various parent entity information regarding Rio Tinto Limited (including in relation to assets, liabilities, shareholders equity, profit and loss, income, guarantees, contingent liabilities, and contractual commitments) prepared in accordance with AAS.

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Report of Independent Registered Public Accounting Firms

To the Board of Directors and Shareholders of Rio Tinto plc and Rio Tinto Limited

In our opinion, the accompanying Group statement of financial position and the related Group income statement, the Group statement of comprehensive income, the Group cash flow statement, the Group statement of changes in equity, present fairly, in all material respects, the financial position of the Rio Tinto Group at 31 December 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2012 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Rio Tinto Group s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements and on the Rio Tinto Group s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

14 March 2013

In respect of the Board of Directors and

Shareholders of Rio Tinto plc

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers

Melbourne, Australia

14 March 2013

In respect of the Board of Directors and

Shareholders of Rio Tinto Limited

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Financial calendar

2013	
15 January	Fourth quarter 2012 operations review
14 February	Announcement of results for 2012
6 March	Rio Tinto plc and Rio Tinto Limited shares and Rio Tinto plc ADRs quoted ex-dividend for 2012 final dividend
8 March	Record date for 2012 final dividend for Rio Tinto plc shares and ADRs
13 March	Record date for 2012 final dividend for Rio Tinto Limited shares
15 March	Publication of 2012 Annual report, 20-F, Annual review and Notices of annual general meetings
19 March	Plan notice date for election under the dividend reinvestment plan and date for electing dividends paid in alternate currency for the 2012 final dividend
4 April	Dividend currency conversion date (Rio Tinto plc holders electing to receive Australian dollars and Rio Tinto Limited holders electing to receive pounds sterling)
11 April	Payment date for 2012 final dividend to holders of ordinary shares and ADRs
16 April	First quarter 2013 operations review
18 April	Annual general meeting for Rio Tinto plc
9 May	Annual general meeting for Rio Tinto Limited
16 July	Second quarter 2013 operations review
8 August	Announcement of half year results for 2013
14 August	Rio Tinto plc and Rio Tinto Limited shares and Rio Tinto plc ADRs quoted ex-dividend for 2013 interim dividend
16 August	Record date for 2013 interim dividend for Rio Tinto plc shares and ADRs
20 August	Record date for 2013 interim dividend for Rio Tinto Limited shares
21 August	Plan notice date for election under the dividend reinvestment plan and date for electing dividends paid in alternate currency for the 2013 interim dividend for Rio Tinto plc
22 August	Plan notice date for election under the dividend reinvestment plan and date for electing dividends paid in alternate currency for the 2013 interim dividend for Rio Tinto Limited
5 September	Dividend currency conversion date (Rio Tinto plc holders electing to receive Australian dollars and Rio Tinto Limited holders electing to receive pounds sterling)
12 September	Payment date for 2013 interim dividend to holders of ordinary shares and ADRs
15 October	Third quarter 2013 operations review
2014	
January	Fourth quarter 2013 operations review
February	Announcement of results for 2013

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Useful information

Registered offices

Rio Tinto plc

2 Eastbourne Terrace

London

W2 6LG

Registered in England No. 719885

Telephone: +44 (0) 20 7781 2000

Fax: +44 (0) 20 7781 1800

Website: riotinto.com

Rio Tinto Limited

Level 33

120 Collins Street

Melbourne

Victoria 3000

ABN 96 004 458 404

Telephone: +61 (0) 3 9283 3333

Fax: +61 (0) 3 9283 3707

Website: riotinto.com

Rio Tinto s agent in the US

is Cheree Finan, who may be

contacted at

Rio Tinto Services Inc.

80 State Street

Albany, NY 12207-2543

Shareholders

Please refer to the Investor Centre of the respective registrar if you have any queries about your shareholding.

Rio Tinto plc

Computershare Investor

Services PLC

The Pavilions

Bridgwater Road

Bristol

BS99 6ZY

Telephone: +44 (0) 870 703 6364

Fax: +44 (0) 870 703 6119

UK residents only,

freephone: 0800 435021

Website: www.computershare.com

Holders of Rio Tinto American Depositary

Receipts (ADRs)

Please contact the ADR administrator if you have any queries about your ADRs.

ADR administrator

JPMorgan Chase & Co

PO Box 64504

St. Paul, MN 55164-0504

Telephone: +1 (651) 453 2128

US residents only, toll free general:

(800) 990 1135

US residents only, toll free Global invest direct:

(800) 428 4237

Website: www.adr.com

Email: jpmorgan.adr@wellsfargo.com

Rio Tinto Limited

Computershare Investor Services

Pty Limited

GPO Box 2975

Melbourne

Victoria 3001

Telephone: +61 (0) 3 9415 4030

Fax: +61 (0) 3 9473 2500

Australian residents only, toll free:

1800 813 292

New Zealand residents only, toll free:

0800 450 740

Website: www.computershare.com

Former Alcan Inc. shareholders

Computershare Investor

Services Inc.

9th Floor

100 University Avenue

Toronto, ON M5J 2Y1

Ontario

Telephone: +1 514 982 7555

North American residents only,

toll free: +1 (866) 624 1341

Website: www.computershare.com

Investor Centre

Investor Centre is Computershare s free, secure, self service website, where shareholders can manage their holdings online. The website enables shareholders to:

- View share balances
- Change address details
- View payment and tax information
- Update payment instructions

In addition, shareholders who register their email address on Investor Centre, can be notified electronically of events such as annual general meetings, and can receive shareholder communications such as the annual report or notice of meeting electronically online.

Rio Tinto plc shareholders

www.investorcentre.co.uk/riotinto

Rio Tinto Limited shareholders

www.investorcentre.com

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Get more information online

Visit our reporting centre at riotinto.com/reportingcentre2012

Find out more about our business and performance

View our full 2012 Annual review

View our full 2012 Sustainable development report

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Item 19. Exhibits

Exhibits marked * have been filed as exhibits to this Annual report on Form 20-F and other exhibits have been incorporated by reference as indicated.

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Exhibit Number	Description
1.1	Articles of Association of Rio Tinto plc (adopted by special resolution passed on 20 April 2009 and amended on 1 October 2009) (incorporated by reference to Exhibit 1.1 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2009, File No. 1-10533)
1.2	Constitution of Rio Tinto Limited (ACN 004 458 404) (as adopted by special resolution passed on 24 May 2000 and amended by special resolution on 18 April 2002, 29 April 2005, 27 April 2007, 24 April 2008 and 20 April 2009) (incorporated by reference to Exhibit 1.2 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2009, File No. 1-10533)
3.1	DLC Merger Implementation Agreement, dated 3 November 1995 between CRA Limited and The RTZ Corporation PLC relating to the implementation of the DLC merger (incorporated by reference to Exhibit 2.1 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533)
3.2	DLC Merger Sharing Agreement, dated 21 December 1995 and amended on 14 April 2005, 29 April 2005 and 18 December 2009 between CRA Limited and The RTZ Corporation PLC relating to the ongoing relationship between CRA and RTZ following the DLC merger (incorporated by reference to Exhibit 3.2 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2009, File No. 1-10533)
3.3	RTZ Shareholder Voting Agreement, dated 21 December 1995 and amended on 18 January 2010 between The RTZ Corporation PLC, RTZ Shareholder SVC Pty. Limited, CRA Limited, R.T.Z. Australian Holdings Limited and The Law Debenture Trust Corporation p.l.c (incorporated by reference to Exhibit 3.3 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2009, File No. 1-10533)
3.4	CRA Shareholder Voting Agreement, dated 21 December 1995 and amended 18 January 2010 between CRA Limited, CRA Shareholder SVC Limited, The RTZ Corporation PLC and The Law Debenture Trust Corporation p.l.c., relating to the RTZ Special Voting Share (incorporated by reference to Exhibit 3.4 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2009, File No. 1-10533)
4.01	Rio Tinto plc - Share Option Plan 2004 (incorporated by reference to Exhibit 4.3 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.02	Rio Tinto Limited - Share Option Plan 2004 (incorporated by reference to Exhibit 4.6 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.03	Rules of the Rio Tinto plc Performance Share Plan 2004 (formerly known as the Rio Tinto plc - Mining Companies Comparative Plan 2004) (incorporated by reference to Exhibit 4.03 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2011, File No. 1-10533)
4.04	Rules of the Rio Tinto Limited Performance Share Plan 2004 (formerly known as the Rio Tinto Limited - Mining Companies Comparative Plan 2004) (incorporated by reference to Exhibit 4.04 of Rio Tinto plc Annual report on Form 20-F for the fiscal year ended 31 December 2011, File No. 1-10533)
8.1*	List of subsidiary companies.
12.1*	Certifications pursuant to Rule 13a-14(a) of the Exchange Act.
13.1*	Certifications furnished pursuant to Rule 13a-14(b) of the Exchange Act (such certifications are not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference in any filing under the Securities Act).
15.1*	Consent of Independent Accountants to the incorporation of the audit report relating to the Rio Tinto Group and effectiveness of internal control over financial reporting of the Rio Tinto Group by reference in registration statements on Form F-3 and Form S-8.

99.1*	Mine safety and health administration safety data.

* Filed herewith.

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Signature

The Registrants hereby certify that they meet all of the requirements for filing on Form 20-F and that they have duly caused and authorised the undersigned to sign this Annual Report on their behalf.

Rio Tinto plc	**Rio Tinto Limited**
(Registrant)	(Registrant)
/s/ Ben Mathews Name: **Ben Mathews** Title: Secretary	/s/ Ben Mathews Name: **Ben Mathews** Title: Joint Secretary
Date: 14 March 2013	Date: 14 March 2013