Rio Tinto

2015 half year results

Generating value through the cycle
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Rio Tinto
Sam Walsh
Chief executive
Our commitment to shareholders

To deliver industry-leading, sustainable shareholder returns through the cycle from our:

Tier 1 assets

Disciplined allocation of capital

Operating and commercial excellence

Culture of safety and integrity
The ‘New Normal’

Global growth continues
Real GDP (US$ trillion)  Real GDP growth (%)

- Period of economic adjustment
- Developed markets recovering
- China transitioning to major developed economy
  - Lower growth on a higher base
- Rising demand from other emerging market economies
- Industry focussed on costs and productivity to improve efficiency

Source: IMF (2015)
H1 2015 highlights

Underlying earnings of $2.9 billion

Net cash from operating activities of $4.4 billion

Returned $3.2 billion of cash to shareholders

Reduced costs by $0.6 billion

Reduced capex spend to $2.5 billion

Strong balance sheet with net debt of $13.7 billion
$3.2 billion returned to shareholders in H1 2015

Total cash returns to shareholders
US$ billion

- Expected to return over $6 billion to shareholders in 2015
- $2 billion share buy-back on track for completion by 2015 year end
  - Funded from 2014 cash flows
- Total dividends paid in 2015 of $4.1 billion
  - Interim dividend of 107.5 cents per share (half of FY 2014 dividend)
  - Interim dividend increased 12% year on year

1 Dividends shown in H1 2015 are as paid in H1 2015. Dividends shown in H2 2015 as declared on 6 August 2015 and payable on 10 September 2015 (calculated based on the number of shares outstanding at 30 June 2015).
2 Share buy-back shown in H1 2015 is as completed in H1 2015. Share buy-back shown in H2 2015 represents the balance of the $2 billion share buy-back announced with Rio Tinto’s full year 2014 results.
Cost reductions, exchange rates and lower energy costs have offset almost 40% of the price decline

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)

<table>
<thead>
<tr>
<th>Factor</th>
<th>H1 2014 underlying earnings</th>
<th>H1 2015 underlying earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>5,116</td>
<td>2,923</td>
</tr>
<tr>
<td>Exchange rates</td>
<td>(3,620)</td>
<td></td>
</tr>
<tr>
<td>Energy &amp; inflation</td>
<td>847</td>
<td></td>
</tr>
<tr>
<td>Flexed H1 2014 earnings</td>
<td>2,417</td>
<td></td>
</tr>
<tr>
<td>Volumes</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Cash cost reductions</td>
<td>396</td>
<td></td>
</tr>
<tr>
<td>Exploration &amp; evaluation (excluding disposals &amp; writedowns)</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Tax and other</td>
<td>(33)</td>
<td></td>
</tr>
</tbody>
</table>

Total cost reductions of $460m post-tax or $641m pre-tax
## Net earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>US$\text{m}</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 2015 underlying earnings</strong></td>
<td>2,923</td>
</tr>
<tr>
<td>Impairments</td>
<td>(421)</td>
</tr>
<tr>
<td>Losses/gains on disposals</td>
<td>11</td>
</tr>
<tr>
<td>Exchange losses on debt and derivatives</td>
<td>(1,306)</td>
</tr>
<tr>
<td>Increased closure provision for legacy operations</td>
<td>(242)</td>
</tr>
<tr>
<td>Restructuring costs and global headcount reductions</td>
<td>(135)</td>
</tr>
<tr>
<td>Other</td>
<td>(24)</td>
</tr>
<tr>
<td><strong>H1 2015 net earnings</strong></td>
<td>806</td>
</tr>
</tbody>
</table>
Succeeding in a challenging market

<table>
<thead>
<tr>
<th>Sector</th>
<th>Pilbara operating FOB EBITDA margins of 61%</th>
<th>Cash flows from operations of $2,065m</th>
<th>Underlying earnings of $2,099m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>Integrated operations EBITDA margins of 35%</td>
<td>Cash flows from operations of $1,556m</td>
<td>Underlying earnings of $793m</td>
</tr>
<tr>
<td>Aluminium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper &amp; Coal</td>
<td>Operating EBITDA margins of 36%</td>
<td>Cash flows from operations of $1,177m</td>
<td>Underlying earnings of $393m</td>
</tr>
<tr>
<td>Diamonds &amp; Minerals</td>
<td>Operating FOB EBITDA margins of 28%</td>
<td>Cash flows from operations of $306m</td>
<td>Underlying earnings of $75m</td>
</tr>
</tbody>
</table>
Balance sheet remains strong and flexible

- Maintain strong balance sheet amid challenging market
- Targeting 20-30% gearing ratio through the cycle
- $11.2 billion of cash on hand as at 30 June 2015
- Half way through $2 billion share buy-back as at 30 June 2015
- Balance sheet headroom a key competitive advantage

Net debt and gearing ratio

<table>
<thead>
<tr>
<th></th>
<th>Jun-13</th>
<th>Dec-13</th>
<th>Dec-14</th>
<th>H1 pro forma Dec-14*</th>
<th>Jun-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt (US$ billion)</td>
<td>22.1</td>
<td>18.1</td>
<td>12.5</td>
<td>13.5</td>
<td>13.7</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>28%</td>
<td>25%</td>
<td>19%</td>
<td>20%</td>
<td>21%</td>
</tr>
</tbody>
</table>

- **Gearing ratio** = net debt / (net debt + book equity).
- *Post H1 2015 $1 billion share buy-back.
Strong operating cash flows

$1 billion reduction in cash flows, as price impact partially offset by:
- Operating cash cost reductions
- Working capital cash release
- Volume increases
- Lower taxes
- Favourable exchange rates

Group EBITDA margins of 38% in H1 2015 (H1 2014: 41%)

Net cash generated from operating activities
US$ million

<table>
<thead>
<tr>
<th>H1 2014</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,456</td>
<td>4,435</td>
</tr>
</tbody>
</table>
Cost culture continues – 85% of original 2015 target achieved in H1 and target increased

Pre-tax operating cash cost improvements
Reduction vs. 2014 (US$ million)
Focus on capital efficiency

Capital discipline…
Capital expenditure profile (US$ billion)$^1$

- Capital allocation discipline requires project IRR >15%
- Two major projects completed in H1 2015:
  - Kitimat
  - Pilbara infrastructure

$^1$ Forecast capex is subject to variation in future exchange rates. Capex numbers are gross and not net of disposals.
Our capital allocation framework maximises shareholder value

1. Essential sustaining capex
2. Progressive dividends
3. Iterative cycle of

- Further cash returns to shareholders
- Compelling growth
- Debt management
| 6 August 2015 | Highlights | Financial performance | Outlook | Appendix |

Rio Tinto

Sam Walsh

Chief executive
Safety and our values are fundamental

All injury frequency rates
Per 200,000 hours worked

Accountability
- Relentless pursuit of shareholder value
- Disciplined decision-making

Respect
- For the environment and communities
- For health, safety and wellbeing

Integrity
- Transparency in what we do
- Fairness, honesty and openness

Teamwork
- Long-term partnerships
- Continuous improvement
Tier 1 iron ore assets…

…and operational excellence deliver through the cycle

Source: Company filings. ¹ EBITDA defined as sales margin + D&A for years where Adjusted EBITDA is not published. ² 2014 real FOB WA iron ore price.
Pilbara: our low-cost advantage has been sustained over many years

- H1 2015 cash unit cost of $16.2/t (21% lower than $20.4/t in H1 2014)
- Maintain consistently attractive FOB EBITDA margins (61% in H1 2015)
- Average realised FOB price of $54.40 per wet metric tonne ($59.13/dry metric tonne)
- Pilbara infrastructure project completed in H1 2015
- Expect global shipments of 340Mt/a in 2015
Operational and commercial excellence is embedded across our businesses

Iron ore material rehandling reduced by 16Mt in 2014

166,000 tonnes of concentrate tolled in H1 2015 at RTK to optimise smelter utilisation and increase revenues

Iron ore material rehandling reduced by 16Mt in 2014

166,000 tonnes of concentrate tolled in H1 2015 at RTK to optimise smelter utilisation and increase revenues

~60% of our aluminium is value added product (additional H1 2015 average premium of $259 per tonne)

Gove conveyor transport rate +7%, contributing to +11% bauxite production H1 2015 vs H1 2014

Oyu Tolgoi truck tray ‘dovetails’ fitted to increase load by 21 tonnes and truck utilisation +5% year on year
Delivering our major projects

<table>
<thead>
<tr>
<th>Iron Ore</th>
<th>Aluminium</th>
<th>Copper</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fe</strong></td>
<td><strong>Al</strong></td>
<td><strong>Cu</strong></td>
</tr>
<tr>
<td><strong>Pilbara infrastructure</strong>&lt;br&gt;Ramp up to generate maximum value from integrated system ✔</td>
<td><strong>Kitimat expansion</strong>&lt;br&gt;Ramp up to 420kt nameplate expected in early 2016 ✔</td>
<td><strong>OT Underground Development Plan(^1)</strong>&lt;br&gt;Next steps to approve of feasibility study and secure project financing ✔</td>
</tr>
<tr>
<td><strong>Fe</strong></td>
<td><strong>Al</strong></td>
<td><strong>Cu</strong></td>
</tr>
<tr>
<td><strong>Pilbara mines</strong>&lt;br&gt;Push mine capacity through low-cost growth to fill expanded infrastructure</td>
<td><strong>South of Embley</strong>&lt;br&gt;Feasibility study expected to complete towards the end of 2015</td>
<td><strong>OT Underground Mine</strong>&lt;br&gt;Over 80% of the value lies in the underground development</td>
</tr>
</tbody>
</table>

Building the world’s best mining company

- World-class portfolio
- Free cash flow generation
- Capital allocation discipline
- Sustainable shareholder returns
- Quality growth
- Operating and commercial excellence
- Balance sheet strength
- Quality growth

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Rio Tinto

2015 half year results

Generating value through the cycle
Cost reductions, exchange rates and lower energy costs have offset over half of the price impact.

**Underlying earnings H2 2014 vs H1 2015**

US$ million (post tax)
Weaker prices significantly reduced underlying earnings in H1 2015

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)
... partly offset by favourable exchange rates, lower energy costs and higher volumes

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)
Working capital cash release offset by non-cash movements and lower payables as capex reduces

Working capital balance reconciliation
US$ million

Net increase of $243m

<table>
<thead>
<tr>
<th></th>
<th>H1 2010</th>
<th>H1 2011</th>
<th>H1 2012</th>
<th>H1 2013</th>
<th>H1 2014</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>(791)</td>
<td>(579)</td>
<td>(636)</td>
<td>(678)</td>
<td>(795)</td>
<td>30</td>
</tr>
<tr>
<td>Non-cash</td>
<td>273</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>(30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing balance</td>
<td>1,609</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Iron Ore: increased volumes and cost reductions delivered against lower prices

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)

- Global production of 154 million tonnes was 11% higher than in H1 2014 following the successful Pilbara ramp up to 290 Mt/a in May 2014.
- Pilbara FOB EBITDA margins of 61% achieved in H1 2015 (70% in H1 2014) despite a 46% decline in average 62% Fe index prices compared to H1 2014.
- Pilbara cash unit costs to $16.20 per tonne in H1 2015, compared with $20.40 per tonne in H1 2014.
- Total cost reductions delivered in H1 2015 of $244 million pre-tax, through productivity improvements and lower contractor costs. Total pre-tax Iron Ore cost savings delivered since 2012 are now close to $1 billion.
- Pilbara iron ore revenues includes $372 million of freight in H1 2015 compared to $635 million in H1 2014, following significant declines in freight rates period on period.
The world’s best aluminium business

Clear focused strategy: Bauxite and first quartile smelters are key pillars

<table>
<thead>
<tr>
<th>Bauxite</th>
<th>Alumina</th>
<th>Aluminium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-leading bauxite position</td>
<td>Provides competitive security of supply for our first cost quartile smelter portfolio</td>
<td>Sector-leading primary metal H1 2015 EBITDA margin of 26%</td>
</tr>
<tr>
<td>Bauxite production +5% half on half, with +29% in 3rd party sales to 13.2 million tonnes</td>
<td>Improved financial performance in H1 2015 but more to do</td>
<td>H1 2015 underlying earnings +67% vs H1 2014</td>
</tr>
<tr>
<td>Achieved FOB EBITDA margins of 51% in H1 2015</td>
<td>Alumina production +5% half on half, with ongoing ramp up at Yarwun continuing to reduce costs and improve productivity</td>
<td>80% of smelters in first cost quartile; ~80% of power from low carbon sources</td>
</tr>
<tr>
<td>Market-paced growth options starting with South of Embley at Cape York</td>
<td></td>
<td>Focused on cash generation</td>
</tr>
</tbody>
</table>
Aluminium: exchange rates, prices and cost improvements more than doubled earnings

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)

- Average LME prices increased 2% year on year but the significant uplift in physical delivery market premiums in early 2015 trailed off during the second quarter, leading to a 2% increase in average realised price in H1 2015 to $2,292.
- Favourable currency movements in Canada and Australia increased underlying earnings by $279 million.
- Total H1 2015 cost savings were $145 million pre-tax through reduced raw material costs, increased productivity and lower labour costs. Total pre-tax Aluminium cost savings delivered since 2012 are now close to $1 billion.
- Integrated operations EBITDA margins improved significantly to 35% in H1 2015, compared to 23% in H1 2014. Improved EBITDA and reduced working capital delivered strong operating cash flows of close to $1.6 billion and around $650 million of free cash flow.
- The modernised and expanded Kitimat smelter poured first hot metal in H1 2015 and will now focus on ramping up towards 420,000 tonne nameplate capacity (expected in early 2016).
- The feasibility study on South of Embley continues, with expected completion in late 2015.
- Bauxite revenues includes $93 million of freight in H1 2015 ($115 million in H1 2014).
Significant growth in copper ahead

**Kennecott**
Volumes start to recover in 2016 following de-weighting/ de-watering east wall

**Oyu Tolgoi underground** will deliver significant value (>80% of total value)

**New 152 ktpd concentrator** completed in H1 2015 at Escondida

**Rio Tinto expects metal share from Grasberg in 2016/17**¹

**Resolution** land swap approved and first shaft completed in 2014 with permitting underway

**La Granja** project study continues

¹ Production rates for 2016 and 2017 based on Freeport-McMoRan first half 2015 Earnings Conference Call dated July 23, 2015 (available on the Freeport-McMoRan website) are 1.5bn lbs of copper and 1.9m ozs of gold in 2016 and 1.3bn lbs and 2.4m ozs of gold in 2017 and are based on the current JORC (2012) reserves as reported to market refer to Rio Tinto annual report 2014, released to the ASX on 6 March 2015. The Ore Reserves supporting this near term production period are 100% proved and probable ore reserves. The Competent Persons responsible for that previous reporting were Andrew Issel (APGO Professional Geoscientist-0141; SME-4147540RM) and George MacDonald (CPG-10768). Rio Tinto is not aware of any new information or data that materially affects these resource estimates, and confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context in which the competent persons’ findings are presented have not been materially modified. Rio Tinto shares in 40% of all metal above the metal strip (see our Chartbook for current guidance on metal strip thresholds) and will benefit from 40% of all metal produced from 2022 onwards.
Copper & Coal: cost savings and exchange rates partially offset lower prices

Underlying earnings H1 2014 vs H1 2015
US$ million (post tax)

- The Copper & Coal group’s underlying earnings of $393 million were 13% higher than H1 2014 when adjusted for movements in prices, exchange rates and energy & inflation. This solid performance reflected increased sales volumes from Oyu Tolgoi and the ramp-up of Kestrel, and the delivery of further cash cost savings.
- Pre-tax cost reductions delivered in H1 2015 were $150 million bringing total pre-tax cost savings delivered by Copper & Coal since 2012 to $1.9 billion.
- Operating EBITDA margins improved in H1 2015 to 36% (up from 33% in H1 2014), driven by ramp-up at Oyu Tolgoi.
- Despite the challenging market environment all Copper & Coal operations were free cash flow positive, contributing almost $800 million in free cash flows to the Group. Net cash generated from operating activities of $1.2 billion was $360 million higher than H1 2014, driven by strong operational performance and the drawdown of inventory.
- To optimise smelter utilisation, Kennecott commenced tolling third party concentrate in 2015, with 166,000 tonnes of concentrate received and smelted in H1 2015.
## Diamonds & Minerals: delivering strong margins

### Well positioned for consumer-driven growth

<table>
<thead>
<tr>
<th></th>
<th>Diamonds</th>
<th>Borates</th>
<th>Titanium Dioxide</th>
<th>Salt &amp; Uranium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA margins</strong></td>
<td>44%</td>
<td>42%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Argyle underground ramp up continues through 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td>Uranium facing challenging market</td>
</tr>
<tr>
<td><strong>Stable borate demand as increased Asian demand offsets lower European demand</strong></td>
<td></td>
<td></td>
<td>Softer market conditions as industry absorbs feedstock inventories</td>
<td></td>
</tr>
<tr>
<td><strong>A21 pipe project at Diavik underway</strong></td>
<td></td>
<td></td>
<td></td>
<td>ERA mining stockpiles and rehabilitating Ranger mine</td>
</tr>
<tr>
<td><strong>MDDK processing plant completed in 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Underlying earnings were in line with H1 2014, reflecting favourable currency moves, significantly lower prices and a decision to optimise titanium dioxide feedstock production to align with lower market demand.

Volume reductions impacted cash costs which are calculated on a unit cash cost of production despite the fact absolute cash costs were $228 million lower than H1 2014.

Strong operating cash flows of $306 million making a free cash flow contribution to the Group of over $50 million.

The ramp-up of the Argyle underground mine is expected to continue throughout 2015.

On 26 June 2015, Rio Tinto announced the sale of its interest in the Murowa diamond mine in Zimbabwe.

The $350 million development of the A21 kimberlite pipe at Diavik (Rio Tinto share $210 million), which will provide an important source of incremental supply to maintain existing production levels, is currently underway.

Revenues included $138 million of freight in H1 2015.
Other movements in underlying earnings

<table>
<thead>
<tr>
<th>Underlying earnings impact</th>
<th>US$ million</th>
<th>H1 2014</th>
<th>FX/price</th>
<th>Energy &amp; inflation</th>
<th>Volumes</th>
<th>Cash Costs</th>
<th>Epl'n eval'n 2014 disp</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other operations</td>
<td>(181)</td>
<td>(54)</td>
<td>(2)</td>
<td>1</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>47</td>
</tr>
<tr>
<td>Central Exploration (net)</td>
<td>(69)</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>(145)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(279)</td>
<td>22</td>
<td>-</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>29</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(674)</strong></td>
<td><strong>(26)</strong></td>
<td><strong>(2)</strong></td>
<td><strong>1</strong></td>
<td><strong>38</strong></td>
<td><strong>(4)</strong></td>
<td><strong>11</strong></td>
<td><strong>76</strong></td>
</tr>
</tbody>
</table>

- Other operations includes the Gove alumina refinery and RT Marine. The reduction in net loss reflects cash cost savings benefits and increased volumes.
- Exploration costs were largely in line with last year, excluding losses on divestments in 2014.
- Other includes savings across central functions.
## Earnings reconciliations

<table>
<thead>
<tr>
<th>Energy Resources of Australia</th>
<th>US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total comprehensive loss per ERA press release (A$255m)</td>
<td>(200)</td>
</tr>
<tr>
<td>Increased depreciation of closure asset</td>
<td>(6)</td>
</tr>
<tr>
<td>Tax and unwinding of discount(^1)</td>
<td>155</td>
</tr>
<tr>
<td>Less: Minority interests (31.6%)</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>(3)</td>
</tr>
</tbody>
</table>

**Underlying earnings as reported by Rio Tinto**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(37)</td>
</tr>
</tbody>
</table>

\(^1\) Including non-cash write down of ERA’s deferred tax asset, which is excluded from Rio Tinto’s underlying earnings.
# Modelling earnings

<table>
<thead>
<tr>
<th>Earnings sensitivity</th>
<th>H1 2015 average price/rate</th>
<th>($m) impact on FY 2015 underlying earnings of 10% price/rate change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper</td>
<td>268c/lb</td>
<td>183</td>
</tr>
<tr>
<td>Aluminium</td>
<td>$1,783/t</td>
<td>441</td>
</tr>
<tr>
<td>Gold</td>
<td>$1,206/oz</td>
<td>23</td>
</tr>
<tr>
<td>Iron ore (62% Fe FOB)</td>
<td>$56/dmt</td>
<td>1,005</td>
</tr>
<tr>
<td>Coking coal (benchmark)</td>
<td>$113/t</td>
<td>74</td>
</tr>
<tr>
<td>Thermal coal (average spot)</td>
<td>$63/t</td>
<td>110</td>
</tr>
<tr>
<td>A$</td>
<td>78USc</td>
<td>710</td>
</tr>
<tr>
<td>C$</td>
<td>81USc</td>
<td>224</td>
</tr>
<tr>
<td>Oil</td>
<td>$58/bbl</td>
<td>87</td>
</tr>
</tbody>
</table>

Note: The sensitivities give the estimated effect on underlying earnings assuming that each individual price or exchange rate moved in isolation. The relationship between currencies and commodity prices is a complex one and movements in exchange rates can affect movements in commodity prices and vice versa. The exchange rate sensitivities include the effect on operating costs but exclude the effect of revaluation of foreign currency working capital.