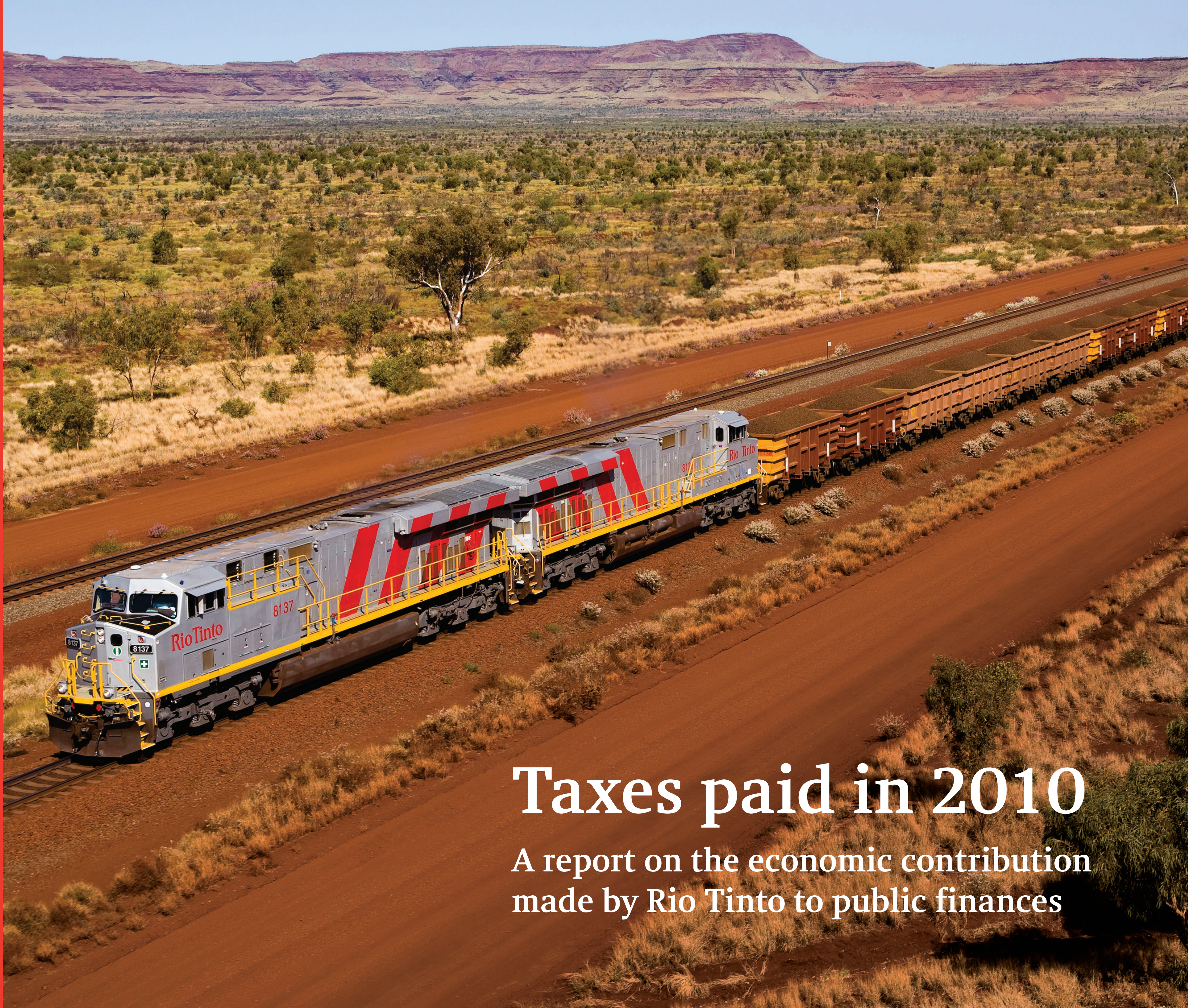
Rio Tinto



Taxes paid in 2010

A report on the economic contribution made by Rio Tinto to public finances

As part of our commitment to transparency, Rio Tinto has decided to redesign the way we report tax payments to governments. This new report brings together information on the payments we make to governments in each of the main countries in which we operate, as well as the taxes and earnings of business units and other tax information.

Rio Tinto paid a record amount of US$7.4 billion of taxes during 2010, representing a 54% increase on the prior year. Our total tax charge for the year, including final payments due after 2010, was US$9 billion, which represents 38% of our profit before tax. We are proud to be making a significant contribution to public finances in all the countries in which we operate. We are however concerned about ongoing debates in a number of countries to increase tax on natural resources, as this does not take into account the cyclical nature of this industry or the agreements under which investments were initially made. For an industry that makes multi-decade investments, with significant up-front capital expenditure, the risk of fiscal instability will influence the global flow of capital and a country's ability to attract and retain investment.

We have chosen through this report to be transparent in disclosing payments we made to individual governments in 2010 and we support the principles of the Extractive Industries Transparency Initiative (EITI).

Given the existence and success of the EITI as well as its global reach, we do not believe mandatory rules for disclosure of payments to governments are necessary. However, where such rules are envisaged, we believe governments should use EITI as a starting point and work together to adopt a consistent and comparable global approach, which establishes consistent disclosure requirements.

We believe any mandatory rules need to remain focussed on the ultimate objectives, both for governments and for companies: good tax governance, accountability, transparency, and the fight against corruption.

The preparation of financial statements on a country-by-country basis (as distinct from the EITI approach of disclosing payments to governments) would not contribute to these objectives. In view of this, and the implementation challenges and material compliance costs that would be incurred, we do not support the introduction of such requirements.

This report demonstrates that effective disclosures can be made by businesses on a voluntary basis. In a number of areas, including sustainable development reporting, voluntary transparency has been shown to encourage innovation in reporting, including through proactive engagement with the stakeholder audiences to develop reporting models. At Rio Tinto we are committed to maintain and improve our reporting and transparency, and we welcome feedback on the format of this report.

Guy Elliott
Chief Financial Officer

May 2011

Contents

1 Introduction

Tax is a major subject of debate for all businesses, governments and other stakeholders. At Rio Tinto, our tax strategy and payments are central to our approach to achieving sustainable development for the long term as a business, as a sector and as a global corporate citizen.

Rio Tinto is committed to providing transparency about tax payments made to governments, as part of our corporate commitment to sustainable development and good corporate governance. We have provided voluntary reporting of tax and wider economic contributions for a number of years. In 2010 we committed to increase the level of our detailed reporting on tax payments to governments. As a result this report, which covers the year ended 31 December 2010, presents key data on tax payments, revenues and earnings showing our economic contribution to public finances. We have chosen to report this information voluntarily and intend to issue such reporting annually hereafter.

This report presents an overview of our tax strategy and governance and sets out our policy position, with specific reference to matters of current interest and debate. We have provided analysis of our tax payments in 2010 by tax type, country and business unit to show our contribution to public finances. We have shown how our tax payments reconcile with the tax information presented in our financial statements explaining how the difference between payments and charges arises as some tax payments are accrued, but not paid, in the calendar year. The report builds on the framework of reporting developed under the Extractive Industries Transparency Initiative. It goes into further detail than the statutory disclosures required for financial statement reporting.

Tax, for the purpose of this report, is defined as any amount of money required to be paid directly to a government. This includes corporate income tax, government royalties, licence fees, permitting fees, property taxes, employment taxes, sales taxes, stamp duties, and any other required payments. This report excludes the wider economic contribution made to other third parties, for example community contributions. These are reported separately in our sustainable development reporting. The data within the report includes all our main countries of operation, excluding only amounts less than US$1 million. Where we operate in non-controlled joint ventures and associates we have included the share of the tax payments from those operations consistent with our level of equity in the operations.

A glossary of key terms and the basis of preparation for the data within the report are presented in Appendices 1 and 2 respectively. This explains the scope of reporting and the definitions applied for each type of tax payment. Tax payments data included in the report have been subject to assurance by PricewaterhouseCoopers LLP. Their independent auditors' report can be found in section 8. The assurance process comprised more extensive and detailed testing than that performed for the statutory audit, to support the more detailed level of tax reporting we have presented.

We will continue to keep our tax payment reporting under review taking into account best practice and regulatory developments. We are committed to continue to have a leading role in developing best practice in tax transparency.

2 Distribution of direct economic contributions

How we spent our revenue in 2010

Gross sales revenue by geographical origin
(US$ billions)

Australia	32
North America	14
Europe	7
South America	3
Africa	2
Asia/rest of the world	2
Total	**60**

The chart below shows the distribution of revenues generated by our businesses in 2010 to different stakeholder groups. Tax payments to governments comprised 13% of our gross sales revenue in 2010. This is the third largest constituent in the distribution of gross sales revenues, after payments to external suppliers and reinvestment in the business. The majority of our revenues are created in Australia and North America; correspondingly tax payments are highest in these markets (see Section 5). The effective tax rate, calculated as the total tax charge for the year as a proportion of profits before all taxes, is 38%. The detailed calculation of this rate is explained in Appendix 2.

How our revenues are spent – distribution of direct economic contributions
(%)

3 Our tax strategy and governance

In support of our overall business strategy and objectives, Rio Tinto pursues a tax strategy that is principled, transparent and sustainable in the long term. The Group has established principles governing its tax strategy which have been reviewed and approved by the board of directors. These remain unchanged from previous years and include the following key points:

- A tax strategy that is aligned with our business strategy and conforms with our global code of business conduct, *The way we work.*

- Commitment to ensure full compliance with all statutory obligations, and full disclosure to tax authorities.

- Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments before entering into any tax planning strategy.

- Sustaining good relations with tax authorities, and actively considering the implications of tax planning for the Group's wider corporate reputation.

- Management of tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law.

Within this governance framework, the conduct of the Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals. Our adherence to these principles is certified to the Rio Tinto board of directors on annual basis. The suitability of the tax strategy and principles is kept under regular review.

Throughout 2010 we upheld these principles across all countries of operation. In this context, Rio Tinto does not obtain any significant benefit from 'tax havens'. The Group has business operations in certain jurisdictions that offer tax incentives for businesses, such as Singapore where the Group has significant marketing and logistics activities. Approximately 60% of the Group's sales, by destination, are to the Asia Pacific region.

In accordance with our tax strategy, all exchanges of goods, property and services between companies within the Group are conducted on an arm's length basis. Transfer pricing between Group companies is based on fair market terms and the commercial nature of the transactions.

4 Tax transparency and reporting

Rio Tinto is a signatory to the Extractive Industries Transparency Initiative (EITI) which was established in 2003. It has been developed as a multi-stakeholder initiative and includes in-country programmes as well as being governed through a global secretariat. The EITI sets a global standard for transparency on tax payments to governments. About 25 governments participate and there are almost 50 signatory member organisations. Our business units support and promote the EITI, and its implementation. We fully support the EITI's principles of transparency and accountability. This support is evidenced through the voluntary development of this report in which we disclose the tax payments that we make in all the main countries in which we operate, and the taxes and earnings of the main business units.

Given the existence and success of the EITI as well as its global reach, we do not believe mandatory rules for disclosure of payments to governments are necessary. However, where such rules are envisaged, we believe governments should use EITI as a starting point and work together to adopt a consistent and comparable global approach, which establishes consistent disclosure requirements.

We believe any mandatory rules need to remain focussed on the ultimate objectives, both for governments and for companies: good tax governance, accountability, transparency, and the fight against corruption.

The preparation of financial statements on a country-by-country basis (as distinct from the EITI approach of disclosing payments to governments) would not contribute to these objectives. In view of this, and the implementation challenges and material compliance costs that would be incurred, we do not support the introduction of such requirements.

This report shows how product group and country disclosures can be made by businesses on a voluntary basis. In a number of areas, including sustainable development reporting, voluntary transparency has been shown to encourage innovation of reporting as well as proactive engagement with the stakeholder audiences to develop reporting models.

5 Our tax payments in 2010

We paid $7.4 billion of tax in the year

5.1 Analysis by country

The table below shows the total of all tax payments for each of the main countries where Rio Tinto has revenue generating operations or projects. The distribution of taxes paid by the Group reflects the geographical spread of the Group's businesses. Accordingly the majority of the tax is paid in Australia and North America. However the tax amounts paid in South America, Europe, Southern Africa and Asia are significant in the context of the tax receipts of some of the countries in these regions. Although the Group has a head office in the UK, only a small proportion of its operations is located in the UK and the amount of taxes paid in the UK reflects this. The net amount paid of US$7.4 billion compares with US$4.8 billion in 2009. The increase is primarily the result of higher profits in 2010.

All amounts are in US$ millions	Notes	Taxes borne	Taxes collected	Subtotal	Taxes refunded(i)	Net payments to governments
Australia		4,424	680	5,104	(1,305)	3,799
USA		1,100	172	1,272	(5)	1,267
Canada		635	350	985	(107)	878
Chile		492	20	512	(69)	443
Indonesia		314	19	333	–	333
France		218	86	304	(1)	303
Mongolia		95	2	97	–	97
UK		29	60	89	–	89
South Africa		73	32	105	(21)	84
Namibia		63	–	63	–	63
Guinea		38	–	38	–	38
Germany		8	17	25	–	25
Czech Republic		13	7	20	–	20
Singapore		14	–	14	–	14
Japan		–	14	14	–	14
Iceland		6	7	13	–	13
Brazil		9	–	9	–	9
Peru		5	2	7	–	7
Belgium		–	6	6	–	6
Norway		2	4	6	–	6
Madagascar		3	1	4	–	4
China		2	1	3	–	3
Netherlands		3	–	3	–	3
Zimbabwe		2	–	2	–	2
Cameroon		1	–	1	–	1
Austria		2	–	2	(2)	–
Switzerland		11	1	12	(16)	(4)
New Zealand		(47)	18	(29)	(39)	(68)
Total	(ii),(iii)	**7,515**	**1,499**	**9,014**	**(1,565)**	**7,449**

(i) Tax refunds are deducted in order to show the net payments to governments. These refunds relate principally to indirect taxes paid to suppliers which the Group is entitled to recover. As the tax has been paid by the suppliers there is no net loss to the governments. There is also no net gain to Rio Tinto.

(ii) Amounts include Rio Tinto's share of payments by non-controlled entities (jointly controlled entities and associates).

(iii) All amounts are stated in accordance with the basis of preparation set out in Appendix 2 of this report.

5 Our tax payments in 2010

(continued)

Corporate income tax is the largest component of our tax payments, though other taxes also make a significant contribution

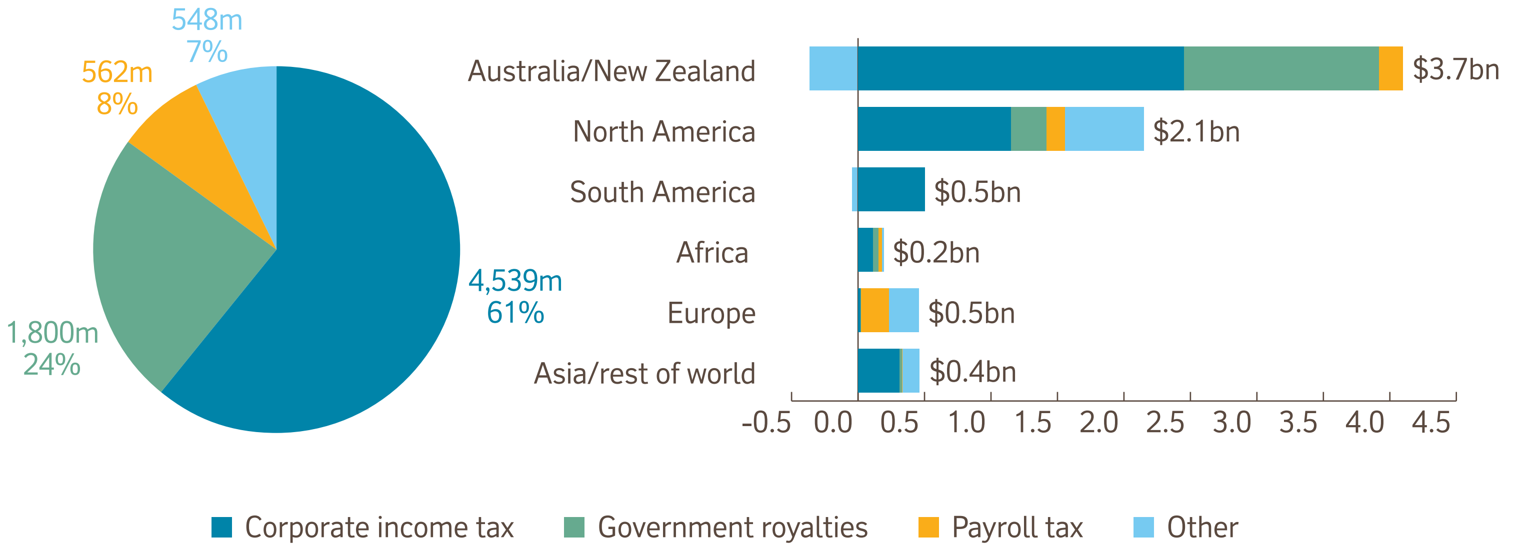
5.2 Analysis by type of tax

The tables below analyse the US$7.4 billion tax payments in 2010 by type of tax.

Corporate income tax represents 61% of Rio Tinto's total tax payments in 2010. Government royalties and employer payroll taxes account for 24% and 8% respectively. The other 7% includes tax collected on behalf of employees less tax refunded on supplies, property taxes and a range of other tax payments.

Explanation of the different taxes is presented in the glossary and basis of preparation in appendices 1 and 2 respectively.

Total net payments to governments



6 Tax charged in the financial statements in 2010

We charged US$9 billion of tax to the income statement in the year

The table below shows the tax charge and net earnings of each of the main business units. The tax charge reflects the amount of tax accrued rather than paid. The higher accrual numbers reflect the fact that part of the accrued amount is not paid within the year.

The effective tax rate, calculated as the total tax charge for the year divided by the underlying profits before all taxes, is 38%.

All amounts are in US$ millions Refer to notes (i) to (v) below	Corporate income tax charge a	Other tax charges b	Total tax charge = a+b	Profit before tax c	Non-controlling interests d	Net earnings = c-a-d
Iron Ore						
– Hamersley	3,219	997	**4,216**	11,130	–	**7,911**
– Robe River	928	251	**1,179**	3,093	394	**1,771**
– Iron Ore Company of Canada	431	25	**456**	1,267	345	**491**
– Dampier Salt	13	7	**20**	55	13	**29**
Aluminium						
– Rio Tinto Alcan	(58)	773	**715**	650	4	**704**
Copper						
– Kennecott Utah Copper	511	116	**627**	1,853	–	**1,342**
– Escondida	674	–	**674**	1,687	–	**1,013**
– Grasberg joint venture	147	20	**167**	353	–	**206**
– Palabora	43	10	**53**	130	35	**52**
– Northparkes	48	10	**58**	160	–	**112**
Energy						
– Rio Tinto Coal Australia	428	309	**737**	1,452	84	**940**
– Rossing	(4)	49	**45**	(9)	(2)	**(3)**
– Energy Resources of Australia	7	11	**18**	36	7	**22**
Diamonds and Minerals						
– Diamonds	3	31	**34**	70	(3)	**70**
– Rio Tinto Iron and Titanium	37	22	**59**	111	–	**74**
– Rio Tinto Minerals	(46)	19	**(27)**	153	–	**199**
Financing and other items	(293)	313	**20**	(1,222)	17	**(946)**
Total included in Underlying Earnings	**6,088**	**2,963**	**9,051**	**20,969**	**894**	**13,987**
Items excluded from Underlying Earnings	(55)	–	**(55)**	248	(34)	**337**
Total included in Group income statement	**6,033**	**2,963**	**8,996**	**21,217**	**860**	**14,324**

6 Tax charged in the financial statements in 2010

(continued)

A reconciliation between the tax payments shown in section 5 and the taxes charged is shown below.

	Corporate income tax	Other tax borne	Total tax borne	Net indirect tax paid	Net tax payments
Total included in Group income statement	6,033	2,963	8,996	–	**8,996**
Less deferred tax included above	(244)	–	(244)	–	**(244)**
Payments due after 2010	(1,250)	13	(1,237)	–	**(1,237)**
Net indirect tax collected/ (refunded)	–	–	–	(66)	**(66)**
Total tax paid in the year	**4,539**	**2,976**	**7,515**	**(66)**	**7,449**

Notes:

(i) The analysis between controlled and non-controlled entities is as follows:

	Corporate income tax charge	Other tax charges	Total tax charge	Profit before tax	Non-controlling interests	Net earnings
Parent companies and subsidiaries	5,296	2,772	8,068	19,476	860	13,320
Non-controlled entities	737	191	928	1,838	–	1,101
Discontinued operations	–	–	–	(97)	–	(97)
Total included in income statement	6,033	2,963	8,996	21,217	860	14,324

	Corporate income tax paid	Payment of other tax borne	Total payment of tax borne
Parent companies and subsidiaries	4,100	2,785	6,885
Non-controlled entities	439	191	630
Total tax paid in the year	4,539	2,976	7,515

(ii) For further information on the calculation of the corporate income tax charge see the tax reconciliation in the 'Corporate income tax charge' section of this report.

(iii) Tax charges other than corporate income tax do not fluctuate in relation to the profits for the year.

(iv) 'Financing and other items' include project costs and other corporate items. The amount of tax relief on this net expenditure is reduced by taxes borne on projects at an early stage of development, before profits are generated.

(v) All amounts are stated in accordance with the basis of preparation set out in Appendix 2 of this report. For details of the method for calculation of the effective tax rate (to which the letters on the table columns refer), see the Basis for Preparation.

7 Financial statement disclosures

7.1 Corporate income tax charge

The corporate income tax charge for parent companies and subsidiaries for 2010 was US$5,296m, of which US$5,026m was current tax and US$270m was deferred tax.

The share of corporate income tax charges of non-controlled entities was US$737m and, including this amount, the total charge was US$6,033m. Of this, US$5,789m was current tax and US$244m was deferred tax.

The total corporate income tax paid in the year was US$4,539m including the Group's share of tax payments of non-controlled entities. These amounts differ from the tax charges in the income statement mainly because of the timing of tax instalment payments.

The tables below reconcile the tax charge to the UK statutory tax rate of 28%. The effective corporate income tax rate on underlying earnings was 27.9%. After taking into account items excluded from underlying earnings the effective corporate income tax rate was 27.2%.

2010 Corporate income tax charge
US$ millions

Parent companies and subsidiaries		Non-controlled entities	Total
UK			
– Current	–	(6)	(6)
– Deferred	286	3	289
	286	**(3)**	**283**
Australia			
– Current	3,785	19	3,804
– Deferred	398	(14)	384
	4,183	**5**	**4,188**
Other countries			
– Current	1,241	750	1,991
– Deferred	(414)	(15)	(429)
	827	**735**	**1,562**
Total			
– Current	5,026	763	5,789
– Deferred	270	(26)	244
	5,296	**737**	**6,033**

Corporate income tax charge reconciliation:
US$ millions

Parent companies and subsidiaries	
Profit before tax	**19,476**
Expected tax payable at UK rate of 28%	5,453
Higher rate of taxation on Australian earnings at 30%	295
Impact of items excluded in arriving at Underlying earnings (a)	(143)
Adjustments to deferred tax liabilities following changes in tax rates	(96)
Other tax rates applicable outside the UK and Australia	110
Resource depletion and other depreciation allowances	(163)
Research, development and other investment allowances	(74)
Utilisation of previously unrecognised deferred tax assets	(13)
Unrecognised current year operating losses	95
Foreign exchange differences	(63)
Withholding taxes	35
Other items	(140)
Total corporate income tax charge	**5,296**

(a) Items excluded in arriving at Underlying earnings:	
Disposals of businesses and newly consolidated businesses	(101)
Foreign exchange on intra-group balances	46
Foreign exchange on external debt	(61)
Other foreign exchange and derivatives	(17)
Impairment charges	(23)
Other exclusions	13
	(143)

7 Financial statement disclosures

(continued)

7.2 Deferred tax

Deferred tax accounting seeks to address the timing differences that can occur when items of income or expense are included in the financial statements in different periods to those in which they are taxable or tax-deductible. Deferred tax assets and liabilities represent the tax effects of such timing differences that will occur in future periods.

Deferred tax	2010 US$m
At 1 January	2,073
Adjustment on currency translation	340
Charged to the income statement	270
Credited to statement of comprehensive income	(226)
Newly consolidated operations	834
Subsidiaries no longer consolidated	(2)
Transfer to asset held for sale	(3)
Other movements	26
At 31 December	**3,312**

31 December 2010
US$m

	UK	Australia	Other countries	Total
Allowances for property, plant and equipment	80	2,231	5,113	7,424
Unrealised exchange gains	–	601	92	693
Unremitted earnings	–	–	437	437
Other temporary differences	–	516	145	661
Total liabilities	**80**	**3,348**	**5,787**	**9,215**
Capital allowances	–	–	(71)	(71)
Provisions	(95)	(1,008)	(1,075)	(2,178)
Post-retirement benefits	(67)	(28)	(1,206)	(1,301)
Tax losses	(75)	(192)	(1,332)	(1,599)
Unrealised exchange losses	–	(528)	(1)	(529)
Other temporary differences	–	(68)	(157)	(225)
Total assets	**(237)**	**(1,824)**	**(3,842)**	**(5,903)**
Net deferred tax	**(157)**	**1,524**	**1,945**	**3,312**

The Group had deferred tax liabilities of US$9,215m and deferred tax assets of US$5,903m at 31 December 2010. After offsetting balances within the same jurisdiction that are settled on a net basis, the amounts presented on the balance sheet are liabilities of US$5,175m and assets of US$1,863m. The deferred tax liabilities and assets prior to this offsetting of balances are shown below.

The Group has tax losses, mainly in the UK, France, Canada and Australia, which have the potential to reduce tax payments in future years. The probability of recovery of these losses has been assessed under the relevant International Financial Reporting Standard, IAS12, based on the projected future taxable profits of the relevant tax groups. The potential tax assets on these losses totalled US$2,013m at 31 December 2010.

Of these, US$1,452m have been recognised as deferred tax assets, leaving US$561m unrecognised. These amounts exclude capital losses that can only be recovered against future capital gains.

Capital losses of US$147m have been recognised as deferred tax assets, giving total recognised losses of US$1,599m. There are US$1,217m of further potential deferred tax assets that have not been recognised in the accounts.

The above amounts relate to parent companies and subsidiaries, and do not include any amounts attributable to non-controlled entities.

Deferred tax relating to newly consolidated operations arises on the difference between the provisional fair value and the tax base of the assets of Oyu Tolgoi LLC at the date of consolidation.

8 Independent auditors' report

We have audited selected information contained in the report 'Taxes Paid in 2010 – A report on the economic contribution made by Rio Tinto to public finances' (the 'Report'). The 'Selected Information' comprises the following data and related notes:

Schedule 5.1: Our tax payment in 2010 – Analysis by country
Totals for:
- Taxes Borne
- Taxes Collected
- Taxes Refunded
- Net Payments to Governments

Schedule 6: Tax charged in the financial statements in 2010
Totals included in Group income statement for:
- Corporate income tax charge
- Other tax charges
- Total tax charge

Directors' responsibilities

The Report is the responsibility of, and has been approved by, the directors of Rio Tinto plc ('Rio Tinto'). The directors are responsible for preparing the Selected Information in accordance with the basis of preparation set out in Appendix 2, and for such internal control as the directors determine is necessary to enable the preparation of Selected Information that is free from material misstatement whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Selected Information in the Report based on our audit. This report, including the opinion, has been prepared for and only for Rio Tinto to assist the directors in reporting Rio Tinto's taxes paid to public finances. We consent to the inclusion of this report within the Report to enable the recipients to verify that the directors have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. We do not accept or assume responsibility for our work or this report to anyone other than the directors as a body and Rio Tinto save where terms are expressly agreed and with our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Selected Information has been prepared in all material respects in accordance with the basis of preparation set out in Appendix 2.

An audit involves performing procedures to obtain audit evidence about the amounts and related notes for the Selected Information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Selected Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the Selected Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Selected Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the Selected Information in the report 'Taxes Paid in 2010 – A report on the economic contribution made by Rio Tinto to public finances' for the year ended 31 December 2010 is properly prepared, in all material respects, in accordance with the basis of preparation set out in Appendix 2.

Basis of Preparation

Without modifying our opinion, we draw attention to Appendix 2 to the Report, which describes the basis of preparation.

PricewaterhouseCoopers LLP
Chartered Accountants
London

20 May 2011

Notes:
The maintenance and integrity of Rio Tinto plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Appendix 1 Glossary of key terms

In this report the following terms have the meanings shown below:

Corporate income tax All taxes that are based on the taxable profits of a company.

Current tax The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.

Deferred tax The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.

Effective tax rate The tax charge in respect of an accounting period divided by the accounting profit before tax.

Government Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.

The Group Rio Tinto Plc, Rio Tinto Limited and their subsidiaries and associated companies.

Indirect tax Tax that is required to be paid to a government by one person at the expense of another person.

Tax Any amount of money required to be paid to a government, including without limitation corporate income tax, government royalties, licence fees, permitting fees, property taxes, employment taxes, sales taxes, stamp duties, and any other required payments.

Tax borne Tax that a person is obliged to pay to a government, directly or indirectly, on that person's own behalf.

Tax charge The amount of tax included in the income statement of a company for an accounting period.

Tax collected Tax that a person is obliged to pay to a government on behalf of another

Appendix 2 Basis of preparation

This Basis of Preparation document supports the preparation and reporting of the data on tax payments presented in Rio Tinto's report entitled "Taxes Paid in 2010" (hereafter "the Report"). The Report seeks to provide its users with an overview of the total payments made by Rio Tinto to governments worldwide to reflect the direct contribution made to public finances by Rio Tinto.

Rio Tinto includes Rio Tinto plc, Rio Tinto Limited and subsidiaries and associated companies (hereafter and above – "Rio Tinto" or "the Group"). The scope of reporting is described further below.

The basis of preparation supports the following data for Rio Tinto included in the Report:

- Taxes borne (including those paid in 2010)
- Taxes collected
- Taxes refunded
- Effective Tax rate

It is the responsibility of the management of Rio Tinto to ensure that appropriate procedures are in place to prepare reporting in line with, in all material respects, this Basis of Preparation.

All data, unless otherwise stated, are prepared for the year from January 1 to December 31, 2010. Data as they relates to taxes paid, collected or refunded, are included when cash is released from, or received by, Rio Tinto. Data are prepared based on a 100% basis for all operations in which Rio Tinto has a controlling interest, and on Rio Tinto's share where Rio Tinto does not have a controlling interest. Where an acquisition is completed in the year, or a company is newly consolidated in the year, the numbers relating to that business are included in full in these numbers; where a disposal has been completed in the year, the numbers relating to that disposal have been included up to the point of disposal.

Restatements

The measuring and reporting of the data may in some circumstances involve a degree of estimation. In exceptional circumstances restatements of prior year reported data may be required, this will be determined on a case by case basis.

Scope and methodology of reporting

Organisational Reporting Boundaries

The report sets out taxes paid by Product Group (which represent Rio Tinto's main areas of business activity), and major business units within each Product Group, on the same basis as reported in Rio Tinto's annual report. The data include the main countries of operation; countries where the taxes paid in the year are less than US $1M are excluded from reporting.

Scope of data reporting

The scope of the data reporting is presented in each definition below. "Tax" in this report means any amount of money required to be paid to, or repaid by, a government. In overview, the key information shown is as follows:

(1) Taxes borne

These are the taxes that the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government. A list of the main taxes we have included in this category are:

Appendix 2 Basis of preparation

(continued)

Corporate income tax – This comprises any tax on the business calculated on the basis of its profits, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to governments, and tend to become payable, and are paid, either in the year the profits were made or up to one year later, depending on the local tax rules as to timing of payments.

Government Royalties – This comprises payments made to governments in the form of royalties, licence fees and resource rents for example for the extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate. These form part of operating costs.

Property taxes – This comprises any property related taxes, including real property / land / estate tax (other than Stamp Duty which is shown below). Typically, these taxes tend to become payable, and are paid, to governments throughout the year. These form part of operating costs.

Withholding tax – This comprises tax charged on payments of dividends or other distributions of profits. Typically, this tax would be reflected in income tax returns made to governments and tends to become payable, and is paid, at the point of a distribution of profits from one territory to another rather than in the year the profits actually arise.

Customs duties – This comprises all customs / excise / import and export duties. Typically, these taxes tend to become payable and are paid to governments at the point where goods are imported and exported from territories. These form part of operating costs.

Stamp duty – This comprises taxes that arise on transfers of assets or capital. Typically, these taxes would be reflected in stamp duty returns made to governments and tend to become payable, and are paid, to governments shortly after capital or assets are transferred. These form part of operating costs.

Payroll taxes (employer) – This comprises payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return. These form part of operating costs.

Irrecoverable indirect taxes – This comprises sales tax, VAT and other taxes that arise on production or sale which cannot be recovered from governments. Typically these taxes would form part of a sales tax return made to government and tend to become payable, and are paid, regularly (often quarterly) throughout the year. These form part of operating costs.

Environmental taxes – This comprises of any carbon taxes or other payments to governments relating to environmental policy. Typically these taxes tend to be payable and are paid on production.

(2) Taxes collected

These are the taxes that a company is obliged to collect from others and pay to a government. A list of the taxes included in this category are:

Appendix 2 Basis of preparation

(continued)

Sales Taxes / VAT / GST – This comprises amounts collected on sales, usually arising when the revenue is booked. Typically these taxes would form part of a sales tax return made to government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after the submission of the sales tax returns.

Payroll taxes (employee) – This comprises payroll and employee taxes withheld from employee remuneration, and paid to governments, ie. Tax collected by Rio Tinto and remitted to governments on behalf of Employees. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.

Withholding taxes collected from suppliers – This comprises taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.

(3) Taxes refunded

Sales Taxes / VAT / GST / Excise duties – This comprises amounts refunded from governments that a company has paid on its supplies, for example all raw materials, and is entitled to recover. Such a refund does not result in a net cost to governments. Typically these taxes would tend to become repayable and are repaid by governments regularly (often quarterly) throughout the year shortly after the submission of the sales tax returns.

(4) Effective tax rate

Our tax rate shows total tax charge as a percentage of profit before taxes for 2010.

This formula is calculated as (a+b) / (c + b) where

a = corporate income tax charge i.e. as shown directly in the financial statements. This figure will differ from taxes actually paid, primarily as a result of either timing differences between when tax is charged and actually becomes payable, or because of differences between the timing of an item of income or expense in the accounts versus when tax is payable on that item.

b = the sum of other taxes charged.

c = profit before tax. (Note: the profit before tax is before deduction of corporate income tax charged, but after deduction of other taxes charged.)

Rio Tinto
2 Eastbourne Terrace
London
W2 6LG
United Kingdom

T: +44 20 7781 2000
F: +44 20 7781 1800
www.riotinto.com