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Taxes paid in 2011

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

Rio Tinto

Guy Elliott
Chief Financial Officer

As part of our continuing commitment to transparency, this 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 net earnings of business units and other Group tax information. This is the second report of its kind and we will continue to publish this information annually.

The Rio Tinto Group paid US$10.2 billion of taxes during 2011, representing a 38% increase on the prior year. Our total tax charge for the year, including final payments due after 2011, was US$10.7 billion, which represents 40% of our underlying profit before tax. We are proud to be making a significant contribution to public finances in all the countries in which we operate. We welcome constructive debate on natural resource taxation policy as part of the overall contribution to economic development that responsible mining investments can make. Tax policy and design needs to take into account the cyclical nature of our industry and respect agreements under which investment capital has already been committed. 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 2011 and we support the principles of the Extractive Industries Transparency Initiative (EITI). We believe EITI remains the best way to promote transparency of payments to governments. This should assist in the fight against corruption, and enhance the scope for citizens to hold their governments to account.

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, given that such rules are currently envisaged by both the European Union and the United States, we believe governments should work together to adopt a consistent global approach, which establishes disclosure requirements and thresholds that are proportionate. We believe any mandatory rules need to remain focused on the ultimate objectives, both for governments and for companies: good tax governance, accountability, transparency, and the fight against corruption.

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. This includes proactive engagement with stakeholder audiences to develop reporting models. In response to comments received on last year's Report, we have included this year a breakdown of payments by levels of government and type of payment. At Rio Tinto we are committed to maintaining and improving our reporting and transparency so we would welcome feedback on the format of this report.

Guy Elliott
Chief Financial Officer

March 2012

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Richards Bay Minerals rehabilitation

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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. This report (the Report), which covers the year ended 31 December 2011, presents key data on tax payments, gross sales revenues and earnings showing our economic contribution to public finances. For the second year, we have chosen to report this information voluntarily and intend to continue issuing this report annually.

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 2011 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 since some tax payments are accrued, but not paid, in the calendar year. The Report builds on the framework of reporting developed under the EITI. 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, including local, state and national governments. 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 which are reported separately in our sustainable development reporting. As our employees spend their wages locally on diverse goods and services, there is a further, indirect economic contribution. We do not measure this indirect and induced economic effect globally, but it is important to keep this in mind when considering Rio Tinto's contribution to host economies.

The data within the Report includes all our main countries of operation, however excludes amounts less than US$1 million and amounts relating to certain non-controlled and disposed of entities where information has not been made available by these businesses for this report. These exclusions are detailed in the Basis of Preparation.

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

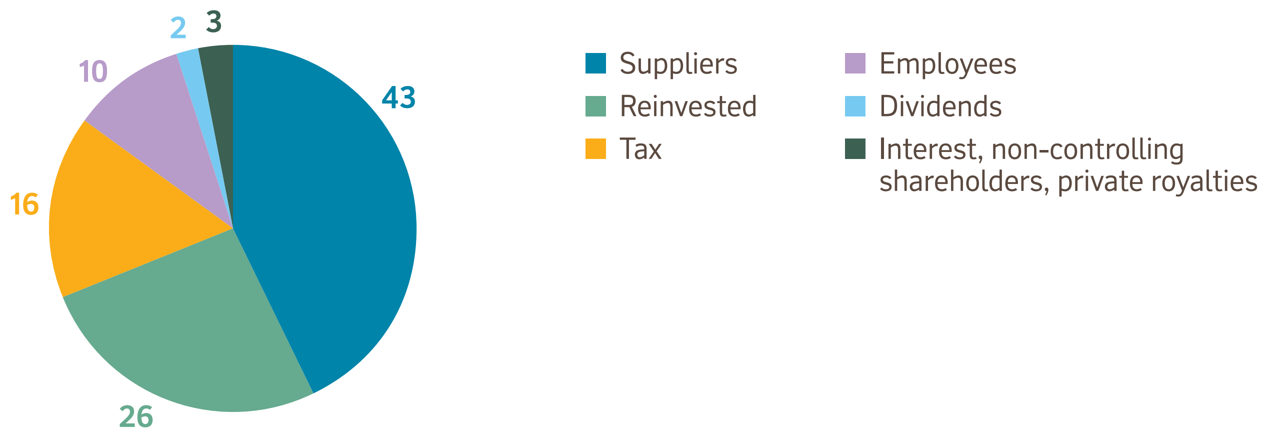
How we spent our revenue in 2011

Gross sales revenue by geographical origin
(US$ billions)

Australia	39
North America	15
Europe	5
South America	2
Africa	2
Asia/rest of the world	3
Total	**66**

The chart below shows the distribution of revenues generated by our businesses in 2011 to different stakeholder groups. Tax contributions to governments comprised 16% of our gross sales revenue in 2011. 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 result from our operations 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 underlying profits before all taxes, is 40%. 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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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. Management certifies our adherence to these principles to the Rio Tinto board of directors on an annual basis. The suitability of the tax strategy and principles is kept under regular review.

Throughout 2011, 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. 63% of the Group's gross sales revenues, 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


Kitimat, British Columbia

Rio Tinto is a strong supporter of 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 Board and Secretariat. The EITI sets a global standard for transparency on tax and royalty payments to governments. About 35 countries are implementing EITI of which 14 are recognised as compliant, together with 17 supporting governments. In addition to wide civil society support there are over 60 supporting oil, gas and mining companies who participate at the international level. Our business units support and promote the EITI, and its implementation in the countries where they operate. 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, given that such rules are currently envisaged by both the European Union and the United States, we believe governments should work together to adopt a consistent global approach, which establishes disclosure requirements and thresholds that are proportionate.

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.

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

5 Our tax payments in 2011

We paid $10.2 billion of tax in the year

5.1 Analysis by country

This table shows the total of all tax payments for each of the main countries where the Rio Tinto Group 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, Guinea, Southern Africa Mongolia and the rest of Asia are significant in the context of the tax receipts of some of the countries in these regions.

Country (US$ millions)	Corporate income tax	Government royalties	Payroll taxes employer	Other taxes and payments	Total tax payments borne	Payroll taxes employee	Sales and other indirect taxes (i)	Total taxes paid
Australia Federal	4,903	23	63	278	5,267	880	(1,723)	4,424
Western Australia	–	1,591	89	20	1,700	–	–	1,700
Queensland	–	198	50	3	251	–	–	251
New South Wales	–	212	21	7	240	–	–	240
Northern Territory	–	13	9	1	23	–	–	23
Victoria	–	–	3	–	3	–	–	3
Tasmania	–	–	3	–	3	–	–	3
Australia Local	–	–	–	24	24	–	–	24
Australia Total	**4,903**	**2,037**	**238**	**333**	**7,511**	**880**	**(1,723)**	**6,668**
Canada Federal	187	(2)	23	14	222	229	(187)	264
Newfoundland	204	–	5	41	250	–	–	250
Quebec	10	56	68	–	134	150	(99)	185
British Columbia	–	18	–	–	18	–	–	18
North West Territories	5	–	–	–	5	1	–	6
Canada Local	1	–	2	77	80	–	(2)	78
Canada Total	**407**	**72**	**98**	**132**	**709**	**380**	**(288)**	**801**
USA Federal	445	9	35	2	491	113	(8)	596
Utah	23	26	–	90	139	11	–	150
California	4	–	1	10	15	3	–	18
Montana	11	–	–	1	12	–	–	12
Colorado	–	1	–	2	3	2	2	7
Kentucky	–	–	1	3	4	2	–	6
Michigan	2	–	–	–	2	–	–	2
Wisconsin	2	–	–	–	2	–	–	2
Arizona	–	–	–	1	1	–	–	1
Other US	4	1	–	–	5	3	–	8
USA Local	–	–	2	–	2	5	(9)	(2)
USA Total	**491**	**37**	**39**	**109**	**676**	**139**	**(15)**	**800**

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5 Our tax payments in 2011

(continued)

Although the Group has a head office in the UK, only a small proportion of its operations are located in the UK and the amount of taxes paid in the UK reflects this. The net amount paid of US$10.2 billion compares with US$7.4 billion in 2010.

The increase is primarily the result of higher profits in 2011 and final instalment payments on profits of 2010, mainly in Australia.

Country (US$ millions)	Corporate income tax	Government royalties	Payroll taxes employer	Other taxes and payments	Total tax payments borne	Payroll taxes employee	Sales and other indirect taxes (i)	Total taxes paid
Guinea National	46	–	4	702	752	–	1	753
Guinea Total	**46**	**–**	**4**	**702**	**752**	**–**	**1**	**753**
Mongolia National	–	–	–	366	366	–	–	366
Mongolia Local	–	–	6	10	16	6	–	22
Mongolia Total	**–**	**–**	**6**	**376**	**382**	**6**	**–**	**388**
Chile National	337	–	–	2	339	12	(142)	209
Chile Total	**337**	**–**	**–**	**2**	**339**	**12**	**(142)**	**209**
South Africa National	146	22	3	3	174	34	(32)	176
South Africa Local	–	–	–	1	1	5	2	8
South Africa Total	**146**	**22**	**3**	**4**	**175**	**39**	**(30)**	**184**
France National	11	–	93	19	123	35	(11)	147
France Local	–	–	–	23	23	–	–	23
France Total	**11**	**–**	**93**	**42**	**146**	**35**	**(11)**	**170**
Indonesia National	93	12	–	–	105	4	16	125
Indonesia Total	**93**	**12**	**–**	**–**	**105**	**4**	**16**	**125**
UK National	1	–	21	–	22	76	(61)	37
UK Local	–	–	–	11	11	–	–	11
UK Total	**1**	**–**	**21**	**11**	**33**	**76**	**(61)**	**48**
Singapore	34	–	–	–	34	–	–	34
Namibia	–	21	–	–	21	24	(27)	18
Iceland	15	–	–	–	15	1	–	16
Germany	5	–	–	–	5	–	9	14
Zimbabwe	–	9	–	–	9	2	–	11
Japan	–	–	–	–	–	2	8	10

(continued over page)

5 Our tax payments in 2011

(continued)

Country (US$ millions)	Corporate income tax	Government royalties	Payroll taxes employer	Other taxes and payments	Total tax payments borne	Payroll taxes employee	Sales and other indirect taxes (i)	Total taxes paid
China	3	–	–	1	4	1	3	8
Switzerland	8	–	–	1	9	–	(1)	8
Peru	–	–	1	–	1	3	3	7
Norway	–	–	3	–	3	4	–	7
Austria	3	–	3	–	6	–	–	6
Belgium	1	–	2	–	3	3	–	6
Madagascar	–	–	–	2	2	2	–	4
Argentina	–	–	1	1	2	–	1	3
Czech Republic	2	–	–	–	2	–	–	2
Democratic Republic of Congo	–	–	–	2	2	–	–	2
India	–	–	1	1	2	–	–	2
Mozambique	–	–	–	2	2	4	(4)	2
Spain	2	–	–	–	2	–	–	2
Brazil	(2)	1	1	1	1	–	–	1
Italy	–	–	1	–	1	–	–	1
Netherlands	1	–	–	–	1	–	–	1
Cameroon	(1)	–	–	–	(1)	–	–	(1)
New Zealand	–	–	–	4	4	12	(87)	(71)
Total Payments to Governments note (ii), (iii)	**6,506**	**2,211**	**515**	**1,726**	**10,958**	**1,629**	**(2,348)**	**10,239**

Notes

(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 tax has been paid by the supplier, 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 2011

(continued)

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

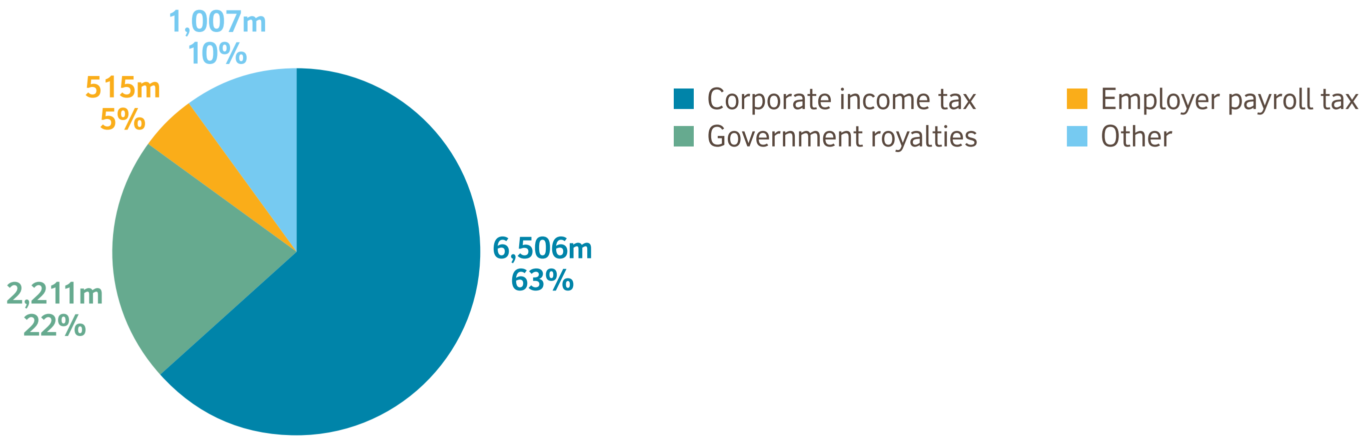
5.2 Analysis by type of tax

The chart below analyses the US$10.2 billion tax payments in 2011 by type of tax.

Corporate income tax represents 63% of Rio Tinto's total tax payments in 2011. Government royalties and employer payroll taxes account for 22% and 5% respectively. The other 10% 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 tax payment by tax type
(US$ millions)



6 Tax charged in the financial statements in 2011

We charged US$10.7 billion of tax to the income statement in the year

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

The effective tax rate, calculated as the total underlying tax charge for the year divided by the underlying profits before all taxes, is 40%.

All amounts are in US$ millions	Corporate income tax charge a	Other tax charges b	Total tax charge =a+b	Profit before tax c	Minority interest d	Net earnings = c-a-d
Iron Ore						
Hamersley	4,417	1,388	5,805	15,034	0	10,617
Robe River	1,149	329	1,478	3,821	499	2,173
Iron Ore Company of Canada	377	27	404	1,214	346	491
Dampier Salt	(2)	12	10	(4)	(1)	(1)
Aluminium						
Rio Tinto Alcan	52	704	756	371	6	313
Copper						
Utah Copper	457	126	583	1,681	0	1,224
Escondida	409	2	411	1,068	0	659
Freeport	92	12	104	221	0	129
Palabora	79	16	95	254	74	101
Northparkes	52	13	65	179	0	127
Energy						
Rio Tinto Coal Australia	593	429	1,022	1,949	118	1,238
Rossing	(43)	27	(16)	(111)	(21)	(47)
Energy Resources of Australia	(12)	26	14	(89)	(25)	(52)
Diamonds and Minerals						
Diamonds	6	34	40	15	0	9
RTIT	36	36	72	187	0	151
Rio Tinto Minerals	55	33	88	199	0	144
Other Operations and Corporate Items	(631)	490	(141)	(2,645)	(287)	(1,727)
Underlying Earnings	7,086	3,704	10,790	23,344	709	15,549
Items Excluded from Underlying Earnings	(140)		(140)	(9,633)	230	(9,723)
Total	**6,946**	**3,704**	**10,650**	**13,711**	**939**	**5,826**

6 Tax charged in the financial statements in 2011

(continued)

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

All amounts are in US$ millions	Corporate income tax	Other tax borne	Total tax borne	Net indirect tax paid/ (refunded)	Net tax payments
Total included in Group income statement	6,946	3,704	10,650	–	**10,650**
Less deferred tax included above	(314)	–	(314)	–	**(314)**
Accrued tax paid less payments due after 2011	(126)	748	622	–	**622**
Net indirect tax collected/(refunded)	–	–	–	(719)	**(719)**
Total tax paid in the year	**6,506**	**4,452**	**10,958**	**(719)**	**10,239**

All amounts are in US$ millions	Corporate income tax	Other tax borne	Total tax borne
Parent companies and subsidiaries	6,197	4,416	10,613
Non-controlled entities	309	36	345
Total tax paid in the year	**6,506**	**4,452**	**10,958**

Notes:

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

All amounts are in US$ millions	Corporate income tax charge	Other tax charges	Total tax charge	Profit before tax	Minority interests	Net earnings
Parent companies and subsidiaries	6,439	3,685	10,124	13,102	939	5,724
Non-controlled entities	507	19	526	619	–	112
Discontinued operations	–	–	–	(10)	–	(10)
Total included in income statement	**6,946**	**3,704**	**10,650**	**13,711**	**939**	**5,826**

(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) 'Other operations and Corporate 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 underlying effective tax rate (to which the letters on the table columns refer), see the Basis of Preparation.

(vi) The majority of the payments due after 2011 relate to Australia. An amount of US$2.5bn accrued in 2011 is due to be paid in 2012.

7 Financial statement disclosures

7.1 Corporate income tax charge

The corporate income tax charge for parent companies and subsidiaries for 2011 was US$6,439 million, of which US$6,131 million was current tax and US$308 million was deferred tax.

The share of corporate income tax charges of non-controlled entities was US$507 million and, including this amount, the total charge was US$6,946 million. Of this, US$6,632 million was current tax and US$314 million was deferred tax.

The total corporate income tax paid in the year was US$6,506 million including the Group's share of tax payments of non-controlled entities of US$309 million. 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 corporate income tax charge to the UK statutory tax rate of 26%. The effective corporate income tax rate on underlying earnings was 30.0%. After taking into account items excluded from underlying earnings the effective corporate income tax rate was 49.1%.

2011 Corporate income tax charge
US$ millions

	Parent companies and subsidiaries	Non-controlled entities	Total
Total			
– Current	6,131	501	6,632
– Deferred	308	6	314
	6,439	507	**6,946**

Corporate income tax charge reconciliation:
US$ millions

Parent companies and subsidiaries

Profit before tax	13,102
Expected tax payable at UK rate of 26%	3,407
Higher rate of taxation on Australian earnings at 30%	759
Impact of items excluded in arriving at Underlying earnings (a)	2,145
Adjustments to deferred tax liabilities following changes in tax rates	20
Other tax rates applicable outside the UK and Australia	112
Resource depletion and other depreciation allowances	(182)
Research, development and other investment allowances	(78)
Unrecognised current year operating losses	272
Foreign exchange differences	(3)
Withholding taxes	27
Other items	(40)
Total corporate income tax charge	**6,439**

(a) Tax Impact of Items excluded in arriving at Underlying earnings:

Impairment charges	1,909
Disposals of businesses and newly consolidated businesses	(30)
Foreign exchange on intra-group balances	22
Foreign exchange on external debt	(5)
Other foreign exchange and derivatives	(2)
Impact of tax law changes on previously recognised deferred tax assets	342
Other exclusions	(91)
	2,145

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.

31 December 2011 US$ millions	Total
Allowances for property, plant and equipment	8,424
Unrealised exchange gains	681
Unremitted earnings	480
Other temporary differences	1,301
Total liabilities	**10,886**
Capital allowances	(502)
Provisions	(2,057)
Post-retirement benefits	(1,738)
Tax losses	(1,454)
Unrealised exchange losses	(241)
Other temporary differences	(559)
Total assets	**(6,551)**
Net deferred tax	**4,335**

Deferred tax	2011 US$m
At 1 January	3,359
Adjustment on currency translation	(13)
Charged to the income statement	308
Credited to statement of comprehensive income	(511)
Newly consolidated operations (note i)	1,187
Other movements	5
At 31 December	**4,335**

(i) 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 Riversdale Mining in 2011.

The Group had deferred tax liabilities of US$10,886 million and deferred tax assets of US$6,551 million at 31 December 2011. 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$6,210 million and assets of US$1,875 million. The deferred tax liabilities and assets prior to this offsetting of balances are shown within the table.

The Group has tax losses and other deferred tax assets, mainly in the UK, France, Canada, US and Australia, which have the potential to reduce tax payments in future years. The probability of recovery of these assets has been assessed under the relevant International Financial Reporting Standard, IAS12, based on the projected future taxable profits of the relevant entities. The potential tax assets in these countries totalled US$3,248 million at 31 December 2011. Of these, US$2,451 million have been recognised as deferred tax assets, leaving US$797 million unrecognised.

These amounts exclude capital losses that can only be recovered against future capital gains. Including capital losses and other potential tax assets there are US$1,959 million of 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.

8 Independent Auditors Report to the Directors of Rio Tinto plc

We have audited selected information contained in the report 'Taxes paid in 2011 – 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: Our tax payments in 2011
Totals for:
- Total tax payments borne
- Total taxes paid

Schedule 6: Tax charged in the financial statements in 2011
Totals included in Group income statement for:
- Corporate income tax charge
- Other tax charges
- Total tax charge

Managements' responsibilities

The Report is the responsibility of management. The Audit Committee has reviewed the procedures established by Management to prepare the Report, and has reviewed the Report on behalf of the Board of directors of Rio Tinto plc ('Rio Tinto'). Management 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 management 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 management and 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 directors to demonstrate that they 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' judgement, 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 management, 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 2011 – A report on the economic contribution made by Rio Tinto to public finances" for the year ended 31 December 2011 is 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

12 March 2012

Notes:
(a) The maintenance and integrity of Rio Tinto plc's website is the responsibility of management and 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.

(b) 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.

Gross sales revenue The total of subsidiaries' sales revenue and the Group's share of the sales revenue of non-controlled entities (after adjusting for sales to subsidiaries).

Tax Any amount of money required to be paid to a government, whether by law or by agreement, 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 person.

The Report The report on taxes paid in 2011 by Rio Tinto.

Underlying earnings An alternative measure of earnings which is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations. Further information is included in the Note 2 of the Rio Tinto 2011 Annual Report.

Underlying profit before tax The amount of profit before tax after excluding items that have been excluded from underlying earnings.

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 2011" (hereafter "the Report"). Rio Tinto includes Rio Tinto plc, Rio Tinto Limited and subsidiaries and associated companies (hereafter and above – "Rio Tinto" or "the Group").

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. 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 2011)
- 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, is prepared for the year from 1 January to 31 December 2011. Data as it relates to taxes paid, collected or refunded, is included when cash is released from, or received by, Rio Tinto. Data is 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; where a disposal has been completed in the year, the numbers relating to that disposal have been included up to the point of disposal. For 2011, there are two disposals for which tax payment information has only been included to the extent that this was provided for in the financial statements and therefore the taxes reported for these entities includes accrued tax amounts only.

Businesses which have been acquired with a view to resale, and which are treated as discontinued operations in the Group accounts, are not included in this report. For 2011 one entity has not been included on this basis.

In addition to the above, for non-controlled entities where information is not forthcoming it has not been included in the Report. For 2011 this relates only to two businesses, where taxes paid information has not been provided by the relevant non-controlled entity.

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.

Appendix 2 Basis of Preparation

(continued)

The data includes the main countries of operation; countries where the taxes paid in the year are less than US$1 million are excluded from reporting. Taxes are reported at a Local/State and National level for each country in which Rio Tinto has paid greater than US$1 million of taxes in 2011.

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. All taxes form part of operating costs unless otherwise stated. A list of the main taxes we have included in this category are:

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.

Property taxes – This comprises any property related taxes, including 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.

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.

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.

Employer payroll taxes – 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.

Appendix 2 Basis of Preparation

(continued)

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.

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. Typically these taxes would form part of a return made to government and are payable and paid, regularly (often quarterly) throughout the year shortly after the submission of the returns.

A list of the taxes included in this category are:

Sales Taxes/VAT/GST – This comprises amounts collected on sales, usually arising when the revenue is booked.

Employee payroll taxes – 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.

Withholding taxes collected from suppliers – This comprises taxes that are required to be withheld in advance on payments made to suppliers.

(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.

(4) Effective tax rate

Our tax rate shows total tax charge as a percentage of profit before taxes for 2011.

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

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