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Proposed Rights Issues by Rio Tinto plc and Rio Tinto Limited and update on transaction with Chinalco

Letter from the Chairman of Rio Tinto

Dear shareholder

1 Introduction

During the first nine months of 2008, the Rio Tinto Group delivered strong financial performance, underpinned by favourable demand and pricing conditions. These conditions came to an abrupt halt in October 2008, as very significant global financial turbulence led to sharp declines in the rate of global economic growth, global demand for commodities and in the price of most of the Group's principal products. In response to these very significant deteriorating conditions, the Group acted swiftly to reduce costs and conserve cash, and to align production with reduced market demand. For the year ended 31 December 2008, the Rio Tinto Group achieved underlying earnings of US$10.3 billion, up 38 per cent., net earnings of US$3.7 billion, down 50 per cent. and cash flows from operations of US$20.7 billion, up 64 per cent., in each case compared with the previous year. As at 31 December 2008, the Group had net debt of US$38.7 billion (2007: US$45.2 billion).

The global economy remained weak during the first quarter of 2009 and continues to be weak, particularly in the major OECD economies, which have reported falling demand for most metals. In China, which is the key growth market for the Group's products, there were some signs of economic recovery during the first quarter of 2009, and higher Chinese imports of iron ore and copper during this quarter helped partially to offset weak demand conditions elsewhere.

Global attributable iron ore production in the first quarter of 2009 fell 15 per cent. compared to the first quarter of 2008, reflecting, in part, the impact of prolonged heavy rain in the Pilbara region of Western Australia and reduced customer demand. In the same period, global attributable aluminium production declined six per cent. compared with the first quarter of 2008 following production cutbacks in response to the sharp fall in demand. Global attributable mined copper production in the first quarter of 2009 rose nine per cent. compared with the first quarter of 2008, as some operations benefited from improving grades.

The global economic downturn and the difficult trading conditions experienced, particularly in iron ore and aluminium, have adversely impacted the Group's results, in particular near-term cash flows and its broader financial position. For the three months ended 31 March 2009, the Rio Tinto Group achieved Underlying Earnings of US$1.8 billion, down 7 per cent., net earnings of US$1.6 billion, down 45 per cent. and cash flows from operations of US$3.4 billion, down 3 per cent., in each case compared with the same period in 2008. The figures for Underlying Earnings and cash flow from operations include the US$797 million profit on the recent sale of Rio Tinto's undeveloped potash assets. As at 31 March 2009, the Group had net debt of US$37.9 billion.

Despite the challenge of current markets, the Group has had, and continues to have, a long-term, consistent and successful strategy with the goal of maximising shareholder value through excellence in mining and operating large scale, long life, low cost assets with an emphasis on quality. The Group draws strength from its product diversity and broad geographic spread of operations: it is a global industry leader in the aluminium industry as a result of the acquisition of Alcan, it was the second largest producer of iron ore in 2008, and it has interests in several of the world's major copper mines. The Group continues to pursue these core strategic themes, despite the significant deterioration in the global economic environment, since the Boards believe that these strategic themes will continue to deliver long-term shareholder value and help position the Group to benefit from its high quality assets when the global economy recovers.

The Boards have given careful consideration to the appropriate level of net debt for the Group, the effects of market conditions on the value achievable for the Group's assets intended for divestment and to the Group's short- to medium-term debt repayment obligations. Further to these considerations, the Boards believe it is in the best interests of the Rio Tinto plc Shareholders as a whole and the Rio Tinto Limited Shareholders as a whole to seek additional capital from the Group's Public Shareholders in fully underwritten Rights Issues of each of Rio Tinto plc and Rio Tinto Limited.

2 Update on the transaction with Chinalco, BHP Billiton iron ore joint venture and background to the Rights Issues

Termination of Chinalco transaction

On 12 February 2009, Rio Tinto announced the formation of a strategic partnership with Chinalco. Under the terms of the Co-operation and Implementation Agreement, Chinalco agreed to invest a total of up to US$19.5 billion in cash and commitments in Rio Tinto as follows:

- the issue of subordinated convertible bonds to Chinalco for US$7.2 billion;
- investments by Chinalco of up to US$11.8 billion in cash in exchange for interests in strategic alliances in certain of Rio Tinto's aluminium, copper and iron ore businesses, and a US$500 million commitment towards Chinalco's share of purchase obligations for interests in assets contributed by Rio Tinto to a joint development fund; and
- the establishment of other strategic alliances to govern the relationship between Rio Tinto and Chinalco.

The transaction announced and recommended by the Boards will now no longer be pursued. Rio Tinto and Chinalco have discussed potential amendments to the transaction to address the improved financial markets as well as shareholder and wider stakeholder feedback. Despite making good progress, a revised version of the original agreement has not been realised and those discussions have now ceased. As a result the Boards have withdrawn their recommendations for the original transaction and Rio Tinto has terminated the agreement. Rio Tinto will pay Chinalco the agreed break fee of US$195 million.

Rio Tinto remains interested in potential future collaboration with Chinalco and continues to recognise the importance of China and building strong relationships there.

BHP Billiton iron ore joint venture

In addition, Rio Tinto and BHP Billiton today announced that they have signed a non-binding agreement to establish a production joint venture encompassing the entirety of both companies' Western Australian iron ore assets. The joint venture will include all current and future Western Australian iron ore assets and liabilities and will be 50:50 owned by Rio Tinto and BHP Billition. In order to equalise the contribution value of the two companies, BHP Billiton will pay Rio Tinto US$5.8 billion for equity-type interests at financial closing. The establishment of the joint venture will be subject to execution of binding agreements as well as regulatory and shareholder approvals. The agreement signed today includes binding obligations on both parties regarding exclusivity and payment, in certain circumstances, of a break fee if the transaction does not complete.

Further details of the proposed joint venture with BHP Billiton are set out in a Rio Tinto press release dated today which can be found on Rio Tinto's website.

Rights Issues

In the current circumstances and after careful deliberation, the Boards are of the view that the Rights Issues represent the best opportunity for the Group to retain strategic flexibility and to preserve and grow long-term shareholder value. The Boards believe that the Rights Issues offer a number of benefits:

- they will reduce the Group's overall debt levels enabling it to meet its debt repayment obligations under the Alcan credit facilities in 2009 and 2010 and allowing the Group greater overall flexibility to implement its asset divestment programme. The net proceeds will enable the prepayment of its debt obligations under the October 2009 tranche and the substantial prepayment of the October 2010 tranche of the Alcan credit facilities;
- they will strengthen the Group's financial position, supporting the Group's efforts to restore its long-term credit rating to a single A rating. In December 2008, the Group's long-term credit ratings were downgraded (from A3 to Baa1 by Moody's and from BBB+ to BBB by S&P) and placed on a negative outlook by Moody's and S&P. Following the announcement of the strategic alliance with Chinalco, Moody's placed the Group under a review for possible downgrade at the same time affirming the Prime-2 short-term ratings. S&P reaffirmed the BBB rating. Achieving an improved credit rating would be expected to enhance the Group's ability to access the credit markets on more favourable terms, should it choose to do so; and
- they will allow the Group the flexibility to use its free cash flows to take advantage of potential value-creating opportunities, such as selective expansion or investment, so as to be well positioned for a recovery in its key markets and to take advantage of the positive long-term demand outlook for its products and their prices.

The Right Issues will supplement the range of debt reduction measures announced on 10 December 2008 including reductions in capital and operating expenditure and an ongoing programme of divestments, further details of which are discussed in paragraph 6 below. Together, these measures are designed to enable the Group to improve its financial position, enhance liquidity and increase its strategic flexibility.

3 Capital raising by way of Rights Issues

The Boards therefore announced today their intention to strengthen the Group's balance sheet by way of 21 for 40 Rights Issues at equivalent subscription prices of 1,400 pence per New Rio Tinto plc Share and A$28.29 per New Rio Tinto Limited Share based on an equivalent price per New Rio Tinto plc Share and per New Rio Tinto Limited Share of US$22.94 converted into pounds sterling and Australian dollars at the exchange rates published in the London edition of the Financial Times on 4 June 2009. The Rights Issues are expected to raise gross proceeds of approximately US$15.2 billion, representing approximately US$11.8 billion pursuant to the Rio Tinto plc Rights Issue and approximately US$3.4 billion pursuant to the Rio Tinto Limited Rights Issue.

The Rights Issues will be structured so that Qualifying Shareholders will be entitled to participate on a pro rata basis. Subject to exceptions arising from overseas securities law restrictions, it gives all Public Shareholders the opportunity to acquire new shares in proportion to their existing holding at a discount to the market price on 4 June 2009, or to realise any value from the sale or renouncement of their rights.

The offer of the New Shares to Public Shareholders under the Rights Issues is being fully underwritten.

4 Use of proceeds

The Rights Issues are expected to raise gross proceeds of approximately US$15.2 billion. The Boards intend to apply the net proceeds in the mandatory prepayment of the tranche of the Alcan credit facilities due in October 2009 (as at 30 April 2009, US$7.15 billion was drawn under this tranche) and the substantial prepayment of the tranche due in October 2010 (as at 30 April 2009 of this document, US$8.1billion was drawn under this tranche).

The Boards expect that the Rights Issues will make a positive contribution to net income in the year to 31 December 2009 as a result of lower interest payments arising from lower average levels of financial indebtedness. However, the Boards expect that the increased number of shares in issue following the Rights Issues will have a negative effect on Rio Tinto's earnings per share for the same period.

5 Group strategy

Rio Tinto is one of the world's leading diversified miners, specialising in the finding, mining and processing of metal and mineral resources across the globe. Through mergers and acquisitions and organic expansion over many decades, the Group has established a portfolio of high quality assets in its three main product group areas of aluminium, copper and iron ore.

In aluminium, the Group is an industry leader, owning one of the world's largest bauxite resources in Queensland, Australia. This orebody is complemented by the Group's competitive refining facilities and smelters in Australia and Canada. Many of these smelters are powered by low-cost self-generated hydro power and benefit from the Group's leading position in smelter technology.

In copper, the Group has full or partial ownership of several of the world's major copper mines, such as Kennecott Utah Copper in the United States, Escondida in Chile and the Grasberg operation in Indonesia. The Group has also been successful in gaining an interest in some of the next generation of world class copper development opportunities.

In iron ore, the Group was the second largest producer of iron ore on a global basis in 2008, combining a very substantial reserve and resource position with an established and expandable rail and port infrastructure. The Group's iron ore operations in Western Australia have a highly competitive operating cost position and further benefit from a sustainable competitive advantage due to their proximity to the growing Asian markets when compared with producers in other parts of the world.

The Directors believe that the Group is well-positioned for expansion of iron ore production once global economic conditions improve.

Rio Tinto is also a major producer of industrial minerals, thermal and coking coal, uranium and diamonds.

Core objective and long-term strategy

The Group's core objective is to maximise the long-term return to Shareholders by finding, mining and processing metal and mineral resources across the globe.

To deliver this objective the Group follows a long-term strategy that concentrates on:

- the discovery of Tier 1 (large, low cost) ore bodies with the capacity to deliver significant future cash flow;
- the development of Group assets into safe and efficient large scale, long life and low cost operations with a view to ensuring the Group can operate profitably at every stage of the commodity cycle;

- operating in an ethical and socially responsible manner that maintains Rio Tinto's reputation and assists with ongoing access to people, capital and mineral resources; and
- putting long-term sustainable development at the heart of everything the Group does.

Rio Tinto's strategic pillars

To support and deliver its long-term strategy, Rio Tinto structures its activities around the six core strategic pillars below. These pillars are used by each product group and business support group to deliver their medium and short term strategic and operational plans. The application of this framework is designed to ensure that the Group is aligned in the delivery of the long-term strategy.

Health and safety – The Directors believe that all serious incidents and injuries are preventable. Rio Tinto's aim is to create an environment where all employees and contractors have the knowledge, skills and desire to work safely. In 2009 the Group has renewed focus on implementing safety programmes across the Group, with a particular focus on contractor management.

Operational and financial delivery – The mineral and metal extraction industry is cyclical but to deliver the maximum value to shareholders the Group must earn positive financial returns at the lowest points of the economic cycle with stronger returns delivered at times of strong commodity prices. The Group aims to operate the majority of Rio Tinto's assets in the lower half of the cost curve for their respective industries. Rio Tinto seeks to achieve this through the promotion of management excellence, the application of the latest mining technologies, the constant delivery of business improvement programmes and appropriate investment in the assets throughout their lifecycle.

Growth and innovation – The Group's ability to maintain production growth over long periods in line with demand is underpinned by its reserve position in its key commodities. The Directors believe that a consistent commitment to greenfield and brownfield exploration activity will assist to replenish the Group's mineral inventory and create a strong pipeline of future development opportunities. The current weak global market has had a significant impact both on commodity prices and customer demand, leading the Group to re-evaluate and reduce its near-term capital expenditure on certain growth projects. The current focus is to reduce capital spending yet maintain strategic growth options.

People – Rio Tinto's workforce consists of both staff and contractors and their safety is the organisation's priority. The Directors believe that attracting, developing and retaining a skilled and engaged workforce is critical to business performance.

Communities and environment – Rio Tinto has a strong commitment to all aspects of sustainable development. This is an integral part of the way Rio Tinto conducts its business activities.

Customers and markets – By understanding what customers value, the Group seeks to develop offerings to help meet their needs. Each of the Group's business units is competitively positioned in its respective markets as a result of a robust, fact based five-year marketing strategy supported by rigorous tactical execution.

Near-term strategy

The current weak global economic environment has had a significant negative impact on both commodity prices and customer demand, leading the Group to re-evaluate, and reduce, its near-term capital expenditure on growth projects. While the Group expects to complete the previously announced iron ore projects of Brockman 4 and Mesa A in the Pilbara region of Western Australia, the Clermont project in the Australian coal operation, and the Madagascan ilmenite project in 2009, the second phase of the Yarwun alumina refinery expansion, the Diavik and Argyle underground diamond mine expansion projects and the Kestrel project in the Australian coal operation will be advanced at a slower pace than previously announced. In addition other major capital projects, such as the construction of the automated train facilities in Pilbara and the development of the Eagle nickel mine in Michigan, United States, have been deferred until market conditions improve.

As and when global economic conditions improve in the future, the Directors expect that the Group will be a significant beneficiary of such improvement. The Directors believe that the Group is well positioned in commodities where demand over the medium term is expected to grow in line or above increases in global GDP. The Group's focus on higher quality, long life ore bodies, its low cost structure and strong customer base in key growth markets are all expected to be important advantages.

The Directors believe that the long-term demand outlook for the Group's products is strong based on the fundamental economic and demographic trends relating to the industrialisation and urbanisation of the developing world, particularly China. In this context, the Group's growth options are a valuable asset in the longer term.

By strengthening its balance sheet through the Rights Issues and other initiatives, the Boards believe that Rio Tinto will be better positioned to implement its longer term strategy and to respond rapidly to an improvement in market conditions with the opportunity to use future cash flows to invest in growth projects in addition to repaying debt obligations and paying dividends to shareholders. The Boards believe that Rio Tinto will then be well placed to take advantage of the positive long-term demand outlook for its products as economic conditions improve and to continue to position itself as an attractive partner for customers.

6 Trading performance and outlook

Trading outlook

The trading outlook for the balance of 2009 remains uncertain. The key drivers of earnings in the second half of the year are expected to remain the pricing of the Group's key commodities, particularly iron ore, aluminium and copper. While iron ore prices for the 2009/10 contract year have been settled with some important Asian customers (other than Chinese customers), there remains uncertainty in the pricing of spot iron ore, copper and aluminium.

The Group expects to benefit from continued cost reduction in the second half of 2009, as the costs of many of the Group's key inputs are expected to continue to decline. In addition to the Group's cost cutting measures, there may be offsetting impacts from movements in the US dollar, the Euro and the Australian dollar. Unit cost efficiencies may be gained in those operations which are expanding or operating at full capacity, such as the Pilbara iron ore operations, as a result of increased production whilst iron ore prices remain relatively stable whereas unit costs may be adversely affected in those operations which are facing production cutbacks, such as bauxite, alumina, diamonds, iron and titanium.

Global economy

During the third and fourth quarters of 2008 there was a sharp deterioration in global economic conditions that had a significant impact on demand for, and prices of, metals and minerals. The pace and severity of the deterioration has been significant and, as noted above, the short term outlook remains uncertain. While there are some recent initial indications that the economic downturn may be beginning to stabilise, global economic activity is expected to continue to be weak during 2009 and possibly through 2010. Consensus for annual Chinese GDP growth is expected to average approximately 7 to 8 per cent. in 2009, compared to 9 per cent. in 2008, while many OECD economies are expected to continue to contract by approximately 4 per cent. on average on an annual basis. Metals and minerals demand over the second half of 2009 may be positively impacted by the infrastructure components of various fiscal stimulus packages by international governments and a cessation of destocking compared to recent very depressed levels but significant stock and capacity overhangs have developed in several markets which are expected to delay a corresponding price recovery.

Despite the recent downturn, Rio Tinto's long-term positive outlook for commodities and the mining industry has not fundamentally changed. The Directors continue to believe that underlying trends of urbanisation, industrialisation and rapid income growth across the very large population of the Chinese economy, and other emerging countries like India, remain intact and will generate future growth in metals and minerals consumption. However, the return to this trend will depend on a more synchronised recovery in the overall macroeconomic environment, which the Directors believe is unlikely for the next 12 to 18 months.

Prices

In May and June 2009, Rio Tinto announced that its Hamersley Iron subsidiary had reached agreement on the 2009/10 benchmark iron ore price with its Japanese, Korean and Taiwanese customers, for the contract year commencing 1 April 2009 with a 33 per cent. reduction in the Pilbara Blend Fines and Yandicoogina Fines prices and a 44 per cent. reduction in the Pilbara Blend Lump price, in each case compared to the 2008/2009 benchmark prices. However, iron ore contract negotiations are ongoing with other customers, including the Group's Chinese customers. The outcome of those negotiations is uncertain and could have a material impact on the Group's profitability during the 2009/2010 contract period. In addition, the Group expects to continue to sell a significant portion of its iron ore on the spot market at least until the Group has settled the benchmark prices.

The LME copper price averaged 207 cents per lb in May 2009 (April 2009: 199 cents per lb), an increase of 33 per cent. on the first quarter 2009 average and a 41 per cent. decrease compared with the first quarter 2008 average. Chinese imports of copper have recently risen to record levels, offsetting weak demand in other regions and driving down LME inventories. The Directors believe that a substantial portion of the additional imports into China may have been acquired for stockpiling purposes and the replacement of copper scrap and a halt or reversal to this activity may cause a pause in the recovery in prices.

The LME aluminium price averaged 67 cents per lb in May 2009 (April 2009: 64 cents per lb), a 7 per cent. increase on the first quarter 2009 average and a 46 per cent. decrease compared with the first quarter 2008 average. Excess global production led to LME inventories increasing to over 4.2 million tonnes by the end of May compared with 2.3 million tonnes at the start of 2009 and 1.1 million tonnes a year ago. The Directors expect LME pricing to gradually recover as excess capacity amongst higher cost producers is taken offline and demand begins to recover.

Thermal coal contracts for the 2009 fiscal year (annual period commencing 1 April 2009) were settled in the US$70-72 per tonne range, a decrease of approximately 44 per cent. on the record levels of the previous year. Coking coal contracts for the 2009 fiscal year were settled in the US$115-130 per tonne range, a decline of approximately 60 per cent. on the record levels of the 2008/09 fiscal year.

Both prices and sales volumes for diamonds have been severely impacted by the economic downturn. The effect on the rough diamonds market has been exacerbated by the lowering of inventory levels in the diamond pipeline, resulting from reduced global liquidity. The near term outlook is difficult to predict, but lower mine production appears to be providing greater stability to the market.

The uranium market is predominantly based around long term contacts, but spot prices have also remained stable at US$40-50 per lb to date this year. This is significantly lower than the peak levels of 2007, but significantly above longer term historical averages. The market is supported by positive underlying demand and the fact that nuclear electricity output tends to be fairly stable in the short term.

Production

Rio Tinto's iron ore guidance for its global operations in 2009 remains approximately 200 million tonnes (100 per cent. basis) and is based on an expected recovery in Chinese steel demand in the second half of 2009. During the first five months of 2009, approximately half of the iron ore that Rio Tinto produced was sold on a spot market basis. Rio Tinto's share of mined copper production in 2009 is now expected to be approximately 780,000 tonnes with refined copper production of approximately 425,000 tonnes.

In April 2009, Rio Tinto Alcan announced that annual production of bauxite at Weipa would be curtailed to approximately 15 million tonnes (from approximately 20 million tonnes in 2008), due to the continuing sharp fall in alumina and aluminium demand and prices in recent months. Rio Tinto Alcan's share of global bauxite production in 2009 is now expected to be approximately 32 million tonnes.

Following production cuts at the Vaudreuil and Gardanne alumina refineries announced in January 2009, the annual alumina production rate is expected to be reduced by 6 per cent. in 2009 compared with 2008.

Following the sale of the Ningxia smelter in China in January 2009, the closure of the Beauharnois smelter in Quebec in June 2009, the anticipated cessation of smelting operations at the Anglesey smelter in Wales at the end of September 2009 and various other partial curtailments Rio Tinto Alcan's aluminium production capacity is expected to decline by 11 per cent. by the end of 2009. Production in 2009 is expected to be 3.8 million tonnes, a decline of 6 per cent. compared with 2008.

Market conditions have continued to have a significant adverse impact on both volume and price for diamonds. Market demand for some categories, in particular the larger better quality rough stones, has shown tentative signs of improvement while appetite for very large rough stones is still falling. Demand for small, cheaper rough diamonds remains weak due to the continuing weakness in the US market and high trade inventories.

Capital expenditure

Following the announcement in December 2008 of the Group's commitment to reduce capital expenditure from over US$9 billion in 2008 to US$4 billion during 2009 while retaining future growth options and realigning projects with market demand, a number of capital projects have been slowed or deferred.

In April 2009, Rio Tinto Alcan announced that the Yarwun alumina refinery expansion would be slowed to reduce the rate of capital expenditure with a revised completion date in the second half of 2012.

Capital expenditure is expected to be approximately US$4.7 billion for 2009. To date in 2009, the run rate of the Group's capital expenditures has been higher than its announced commitment because certain projects were delayed rather than stopped as a result of the announcement of the potential Chinalco transaction and certain payments were made in 2009 which were expected to have occurred in 2008.

The Group will continue to review its capital expenditure requirements based on its available capital resources as the year progresses.

Contingent liabilities and other commitments

The aggregate amount of minimum lease payments at 31 March 2009 that is due within the next 12 months, under non-cancellable operating leases, was US$1.9 billion, compared with US$1.6 billion at 31 December 2008.

The aggregate amount of future payment commitments for the next five years under unconditional purchase obligations outstanding at 31 March 2009 was US$4.2 billion, compared with US$4.0 billion at 31 December 2008. Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, which have not been discounted and relate mainly to commitments under "take or pay" power and freight contracts.

Contingent liabilities at 31 March 2009 amounted to US$0.6 billion, compared with US$0.5 billion at 31 December 2008. Contingent liabilities are not recognised on the balance sheet, and relate mainly to indemnities and other performance guarantees.

On 4 June 2009, the Board withdrew its recommendation that the shareholders approve the transaction with Chinalco. Rio Tinto will pay Chinalco the agreed break fee of US$195 million.

Cost saving initiatives

On 10 December 2008, Rio Tinto announced a series of initiatives and commitments to reduce net debt by US$10 billion during 2009, including a 14,000 global headcount reduction and a reduction in controllable operating costs by at least US$2.5 billion in 2010. The Group remains on track to deliver on these targets.

Divestments and other recent developments

The processes continue for the businesses that have been identified for divestments, including Alcan Packaging, Alcan Engineered Products and the remaining mines of Rio Tinto Energy America (excluding Colowyo). In May 2009, Rio Tinto announced that its borates business had been taken off the market as the sales process did not achieve values acceptable to the Group in the prevailing economic conditions. The Group continues to consider options for its talc business.

During the first quarter of 2009, Rio Tinto announced divestments totalling US$2.5 billion including US$850 million for the undeveloped potash assets in Argentina and Canada, US$750 million for the Corumbá iron ore operations in Brazil, US$761 million for the Jacobs Ranch coal mine in the United States, and US$125 million for the Ningxia aluminium smelter in China. The completion of the Corumbá and Jacobs Ranch divestments remain subject to the receipt of certain regulatory approvals. The PRC and Ningxia sales completed during the first quarter of 2009.

In April 2009, the Group issued US$3.5 billion of fixed rate bonds as part of its ongoing capital and debt management programme.

In May 2009 Rio Tinto Alcan announced that it had been granted a loan from the Government of Quebec totalling up to US$175 million to further the construction of its AP50 pilot plant in the Saguenay-Lac-Saint-Jean region of Quebec, Canada.

In May 2009, Rio Tinto announced that it had received a request from the US Federal Trade Commission ("**FTC**") for additional information on the pending sale of its Jacobs Ranch coal mine to Arch Coal, Inc. Rio Tinto will continue to cooperate with the FTC and respond expeditiously to this request. Completion of the transaction remains subject to the expiry of the waiting period under the HSR Act.

7 Dividend policy

In light of the current uncertainties in relation to the macroeconomic outlook, the Boards have decided that it would not be appropriate to pay an interim dividend for the current financial year. It will be our intention to pay a final dividend for the current financial year subject to satisfactory trading results. The Group expects that the total cash dividend payment for the 2010 financial year will be at least equal to that paid for 2008 (US$1.75 billion). The Group remains committed to a progressive dividend policy over the longer term.

8 Principal terms of the Rights Issues

The Rights Issues are expected to raise approximately US$15.2 billion in aggregate representing approximately US11.8 billion pursuant to the Rio Tinto plc Rights Issue and A$3.4 billion pursuant to the Rio Tinto Limited Rights Issue. Subject to the conditions of the Rights Issues being satisfied, Qualifying Rio Tinto plc Shareholders will be offered:

21 New Rio Tinto plc Shares at 1,400 pence per New Rio Tinto plc Share for every 40 Existing Rio Tinto plc Shares

held by such Shareholders on the Rio Tinto plc Record Date

and

Qualifying Rio Tinto Limited Shareholders will be offered:

21 New Rio Tinto Limited Shares at A$28.29 per New Rio Tinto Limited Share for every 40 Existing Rio Tinto Limited Shares

held by such Shareholders on the Rio Tinto Limited Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and sold in the market for the benefit of Rio Tinto (unless the net proceeds of such a sale attributable to a Qualifying Rio Tinto plc Shareholder exceed £5.00, in which case the proceeds will be paid to such Shareholder). Holdings of Existing Rio Tinto plc Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rio Tinto plc Rights Issue.

The nominal offer price per New Share under each of the Rights Issues is US$22.94. This has been converted into pounds sterling for the Rio Tinto plc Rights Issue at the closing mid-point US dollar/pounds sterling exchange rate as shown in the London edition of the *Financial Times* on 4 June 2009, and into Australian dollars for the Rio Tinto Limited Rights Issue at the closing mid-point US dollar/Australian dollar exchange rate as shown in the London edition of the *Financial Times* on 4 June 2009. Rio Tinto has entered into certain hedging arrangements to fix the aggregate US dollar amount to be raised under the Rights Issues.

For Rio Tinto plc Shareholders the issue price represents a 38.2 per cent. discount to the Rio Tinto plc Theoretical Ex-Rights Price and a 48.5 per cent. discount to the Rio Tinto plc closing price of 2,720 pence per Rio Tinto plc Share on 4 June 2009 (being the last UK business day before the announcement of the terms of the Rights Issues). For Rio Tinto Limited Shareholders the issue price represents a 47.2 per cent. discount to the Rio Tinto Limited Theoretical Ex-Rights Price and a 57.7 per cent. discount to the Rio Tinto Limited closing price of A$66.90 per Rio Tinto Limited Share on 4 June 2009 (being the last Australian business day before the announcement of the terms of the Rights Issues).

The Rio Tinto plc Rights Issue is expected to result in 524,348,975 New Rio Tinto plc Shares being issued (representing approximately 52.5 per cent. of the existing issued share capital of Rio Tinto plc and 34.4 per cent. of the enlarged issued share capital of Rio Tinto plc immediately following completion of the Rio Tinto plc Rights Issue). The Rio Tinto Limited Rights Issue is expected to result in 150,015,297 New Rio Tinto Limited Shares being issued (representing approximately 52.5 per cent. of the existing publicly held issued share capital of Rio Tinto Limited and 34.4 per cent. of the enlarged publicly held issued share capital of Rio Tinto Limited immediately following completion of the Rio Tinto Limited Rights Issue). In aggregate, the Rights Issues would therefore result in 674,364,272 New Shares being issued (representing 52.5 per cent. of the existing publicly held issued share capital of Rio Tinto and 34.4 per cent. of the enlarged publicly held issued share capital of Rio Tinto immediately following completion of the Rights Issues).

The Rights Issues are conditional, among other things, upon:

- the Underwriting Agreement having become unconditional in all respects (save for the condition relating to UK Admission) and not having been terminated in accordance with its terms;
- UK Admission becoming effective by not later than 8.00 a.m. (London time) on 17 June 2009 (or such later time and date as the parties to the Underwriting Agreement may agree); and
- quotation of the Rio Tinto Limited Rights by not later than 10.00 a.m (Sydney time) on 17 June 2009 (or such later time and date as the relevant parties to the Underwriting Agreement may agree, being not later than the date of UK Admission).

The Rights Issues are inter-conditional. Accordingly, the failure to satisfy any condition in respect of either of the Rights Issues will have the effect that neither Rights Issue will proceed.

The New Rio Tinto plc Shares and the New Rio Tinto Limited Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Rio Tinto plc Shares and the Existing Rio Tinto Limited Shares respectively, including the right to receive all dividends or other distributions made, paid or declared by reference to a record date after their date of issue.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Rio Tinto plc Shares (nil paid and fully paid) to be admitted to listing on the Official List and admitted to trading on the main market of the London Stock Exchange. It is expected that UK Admission will occur and that dealings in the New Rio Tinto plc Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. (London time) on 17 June 2009. Qualifying Non-CREST Rio Tinto plc Shareholders (other than Qualifying Non-CREST Rio Tinto plc Shareholders in the United States, the Excluded Territories or Restricted Territories) will be sent a Rio Tinto plc Provisional Allotment Letter in due course, containing details of the New Rio Tinto plc Shares they will be entitled to take up and their Rio Tinto plc Nil Paid Rights. The New Rio Tinto plc Shares will be issued in registered form and will be held in certificated form or uncertificated form via CREST.

Application is also being made to ASX for official quotation of the New Rio Tinto Limited Shares. The trading period in respect of the Rio Tinto Limited Rights on ASX is expected to operate from 17 June 2009 to 24 June 2009, with deferred settlement and standard T+3 settlement trading in the New Rio Tinto Limited Shares expected to commence on 25 June 2009 and 10 July 2009, respectively.

The Rio Tinto plc Rights Issue has been structured such that Rio Tinto plc will be required to create a merger reserve equal in amount to the net proceeds of the Rio Tinto plc Rights Issue less the par value of the New Rio Tinto plc Shares issued, rather than transfer such an amount to the share premium account as would otherwise have been the case. This structure means that, as a matter of English company law, the New Rio Tinto plc Shares will be paid up otherwise than in cash, and the pre-emption regime in sections 89 to 94 of the Companies Act 1985 will not apply to the Rio Tinto plc Rights Issue. However, Qualifying Rio Tinto plc Shareholders who take up all the New Rio Tinto plc Shares to which they are entitled will, subject to fractions, retain the same proportionate voting, distribution and capital rights in the Rio Tinto Group as a whole.

Tinto Holdings Australia Pty Limited, a wholly-owned indirect subsidiary of Rio Tinto plc ("**THA**"), currently holds approximately 37.45 per cent. of the Existing Rio Tinto Limited Shares. THA will receive Rio Tinto Limited Rights under the Rio Tinto Limited Rights Issue in the same manner as all other Qualifying Rio Tinto Limited Shareholders. However, THA has determined that it will not exercise or otherwise dispose of its Rio Tinto Limited Rights. Further, the New Rio Tinto Limited Shares to which THA would be entitled will not be placed, or taken up, by the Underwriters in the same manner as the entitlements of other Qualifying Rio Tinto Limited Shareholders that are not taken up as described below, and so its Rio Tinto Limited Rights will expire. As described above, this means that Qualifying Shareholders who take up all the New Shares to which they are entitled will, subject to fractions, retain the same proportionate voting, distribution and capital rights in the Rio Tinto Group as a whole. The percentage shareholding in Rio Tinto Limited held by THA is expected to be reduced to 28.2 per cent. as a result of the Rio Tinto Limited Rights Issue.

9 Placement of entitlements not taken up

If you are a Qualifying Rio Tinto plc Shareholder and do not sell or otherwise transfer your Rio Tinto plc Nil Paid Rights and do not take up in whole your Rio Tinto plc Nil Paid Rights (including where you are prevented from doing so as a result of any applicable securities law), J.P. Morgan Cazenove and Credit Suisse Securities will attempt to place the New Rio Tinto plc Shares that your Rio Tinto plc Nil Paid Rights represent with investors at a price per New Rio Tinto plc Share that is at least equal to the aggregate of the Rio Tinto plc Issue Price and the expenses of procuring such investors. If J.P. Morgan Cazenove and Credit Suisse Securities successfully place all of these New Rio Tinto plc Shares, you will receive the amount by which the placing price (net of expenses) exceeds the Rio Tinto plc Issue Price, provided that the aggregate sum due to you exceeds £5.00, while the Rio Tinto plc Issue Price will be paid to Rio Tinto plc. You may receive some cash in respect of your Rio Tinto plc Nil Paid Rights or you may receive nothing, depending on the outcome of this process.

Separately from the above process, if you are a Qualifying Rio Tinto Limited Shareholder (other than THA) and do not sell or otherwise transfer your Rio Tinto Limited Rights and do not take up in whole your Rio Tinto Limited Rights (including where you are prevented from doing so as a result of any applicable securities law), J.P. Morgan Australia, Credit Suisse (Australia) and Macquarie Capital Advisers will attempt to place the Rio Tinto Limited Shares that your Rio Tinto Limited Rights represent with investors at a price per Rio Tinto Limited Share that is at least equal to the aggregate of the Rio Tinto Limited Issue Price and the expenses of procuring such investors. If J.P. Morgan Australia, Credit Suisse (Australia) and Macquarie Capital Advisers successfully place all of these New Rio Tinto Limited Shares, you will receive the amount by which the placing price (net of expenses) exceeds the Rio Tinto Limited Issue Price, while the Rio Tinto Limited Issue Price will be paid to Rio Tinto Limited. You may receive some cash in respect of your Rio Tinto Limited Rights or you may receive nothing, depending on the outcome of this process.

10 Overseas Shareholders

New Rio Tinto plc Shares will be provisionally allotted (nil paid) to all Qualifying Rio Tinto plc Shareholders and Rio Tinto Limited Rights will be granted to all Qualifying Rio Tinto Limited Shareholders. Although Rio Tinto plc Nil Paid Rights will be credited to the CREST accounts of all Qualifying CREST Rio Tinto plc Shareholders and Rio Tinto Limited Rights will be granted to all Qualifying Rio Tinto Limited Shareholders, such crediting of Rio Tinto plc Nil Paid Rights and grant of Rio Tinto Limited Rights does not constitute an offer to any of such Shareholders with registered addresses in the United States, the Excluded Territories or the Restricted Territories and any such Shareholders will not be entitled to take up or deal with rights in the Rights Issues in contravention of any registration or other legal requirement in any jurisdiction.

In the case of Qualifying Non-CREST Rio Tinto plc Shareholders with registered addresses in the United States, the Excluded Territories or the Restricted Territories, Rio Tinto plc Provisional Allotment Letters will not be sent to such Shareholders or their agent or intermediary, except where Rio Tinto is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Rio Tinto reserves the right to permit any Qualifying Shareholder to take up his rights if Rio Tinto in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Overseas Rio Tinto plc Shareholders who cannot take up the New Rio Tinto plc Shares provisionally allotted to them will be treated in the same way as all other Qualifying Rio Tinto plc Shareholders that do not take up the New Rio Tinto plc Shares provisionally allotted to them. Overseas Rio Tinto Limited Shareholders who cannot take up their Rio Tinto Limited Rights will be treated in exactly the same way as Qualifying Rio Tinto Limited Shareholders (other than THA) that do not take up their Rio Tinto Limited Rights.

11 Matching offers

The Rights Issues have been structured as matching offers as provided for in the DLC Sharing Agreement. Consistent with the Equalisation Ratio of 1:1 that underpins the Rio Tinto dual listed companies structure, the Rio Tinto plc Rights Issue and the Rio Tinto Limited Rights Issue are based on the same ratio and same subscription prices, based on the US dollar-pounds sterling and US dollar-Australian dollar exchange rates as shown in the London edition of the *Financial Times* on 4 June 2009. Accordingly, the Boards consider that the Rights Issues do not materially disadvantage a holder of a Rio Tinto plc Share relative to a holder of a Rio Tinto Limited Share, or vice versa, and have therefore determined, in accordance with the DLC Sharing Agreement, that no adjustment to the Equalisation Ratio is required as a result of the Rights Issues.

12 Directors' intentions

To the extent permitted, each of the Directors intends to take up in full his or her rights to subscribe for New Shares under the Rights Issues in respect of his or her direct registered holdings. With respect to Existing Shares held in schemes which permit Directors to subscribe for the associated rights, this will be at the Director's discretion.

Yours faithfully

Jan du Plessis
Chairman