RISK FACTORS

The following describes some of the risks that could affect Rio Tinto. There may be additional risks unknown to Rio Tinto and other risks, currently believed to be immaterial, could turn out to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group’s business and financial results. They should also be considered in connection with any forward looking statements in this document and the cautionary statement on page 7.

Rio Tinto’s overriding corporate objective is to maximise long term shareholder value through responsible and sustainable investment in mining and related assets. The directors recognise that creating shareholder value is the reward for taking and accepting risk.

The directors have established a process for identifying, evaluating and managing the significant risks faced by the Group.

The following highlight the Group’s exposure to risk without explaining how these exposures are managed and mitigated or how some risks are also potential opportunities.

Acquisitions

The Group has grown partly through the acquisition of other businesses and most notably through the acquisition of Alcan Inc. for US$38.7 billion during 2007. Business combinations commonly entail a number of risks and Rio Tinto cannot be sure that management will be able to effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have a material and adverse impact on the Group’s costs, earnings and cash flows. Furthermore, the Group may, under the terms of the acquisition, be liable for the past acts or omissions of the acquired businesses in circumstances where the price paid does not adequately reflect the eventual cost of these liabilities.

Divestments

Following the acquisition of Alcan the Group undertook a strategic review which has highlighted approximately US$30 billion of potential divestments and has announced a target of US$15 billion. The Group intends to explore options for the sale of a shortlist of assets but any sales would be value driven and dependent on price. The amount and timing of sale proceeds that might eventually be realised is subject to considerable uncertainty and the Group cannot anticipate by when and by how much its borrowings might be reduced.

Economic conditions

Commodity prices, and demand for the Group’s products, are cyclical and influenced strongly by world economic growth, particularly that in the US and Asia. The Group’s normal policy is to sell its products at prevailing market prices. Commodity prices can fluctuate widely and could have a material and adverse impact on the Group’s asset values, revenues, earnings and cash flows.

The strong underlying economic conditions and commodity prices have led to a rapid growth in demand for technical skills in mining, metallurgy and geological sciences, and for materials and supplies related to the mining industry, causing skills and materials shortages. The retention of skilled employees, the recruitment of new staff and the purchasing of materials and supplies may lead to increased costs, interruptions to existing operations and to delays in new projects.

Further discussion can be found on page 15, Business environment, markets and regulation, and on page 104, commodity prices.

Exchange rates

The Group’s asset values, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group’s sales and areas of operation. The majority of the Group’s sales are denominated in US dollars. The Australian, Canadian, Euro and US dollars are the most important currencies influencing costs. The relative value of currencies can fluctuate widely and could have a material and adverse impact on the Group’s asset values, costs, earnings and cash flows. Further discussion can be found under Exchange rates, reporting currencies and currency exposure on page 102.

Exploration and new projects

The Group seeks to identify new mining properties through an active exploration programme. The Group has also undertaken the development or expansion of other major operations. There is no guarantee, however, that such expenditure will be recouped or that existing ore reserves will be replaced. Failure to do so could have a material and adverse impact on the Group’s financial results and prospects. In particular, Rio Tinto has commenced or recommenced exploration for and development of new projects in a number of new countries which may increase risks around land and resource tenure.

The Group develops new mining properties and expands its existing operations as a means of generating shareholder value. Unanticipated delays and project execution complications along with increasing regulatory, environmental and social approvals can result in significant increases in construction costs and/or significant delays in construction. These increases could materially and adversely affect the economics of a project and, consequently, the

Group’s asset values, costs, earnings and cash flows.

Energy cost and supply
The Group’s operations are energy intensive and, as a result, the Group’s costs and earnings could be adversely affected by rising energy costs or by energy supply interruptions. The following factors could materially adversely affect the Group’s energy position: the unavailability of energy or fuel due to a variety of reasons including fluctuations in climate, significant increases in costs of supplied electricity or fuel, interruptions in energy supply due to equipment failure or other causes, and the inability to extend contracts for the supply of energy on economical terms.

Greenhouse gas emissions
Rio Tinto’s smelting and mineral processing operations are energy intensive and depend heavily on coal, oil, diesel and gas. Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms, in numerous jurisdictions in which the Group operates could adversely impact access to, and cost of, the Group’s energy supply. Regulation of greenhouse gas emissions in the jurisdictions of the Group’s major customers could also have an adverse effect on the demand for the Group’s products.

Interest rate fluctuations
Increases in benchmark interest rates will likely increase the interest cost associated with the Group’s debt and will increase the cost of future borrowings, which could harm the Group’s earnings and financial condition.

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

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs. Further discussion can be found under Ore reserves on page 108.

Political and community
The Group has operations in jurisdictions having varying degrees of political and commercial instability. Political instability can result in civil unrest, expropriation, nationalisation, renegotiation or nullification of existing agreements, mining leases and permits, changes in laws, taxation policies or currency restrictions. Commercial instability caused by bribery and corruption in their various guises can lead to similar consequences. Any of these can have a material adverse effect on the profitability or, in extreme cases, the viability of an operation.

Some of the Group’s current and potential operations are located in or near communities that may now, or in the future, regard such an operation as having a detrimental effect on their economic and social circumstances. Should this occur, it may have a material adverse impact on the profitability or, in extreme cases, the viability of an operation. In addition, such an event may adversely affect the Group’s ability to enter into new operations in the country.

Defined benefit pension plans
Certain of the Group’s businesses sponsor defined benefit pension plans. If the assets of these pension plans do not achieve expected investment returns for any fiscal year, such deficiency would result in one or more charges against the Group’s earnings. In addition, changing economic conditions, poor pension investment returns or other factors may require the Group to make substantial cash contributions to these pension plans in the future, preventing the use of such cash for other purposes.

Unions and labour disputes
Some of the Group’s employees are represented by labour unions under various collective labour agreements. The Group may not be able to satisfactorily renegotiate its collective labour agreements when they expire. In addition, existing labour agreements may not prevent a strike or work stoppage at its facilities in the future, and any such work stoppage could have a material adverse effect on the Group’s earnings and financial condition.

Technology
The Group has invested in and implemented information system and operational initiatives. Several technical aspects of these initiatives are still unproven and the eventual operational outcome or viability cannot be assessed with certainty. Accordingly, the costs and benefits from these initiatives and the consequent effects on the Group’s future earnings and financial results may vary widely from present expectations.

Land and resource tenure
The Group operates in several countries where title to land and rights in respect of land and resources (including indigenous title) may be unclear and may lead to disputes over resource development. Such disputes could disrupt relevant mining projects and/or impede the Group’s ability to develop new mining properties.

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Health, safety and environment
Rio Tinto operates in an industry that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Evolving regulatory standards and expectations can result in increased litigation and/or increased costs all of which can have a material and adverse effect on earnings and cash flows.

Mining operations
Mining operations are vulnerable to a number of circumstances beyond the Group's control, including natural disasters and unexpected geological variations. These can affect costs at particular mines for varying periods. Mining, smelting and refining processes also rely on mining inputs. Appropriate insurance can provide protection from some, but not all, of the costs that may arise from unforeseen events. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on the Group's asset values, costs, earnings and cash flows.

Rehabilitation
Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and/or further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect the Group's asset values, earnings and cash flows.

Non managed projects and operations
Where projects and operations are controlled and managed by the Group's partners, the Group may provide expertise and advice, but it cannot guarantee compliance with its standards and objectives. Improper management or ineffective policies, procedures or controls could not only adversely affect the value of the related non managed projects and operations but could also, by association, harm the Group's other operations and future access to new assets.

Regulation
The group is subject to extensive governmental regulations in all jurisdictions in which it operates. Operations are subject to general and specific regulations governing mining and processing, land tenure and use, environmental regulations (including site specific environmental licences, permits and statutory authorisations), workplace health and safety, trade and export, corporations, competition, access to infrastructure, foreign investment and taxation. Some operations are conducted under specific agreements with respective governments and associated acts of parliament. Changes to any regulation or agreement may have an adverse effect on the profitability and viability of an operation.

CAUTIONARY STATEMENT ABOUT FORWARD LOOKING STATEMENTS

This document includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this document, including, without limitation, those regarding Rio Tinto's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to Rio Tinto's products, production forecasts and reserve positions), are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Rio Tinto, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward looking statements are based on numerous assumptions regarding Rio Tinto's present and future business strategies and the environment in which Rio Tinto will operate in the future. Among the important factors that could cause Rio Tinto's actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, levels of actual production during any period, levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation and such other risk factors identified in the section entitled, "Risk factors" herein. Forward looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward looking statements. These forward looking statements speak only as of the date of this document. Rio Tinto expressly disclaims any obligation or undertaking (except as required by applicable law, the City Code on Takeovers and Mergers (the "Takeover Code"), the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Services Authority and the Listing Rules of the Australian Securities Exchange) to release publicly any updates or revisions to any forward looking statement contained herein to reflect any change in Rio Tinto's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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IMPORTANT INFORMATION

This document contains statements which could be deemed recommendations or solicitations under the US federal securities laws in the context of the pre-conditional offer by BHP Billiton. If BHP Billiton does commence a tender offer within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, Rio Tinto will file a Solicitation/Recommendation Statement with the SEC on Schedule 14D-9 thereafter and holders of Rio Tinto's shares and ADRs are advised to read it when it becomes available as it will contain important information. Copies of any such Solicitation/Recommendation Statement and other related documents filed by Rio Tinto will be available free of charge on the SEC's website at http://www.sec.gov and on Rio Tinto's website at www.riotinto.com

Item 4.Information on the Company

INTRODUCTION

Rio Tinto is a leading international mining group whose business is finding, mining and processing the Earth’s mineral resources. The Group’s interests are diverse both in geography and product. Our activities span the world but we are strongly represented in Australia and North America and we have significant businesses in South America, Asia, Europe and southern Africa. Businesses include open pit and underground mines, mills, refineries and smelters as well as a number of research and service facilities.

The Group combines Rio Tinto plc, which is listed on the London Stock Exchange, and headquartered in London, and Rio Tinto Limited, which is listed on the Australian Securities Exchange and has executive offices in Melbourne. The Group consists of wholly and partly owned subsidiaries, jointly controlled assets, jointly controlled entities and associated companies, the principal ones being listed in notes 37 to 40 of the *2007 Financial statements*.

On 31 December 2007, Rio Tinto plc had a market capitalisation of £53.0 billion (US$105.9 billion) and Rio Tinto Limited had a market capitalisation of A$38.3 billion (US$33.5 billion). The combined Group’s market capitalisation in publicly held shares at the end of 2007 was US$139.4 billion.

Objective, strategy and management structure

Our fundamental objective is to maximise the overall long term value and return to our shareholders. We do this by operating responsibly and sustainably in areas of proven expertise such as exploration, project evaluation, mining, smelting and refining where the Group has a competitive advantage.

Our strategy is to maximise net present value by investing in large, long life, cost competitive mines and processing plants. Investments are driven by the quality of each opportunity, not by the choice of commodity.

Rio Tinto’s management structure is designed to facilitate a clear focus on the Group’s objective. This structure, reflected in this report, is based on the following principal product and global support groups:

- Aluminium
- Copper
- Diamonds and Industrial Minerals
- Energy
- Iron Ore
- Exploration
- Technology and Innovation
- Business Resources

The chief executive of each product group reports to the chief executive of Rio Tinto. Diamonds and Industrial Minerals report to the product group heads of Copper and Energy respectively.

Nomenclature and financial data

Rio Tinto Limited and Rio Tinto plc operate as one business organisation, referred to in this report as Rio Tinto, the Rio Tinto Group or, more simply, the Group. These collective expressions are used for convenience only, since both Companies, and the individual companies in which they directly or indirectly own investments, are separate and distinct legal entities.

“Limited”, “plc”, “Pty”, “Inc”, “Limitada”, or “SA” have generally been omitted from Group company names, except to distinguish between Rio Tinto plc and Rio Tinto Limited.

Financial data in United States dollars (US$) is derived from, and should be read in conjunction with, the *2007 Financial statements* which are in US$. In general, financial data in pounds sterling (£) and Australian dollars (A$) have been translated from the consolidated financial statements and have been provided solely for convenience; exceptions arise where data, such as directors’ remuneration, can be extracted directly from source records. Certain key information has been provided in all three currencies in the *2007 Financial statements*.

Rio Tinto Group sales revenue, profit before tax and net earnings and operating assets for 2006 and 2007 attributable to the product groups and geographical areas are shown in notes 31 and 32 to the *2007 Financial statements*. In the *Operating and financial report* (OFR), operating assets and sales revenue for 2006 and 2007 are consistent with the financial information by business unit in the *2007 Financial statements.*

The tables on pages 28 to 42 show production for 2007, 2006 and 2005 and include estimates of proven and probable ore reserves. Words and phrases, often technical, have been used which have particular meanings; definitions of these terms are in the Glossary on pages 175 to 177. The weights and measures used are mainly metric units; conversions into other units are shown on page 177.

History

Rio Tinto’s predecessor companies were formed in 1873 and 1905. The Rio Tinto Company was formed by investors in 1873 to mine ancient copper workings at Rio Tinto, near Seville in southern Spain. The Consolidated Zinc Corporation was incorporated in 1905 to treat zinc bearing mine waste at Broken Hill, New South Wales, Australia.

The RTZ Corporation (formerly The Rio Tinto-Zinc Corporation) was formed in 1962 by the merger of The Rio