

## Notice to ASX

### Rio Tinto Limited off-market buy-back tender

**25 February 2015**

Pursuant to ASX Listing Rule 3.17, attached is a copy of the off-market buy-back tender booklet and tender forms being distributed to Rio Tinto Limited's eligible shareholders in respect of the off-market share buy-back announced on 12 February 2015.

Further information on Rio Tinto Limited's off-market buy-back tender can be accessed at [www.riotinto.com](http://www.riotinto.com)

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# Rio Tinto

Rio Tinto Limited  
Off-market buy-back tender booklet

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## **THIS IS AN IMPORTANT DOCUMENT**

This Buy-Back is not available to persons located in, and this document is not to be distributed in or into, the United States.

If you are in doubt as to the action you should take, please consult your financial, taxation or other professional adviser immediately.

## Important dates<sup>(a)</sup>

12 February 2015	Announcement of Buy-Back
17 February 2015	Last day that Shares can generally be acquired to be eligible to participate in the Buy-Back and, as a consequence, may be eligible for franking credits <sup>(b)</sup>
18 February 2015	Shares quoted ex-entitlement to participate in the Buy-Back on the ASX <sup>(c)</sup>
20 February 2015	Record Date for determination of shareholders entitled to participate in the Buy-Back
27 February 2015	Distribution of Buy-Back Documents to shareholders expected to be completed
2 March 2015	Tender Period opens
4 March 2015	Shares quoted ex-entitlement on the ASX for the 2014 final dividend
6 March 2015	Record date for 2014 final dividend. 2014 annual report due to be released
27 March – 2 April 2015	Five trading days over which VWAP is calculated (for the purposes of determining Market Price)
2 April 2015	Tender Period closes. Tenders must be received by the Registry no later than 7.00pm (Melbourne time)
7 April 2015	Announcement of Buy-Back Price and scale back (if any)
9 April 2015	Payment date for 2014 final dividend
15 April 2015	Dispatch/credit of Buy-Back proceeds to participating shareholders

### Notes:

- (a) While the Company does not anticipate any changes to these dates and times, it reserves the right to vary them by announcement to the ASX. Such an announcement will be taken to amend this booklet (and the other Buy-Back Documents) accordingly. In addition, the Company reserves the right to terminate the Buy-Back at any time prior to the date on which the Company enters into Buy-Back Contracts to buy back Shares from successful tendering shareholders by making an announcement to the ASX to that effect.
- (b) This assumes an announcement of the Buy-Back Price on Tuesday, 7 April 2015.
- (c) Shares acquired on the ASX on an ex-entitlement basis on or after this date will not confer an entitlement to participate in the Buy-Back.

### Eligibility to participate

Unless you are an Excluded Foreign Person, you are eligible to participate in the Buy-Back in respect of Shares registered in your name on the Record Date (being 7.00pm (Melbourne time) on Friday, 20 February 2015) and, in accordance with the Settlement Rules, those Shares confer an entitlement to receive this Buy-Back Invitation.

This booklet does not provide financial product advice and has been prepared without taking into account your particular circumstances. You should carefully consider the appropriateness of the Buy-Back having regard to your own objectives, financial situation, needs and whether you should obtain independent advice before making any financial decisions.

The distribution of this booklet in some jurisdictions might be restricted by law and does not constitute an invitation to participate in any place where, or to any person to whom, it would be unlawful to do so. Persons who come into possession of this booklet should seek advice on, and observe any restrictions on, distributing it.

The Buy-Back Invitation is not being made to Excluded Foreign Persons. In particular, any person who is in the United States or who is a US Person is not entitled to participate, directly or indirectly, in the Buy-Back. Copies of the Buy-Back Documents are not being mailed or otherwise distributed or sent into the United States.

Any person receiving any of the Buy-Back Documents must not distribute or send them into the United States, or make them available to any US Person (including to any legal or beneficial owner of Shares that is a US Person) or any person who is in the United States.

The Company will not accept Tender Forms:

- from any person who does not represent that they are not (and they are not acting on behalf of or for the account of a person who is) in the United States or a US Person; or
- that have been postmarked in the United States or that otherwise appear to the Company or its agents to have been sent from the United States.

The communication of this booklet by the Company and any other documents or materials relating to the Buy-Back is not being made, and such documents and/or materials have not been approved,

by an authorised person for the purposes of section 21 of the UK Financial Services and Markets Act 2000 (the FSMA). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials is exempt from the restriction on financial promotions under section 21 of the FSMA on the basis that it is only directed at and may be communicated to (1) those persons who are existing members or creditors of the Company or other persons within Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and (2) to any other persons to whom these documents and/or materials may lawfully be communicated.

This document and any attachments thereto constitute factual, objective information about the Buy-Back and nothing contained herein should be construed as constituting any form of investment advice or recommendation, guidance or proposal of a financial nature in respect of the Buy-Back or any transaction in relation thereto. The Company is not a financial services provider in South Africa and nothing in this document should be construed as constituting the canvassing for, or marketing or advertising of financial services by the Company in South Africa.

The date of this booklet is Thursday, 19 February 2015 and all information contained in this booklet is current at that date (except where otherwise indicated).

### Shareholder information lines

If you have any questions in relation to the Buy-Back, please call the Rio Tinto shareholder information lines:

- within Australia on 1800 813 292 (toll free); or
- from outside Australia on +61 3 9415 4030,

at any time between 8.30am to 5.30pm (Melbourne time) Monday to Friday. In addition, please note that the Rio Tinto shareholder information lines will be open until 7.30pm (Melbourne time) on the Closing Date.

Further information can be found at [www.riotinto.com/sharebuyback](http://www.riotinto.com/sharebuyback)

Section 5 of this booklet defines the capitalised words used in this booklet and also sets out other rules of interpretation.

## Chairman's letter

Dear Shareholder

Last year, Rio Tinto made a clear commitment to materially increase cash returns to our shareholders. As you will have seen in our 2014 preliminary results announced on 12 February 2015 we have delivered this through a 12 per cent increase in our full year 2014 dividend and a proposed US\$2.0 billion share buy-back programme. This buy-back programme comprises this A\$500 million (approximately US\$0.4 billion)<sup>1</sup> off-market buy-back of the Company's shares together with an on-market buy-back of approximately US\$1.6 billion worth of Rio Tinto plc shares.

Details on how to participate and tender your shares into the Buy-Back are summarised below with full details contained within the booklet.

Eligible shareholders of the Company may tender shares at discounts of between 8 per cent and 14 per cent (inclusive, and at 1 per cent intervals) to the Market Price, or as a Final Price Tender (which is an election to receive the Buy-Back Price). The Buy-Back Price will be determined having regard to the Tenders submitted by shareholders and will be the largest of those discounts to the Market Price which enables the Company to repurchase the amount of capital it determines to buy back.

As with most buy-backs of this type, for Australian tax purposes, the Buy-Back Price will comprise a capital component and a deemed dividend component. The Australian Taxation Office has indicated that shareholders whose Shares are bought back by the Company under the Buy-Back will receive a cash capital component of A\$9.44 per Share<sup>2</sup> with the balance of the Buy-Back Price deemed to be a fully franked dividend for Australian tax purposes. The Buy-Back will have different tax consequences for each shareholder, depending on their residency for tax purposes, the price at which they originally acquired their Shares and their individual tax position. General Australian taxation implications of the Buy-Back for participating shareholders are included in Section 2 of this booklet, though you should obtain your own specific advice.

If you wish to submit a Tender, please follow the instructions in Section 1.19 of this booklet. Tenders must be received by the Registry or, if you are a CHESS Holder, you must ensure that your broker processes your Tender, by no later than 7.00pm (Melbourne time) on Thursday, 2 April 2015. If you have any questions on how the Buy-Back operates or how you can participate, please contact our dedicated shareholder information lines noted above.

You do not need to take any action if you do not wish to participate in the Buy-Back. However, I encourage you to consider this booklet carefully and in deciding whether or not to participate, you should discuss your particular circumstances with your professional adviser.

Yours sincerely



Jan du Plessis  
Chairman

<sup>1</sup> Based on exchange rates prevailing as at the date of this booklet.

<sup>2</sup> For Australian tax purposes, the sale proceeds of the Shares for entities other than companies will generally be taken to be the A\$9.44 capital component plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price. See Section 2 for further details.

## Key features of the Buy-Back

Target size	A\$500 million worth of Shares. However, the Company reserves the right to increase or decrease the size or not buy back any Shares.
Tender range	Discount percentages from 8 per cent to 14 per cent (in 1 per cent intervals) to the Market Price. The Market Price is calculated as the VWAP (as defined in Section 5.1) of the Company's ordinary shares sold on the ASX over the five trading days up to and including the Closing Date. The Market Price will be made available to shareholders as soon as practicable after the ASX closes at 4.00pm on the Closing Date on the Rio Tinto website, by an announcement to the ASX, or by calling the Rio Tinto shareholder information lines.
Capital component of Buy-Back Price <sup>(a)</sup>	A\$9.44.
Dividend component of Buy-Back Price <sup>(b)</sup>	The Buy-Back Price less A\$9.44.
Eligible shareholders	You are eligible to participate in the Buy-Back if you have Shares registered in your name on the Record Date <sup>(c)</sup> , unless you are an Excluded Foreign Person.
Record Date	Friday, 20 February 2015 at 7.00pm (Melbourne time).
Closing Date	Thursday, 2 April 2015 <sup>(d)</sup> . Tenders must be received by the Registry no later than 7.00pm (Melbourne time).
Date of Buy-Back Contract	Tuesday, 7 April 2015.

### Notes:

- (a) The ATO has indicated to Rio Tinto that the capital component of the Buy-Back Price will be A\$9.44. Rio Tinto expects this to be confirmed in the Class Ruling. For Australian tax purposes, the sale proceeds of the Shares for entities other than companies will generally be taken to be the A\$9.44 capital component plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price.
- (b) For Australian tax purposes only.
- (c) The Shares must, in accordance with the Settlement Rules, confer an entitlement to participate in the Buy-Back.
- (d) The Company reserves the right to vary this by announcement to the ASX.

### What to do?

Provided you are eligible, it is your decision whether to participate in the Buy-Back. To ensure that you make an informed decision, you should read this booklet carefully and consult your professional adviser.

#### If you DO choose to participate

Refer to Section 1.19 for details on how to participate

- You can choose any Tender Discount between 8 per cent and 14 per cent (inclusive) to the Market Price
- You can choose to submit a Final Price Tender and accept the Buy-Back Price determined by the Company (see Section 1.10)
- You can choose to make your Tender conditional on one of the Minimum Prices set out on your Tender Form (see Section 1.15)
- You must submit your Tender by the Closing Date (see Section 1.19)
- If your Tender is successful, there will be certain tax consequences
- You should not have to pay any brokerage to sell your Shares into the Buy-Back

#### If you choose NOT to participate

- You do not need to take any action
- The number of Shares you hold will not change, however your proportional shareholding in the Company will increase if other shareholders participate in the Buy-Back
- As a shareholder, you will benefit from any improvement in Rio Tinto's earnings per share, cash flow per share and return on equity, and you will continue to be subject to the normal benefits and investment risks associated with share ownership

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# 1. Details of the Buy-Back and Tender process

This booklet sets out the terms of the Buy-Back and other information to assist you in deciding whether to participate in the Buy-Back.

You should also have regard to other information previously made available to shareholders about Rio Tinto, such as the results for the half year ended 30 June 2014, the preliminary results announcement for the 2014 financial year made on 12 February 2015 and any announcements made on or after the date of this booklet, including the release of the 2014 annual report expected to be on 6 March 2015.

You can access a copy of each of these documents, and other information regarding Rio Tinto, on the Rio Tinto website at [www.riotinto.com](http://www.riotinto.com).

This invitation does not constitute or give rise to a legally binding offer capable of your acceptance. If you tender your Shares into the Buy-Back, you make a formal offer to sell those Shares on the terms and conditions set out in the Buy-Back Documents. If the Company accepts your Tender, a Buy-Back Contract is formed and your tendered Shares will be sold to the Company on those terms and conditions.

## 1.1 What is an off-market buy-back tender?

An off-market buy-back tender process involves a company inviting its eligible shareholders to tender to sell shares to the company. If the company accepts the tender, then a buy-back agreement is formed on the applicable terms. The shares bought back are subsequently cancelled, thereby reducing the total number of shares the company has on issue.

Under the Buy-Back, eligible shareholders of the Company may tender Shares at discounts of between 8 per cent and 14 per cent (inclusive, and at 1 per cent intervals) to the Market Price, or as a Final Price Tender (which is an election to receive the Buy-Back Price).

## 1.2 Why is Rio Tinto returning capital?

In 2014, Rio Tinto made a clear commitment to materially increase cash returns to its shareholders. Accordingly, on 12 February 2015, it announced a proposed US\$2 billion share buy-back programme, comprising this Buy-Back with the balance to be conducted through an on-market buy-back of Rio Tinto plc shares. In addition, it announced a 12 per cent increase to the 2014 full year dividend.

In the Board's opinion, the current strength of Rio Tinto's balance sheet and cash flows means that capital can be returned to shareholders whilst maintaining a strong balance sheet.

## 1.3 Why is Rio Tinto implementing the Buy-Back?

The Board considers that conducting the Buy-Back currently provides an advantageous method of returning capital to the Company's shareholders.

The benefits are considered to be as follows:

- the Buy-Back allows the purchase of Shares at a discount of at least 8 per cent to prevailing market prices for the Company's ordinary shares. This is likely to represent a lower average price than expected under an on-market buy-back of Shares;
- the Board expects that the Buy-Back will improve earnings per share and return on equity for shareholders who remain holding shares in Rio Tinto;
- for some shareholders, depending on their tax status, the after-tax return of participating in the Buy-Back may be greater than a sale of their Shares on-market;
- participation is optional and shareholders have maximum flexibility to tailor their participation to suit their own particular circumstances. Shareholders are able to choose:
  - whether to participate;
  - how many (if any) Shares to tender; and
  - the basis upon which Shares will be tendered (for example, at what Tender Discount(s), or as a Final Price Tender and with the option of a Minimum Price condition);
- all eligible shareholders have the opportunity to participate in the Buy-Back at the same price;
- the tender process allows the Company to determine the most appropriate number of Shares to buy back;
- eligible shareholders with holdings of 35 Shares or less are able to sell all of their Shares so as not to be left with a small parcel of Shares after participating in the Buy-Back;
- shareholders whose Tenders are accepted should not incur the usual brokerage costs; and
- the Buy-Back provides an efficient means of returning capital to the Company's shareholders and enables Rio Tinto to maintain a more efficient capital structure and to reduce its cost of capital.

The Board believes that the Buy-Back and other announced initiatives can be undertaken without prejudicing Rio Tinto's ability to maintain its progressive dividend policy. Further, while the Buy-Back will result in a reduction of the Company's available franking credits, the Board expects the Company to continue to be in a position to fully frank its dividends for the foreseeable future. Further information regarding the effect of the Buy-Back on Rio Tinto is set out in Section 3.

The Board does not think that the Buy-Back poses any significant disadvantage to shareholders, nor does the Board believe that there would be any material impact on the control of Rio Tinto or the relative voting power of shareholders in each of the Company and Rio Tinto plc (this is discussed further below).



#### 1.4 Did Rio Tinto consider other ways to return capital?

The Buy-Back is part of the wider US\$2 billion capital return programme announced by Rio Tinto on 12 February 2015. In addition, Rio Tinto announced a 12 per cent increase to the 2014 full year dividend.

A combination of the share buy-backs and the increase to the full year dividend gives shareholders across Rio Tinto the opportunity to participate and benefit.

While consideration has been given to other capital management initiatives in the Company, such as special dividends and on-market buy-backs, the Board is of the view that, at this time, it is in the best interests of shareholders as a whole to pursue the Buy-Back as a component of Rio Tinto's capital return programme. The advantages of the Buy-Back are discussed in Section 1.3 above. In particular, for some participating shareholders, depending on their tax status, the after-tax return of participating in the Buy-Back may be greater than a sale of their Shares on-market. For shareholders who choose not to participate in the Buy-Back and who maintain a shareholding in the Company, they are expected to benefit from the anticipated improvement in earnings per share as a result of the Buy-Back.

As discussed in further detail in Section 1.29 below, shareholder approval to undertake off-market buy-back tenders was sought and obtained at the 2014 annual general meeting of the Company.

#### 1.5 Am I entitled to tender Shares in the Buy-Back?

You are entitled to tender Shares into the Buy-Back if:

- Shares are registered in your name on the Record Date (being 7.00pm (Melbourne time), Friday, 20 February 2015); and
- in accordance with the Settlement Rules, those Shares confer an entitlement to receive this Buy-Back Invitation,

(Eligible Shares).

The maximum number of Shares you are entitled to tender into the Buy-Back, being 100 per cent of your Eligible Shares, is set out on your personalised Tender Form enclosed with this booklet and is also stated via the online tendering process. Any shareholder who holds 85 Shares or less at the Record Date may only tender all, but not some, of their Shares under the Buy-Back and they may only do so at one of the Tender Discounts or as a Final Price Tender.

The Buy-Back Invitation is not being made to any Excluded Foreign Person. Foreign shareholders should also refer to Section 4.5.

Employee incentive schemes and director participation is covered in Sections 4.13 and 4.14 respectively.

#### 1.6 Do I have to tender my Shares?

No. Participation in the Buy-Back is on a voluntary basis.

#### 1.7 What if I do not participate in the Buy-Back?

If you choose not to participate, or you participate but none of your Shares are bought back, the number of Shares you hold will not change as a result of the Buy-Back. However, after the Buy-Back is completed, you will hold a larger percentage of the total number of issued shares in the Company as there will be fewer shares on issue. You will also benefit from any improvement in earnings per share, cash flow per share and return on

equity and you will continue to be subject to the normal investment risks associated with share ownership.

#### 1.8 At what price will my Shares be bought back?

Each Share bought back will be bought back at the Buy-Back Price.

The Buy-Back Price will be the price that equates to the largest Tender Discount in the range between 8 per cent and 14 per cent (inclusive) to the Market Price that will enable the Company to acquire the amount of capital it determines to buy back.

For each Share purchased from you under the Buy-Back, you will receive a cash amount determined in accordance with the following formula:

$$A = B \times (1 - C)$$

Where: **A** is the Buy-Back Price (that is, the price per Share, rounded up to the nearest cent, to be paid for all Shares bought back under the Buy-Back);

**B** is the Market Price; and

**C** is the Buy-Back Discount.

So, for example, if the relevant Market Price is A\$60.00, and the Buy-Back Discount is 12 per cent, the Buy-Back Price would be A\$52.80 (i.e. A\$60.00 x (1 - 0.12)).

The Company does not intend to buy back any Shares under the Buy-Back if the Buy-Back Price were to exceed the Tax Value. The Tax Value is the price used by the ATO for Australian tax purposes to determine the deemed market value of the relevant Shares when the Buy-Back occurs. The method for calculating the Tax Value is explained in Section 2.2.

A shareholder whose Tender is accepted by the Company under the Buy-Back will be paid the Buy-Back Price for each Share that is bought back. This would be the case even if their Tender Discount is greater than the Buy-Back Discount adopted by the Company to determine the Buy-Back Price.

#### 1.9 How will I know what the Market Price is?

The Market Price will be calculated as the volume weighted average price of the Company's ordinary shares sold on the ASX over the five trading days up to and including the Closing Date (adjusted for certain trades – see the definition of VWAP in Section 5.1).

To provide an indication of the Market Price, Rio Tinto will calculate, and make available daily to shareholders, the running VWAP during this five trading day period. The running VWAP will be published on the Rio Tinto website at [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) and will be updated cumulatively each day.

Please note that this illustrative VWAP will be an estimate given that it will only include trading from opening on Friday, 27 March 2015 to the close of the previous day. The actual Market Price will be made available as soon as practicable after the ASX closes at 4.00pm on the Closing Date by an announcement to the ASX and on the Rio Tinto website. It will also be available if shareholders call the Rio Tinto shareholder information lines.

#### 1.10 What is a Final Price Tender?

A Final Price Tender is an offer to sell your Shares to the Company at the price that is ultimately determined to be the Buy-Back Price under the tender process.

The Buy-Back Price could be as high as an 8 per cent discount to the Market Price or as low as a 14 per cent discount to the Market Price. If a large number of Final Price Tenders are submitted, it is more likely that the Buy-Back Price will be at a larger discount to the Market Price, subject to the 14 per cent maximum.

Final Price Tenders are intended to make it easier for retail shareholders to participate successfully in the Buy-Back. By submitting a Final Price Tender, provided the Buy-Back completes and the Buy-Back Price is higher than any Minimum Price you may specify, some or all of your Shares will be bought back at a price per Share that could be anywhere in the range of an 8 per cent to a 14 per cent discount (inclusive) to the Market Price. Final Price Tenders will only be scaled back if the Buy-Back Price is set at a 14 per cent discount to the Market Price and the total number of Shares successfully tendered is more than the Company determines to buy back. See Section 1.16 for further details on the scale back mechanism.

#### 1.11 How will I know what the Buy-Back Price is?

The Company will announce the Buy-Back Price to the ASX as soon as practicable after the Closing Date. The Company expects this announcement to be on Tuesday, 7 April 2015. The announcement will be also posted on the Rio Tinto website.

#### 1.12 Will all the Shares I tender be bought back?

The success of your Tender will depend on your Tender Discount, the size and price of Tenders submitted by other shareholders and the total number of Tenders the Company accepts. There is no guarantee that all or even some of your Tender will be accepted.

The Company is targeting to buy back A\$500 million worth of Shares under the Buy-Back. However, the Company reserves the right to increase or decrease the size of the Buy-Back or not buy back any Shares at all.

#### 1.13 What if I hold 85 Shares or less?

If you hold 85 Shares or less and you wish to participate in the Buy-Back, you may only submit one Tender in respect of all of your Shares and such a Tender must be at one of the specified Tender Discounts or as a Final Price Tender.

#### 1.14 What if I would be left with 35 Shares or less after a scale back?

If you successfully tender all of your Shares and you would otherwise be left with a Small Holding (i.e. 35 Shares or less) as a result of a scale back, your Tender will be not be scaled back (that is, your Tender will be accepted in full). See Section 1.16 for further information.

#### 1.15 Can I specify a Minimum Price for the sale of my Shares into the Buy-Back?

You have the option of making your Tender conditional on the Buy-Back Price being no less than one of the four specified Minimum Prices set out on your Tender Form. This is an option available to you, but it may impact on the success of your Tender.

If you are concerned that movements in the Market Price after you submit your Tender may result in your Tender corresponding to a lower Buy-Back Price than the price at which you are willing to sell your Shares, you may wish to make your Tender conditional on the Buy-Back Price

being greater than or equal to a specified Minimum Price. If the Buy-Back Price is below your Minimum Price, then your Tender will be rejected and your Shares will not be bought back.

If you choose to make your Tender conditional on the Buy-Back Price being greater than or equal to one of the specified Minimum Prices, you must do this in addition to nominating a Tender Discount or a Final Price Tender. If you fail to nominate a Tender Discount or a Final Price Tender, and only make your Tender conditional on the Buy-Back Price being greater than or equal to a specified Minimum Price, your Tender will not be accepted by the Company.

#### 1.16 How will Rio Tinto determine successful Tenders and any scale back?

If the Company proceeds with the Buy-Back and your Tender Discount in your Tender:

- is smaller than the Buy-Back Discount, your Shares the subject of the Tender will not be bought back; or
- is equal to or greater than the Buy-Back Discount, or you submitted a Final Price Tender, your Shares the subject of the Tender will be bought back, subject to any scale back (and, if applicable, any Minimum Price condition).

If you have chosen a Minimum Price and the Buy-Back Price is below that price, your Tender will be rejected.

#### When may a scale back apply?

A scale back may apply if the total number of Shares successfully tendered (that is, Final Price Tenders or Tenders at a Tender Discount which is equal to or greater than the Buy-Back Discount), is more than the total number of Shares the Company determines to buy back. In such circumstances, a scale back would apply as follows.

#### If the Buy-Back Discount is between 8 per cent and 13 per cent

Where the Buy-Back Discount is between 8 per cent and 13 per cent inclusive:

- (a) Tenders at a Tender Discount smaller than the Buy-Back Discount will be rejected;
- (b) Tenders conditional on a Minimum Price that is greater than the Buy-Back Price will be rejected;
- (c) Tenders at a Tender Discount greater than the Buy-Back Discount and Final Price Tenders will be accepted in full;
- (d) a Priority Allocation (see below) will be bought back from each shareholder who tendered Shares at a Tender Discount equal to the Buy-Back Discount;
- (e) Excluded Tenders (see below) will be accepted in full; and
- (f) Shares tendered at the Buy-Back Discount (other than Final Price Tenders, Priority Allocations and Excluded Tenders) will be scaled back on a pro-rata basis.

#### If the Buy-Back Discount is 14 per cent

Where the Buy-Back Discount is 14 per cent:

- (a) Tenders at a Tender Discount smaller than the Buy-Back Discount will be rejected;
- (b) Tenders conditional on a Minimum Price that is greater than the Buy-Back Price will be rejected;

- greater than the Buy-Back Price will be rejected;
- (c) a Priority Allocation (see below) will be bought back from each shareholder who tendered Shares at the Buy-Back Discount or as a Final Price Tender;
  - (d) Excluded Tenders (see below) will be accepted in full; and
  - (e) Tenders at a Tender Discount equal to the Buy-Back Discount and Final Price Tenders (other than Priority Allocations and Excluded Tenders) will be scaled back on a pro-rata basis.

When the scale back is applied, all fractions will be rounded down to the nearest Share.

#### **What is the Priority Allocation?**

In the event of a scale back, the Company will buy back the first 85 Shares successfully tendered by each shareholder or such lesser number of Shares as is determined by the Company to be the Priority Allocation. Of course, if you successfully tender less than the Priority Allocation, then all your Shares so tendered would be bought back as your Priority Allocation.

The Priority Allocation ensures that small shareholders are not disadvantaged by any scale back.

#### **What is an Excluded Tender?**

An Excluded Tender is a Tender submitted by a shareholder who tenders all of their Shares at a Tender Discount equal to or greater than the Buy-Back Discount or as a Final Price Tender and who would otherwise be left with a Small Holding (i.e. 35 Shares or less) as a result of a scale back. As indicated above, Excluded Tenders will not be scaled back and will be accepted in full.

However, if you become the registered holder of additional ordinary shares in the Company after the Record Date and you are the registered holder of more shares at the Closing Date than you held on the Record Date, then your Tender will not be an Excluded Tender and any scale back will apply to your Tender as it would to any other Tender, notwithstanding that the total number of Shares you can tender into the Buy-Back cannot exceed the number of Shares you held as at the Record Date (as set out in the Tender Form).

#### **1.17 How will the scale back affect my Tender?**

The details of any scale back will be announced to the ASX as soon as practicable after the Closing Date. Rio Tinto expects that this announcement will be made on Tuesday, 7 April 2015. You can access the announcement from the Rio Tinto website or from the ASX website at [www.asx.com.au](http://www.asx.com.au).

To assist you in understanding how a scale back may affect your Tender, two illustrative examples are set out below.

For each example, assume that four shareholders, holding a different number of Shares, submit Tenders under the Buy-Back. In each example:

- the Buy-Back Discount (and corresponding Buy-Back Price) and the scale back percentage are different; but
- the particular shareholder's total holding, number of Shares tendered and Tender Discount are the same.

**Example 1: 14 per cent Buy-Back Discount and 50 per cent scale back**

It is assumed that the Market Price is A\$60.00 and the Buy-Back Discount is 14 per cent, resulting in a Buy-Back Price of A\$51.60<sup>3</sup>. It is also assumed that there is a 50 per cent scale back and that the shareholders in the example have not specified a Minimum Price. In these circumstances, the outcome of each Tender would be as follows:

Shareholder	Total Shares held	Shares tendered	Tender Discount	Price represented by Tender Discount (A\$)	Outcome
A	100	100	-	Final Price Tender	Successful, all 100 Shares bought back
B	300	150	12%	\$52.80	Not successful, no Shares bought back
C	1,500	750	14%	\$51.60	Partially successful, 417 Shares bought back
D	600	150	8%	\$55.20	Not successful, no Shares bought back
		300	12%	\$52.80	Not successful, no Shares bought back
		150	-	Final Price Tender	Partially successful, 117 Shares bought back

**Shareholder A:** tendered all of their 100 Shares as a Final Price Tender. The Tender would be successful and 100 Shares would be bought back at the Buy-Back Price of A\$51.60. This is an Excluded Tender as following the Priority Allocation and scale back, Shareholder A would be left with less than 35 Shares.

**Shareholder B:** chose a Tender Discount of 12 per cent which is smaller than the Buy-Back Discount, so no Shares would be bought back.

**Shareholder C:** tendered 750 of their Shares at a Tender Discount equal to the Buy-Back Discount of 14 per cent. As a result of the 50 per cent scale back (see scale back table below), Shareholder C would have 417 Shares bought back at the Buy-Back Price of A\$51.60. This is not an Excluded Tender as Shareholder C did not tender all of their Shares at Tender Discount(s) greater than or equal to the Buy-Back Discount or as a Final Price Tender.

**Shareholder D:** tendered one quarter of their Shares at an 8 per cent Tender Discount; one half at a 12 per cent Tender Discount; and one quarter as a Final Price Tender. Each of the 8 per cent and 12 per cent Tender Discounts would not be successful as they are smaller than the Buy-Back Discount of 14 per cent. The Final Price Tender would be partially successful. As a result of the 50 per cent scale back, Shareholder D would have 117 Shares bought back (see scale back table below) at the Buy-Back Price of A\$51.60 (this is not an Excluded Tender as Shareholder D did not tender all of their Shares at Tender Discount(s) greater than or equal to the Buy-Back Discount or as a Final Price Tender).

**Example 1: Scale back table**

Shareholder	Shares tendered at a 14% Tender Discount or as Final Price Tenders	Shares subject to scale back <sup>(a)</sup>	Scale back <sup>(b)</sup>	Tender post scale back and Priority Allocation <sup>(b),(c)</sup>	Shares remaining <sup>(d)</sup>	Excluded Tender <sup>(e)</sup>	Shares that are bought back <sup>(f)</sup>
A	100	15	50%	92	8	Yes	100
B	0	Scale back not applicable					
C	750	665	50%	417	333	No	417
D	150	65	50%	117	33	No	117

Notes:

- Under the Priority Allocation, the first (up to) 85 Shares are bought back from each shareholder who successfully tenders Shares at a Tender Discount equal to the Buy-Back Discount (including Final Price Tenders under this example), before scale back applies. For example, Shareholder A has 15 Shares that are subject to scale back (100-85=15).
- A scale back of 50 per cent means 50 per cent of the Shares subject to scale back would be bought back (not including Excluded Tenders).
- When the scale back is calculated, fractions will be rounded down to the nearest Share.
- Shares remaining refers only to Shares remaining from those Shares which were tendered at a 14 per cent Tender Discount or as a Final Price Tender.
- Shareholder A tendered all of their Shares as a Final Price Tender. As a result of the Priority Allocation and scale back they would be left with less than 35 Shares and so the tender is an Excluded Tender. Neither shareholder C nor D tendered all of their Shares as a Final Price Tender or at Tender Discount(s) greater than or equal to the Buy-Back Discount, so their Tenders are not Excluded Tenders.
- Shares that are bought back refers only to Shares that are bought back from those Shares which were tendered at a 14 per cent Tender Discount or as a Final Price Tender.

3. This is an illustrative example only. You should not rely on A\$60.00 being the Market Price, or A\$51.60 being the Buy-Back Price.

**Example 2: 12 per cent Buy-Back Discount and 20 per cent scale back**

It is assumed that the Market Price is A\$60.00 and the Buy-Back Discount is 12 per cent, resulting in a Buy-Back Price of A\$52.80<sup>4</sup>. It is also assumed that there is a 20 per cent scale back. In these circumstances, the outcome of each Tender would be as follows:

Shareholder	Total Shares held	Shares tendered	Tender Discount	Price represented by Tender Discount (A\$)	Outcome
A	100	100	-	Final Price Tender	Successful, all 100 Shares bought back
B	300	150	12%	\$52.80	Partially successful, 137 Shares bought back
C	1,500	750	14%	\$51.60	Successful, all 750 Shares bought back
D	600	150	8%	\$55.20	Not successful, no Shares bought back
		300	12%	\$52.80	Partially successful, 257 Shares bought back
		150	-	Final Price Tender	Successful, all 150 Shares bought back

**Shareholder A:** tendered all of their 100 Shares as a Final Price Tender. The Tender would be successful and 100 Shares would be bought back at the Buy-Back Price of A\$52.80. They will not be scaled back because the Buy-Back Price is not based on the largest Tender Discount of 14 per cent.

**Shareholder B:** the Tender would be partially successful. As a result of the 20 per cent scale back, Shareholder B would have 137 Shares bought back (see scale back table below) at the Buy-Back Price of A\$52.80.

**Shareholder C:** the Tender would be successful as the 14 per cent Tender Discount is greater than the 12 per cent Buy-Back Discount. All 750 Shares would be bought back at the Buy-Back Price of A\$52.80.

**Shareholder D:** the 150 Shares tendered at an 8 per cent Tender Discount would not be successful as this is smaller than the 12 per cent Buy-Back Discount. The Tender at a Tender Discount of 12 per cent would be partially successful and, as a result of the 20 per cent scale back, Shareholder D would have 257 Shares bought back (see scale back table below) at the Buy-Back Price of A\$52.80. The 150 Shares tendered as a Final Price Tender would also be bought back at the Buy-Back Price of A\$52.80 (Shares tendered as a Final Price Tender will not be scaled back as the Buy-Back Discount is not the largest Tender Discount of 14 per cent).

**Example 2: Scale back table**

Shareholder	Shares tendered at a 12% Tender Discount <sup>(a)</sup>	Shares subject to scale back <sup>(b)</sup>	Scale back <sup>(c)</sup>	Tender post scale back and Priority Allocation <sup>(c),(d)</sup>	Shares remaining <sup>(e)</sup>	Excluded Tender <sup>(f)</sup>	Shares that are bought back <sup>(g)</sup>
A	0	Scale back not applicable					
B	150	65	20%	137	13	No	137
C	0	Scale back not applicable					
D	300	215	20%	257	43	No	257

Notes:

- Does not include Final Price Tenders, because the Buy-Back Price is not based on the largest Tender Discount of 14 per cent.
- Under the Priority Allocation, the first (up to) 85 Shares are bought back from each shareholder who tenders Shares at a Tender Discount equal to the Buy-Back Discount, before scale back applies. For example, Shareholder B has 65 Shares that are subject to scale back (150-85=65).
- A scale back of 20 per cent means 80 per cent of the Shares subject to scale back would be bought back (not including Excluded Tenders).
- When the scale back is calculated, fractions will be rounded down to the nearest Share.
- Shares remaining refers only to Shares remaining from those Shares which were tendered at a 12 per cent Tender Discount or as a Final Price Tender.
- Neither shareholder B nor D tendered all of their Shares as a Final Price Tender or at Tender Discount(s) greater than or equal to the Buy-Back Discount, so their Tenders are not Excluded Tenders.
- Shares that are bought back refers only to Shares that are bought back from those Shares which were tendered at a 12 per cent Tender Discount.

4. This is an illustrative example only. You should not rely on A\$60.00 being the Market Price, or A\$52.80 being the Buy-Back Price.

### 1.18 Share price performance over previous six months

The closing price of the Company's shares on the ASX on Thursday, 12 February 2015 was A\$59.90 (the last closing price before the announcement of the Buy-Back).

The highest and lowest market sale prices and average closing prices of the Company's shares on the ASX during February 2015 and each of the preceding six months were as follows:

Period	Low (A\$) <sup>(a)</sup>	High (A\$) <sup>(a)</sup>	Average Closing Prices (A\$) <sup>(b)</sup>
August 2014	62.00	67.89	65.36
September 2014	58.95	63.28	61.36
October 2014	57.07	61.88	59.50
November 2014	56.12	61.67	59.16
December 2014	51.99	59.18	56.23
January 2015	53.29	59.71	56.70
February 2015 <sup>(c)</sup>	57.21	61.40	59.81

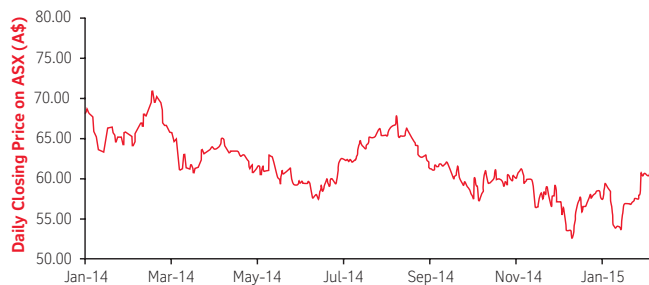
Source: IRESS

Notes:

- (a) Based on trading of ordinary shares during normal ASX trading hours, generally from 10.00am to 4.00pm (Melbourne time).
- (b) Calculated as the average of the closing prices of the Company's ordinary shares on the ASX for each trading day over the relevant month.
- (c) Figures for February 2015 represent month to date figures as at Thursday, 12 February 2015.

A graph indicating the share price performance of the Company over the period from 1 January 2014 to 12 February 2015 is set out below.

#### Rio Tinto Limited share price 1 January 2014 to 12 February 2015



Source: IRESS

### 1.19 How do I participate in the Buy-Back?

You can participate in the Buy-Back by tendering online at [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) or by submitting a Tender Form.

#### (a) Tender Online

Tendering online is the most effective way of ensuring that your Tender is received by the Closing Date, Thursday, 2 April 2015.

You will be required to provide your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) to submit online. You can find these numbers in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you, such as a dividend statement or a proxy form).

#### (b) Use a Tender Form

Alternatively, you can participate in the Buy-Back by using a Tender Form. If you received a hard copy of this booklet, you will have also received a personalised Tender Form. If you tender by completing your personalised Tender Form you need to tender in accordance with the instructions in Step 4 – Submitting your Tender(s).

Whether you wish to submit a Tender online or by Tender Form, the following steps apply.

#### Step 1 - Decide how many Shares you wish to sell

If you decide to participate in the Buy-Back, you then need to decide how many Shares you wish to sell.

If you are submitting your Tender online you should log in to [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) and follow the instructions.

If you have chosen to tender by completing the personalised Tender Form, then the personalised Tender Form enclosed with this booklet sets out the **maximum** number of Shares you may tender. You may tender any number of Shares up to this maximum number. However, if you hold 85 Shares or less and you wish to participate in the Buy-Back you may only submit one Tender in respect of all of your Shares.

You should not, before the Buy-Back Date, sell or offer to sell to anyone else the Shares you have tendered into the Buy-Back, unless you first withdraw or amend your Tender (see Section 1.20).

#### Step 2 - Choose your Tender Discount(s)

If you are submitting your Tender online you should log in to [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) and follow the instructions.

If you have chosen to tender by completing the personalised Tender Form, then once you have determined the number of Shares you wish to tender, you need to indicate the discount(s) to the Market Price at which you are willing to sell those Shares.

You may tender your Shares at any discount from 8 per cent to 14 per cent inclusive to the Market Price, at 1 per cent intervals or as a Final Price Tender. The discount at which you tender your Shares will represent the lowest price (i.e. the largest discount to the Market Price) at which the Company will buy back your Shares if your Tender is successful.

If you wish to increase the likelihood that your Shares will be bought back, you may consider submitting a Final Price Tender (see Section 1.10).

**If you hold more than 85 Shares and you wish to participate in the Buy-Back**, you may tender different parcels of your Shares at different Tender Discounts or as a Final Price Tender. However, you must tender a minimum of 85 Shares in aggregate. For example, for illustrative purposes, you may tender half of the Shares you wish to sell at a 10 per cent Tender Discount and half as a Final Price Tender. However, you may not tender the same Shares at different Tender Discounts (or at both a specified Tender Discount and as a Final Price Tender). Each parcel of Shares tendered at a different Tender Discount or as a Final Price Tender is treated as a separate Tender. The total number of Shares you

tender into the Buy-Back must not exceed the number of Shares you held as at the Record Date (as set out on your Tender Form).

If you hold 85 Shares or less and you wish to participate in the Buy-Back, you may only submit one Tender in respect of all of your Shares and such a Tender must be at one of the specified Tender Discounts or as a Final Price Tender.

### Step 3 – Nominate a Minimum Price (optional)

If you elect a Minimum Price, your Tender will be conditional upon the Buy-Back Price being greater than or equal to the Minimum Price you have specified on your Tender Form. If you choose to nominate a Minimum Price in your Tender and the Buy-Back Price is lower than your nominated Minimum Price, your Shares will not be bought back. The Minimum Price can only be one of the four listed Minimum Prices specified on the Tender Form.

### Step 4 – Submit your Tender(s)

How you submit your Tender will depend on the type of holding you have, as specified on the enclosed Tender Form.

#### Issuer Sponsored Holdings

Once you have determined:

- the number of Shares you wish to sell;
- your Tender Discount(s) and/or any Final Price Tender; and
- if you so choose, your Minimum Price,

you need to submit your Tender if you wish to participate.

If you wish to submit your Tender **online**, please visit the Rio Tinto website at [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) and follow the instructions. You will require your Securityholder Reference Number (SRN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you). Select the 'Tender' option, and submit your Tender. You will receive a confirmation of submission of your Tender.

If you wish to submit your Tender by using your personalised **Tender Form** you should complete your Tender Form as per the instructions in steps 1 to 3 above and sign your personalised Tender Form. You can use the enclosed reply paid envelope if you are posting your Tender Form in Australia.

Tender Forms should be mailed to:

Rio Tinto Buy-Back  
C/- Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
AUSTRALIA

Your completed Tender Form whether mailed or submitted online must be received by the Registry by no later than 7.00pm (Melbourne time) on the Closing Date (i.e. scheduled to be Thursday, 2 April 2015).

The Company will not accept your Tender Form unless it is actually received at the above address by no later than 7.00pm (Melbourne time) on the Closing Date (i.e. scheduled to be Thursday, 2 April 2015). You should allow sufficient time for this to occur if you are sending your Tender Form by mail.

If you have any questions in relation to the processing of your Tender Form, please contact the Rio Tinto shareholder information lines between 8.30am and 5.30pm (Melbourne time) Monday to Friday. In addition, please note that the Rio Tinto shareholder information lines will remain open until 7.30pm (Melbourne time) on the Closing Date.

#### CHES Holdings

Once you have determined:

- the number of Shares you wish to sell;
- your Tender Discount(s) and/or any Final Price Tender; and
- if you so choose, your Minimum Price,

you need to submit your Tender if you wish to participate.

If you wish to submit your Tender **online**, please visit the Rio Tinto website at [www.riotinto.com/rtlbuyback](http://www.riotinto.com/rtlbuyback) and follow the instructions. You will require your Holder Identification Number (HIN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you). Select the 'Tender' option, and submit your Tender. You will receive a confirmation of submission of your Tender. If you are a CHES Holder, Rio Tinto strongly recommends that you submit your Tender online **by no later than 5.00pm** on the Closing Date (i.e. scheduled to be Thursday, 2 April 2015). This is because the Registry will need to confirm with your controlling participant any online submission of your Tender before it can be taken as validly submitted. There may not be sufficient time to do so for any online Tenders submitted by CHES Holders after 5.00pm on the Closing Date. Neither Rio Tinto nor the Registry will be responsible should your controlling participant not acknowledge and confirm your Tender in sufficient time.

If you wish to submit your Tender by using your personalised **Tender Form**, you need to instruct your controlling participant (normally your broker) in sufficient time for them to process your Tender by 7.00pm (Melbourne time) on the Closing Date (i.e. scheduled to be Thursday, 2 April 2015). The name of the controlling participant who manages your CHES Holding as at the Record Date is printed on your Tender Form.

If you are a CHES Holder, you should **not** send your Tender Form to the Registry. Instead, you will receive written confirmation from CHES of the Tenders made on your holding or Tenders withdrawn by your controlling participant. You should be aware that, irrespective of its wording, this confirmation is not an acceptance by the Company of any Tender.

### 1.20 Can I withdraw or amend my Tender?

Once you have submitted a Tender, it can be withdrawn or amended by following the procedures set out below.

#### Issuer Sponsored Holdings

To withdraw or amend a Tender that has been received by the Registry, you will need to submit a **Withdrawal/Amendment Form**, a copy of which is included in the back of this booklet. Additional copies can be obtained by contacting the Rio Tinto shareholder information lines. Complete and send the Withdrawal/Amendment Form as per the instructions set out immediately below. You **cannot** submit a withdrawal or amendment of your Tender online.

### Withdrawal of Tenders

You can withdraw all of your Tenders by ticking the 'Withdrawal' box on the Withdrawal/Amendment Form, completing your shareholder details, signing the form and returning it to the Registry at the address provided so that it is received by no later than 7.00pm (Melbourne time) on the Closing Date. If the Registry does not receive your Withdrawal/Amendment Form by this time, your withdrawal will be of no effect.

### Amendment of Tenders

If you wish to change the terms of some or all of your Tenders or you wish to withdraw some (but not all) of your Tenders, then you must tick the 'Amendment Box' on the Withdrawal/Amendment Form. You must then complete your shareholder details and the details of all of your Tenders in accordance with the instructions shown on the form and return the form to the Registry at the address provided so that it is received by no later than 7.00pm (Melbourne time) on the Closing Date.

The effect of amending your Tenders, by submitting a Withdrawal/Amendment Form, will be to withdraw all of your previous Tenders and replace them with the Tenders detailed on the Withdrawal/Amendment Form. If you wish to change some but not all of your previous Tenders, then you will still need to complete the details of **all** of your Tenders that you wish to submit as if you had not previously submitted any.

If your Withdrawal/Amendment Form is incomplete or incorrect, the Registry will make two attempts to contact you before the Closing Date. Where there is insufficient time or you cannot be contacted, your Withdrawal/Amendment Form will not be accepted and your existing Tender may be accepted into the Buy-Back.

Any amendment of your Tenders by completing a Withdrawal/Amendment Form (as set out above) will be of no effect unless it is received by the Registry by no later than 7.00pm (Melbourne time) on the Closing Date.

### CHESSE Holdings

#### Contacting your controlling CHESSE participant

If you have a CHESSE Holding and you wish to withdraw or amend a Tender, you will need to instruct your controlling participant in sufficient time for them to process your amendment or withdrawal by no later than 7.00pm (Melbourne time) on the Closing Date.

If you have a CHESSE Holding, you should **not** send a Withdrawal/Amendment Form to the Registry and you **cannot** submit a withdrawal or amendment of your Tender online.

The effect of your controlling participant withdrawing or amending one of more of your Tenders will be to withdraw those Tenders, and in the case of an amendment, to replace the amended Tenders with new Tenders.

If you are a CHESSE Holder, you will receive written confirmation from CHESSE of the withdrawals/amendments made in relation to your holding by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by the Company of your withdrawal or amendment of any Tender.

#### 1.21 How can I obtain additional Tender or Withdrawal/Amendment Forms?

If you require an additional Withdrawal/Amendment Form or any replacement Tender Forms, please call the Rio Tinto shareholder information lines.

#### 1.22 How will I know how many of my Shares have been bought back?

By 15 April 2015, the Company intends to dispatch to all shareholders who have tendered their Shares into the Buy-Back, a statement notifying them of the number of their Shares (if any) that have been bought back by the Company and the Buy-Back Price. Alternatively, shareholders can view this statement online at [www.investorcentre.com](http://www.investorcentre.com).

Shareholders can also access this information on or after 8 April 2015 by contacting the Rio Tinto shareholder information lines. If you are a CHESSE Holder, CHESSE will provide you with written confirmation of the successful Tenders made on your holding or Tenders withdrawn by your controlling participant.

#### 1.23 How will I receive payment for Shares bought back?

All proceeds due under the Buy-Back will be paid in Australian dollars.

If you have a direct credit authority to an Australian bank account recorded on the Share Register at 7.00pm (Melbourne time) on the Closing Date for the payment of dividends on your Shares, all proceeds due to you under the Buy-Back will be credited to your nominated Australian bank account.

Alternatively, if you wish to receive payment for your Shares to an Australian bank account that is different to your current direct credit instructions for payment of dividends on your Shares, you may change your current direct credit instructions online at [www.computershare.com.au/easyupdate/rio](http://www.computershare.com.au/easyupdate/rio). In order to be effective for the Buy-Back, you must make this change by 7.00pm (Melbourne time) on the Closing Date.

Please note that if you do alter your nominated bank account details, this will be taken to be your nominated bank account for future dividend payments.

If you do not have a direct credit authority to an Australian bank account recorded on the Share Register as at 7.00pm (Melbourne time) on the Closing Date, proceeds due to you under the Buy-Back will be sent to you by cheque in Australian dollars.

Cheques and direct credit advices will be mailed, at your risk, to your address as shown on the Share Register at 7.00pm (Melbourne time) on the Closing Date.

Payments to bank accounts and dispatch of cheques to the addresses specified above are expected to occur by 15 April 2015 and will satisfy the Company's obligation to pay you for any Shares that the Company buys back.

#### 1.24 Will I still receive the 2014 final dividend if my Shares are bought back?

Yes. All shareholders with an entitled registered holding on 6 March 2015 will receive the 152.98 Australian cents per share fully franked 2014 final dividend in respect of those Shares, whether or not they participate in the Buy-Back.



**1.25 Can I trade my Shares after submitting a Tender?**

Once you have tendered any Shares into the Buy-Back, you should not:

- sell or offer to sell those Shares;
- convert those Shares from an Issuer Sponsored Holding to a CHESS Holding or vice versa; or
- move those Shares between CHESS Holdings (for instance, if you change your controlling participant).

However, any Shares which you have not tendered into the Buy-Back may be sold or otherwise dealt with in the ordinary manner.

Once you have submitted a Tender, the number of Shares you have tendered will be locked and placed in a 'sub-position' in the Share Register. You will not be able to deal successfully with those Shares until they are released from the sub-position. For the Shares to be released from that sub-position before the end of the Tender Period, you must withdraw or amend your Tender in accordance with the procedures set out in Section 1.20 of this booklet.

Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into consideration if you wish to sell or offer to sell any of the Shares which you have tendered. If, at the Buy-Back Date, you do not hold at least the number of Shares you successfully tendered, the Company may, at its discretion, reject your Tender(s) or treat your Tender(s) as if you had tendered the number of Shares held by you at the Closing Date (see Section 4.10 and Section 4.12 for further details).

**1.26 What if I purchase more shares?**

Shareholders who tender their Shares into the Buy-Back should be able to purchase additional shares in the Company on or after 18 February 2015 (on an ex-entitlement basis) without compromising their Australian tax position on Shares sold into the Buy-Back. This is because:

- those additional shares will not confer an entitlement to participate in the Buy-Back; and
- the ATO has provided indicative confirmation that shares acquired on an ex-entitlement basis on or after 18 February 2015 (and so do not carry a Buy-Back entitlement) will be excluded from the 'last-in-first-out' rule contained in the 45-day rule and therefore, will not affect shareholders' ability to receive franking credits on Shares acquired before that date which are bought back in the Buy-Back (see Section 2.1).

General information on the Australian tax implications for shareholders participating in the Buy-Back is included in Section 2, although eligible shareholders will need to consider their own particular tax circumstances.

**1.27 Can I still vote at a general meeting if I tender all my Shares into the Buy-Back?**

Shareholders who tender their Shares into the Buy-Back will be entitled to vote in respect of those Shares (in accordance with the voting rights attached to those Shares) at any general meeting of the Company that is held before the Closing Date. However, there is no general meeting currently scheduled before that date, and the next annual general meeting of the Company will be held in May 2015, which is after the Closing Date, so

any Shares bought back under the Buy-Back will not be able to be voted at that annual general meeting.

**1.28 How does the Buy-Back compare to selling my Shares on the ASX?**

Depending on your individual circumstances, if you sell your Shares on the ASX (or other applicable stock market), the Australian income taxation implications of doing so may be different from selling your Shares in the Buy-Back (see Section 2 for more details in relation to Australian tax implications).

In addition, to execute a share sale on the ASX (or other applicable stock market), you may need to pay brokerage whereas you should not need to pay brokerage to participate in the Buy-Back.

However, if you were to sell your Shares on the ASX (or other applicable stock market), it is likely that you would be able to sell your Shares for a higher price than the Buy-Back Price. This is because the prices at which shareholders can tender Shares into the Buy-Back are at a discount of between 8 per cent and 14 per cent to the Market Price. Accordingly, it is likely that the Company's share price on the ASX, during and possibly after the Tender Period, will be higher than the Buy-Back Price.

However, please note that Rio Tinto is not making any recommendation to you as to whether to participate in the Buy-Back, or giving any advice on the value of your Shares.

Before you decide what to do with your Shares, Rio Tinto recommends that you seek your own professional advice.

**1.29 Will there be more buy-backs in the future?**

Rio Tinto's practice is to seek shareholder authority at the annual general meetings for Rio Tinto Limited and Rio Tinto plc to undertake one or more buy-backs in the 12 months following the meetings. Shareholder approval for this Buy-Back (and any on-market buy-backs by Rio Tinto Limited) in the period following the 2014 annual general meeting until (and including) the date of the Rio Tinto Limited 2015 annual general meeting or 7 May 2015 (whichever is the later) was obtained at the Rio Tinto Limited annual general meeting on 8 May 2014. The authority is subject to a limit of 43.5 million shares (which is approximately 10 per cent of the issued shares of Rio Tinto Limited).

Other than as announced on 12 February 2015, no decision has been made on any future capital management programme. However, it is likely that at the annual general meetings in 2015, shareholders will be asked to renew the approvals for buy-backs by Rio Tinto Limited and Rio Tinto plc in the period of 12 months following those meetings.

## 2. Australian tax implications for shareholders

The following discussion is intended only as a general summary of the Australian income tax implications of participating in the Buy-Back.

Unless otherwise specified, this discussion is based on income tax legislation and administrative practice as at 31 January 2015. These laws, the interpretation of them by the courts, and administrative practice may change at any time, possibly with retrospective effect. The Company has received a draft Class Ruling from the ATO for shareholders who participate in the Buy-Back, which provides indicative confirmation of a number of the statements contained in this summary. The ATO will not issue the Class Ruling in a form that is binding on the Commissioner of Taxation until after completion of the Buy-Back. When the binding Class Ruling is eventually issued by the ATO it is possible that it may express a view contrary to that set out below.

This general summary of the Australian income tax implications of participating in the Buy-Back is limited to shareholders who hold their Shares on capital account and therefore, may be assessed for tax under the CGT provisions on Shares bought back by the Company. Shareholders who carry on a business of dealing in shares or otherwise hold shares on revenue account, or who have made an election under the taxation of financial arrangements rules that affect the recognition of gains and losses in respect of their shares, may be assessed on their dealings in shares other than under the CGT provisions. The tax consequences for those shareholders of participating in the Buy-Back may differ significantly from those discussed below.

If you decide to participate in the Buy-Back, your particular tax treatment will depend on your own circumstances. It is therefore important that you obtain professional tax advice to take into account your particular circumstances.

### 2.1 Income tax – treatment of Dividend Component of Buy-Back Price

#### (a) Australian resident shareholders

*What proportion of the Buy-Back Price is treated as a dividend?*

The Buy-Back will constitute an 'off-market' buy-back for the purposes of Division 16K of Part III of the Income Tax Assessment Act 1936. It is anticipated that the capital component of the Buy-Back Price will be A\$9.44 and that all of the Buy-Back Price in excess of A\$9.44 (the Dividend Component) will be treated as a frankable distribution.

The Dividend Component will be fully franked. This amount will be included in your assessable income.

*Will I be entitled to a tax offset?*

If you are entitled to the benefit of franking credits on the Dividend Component (see section entitled 'Franking credit entitlements' below) you will need to include the franking credit on the Dividend Component in your assessable income and you will be entitled to a tax offset equal to the franking credit.

The tax offset may reduce the total tax payable on your taxable income. If you are an individual or a complying superannuation entity and your total tax offsets exceed

the total tax payable on your taxable income, you may be entitled to a cash refund of that excess.

Refunds of excess tax offsets will generally not be available to shareholders being companies, however they may be able to carry forward any excess to reduce tax payable in future income years.

*Will an Australian resident company be entitled to a credit in its franking account?*

Where a shareholder being a company satisfies the holding period rules (see section entitled 'Franking credit entitlements' below), the company should post the franking credit in its franking account and can generally use the credit to frank future dividend payments.

#### (b) Non-resident shareholders

If you are a non-resident shareholder that does not carry on business through a permanent establishment in Australia, the Dividend Component is not subject to either Australian income tax or Australian withholding tax as it will be fully franked. The franking credits attached to the Dividend Component are not refundable by the ATO to you. You should bear in mind that any Shares bought back under the Buy-Back would be purchased at a discount to the Market Price. Rio Tinto recommends that you consult your professional adviser in considering whether to participate.

Different consequences may arise if you hold Shares as part of a business conducted through a permanent establishment in Australia. In that case, you should obtain your own Australian tax advice before making a decision to participate in the Buy-Back.

#### (c) Franking credit entitlements

The Australian tax legislation includes a number of rules which may prevent you from claiming the benefit of franking credits on the Dividend Component.

These rules are designed to, amongst other things, discourage trading in franking credits. These rules may deny the benefit of franking credits to you generally, or because of your particular circumstances.

*Will the anti-streaming rules deny me the benefit of franking credits?*

The Company has received indicative confirmation from the ATO that it will not make a determination to deny participating shareholders the benefit of franking credits on the Dividend Component. This is expected to be confirmed when the ATO issues the Class Ruling in relation to the Buy-Back.

However, the particular circumstances of each participating shareholder will also be relevant in determining whether the rules deny the benefit of the tax offset or franking credit. For example, the period during which you hold the Shares and any arrangements you have in relation to the Shares will be important.

*How long do I have to hold the Shares to be entitled to the franking credits?*

To qualify for the franking credit on the Dividend Component you must be a 'qualified person'. You will be a qualified person if:

- you satisfy one of the specific concessions in the legislation (for example, you are an individual whose total franking credit entitlement for the income year does not exceed A\$5,000); or
- you satisfy the '45-day rule'.

The 45-day rule requires that if you are an Australian resident shareholder you have to have held your Shares 'at risk' for a period of at least 45 days during the relevant period excluding the day of acquisition and day of disposal.

The 45-day rule is complex. The Record Date for entitlement to participate in the Buy-Back is 20 February 2015 and there are 45 clear days between this date and 7 April 2015. The last day on which Shares can generally be acquired on the ASX to be eligible to participate in the Buy-Back is 17 February 2015<sup>5</sup>. Therefore, if you are subject to the 45-day rule and you acquired all of your Shares on the ASX on or before 17 February 2015 or your Shares were otherwise registered in your name on or before 20 February 2015, you will have held your shares for 45 clear days in respect of the Dividend Component for the purposes of the 45-day rule, subject to the following comments.

This is on the assumption that the determination of the Buy-Back allocations occurs on 7 April 2015.

#### Will I have held my Shares at risk over this 45-day period?

You can still fail to satisfy the 45-day rule even if you acquired your Shares on the ASX on or before 17 February 2015. This may arise where you have entered into arrangements regarding the Shares which reduce the risk of loss or opportunity for gain on the Shares. For example, granting a fixed price option to another person to acquire the Shares may reduce that risk or opportunity.

In addition, if you are under an obligation to make a payment that passes the benefit of the Dividend Component to another person, you may also not qualify for the franking credit unless other 'at risk' holding requirements are satisfied.

#### If I acquire shares after the ex-entitlement date will this affect Shares tendered into the Buy-Back?

The 45-day rule operates on the last-in-first-out principle so you will be deemed, for the purpose of applying the 45-day rule, to have disposed of your most recently acquired Shares under the Buy-Back.

The ATO generally accepts that shares acquired on an ex-entitlement basis on or after the ex-entitlement date (here, Shares acquired on an ex-entitlement basis on or after 18 February 2015) will be excluded from the 'last-in-first-out' rule. The acquisition of Shares on an ex-entitlement basis will therefore not affect your ability to receive franking credits on Shares acquired on or before 17 February 2015 which are tendered into the Buy-Back. If the determination of the Buy-Back allocations occurs on a day other than 7 April 2015, these dates may alter.

## 2.2 Capital Gains Tax ('CGT') – disposal of Shares (acquired after 19 September 1985<sup>6</sup>)

### (a) Australian resident shareholders

Shareholders participating in the Buy-Back will be deemed for CGT purposes to have disposed of each Share for the capital component of A\$9.44 plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price (the

Capital Proceeds). The date of disposal will be taken, for CGT purposes, to be the date on which the Company accepts the Tender. This is expected to be 7 April 2015.

#### What is the Tax Value of the Shares?

In 2004, the ATO released Taxation Determination TD2004/22, which sets out the ATO's view in relation to determining the Tax Value of shares bought back off-market. TD2004/22 provides that the Tax Value should be determined as the volume weighted average price of the shares over the last five trading days before the first announcement of the buy-back, adjusted for the movement in the S&P/ASX 200 Index from the opening of trading on the announcement date to the close of trading on the day the buy-back closes.

TD2004/22 also provides that if companies undertaking an off-market share buy-back wish to vary this methodology, representations should be made to the ATO explaining the rationale for this variation.

The Company has made representations to the ATO that the market value setting methodology adopted in TD2004/22 should be varied in determining the Tax Value of Shares under this Buy-Back. As a result of these representations, the ATO has given indicative confirmation that for the purposes of the Buy-Back, the Tax Value may be determined in accordance with the following formula:

$$\text{Tax Value} = A \times (E/F)$$

Where: **A** is A\$60.23, being the volume weighted average price of the Company's ordinary shares over the last five trading days up to and including 11 February 2015;

**E** is the Rio Tinto plc GBP opening price on the London Stock Exchange on the Closing Date; and

**F** is the Rio Tinto plc GBP closing price on the London Stock Exchange on 11 February 2015 (£29.715).

If the movement in the Rio Tinto plc share price is significantly different from the movement in the Company's share price over the relevant period, the Company may approach the ATO to seek to vary the methodology used to determine the Tax Value.

If the Buy-Back Price was higher than the Tax Value, a portion of the Dividend Component equal to the difference between the Buy-Back Price and the Tax Value would be deemed to be unfrankable. The Company does not intend to buy back any Shares under the Buy-Back for an amount in excess of the Tax Value.

#### Will I make a capital gain or a capital loss on sale of Shares into the Buy-Back?

You will make a capital gain on a Share disposed of under the Buy-Back to the extent that your Capital Proceeds exceed the CGT cost base of the Share. However, in light of the likely quantum of the capital component, this will not typically occur.

You will make a capital loss for a Share disposed of under the Buy-Back if the CGT cost base of the Share exceeds the Capital Proceeds. No allowance for indexation or non-

5. Shares were quoted on the ASX as ex-entitlement to participate in the Buy-Back on 18 February 2015.

6. Shares acquired on or before 19 September 1985 will not normally be subject to CGT in Australia, however the Dividend Component in respect of such shares will continue to be relevant for tax purposes. Trustees of superannuation funds will be subject to CGT on shares acquired on or before 19 September 1985.

capital costs is made in determining the CGT cost base of the Share in calculating a capital loss.

A capital loss which arises under the Buy-Back may be greater than the capital loss which may have arisen under an equivalent sale of the Shares on-market. This is because the Capital Proceeds under the Buy-Back are limited to A\$9.44 plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price, rather than the price at which the shareholder would have sold their Shares on-market.

The lower Capital Proceeds also mean that any capital gain which may otherwise have arisen on disposal of the Shares under the Buy-Back is reduced or eliminated.

Where the shareholder is a company, or normally taxed as a company, it does not necessarily follow that a capital loss will be recognised for tax purposes if the Capital Proceeds are less than the CGT cost base of the Share (excluding indexation and non-capital costs), as the amount of any capital loss is reduced by the lesser of:

- the fully franked Dividend Component; and
- the amount of the capital loss.

If a capital loss does arise from the Buy-Back, you cannot offset that capital loss or any part of it against the Dividend Component or any franking credit included in your assessable income, as it can only be used to offset capital gains. Capital losses that are not used in the income year in which they arise may usually be carried forward and used to offset capital gains made in later income years.

#### Will I receive a CGT discount?

If you have held your Shares for at least 12 months prior to the date of disposal (anticipated to be 7 April 2015) you are eligible for the discount and need only include in your assessable income one-half (for individual shareholders) or two-thirds (for complying superannuation fund shareholders) of any net capital gain. If you are a company you are not entitled to a CGT discount.

#### What will be my CGT cost base?

Generally, the CGT cost base for a Share will be the amount that you paid to acquire the Share together with certain incidental costs of acquisition, for example stamp duty and brokerage, and certain incidental costs of disposal.

If you are the trustee of a superannuation fund, the cost base of Shares acquired before 1 July 1988 may be adjusted to the market value of the shares on 30 June 1988.

The cost base must also be adjusted for the bonus share issue of 7.5 shares for every 100 shares that occurred in 1995 on formation of the Rio Tinto dual listed companies structure.

#### Can the CGT cost base be indexed?

If you are not a company and you acquired your Shares at or before 11.45am (ACT time) on 21 September 1999, you may choose whether to index the cost base to 30 September 1999 or to apply the CGT discount. A company is permitted to index the cost base of Shares acquired before 11.45am (ACT time) on 21 September 1999, but is not permitted to apply the CGT discount.

If you acquired your Shares after 11.45am (ACT time) on 21 September 1999, you cannot index your cost base. However, you may apply the CGT discount (unless you are

a company) in calculating any capital gain on disposal if you have held your Shares for at least 12 months.

Indexation does not apply to the calculation of a capital loss.

#### (b) Non-resident shareholders

A non-resident shareholder who participates in the Buy-Back disregards any capital gain or capital loss made in respect of a Share bought back if the Share is not 'taxable Australian property' under the tests in Division 855 of the Income Tax Assessment Act 1997. A Share in the Company will only be 'taxable Australian property' if:

- it is an 'indirect Australian real property interest' as defined, which in broad terms would only be relevant if a non-resident shareholder were to have a shareholding in the Company of 10 per cent or more at the time of disposal or throughout a twelve month period in the preceding twenty four month period;
- it has been used by the non-resident shareholder in carrying on a business through a permanent establishment in Australia; or
- it is a CGT asset that is covered by certain provisions dealing with shareholders choosing to disregard a gain or loss on ceasing to be an Australian resident.

### 2.3 Worked tax examples for Australian resident individuals and Australian complying superannuation funds

The worked examples below set out the potential tax consequences per Share for Australian resident individuals and Australian complying superannuation funds participating in the Buy-Back, and assumes a Buy-Back Price of A\$52.80 (a 12 per cent Buy-Back Discount to an assumed Market Price of A\$60.00) and two illustrative cost bases for CGT purposes of A\$30.00 and A\$36.00 per Share.

The 'Emily example' in the table has the same assumptions and provides more detailed commentary on the relevant calculations in notes A to K following the table. The column on the right of the table marked 'Your workings' is there to assist you, should you choose to participate in the Buy-Back. It is intended to help you calculate the anticipated income tax and CGT consequences based on your assumed marginal tax rate, the assumed Buy-Back Price and the assumed Tax Value of A\$60.00.

It is important to understand that the table is an illustrative example only and is based on a number of assumptions including:

- a Buy-Back Price which may not be the actual Buy-Back Price. The actual Buy-Back Price and the amount of the franked deemed dividend will not be known until after the Buy-Back closes;
- the discount capital gain method is used, which may or may not be applicable depending on a participating shareholder's particular circumstances; and
- a Tax Value which may change. The actual Tax Value will not be known until after the Buy-Back closes.

In any event, the tax consequences for an individual or superannuation fund may be different from the example because of their particular circumstances. The amounts calculated under the tax table will not necessarily reflect the actual tax consequences for you if you choose to participate in the Buy-Back.

## Tax Table

	Superfund		Australian Resident Individuals <sup>(a)</sup>					
			Income = \$0 - \$18,200		Income = \$18,201 - \$37,000		Income = \$37,001 - \$80,000	
Per Share A\$	15% tax rate		0.0% marginal tax rate		21.0% marginal tax rate		34.5% marginal tax rate	
<b>Income tax consequences (dividend)</b>								
Illustrative Buy-Back Price	\$52.80		\$52.80		\$52.80		\$52.80	
Less: capital component	(\$9.44)		(\$9.44)		(\$9.44)		(\$9.44)	
Assumed fully franked dividend <sup>(b)</sup>	\$43.36		\$43.36		\$43.36		\$43.36	
Add: gross-up for franking credit	\$18.58		\$18.58		\$18.58		\$18.58	
Assessable income	\$61.94		\$61.94		\$61.94		\$61.94	
Tax on assessable income	(\$9.29)		\$0.00		(\$13.01)		(\$21.37)	
Tax offset <sup>(c)</sup>	\$18.58		\$18.58		\$18.58		\$18.58	
Net offset / (tax payable) on franked dividend	\$9.29		\$18.58		\$5.57		(\$2.79)	
<b>After tax proceeds</b>	<b>\$52.65</b>		<b>\$61.94</b>		<b>\$48.93</b>		<b>\$40.57</b>	
<b>CGT consequences (capital)</b>								
Capital component	\$9.44	\$9.44	\$9.44	\$9.44	\$9.44	\$9.44	\$9.44	\$9.44
Add: excess Tax Value over Buy-Back Price <sup>(d)</sup>	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20
Less: Illustrative cost base	(\$30.00)	(\$36.00)	(\$30.00)	(\$36.00)	(\$30.00)	(\$36.00)	(\$30.00)	(\$36.00)
Nominal capital gain / (loss) on disposal	(\$13.36)	(\$19.36)	(\$13.36)	(\$19.36)	(\$13.36)	(\$19.36)	(\$13.36)	(\$19.36)
Discount capital gain / (loss) <sup>(e)</sup>	(\$8.91)	(\$12.91)	(\$6.68)	(\$9.68)	(\$6.68)	(\$9.68)	(\$6.68)	(\$9.68)
Tax impact of capital gain / (loss) <sup>(f)</sup>	\$1.34	\$1.94	\$0.00	\$0.00	\$1.40	\$2.03	\$2.30	\$3.34
<b>After tax proceeds <sup>(e),(f)</sup></b>	<b>\$10.78</b>	<b>\$11.38</b>	<b>\$9.44</b>	<b>\$9.44</b>	<b>\$10.84</b>	<b>\$11.47</b>	<b>\$11.74</b>	<b>\$12.78</b>
<b>Total after tax proceeds <sup>(e),(f)</sup></b>	<b>\$63.43</b>	<b>\$64.03</b>	<b>\$71.38</b>	<b>\$71.38</b>	<b>\$59.77</b>	<b>\$60.40</b>	<b>\$52.31</b>	<b>\$53.35</b>

## Notes:

- (a) The marginal tax rate used includes the Medicare levy of 2 per cent. The liability of an individual to pay the Medicare levy depends on the individual's own particular circumstances. The marginal tax rate used for Australian resident individuals with taxable income over A\$180,000 includes an additional 2 per cent for the Temporary Budget Repair Levy.
- (b) This assumed fully franked deemed dividend (A\$43.36) is calculated as the assumed Buy-Back Price of A\$52.80 less the capital component of A\$9.44.
- (c) This assumes the shareholder is fully entitled to the franking credits.
- (d) This assumes, for illustrative purposes only, that the market value for tax purposes (the 'Tax Value') of the Shares is A\$60.00. The actual Tax Value will be A\$60.23, adjusted for the percentage movement in the Rio Tinto plc share price from £29.715 (the price at the close of trading on the London Stock Exchange on Wednesday, 11 February 2015) to the price at the opening of trading on the London Stock Exchange on the Closing Date.
- (e) This assumes that the discount capital gain method is used, which adjusts the total capital gain by a discount factor (50 per cent for individuals; 33 1/3 per cent for super funds). Although capital losses, as such, are not subject to discount, for the purposes of illustrating the cash value of a potential capital loss it is assumed that capital losses are offset against other, discounted capital gains. If capital losses are offset against undiscounted capital gains (e.g. on assets held for less than 12 months), the tax impact of the capital loss will be greater (more favourable) than shown in the table.
- (f) This assumes shareholders will be able to fully utilise capital losses to offset capital gains. The capital loss which arises under the Buy-Back may be different to any capital gain/loss which may have arisen under an equivalent sale of Shares on-market. This is because the Capital Proceeds per Share under the Buy-Back are the aggregate of A\$9.44 (the cash capital component) plus A\$7.20 (the assumed excess of the Tax Value over the Buy-Back Price). The A\$7.20 is used for illustrative purposes only.

## 'Emily example'

Emily earns A\$50,000 per annum and is in a tax bracket that gives her a marginal tax rate of 34.5 per cent. Emily purchased 5,000 Shares at A\$30.00 per Share and as a consequence her cost base for CGT purposes is A\$30.00 per Share. Emily is able to tender at any of the 7 specified Tender Discounts in the range of 8 per cent to 14 per cent to the Market Price or as a Final Price Tender, and wants to calculate the income tax and CGT consequences for a given Buy-Back Price within the range, on a per Share basis.

## Income tax consequences (See 'Emily example' above)

- A If Emily decides to tender at a 12 per cent Tender Discount to the assumed Market Price of A\$60.00 the equivalent Buy-Back Price would be A\$52.80 per Share.
- B The Buy-Back Price is made up of two components, a capital component of A\$9.44 and a fully franked deemed dividend component. The assumed fully franked deemed dividend component would be A\$43.36 per Share, representing the difference between the illustrative Buy-Back Price of A\$52.80 and the capital component of A\$9.44.
- C The deemed dividend component of the Buy-Back Price will be fully franked; therefore it needs to be 'grossed up' for the franking credits that are attached to it. The 'gross up' occurs because tax credits can be passed to shareholders for income tax already paid by Rio Tinto. The company tax rate in Australia is 30 per cent, so the 'gross up' is calculated by dividing the fully franked deemed dividend component by 0.7 and then multiplying it by 0.3. This gives Emily a 'grossed up' deemed dividend amount of A\$61.94 per Share.

Income = \$80,001 - \$180,000		Income = \$180,000+		Emily (example) Income = \$50,000		Your workings Income = \$	
39.0% marginal tax rate		49.0% marginal tax rate		34.5% marginal tax rate		% marginal tax rate	
\$52.80	\$52.80	\$52.80	\$52.80	Buy-Back Price = \$52.80	A	Buy-Back Price = \$	
(\$9.44)	(\$9.44)	(\$9.44)	(\$9.44)	Capital component = (\$9.44)	B	Capital component = (\$	9.44)
\$43.36	\$43.36	\$43.36	\$43.36	\$52.80 - \$9.44 = \$43.36	B	\$ - \$9.44 = \$	
\$18.58	\$18.58	\$18.58	\$18.58	\$43.36 x (0.3/0.7) = \$18.58	C	x (0.3/0.7) = \$	
\$61.94	\$61.94	\$61.94	\$61.94	\$43.36 + \$18.58 = \$61.94	C	+ \$ = \$	
(\$24.15)	(\$30.35)	(\$30.35)	(\$30.35)	(\$61.94 x 34.5%) = (\$21.37)	D	(\$ x %) = (\$	)
\$18.58	\$18.58	\$18.58	\$18.58	\$43.36 x (0.3/0.7) = \$18.58	C	\$ x (0.3/0.7) = \$	
(\$5.57)	(\$11.77)	(\$11.77)	(\$11.77)	\$18.58 - \$21.37 = (\$2.79)	E	\$ - \$ = \$	
\$37.79	\$31.59	\$31.59	\$31.59	\$43.36 - \$2.79 = \$40.57		\$ = \$	
\$9.44	\$9.44	\$9.44	\$9.44	Capital component = \$9.44		Capital component = \$	9.44
\$7.20	\$7.20	\$7.20	\$7.20	\$60.00 - \$52.80 = \$7.20	F	\$ = \$	
(\$30.00)	(\$36.00)	(\$30.00)	(\$36.00)	Cost base = (\$30.00)		Your cost base = \$	
(\$13.36)	(\$19.36)	(\$13.36)	(\$19.36)	\$9.44 + \$7.20 - \$30.00 = (\$13.36)	G	\$9.44 + \$ - \$ = \$	
(\$6.68)	(\$9.68)	(\$6.68)	(\$9.68)	(\$13.36) x 50% = (\$6.68)	H	\$ x = \$	
\$2.61	\$3.78	\$3.27	\$4.74	\$6.68 x 34.5% = \$2.30	I	\$ x = \$	
\$12.05	\$13.22	\$12.71	\$14.18	\$9.44 + \$2.30 = \$11.74	J	\$9.44 + \$ = \$	
\$49.84	\$51.01	\$44.30	\$45.77	\$40.57 + \$11.74 = \$52.31	K	\$ + \$ = \$	

D Emily calculates her income tax liability per Share by multiplying the 'grossed up' deemed dividend amount of A\$61.94 by her marginal tax rate of 34.5 per cent.

E Overall, Emily must pay A\$2.79 of income tax for every Share she sells in the Buy-Back. This is the difference between the tax already paid by Rio Tinto (A\$18.58) and the tax payable at her marginal rate (A\$21.37). Emily's net dividend proceeds after income tax are A\$40.57 per Share (i.e. A\$43.36 less A\$2.79).

**Capital gains tax consequences (See 'Emily example' above)**

F For tax purposes, the price at which Emily will be deemed to have sold her Shares into the Buy-Back will be equal to the A\$9.44 capital component plus any amount by which the Tax Value exceeds the Buy-Back Price. Based on an assumed Tax Value of A\$60.00 and the assumed Buy-Back Price of A\$52.80, the excess amount is A\$7.20 per Share.

G Emily will be deemed to have sold her Shares into the Buy-Back for A\$16.64 per Share (i.e. the A\$9.44 capital component plus the A\$7.20 excess of the Tax Value over the Buy-Back Price). Emily's cost base is A\$30.00 per Share. Thus, the maximum capital loss that Emily will be able to offset against capital gains, assuming her Shares are sold into the Buy-Back, is A\$13.36 per Share (i.e. A\$30.00 less A\$16.64).

H Assuming Emily has held the other (gain) assets for more than 12 months, the discount capital gain method is used, which has the effect of adjusting the cash value of the capital loss by a discount factor of 50 per cent for individuals. The capital gains tax loss is therefore A\$6.68 per Share.

I Emily calculates the benefit of the capital gain/loss by multiplying the capital loss per Share of A\$6.68 by her marginal tax rate of 34.5 per cent.

J Emily's capital proceeds after capital gains tax are A\$11.74 per Share (i.e. A\$9.44 plus A\$2.30).

K Emily would receive overall after tax proceeds of A\$52.31 per Share if she tenders her Shares at A\$52.80 per Share (i.e. 12 per cent Tender Discount to the assumed Market Price of A\$60.00), based on the assumptions above and the notes to the table.

## 3. Effect of Buy-Back on Rio Tinto

### 3.1 Preliminary full year results and other information

#### Financial results

Rio Tinto's 2014 full year preliminary unaudited financial results were released to the ASX on 12 February 2015. In these results, Rio Tinto announced underlying earnings of US\$9.3 billion, net cash from operating activities of US\$14.3 billion, a reduction in capital expenditure to US\$8.2 billion and a reduction in net debt to US\$12.5 billion.

A copy of the full announcement can be accessed on the Rio Tinto website at [www.riotinto.com](http://www.riotinto.com). It is expected that Rio Tinto's full annual report, including full audited financial statements, will be released to the ASX and be available on the Rio Tinto website on and from 6 March 2015.

Electronic copies of Rio Tinto's 2014 half year results can be found on its website at [www.riotinto.com](http://www.riotinto.com).

#### Capital management

As part of the above preliminary financial results release, Rio Tinto announced that it proposes to return US\$2 billion of capital to shareholders through both on-market and off-market buy-back programmes and it announced a 12 per cent increase in the full year 2014 dividend.

In the Board's opinion, the current strength of Rio Tinto's balance sheet and cash flows means that capital can be returned to shareholders whilst maintaining a strong balance sheet.

### 3.2 Material developments

Announcements made by Rio Tinto, including any announcements to be made on or after the date of this booklet, regarding any material developments are released to the ASX and can also be found on the Rio Tinto website at [www.riotinto.com](http://www.riotinto.com). From time to time, Rio Tinto may be involved in potential corporate transactions and strategic initiatives. If a significant corporate transaction or initiative develops, Rio Tinto may make an announcement to the ASX. However, where Rio Tinto is not required by law, or it is not otherwise appropriate, to make such an announcement, it may become necessary to terminate or extend the Buy-Back to ensure that the Buy-Back only proceeds in circumstances where all the Company's shareholders are fully informed of all material information. Any decision to

terminate or extend the Buy-Back would only be made after due consideration of the best interests of Rio Tinto shareholders and would be announced to the ASX.

### 3.3 How many Shares will be bought back?

As at 12 February 2015, the Company had 435,758,720 shares on issue. The Company is targeting to buy back A\$500 million worth of Shares under the Buy-Back. However, the Company reserves the right to increase or decrease the size of the Buy-Back or not buy back any Shares at all.

It should be noted that the authority sought from shareholders at the 2014 annual general meeting permits the Company to buy back shares under one or more off-market buy-back tenders and under on-market buy-backs during the 12 month period following the 2014 annual general meeting up to a limit of 43.5 million shares (which is approximately 10 per cent of the issued shares of Rio Tinto Limited).

One of the key considerations in determining how many Shares to buy back under the Buy-Back will be the level of Tenders received at the various discounts. For example, the number of Shares which the Company will buy back under the Buy-Back may be lower if the majority of Tenders are at a small discount to the Market Price.

Assuming for illustrative purposes only that a total of A\$500 million worth of Shares are bought back under the Buy-Back, the following table sets out the number of Shares, the percentage of total issued shares of the Company and the percentage of total issued shares of Rio Tinto which would be bought back assuming different Buy-Back Prices.

Tender Discount	Buy-Back Price <sup>(a)</sup> A\$	Number of Shares (million) bought back under the Buy-Back	Percentage of total issued shares in Rio Tinto Limited <sup>(b)</sup>	Percentage of total issued ordinary shares in Rio Tinto <sup>(c)</sup>
14%	51.60	9.69	2.22%	0.52%
13%	52.20	9.58	2.20%	0.52%
12%	52.80	9.47	2.17%	0.51%
11%	53.40	9.36	2.15%	0.51%
10%	54.00	9.26	2.12%	0.50%
9%	54.60	9.16	2.10%	0.50%
8%	55.20	9.06	2.08%	0.49%

Notes:

(a) Assuming for illustrative purposes a Market Price of A\$60.00.

(b) Shows the number of Shares bought back under the Buy-Back divided by the total issued shares of Rio Tinto Limited as at 12 February 2015 (being 435,758,720).

(c) Rio Tinto's total issued shares is calculated by aggregating the total issued shares of Rio Tinto plc (1,414,175,740, net of Treasury shares) and Rio Tinto Limited as at 12 February 2015. On 12 February 2015, Rio Tinto announced a proposed US\$2 billion capital return programme comprised of this Buy-Back as well as the on-market buy-back of Rio Tinto plc shares. As Rio Tinto plc shares are bought back and cancelled, this will also alter the total number of shares on issue across Rio Tinto.

### 3.4 How will the Buy-Back be funded?

The amount of funds needed to fund the Buy-Back will depend on the actual size of the Buy-Back. However, Rio Tinto expects to fund the Buy-Back from its cash resources.

### 3.5 Impact of the Buy-Back on key financial indicators

The precise impact of the Buy-Back cannot be determined until the Buy-Back Price and the size of the Buy-Back are finalised.

However, the Buy-Back is expected to improve Rio Tinto's earnings per share and return on equity in 2015 and later financial years. The more Shares that are repurchased, the greater the expected improvement.

The anticipated funding required for the Buy-Back is not expected to have any adverse effect on existing operations or current investment plans. In particular, Rio Tinto's gearing and interest cover will remain at prudent levels, and the Board does not expect that the Buy-Back will affect the credit ratings of Rio Tinto.

By way of illustration, a repurchase of A\$500 million worth of Shares by the Company under this Buy-Back would increase net debt and reduce shareholders' funds by A\$500 million (US\$410 million)<sup>7</sup> and, on the basis of the unaudited pro-forma summarised balance sheet as at 31 December 2014 (see Section 3.7), the ratio of net debt to total capital would increase from 18.6 per cent to 19.2 per cent.

Assuming the combined US\$2 billion share buy-backs as announced on 12 February 2015 are completed, this pro-forma gearing ratio as at 31 December 2014 would increase to 21.6 per cent.

### 3.6 Impact on the Company's franking account

The Buy-Back will result in a reduction in the Company's franking credits, however the size of the reduction will not be known until the Buy-Back completes. By way of illustration, assuming that A\$500 million worth of Shares are purchased under the Buy-Back at a Buy-Back Price of A\$52.80, there would be a reduction of approximately A\$195 million of franking credits<sup>8</sup>. However, notwithstanding the Buy-Back, the Board expects the Company to continue to be able to pay fully franked dividends for the foreseeable future.

### 3.7 Financial impact of the Buy-Back

The financial information presented in this Section has been prepared in accordance with the principles and requirements of International Financial Reporting Standards as adopted by the European Union (EU IFRS), existing at 31 December 2014, unless noted otherwise, and is based on the preliminary announcement made by Rio Tinto on 12 February 2015. The unaudited preliminary announcement is based on accounts which are in the process of being audited. Once audited and approved by the Board, it is expected that Rio Tinto's full annual report, including full audited financial statements, will be released to the ASX and available on the Rio Tinto website on and from 6 March 2015.

The table below sets out Rio Tinto's summarised balance sheet as at 31 December 2014, the impact of the Buy-Back and a pro-forma summarised balance sheet as at 31 December 2014, prepared numerically (but not in relation to format) in accordance with EU IFRS, assuming A\$500 million (US\$410 million)<sup>7</sup> worth of Shares are bought back under the Buy-Back<sup>9</sup>. As noted, this financial information is unaudited.

The assumptions used in the table are set out in the notes below the table. The amount by which the Buy-Back Price exceeds the amount debited to share capital (A\$9.44 (US\$7.74) per Share) will be debited to retained earnings. For example, if the Buy-Back Price is A\$52.80<sup>8</sup> (US\$43.30), an amount of A\$43.36 (US\$35.56) per Share will be debited to retained earnings.

<sup>7</sup> For these purposes, the exchange rate assumption is that US\$0.82 is equal to one Australian dollar, being the rate at 31 December 2014.

<sup>8</sup> This assumes, for illustrative purposes only, a Buy-Back Discount of 12 per cent and a Market Price of A\$60.00.

<sup>9</sup> As a result of the dual listed companies structure, Rio Tinto plc and Rio Tinto Limited and their respective groups operate together as a single economic enterprise. In accordance with current ASIC relief, Rio Tinto Limited prepares, and treats as the principal financial statements for it and its controlled entities, combined financial statements of Rio Tinto Limited and Rio Tinto plc and their respective controlled entities as if Rio Tinto constituted a single economic entity and the combined financial statements were consolidated financial statements.



Balance Sheet as at 31 December 2014 Unaudited	Actual US\$m	Adjustment for Buy-Back <sup>(a)</sup> US\$m	Pro-Forma <sup>(a),(b)</sup> US\$m
<b>Assets</b>			
Cash and cash equivalents	12,423	(410)	12,013
Other Assets	95,404	-	95,404
<b>Total Assets</b>	<b>107,827</b>	<b>(410)</b>	<b>107,417</b>
<b>Total Liabilities</b>	<b>(53,233)</b>	<b>-</b>	<b>(53,233)</b>
<b>Net Assets</b>	<b>54,594</b>	<b>(410)</b>	<b>54,184</b>
<b>Capital and reserves</b>			
Share capital – Rio Tinto plc	230	-	230
Share capital – Company <sup>(c)</sup>	4,535	(73)	4,462
Share premium account	4,288	-	4,288
Other reserves	11,122	-	11,122
Retained earnings <sup>(c)</sup>	26,110	(337)	25,773
<b>Equity attributable to owners of Rio Tinto</b>	<b>46,285</b>	<b>(410)</b>	<b>45,875</b>
Attributable to non-controlling interest	8,309	-	8,309
<b>Total Equity</b>	<b>54,594</b>	<b>(410)</b>	<b>54,184</b>

## Notes:

- (a) Pro-forma calculation assumes that A\$500 million (US\$410 million) worth of Shares are bought back at a Buy-Back Price of A\$52.80 (US\$43.30) as at 31 December 2014, using the exchange rate on that date of US\$0.82 equal to one Australian dollar. The number of Shares bought back is therefore 9.5 million. This Buy-Back Price is an illustrative example only. You should not rely on this price as being the Buy-Back Price. See Section 1.8 for an explanation on how the Buy-Back Price will be determined.
- (b) Pro-forma calculations assume, for illustrative purposes only, that the Buy-Back is funded by cash on hand. Incidental costs of the Buy-Back have been excluded since they are insignificant to the pro-forma calculation.
- (c) Assuming a Buy-Back Price of A\$52.80 (US\$43.30) per Share, A\$9.44 (US\$7.74) per Share of the Buy-Back Price will be debited to share capital, and the assumed balance of A\$43.36 (US\$35.56) per Share will be debited to retained earnings.

### 3.8 What effect will the Buy-Back have on the control of Rio Tinto?

While the Company's eligible shareholders will have an opportunity to participate in the Buy-Back, the percentage of each shareholder's interest which may be bought back under the Buy-Back will depend on a number of factors, including the discounts at which shareholders tender their Shares, the number of Shares they tender, the ultimate Buy-Back Price, any required scale back mechanism and the number of Shares bought back.

The impact of each of these factors will not be known until after the Buy-Back has closed. Nonetheless, given the expected size of the Buy-Back, it is not expected to have any change of control implications for the Company or Rio Tinto. On its own, the Buy-Back would reduce the number of ordinary shares in Rio Tinto Limited on issue as a proportion of the total number of ordinary shares on issue in Rio Tinto (that is, the ordinary shares on issue in Rio Tinto Limited and in Rio Tinto plc combined). However, given that Rio Tinto has also announced an intention to buy back Rio Tinto plc shares on-market, the number of Rio Tinto plc ordinary shares on issue may also reduce which will also alter the overall proportion. Given the expected size of the Buy-Back, the Board believes that even if there is a change in this proportion, it will not have any material impact on the control of Rio Tinto or on the relative voting power of the shareholders in each of Rio Tinto Limited and Rio Tinto plc.

### 3.9 DLC structure

Under the dual listed companies structure, Rio Tinto Limited (and its subsidiaries) operate together with Rio Tinto plc (and its subsidiaries) as a single economic entity. In particular, the ratio of dividend, voting and capital distribution rights attached to each ordinary share in Rio Tinto Limited and to each ordinary share in Rio Tinto plc is equal to the 'Equalisation Ratio', which was set at the time of the 1995 DLC merger at 1:1 and has remained unchanged.

As the Buy-Back will be a buy-back at below prevailing market prices for the Shares, and since it will take place

at a discount of at least 8 per cent to those prevailing market prices, the Board is satisfied that no change to the Equalisation Ratio is required as a result of the Buy-Back.

### 3.10 Outlook

In the press release announcing Rio Tinto's 2014 preliminary financial results, Rio Tinto chief executive Sam Walsh said:

**"Last year, we made a clear commitment to materially increase cash returns to our shareholders. We have delivered this today through a 12 per cent increase in our full year dividend and a proposed \$2.0 billion share buy-back. These represent a total cash return to shareholders, in respect of 2014, of almost \$6.0 billion.**

**... I would like to thank our 62,000 colleagues for their contribution to these excellent results. Decisive early action throughout the Group delivered the strong balance sheet, which enables us to announce today's additional material cash return to shareholders.**

**With lower commodity prices and uncertain global economic trends, the operating environment remains tough. However, in these conditions Rio Tinto's qualities and competitive advantages deliver superior value. Our combination of world-class assets, disciplined capital allocation, balance sheet strength, operating and commercial excellence, and a culture of safety and integrity gives me confidence in our ability to continue to generate sustainable returns for our shareholders."**

### 3.11 Forward-looking statements

Certain statements contained in this booklet, including statements regarding the implementation of our capital management programme and its effect on our business, may constitute 'forward-looking statements' for the purposes of applicable securities laws. Rio Tinto undertakes no obligation to revise the forward-looking statements included in this booklet to reflect any future events or circumstances. Rio Tinto's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include, for example, the general trading and economic conditions affecting Rio Tinto.

## 4. Additional information

This Section sets out further information regarding terms of the Buy-Back, including important information for joint shareholders, trustees and nominees.

### 4.1 Shares held by trustees and nominees

Trustees and nominees who hold Shares should inform the beneficial owners of the Shares about the Buy-Back, subject to any legal restrictions in the countries where such beneficial owners are resident, and then aggregate all instructions received from beneficial owners. It is the responsibility of the trustee or nominee to complete an aggregated Tender Form on behalf of all beneficial owners.

Trustees or nominees who hold Shares on behalf, or for the account, of a US Person or a person in the United States must not inform any such person of the Buy-Back. It is the responsibility of the trustee or nominee to ensure that, when completing an aggregated Tender Form, it does not include any Tender on behalf of a US Person or a person located in the United States.

The Company will treat as invalid any Tender known or reasonably known to have been sent from the United States or by a US Person.

Trustees and nominees, and any other registered holders with Shares held on behalf of a beneficial owner, should be aware that any scale back will be applied on a registered holder basis only. It is the responsibility of the trustee or nominee to aggregate all instructions received from any underlying beneficial owners, and submit one combined Tender Form (if any).

### 4.2 Margin lending arrangements

If you hold Shares under margin lending arrangements or if they are held as security for a loan or as ASX Clear Pty Limited collateral, you should ensure that your participation in the Buy-Back is permitted by those margin lending arrangements, the terms and conditions of the particular loan or by ASX Clear Pty Limited.

### 4.3 Shareholders with more than one holding of Shares

You will receive a personalised Tender Form for each separate registered holding of Shares. For example, if you hold some Shares in your name and some Shares jointly with your spouse, you will receive two Tender Forms. You may tender Shares into the Buy-Back from any or all of your separate registered holdings provided that you make separate online lodgements or complete a Tender Form for each holding you wish to tender. Any scale back that applies to Shares tendered from more than one of your registered holdings of Shares will be applied to each of those registered holdings as if they were held by different persons.

### 4.4 Joint shareholders

If you hold your Shares jointly with another person (for example, your spouse) and you have an Issuer Sponsored Holding, you must complete and return the Tender Form in accordance with instructions for joint holdings on the Tender Form.

### 4.5 Foreign shareholders

A shareholder who is an Excluded Foreign Person is not entitled to participate in the Buy-Back. This Buy-Back Invitation is not made to any persons to whom it may

not lawfully be made, in particular, it is not made to any Excluded Foreign Persons. Without limiting any other rights the Company may have, a Tender submitted by an Excluded Foreign Person will not be accepted by the Company. An Excluded Foreign Person is a person:

- (a) to whom the Company would be prohibited from paying money pursuant to:
  - (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) regulations made under the Charter of the United Nations Act 1945 (Cth) imposing financial sanctions including the Charter of the United Nations (Dealings with Assets) Regulations 2008 (Cth); or
  - (iii) any other act, rule or regulation prohibiting the Company from making payments to foreign persons;
- (b) to whom the Buy-Back Invitation may not be lawfully made under the laws of the jurisdiction in which they are resident; or
- (c) whose participation in the Buy-Back is not permitted under the laws of the jurisdiction in which they are resident.

For the avoidance of doubt, an Excluded Foreign Person also includes any person who is (or who is acting on behalf of or for the account of a person who is) in the United States or a US Person.

### 4.6 Restrictions on Tender acceptances

The Company will not accept any Tender which it may not lawfully accept or which, if accepted, would give rise to an illegal or unenforceable Buy-Back Contract or a Buy-Back Contract which the Company cannot otherwise lawfully perform.

### 4.7 Restrictions on the payment of Buy-Back proceeds

The Company will pay shareholders the Buy-Back Price for each Share that the Company buys back, unless it is prohibited from doing so. The Company is currently prohibited from making payments to certain political regimes, terrorist organisations and their sponsors under a number of acts, rules and regulations, including under the Banking (Foreign Exchange) Regulations 1959 (Cth), the Charter of the United Nations Act 1945 (Cth) and the Charter of the United Nations (Dealings with Assets) Regulations 2008 (Cth).

### 4.8 Rights under this Buy-Back Invitation cannot be transferred

This Buy-Back Invitation is personal to you. You cannot transfer your rights under this Buy-Back Invitation.

### 4.9 The effect of submitting a Tender

A Tender constitutes an offer to sell the tendered Shares to the Company on the terms and conditions set out in the Buy-Back Documents. A Tender does not, of itself, constitute a binding contract for the sale of the tendered Shares and cannot be enforced against the Company. The Company retains the discretion to accept or reject any Tender, and may choose to reject all Tenders.

If the Company accepts your Tender, a binding Buy-Back Contract is formed between you and the Company, and you must sell the tendered Shares back to the Company on the terms and conditions set out in the Buy-Back Documents, including the terms and conditions set out below.

By submitting a Tender Form, you:

- offer to sell to the Company on the Buy-Back Date the number of Shares nominated for sale on your Tender Form (adjusted in accordance with the terms and conditions set out in the Buy-Back Documents) at your Tender Discount(s) and/or as a Final Price Tender (subject to any Minimum Price you may have chosen);
- agree to the terms and conditions set out in the Buy-Back Documents;
- agree that the Company's announcement to the ASX on the Buy-Back Date of the Buy-Back Price is effective notice or communication of the Company's acceptance of those of your Tenders which are submitted at a Tender Discount equal to or greater than the Buy-Back Discount or as a Final Price Tender (adjusted in accordance with the terms and conditions set out in the Buy-Back Documents), which are submitted in accordance with the Buy-Back Documents (or treated by the Company as being so submitted), where your Minimum Price condition (if you have chosen one) has been satisfied and which are not rejected by the Company, and is effective notice of the Company's rejection of any of your Tenders submitted at a Tender Discount less than the Buy-Back Discount or where your Minimum Price condition (if you have chosen one) has not been satisfied and that it is only upon such communication by announcement to the ASX that a contract is formed for the purchase of relevant Shares. You waive any requirement to receive further notice or communication from the Company of its acceptance or rejection of any Tender submitted by you;
- warrant to the Company that you have read and understood the Buy-Back Documents and that at all times after you tender your Shares for sale in the Buy-Back, you are the registered holder of the Shares that you have tendered and that they are fully paid, free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) and from any third party rights and are otherwise able to be sold freely by you;
- warrant that:
  - you are a person to whom the Buy-Back Invitation may lawfully be made, that you can receive the proceeds of the sale of your Shares, that you are a person whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which you are resident and that you are not an Excluded Foreign Person; and
  - without limiting the foregoing, you are not (nor are you acting on behalf of or for the account of) a US Person or a person located in the United States and you have not distributed or sent any Buy-Back Documents or other document referring to the Buy-Back into the United States or to any US Person;

- authorise the Company (and its officers, agents or contractors) to correct any error in, or omission from, your Tender Form, and to insert any missing details;
- undertake not to sell or offer to sell your Shares to any other person if, as a result, you will at any time after you submit your Tender until the Buy-Back Date hold fewer Shares than the number of Shares you have tendered;
- acknowledge that none of Rio Tinto, the Company or any other party involved in the Buy-Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy-Back or the manner of any such participation; and
- undertake that if you breach any of these covenants, undertakings, agreements or warranties you will indemnify Rio Tinto for all its costs arising from the breach.

You will be taken to have submitted a Tender when the Registry receives a validly completed Tender Form, or, if you have a CHES Holding, your Tender from your controlling participant through CHES.

#### **4.10 Rio Tinto's right to accept or reject Tenders and Tender Forms**

At any time, the Company may (at its sole discretion):

- accept or reject any Tender or Tender Form; and/or
- accept or reject a Tender not made on the terms and conditions set out in the Buy-Back Documents, or a Tender Form not submitted in accordance with the procedures set out in the Buy-Back Documents.

The Company may do each of these things in relation to all or some of the Tenders or the Tender Forms it receives, in its absolute discretion.

The Company will not accept any Tender or Tender Form that has been postmarked in the United States or that otherwise appears to the Company or its agents to have been sent or lodged from the United States.

#### **4.11 Rio Tinto's right to vary dates and times and to close the Buy-Back**

While the Company does not anticipate changing any of the dates and times set out in the Buy-Back Documents (including, without limitation, the Closing Date and the Buy-Back Date), it reserves the right to do so by announcement to the ASX. Such an announcement will be taken to amend this booklet (and the other Buy-Back Documents) accordingly.

Without limiting anything else, the Company also reserves the right to terminate the Buy-Back at any time prior to the date on which the Company enters into Buy-Back Contracts to buy back Shares from successful tendering shareholders by making an announcement to the ASX to that effect.

#### **4.12 Rio Tinto's right to adjust Tenders**

If you are entitled to participate, you are entitled to sell into the Buy-Back the lesser of:

- the number of Shares registered in your name on the Record Date (being 7.00pm (Melbourne time) on Friday, 20 February 2015) and, in accordance with the Settlement Rules, those Shares confer an entitlement to receive this Buy-Back Invitation; and

- the number of shares you hold on the Closing Date, (your Entitled Shares).

If you submit one Tender of more than your Entitled Shares and the Company accepts your Tender, the Company will only buy back the number of your Entitled Shares.

If you submit more than one Tender and, in aggregate, you have tendered more than your Entitled Shares, the Company will only buy back the number of your Entitled Shares by:

- first acquiring that number of your Entitled Shares as forms part of your Tender with the largest Tender Discount, which is equal to or greater than the Buy-Back Discount or submitted as a Final Price Tender (and, if you have chosen one, where your Minimum Price condition is satisfied); and
- then acquiring the remaining number of your Entitled Shares from your Tender with the second highest Tender Discount, which is equal to or greater than the Buy-Back Discount or submitted as a Final Price Tender (and, if you have chosen one, where your Minimum Price condition is satisfied) and will repeat this process until all of your Entitled Shares successfully tendered are bought back.

The provisions set out above are subject to any scale back.

If you select more than one Minimum Price, your Tender will be deemed conditional on the highest Minimum Price you have specified.

#### 4.13 Employee incentive schemes

The Buy-Back is a proposed buy-back of Shares only and so will not apply to options or conditional awards of Shares held by employees and officers of Rio Tinto under Rio Tinto's employee incentive schemes. This includes options under the Share Option Plan and Share Savings Plan and awards held under the Management Share Plan, Performance Share Plan and Bonus Deferral Plan. However, if options are exercised, or conditional awards are satisfied, the relevant Shares issued or transferred to participants will be, subject to the terms of the Buy-Back, eligible to be bought back under the Buy-Back. Certain Shares held in Rio Tinto's Global Employee Share Plan (or myShare) may, subject to certain conditions, be able to be tendered into the Buy-Back.

If you are a participant in any of Rio Tinto's employee incentive schemes and would like further information on how you may participate in the Buy-Back, please contact the Share Plans helpline.

Employees who are located in the United States or a US Person will not be eligible to participate in the Buy-Back.

#### 4.14 Director participation

While eligible to participate in the Buy-Back, the Board has determined that the directors, and certain executives involved in implementing the Buy-Back, will not participate in the Buy-Back in respect of Shares held beneficially by them.

#### 4.15 Regulatory relief

Under section 257D(1)(a) of the Corporations Act, a company is entitled to buy back shares under a selective buy-back (such as the Buy-Back) provided that, amongst other things, the terms of the relevant buy-back agreement are approved by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or their associates.

Shareholder approval for this Buy-Back was obtained at the annual general meeting of the Company held on 8 May 2014. Given that at that time it was not possible to determine whose Shares would be acquired under the Buy-Back, ASIC granted relief to permit all shareholders in the Company to vote on the resolution.

#### 4.16 Privacy

The Company is carrying out the Buy-Back in accordance with the Corporations Act. The tender process involves the collection of personal information contained in Tender Forms to enable the Company to process your Tender. If you do not provide this information, the Company may be hindered in, or prevented from, processing your Tender.

The personal information collected by Rio Tinto will only be disclosed to the Registry, in their capacity as share registrar of the Company, to a print and mail service provider, to Rio Tinto's advisers in relation to the Buy-Back and to financial institutions in respect of payments to you in connection with the Buy-Back or as required or authorised by law.

Rio Tinto's privacy policy (available at [www.riotinto.com/privacy-2141.aspx](http://www.riotinto.com/privacy-2141.aspx)) includes important information about the countries outside Australia where recipients of the information may be located, how individuals can access or seek correction of their personal information, how they can complain about a breach of the Australian Privacy Principles and how the Company will deal with a complaint of that nature.

#### 4.17 Governing law

The Buy-Back Invitation, your Tender, and any Buy-Back Contract generally are governed by the laws of Victoria, Australia.

## 5. Definitions and interpretation

### 5.1 Definitions

In the Buy-Back Documents, unless the context otherwise requires:

**ACT** means the Australian Capital Territory.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691).

**ASX Settlement** means ASX Settlement Pty Ltd (ABN 49 008 504 532).

**ATO** means the Australian Taxation Office.

**Board** means the Board of Directors of Rio Tinto.

**Buy-Back** means the buy-back of Shares by way of tender as set out in the Buy-Back Documents.

**Buy-Back Contract** means the agreement formed on the Buy-Back Date between you and the Company if the Company accepts your Tender.

**Buy-Back Date** means the date and time the Company announces to the ASX the Buy-Back Price, the total number of Shares to be bought back and the details of any scale back.

**Buy-Back Discount** means the discount to be set by the Company, being the largest discount within the range 8 per cent to 14 per cent (inclusive, at 1 per cent intervals) which will enable the Company to buy back the number of Shares that it determines to buy back.

**Buy-Back Documents** means this booklet, the Tender Form and the Withdrawal/Amendment Form.

**Buy-Back Invitation** means the invitation by the Company to its eligible shareholders to offer to sell Shares to the Company as set out in the Buy-Back Documents.

**Buy-Back Price** means the price per Share at which the Company will buy back Shares from Tenders it accepts in the Buy-Back, rounded up to the nearest cent. This price is determined by the Company applying the Buy-Back Discount to the Market Price.

**CGT** means Australian capital gains tax.

**CHESS** means the Clearing House Electronic Subregister System.

**CHESS Holder** means a holder of Shares on the CHESS subregister of the Company.

**CHESS Holding** means a holding of Shares on the CHESS subregister of the Company.

**Class Ruling** means the class ruling to be issued by, and will be binding upon, the ATO that the Company has applied for on behalf of shareholders who participate in the Buy-Back.

**Closing Date** means Thursday, 2 April 2015, unless the Board announces a later date.

**Company** means Rio Tinto Limited (ABN 96 004 458 404).

**Corporations Act** means the Corporations Act 2001 (Cth), as modified by the ASIC relief described in Section 4.15.

**Eligible Shares** has the meaning given to that term in Section 1.5.

**Excluded Foreign Person** has the meaning given to that term in Section 4.5.

**Excluded Tender** has the meaning given to that term in Section 1.16.

**Final Price Tender** means a Tender in which the shareholder elects to receive the Buy-Back Price, whatever the Company determines it to be.

**Issuer Sponsored Holder** means a holder of Shares on the issuer sponsored subregister of the Company.

**Issuer Sponsored Holding** means a holding of Shares on the issuer sponsored subregister of the Company.

**Market Price** means the VWAP (as defined) of the Company's ordinary shares on the ASX over the five trading days up to and including the Closing Date, calculated to four decimal places, as determined by the Company.

**Minimum Price** means one of the four specified minimum prices on the Tender Form, which a shareholder may select in order for their Tender to be conditional upon the Buy-Back Price being equal to or greater than that amount.

**Priority Allocation** means 85 Shares or such lesser number of Shares as is required to ensure that the Company is able to buy back only the number of Shares it determines to buy back.

**Record Date** is 7.00pm (Melbourne time) on Friday, 20 February 2015, being the date of determination of the shareholders entitled to participate in the Buy-Back.

**Registry** means the share registry of the Company maintained by Computershare Investor Services Pty Limited (ABN 48 078 279 277).

**Rio Tinto** means the Company and Rio Tinto plc and each of their respective subsidiaries.

**Rio Tinto plc** means Rio Tinto plc, a company incorporated in England with registered number 719885.

**Settlement Rules** means the operating rules of the securities clearing house of the ASX (ASX Settlement) or of the relevant stock exchange on which your Shares were acquired, as amended from time to time.

**Share Register** means the share register of the Company maintained by the Registry.

**Shares** means fully paid ordinary shares in the capital of the Company on issue as at 7.00pm (Melbourne time) on the Record Date.

**Small Holding** means a holding of fewer than or equal to 35 Shares.

**Tax Value** for the purposes of the Buy-Back means A\$60.23 (being the volume weighted average price of the Company's ordinary shares over the last five trading days up to and including 11 February 2015) adjusted for the percentage movement in the Rio Tinto plc share price from the close of trading on the London Stock Exchange on 11 February 2015 to the opening of trading on the London Stock Exchange on the Closing Date. If the movement in the Rio Tinto plc share price is significantly different from the movement in the Company's share price over the relevant period, the Company may approach the ATO to seek to vary the methodology used to determine the Tax Value.

**Tender** means a shareholder's offer to sell nominated Shares back to the Company at a specified Tender Discount or as a Final Price Tender and on the terms and conditions set out in the Buy-Back Documents as amended in accordance with the procedures set out in this booklet.

**Tender Discounts** means the range of discounts between 8 per cent and 14 per cent (inclusive, at 1 per cent intervals), as specified in your Tender Form.

**Tender Form** means the form (and its online equivalent) by which a shareholder is to make an offer to sell their nominated Shares to the Company under the Buy-Back (and includes a Tender Form amended in accordance with the procedures set out in the Buy-Back Documents). A Tender Form is enclosed with this booklet.

**Tender Period** means the period within which shareholders may submit, withdraw or amend a Tender in accordance with the Buy-Back Documents.

**United States** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

**US Person** has the meaning given by Regulation S under the United States Securities Act of 1933.

**VWAP** for a share over a period means the volume weighted average price of shares sold on the ASX, including the closing single price auction but excluding not 'at market' trades (eg any transactions defined in the operating rules of ASX as special crossings, crossings prior to the commencement of the open session state, crossings during overnight trading, overseas trades or trades pursuant to the exercise of options over shares, and any other trades that the Board determines to exclude on the basis that the trades are not fairly reflective of natural supply and demand).

**Withdrawal/Amendment Form** means the form (a copy of which is included at the back of this booklet) entitled 'Withdrawal/Amendment Form' that is required to withdraw or amend a Tender.

**you** or **shareholder** means a holder of Shares in the Company.

## 5.2 Interpretation

In the Buy-Back Documents, unless the context otherwise requires:

- the singular includes the plural, and vice versa;
- words importing one gender include other genders;
- other parts of speech and grammatical forms of a word or phrase defined in this document have a corresponding meaning;
- terms used in the Buy-Back Documents and defined in the Corporations Act have the meanings ascribed to them in the Corporations Act;
- a reference to currency is to Australian dollars; and
- a reference to time is to Melbourne time.

The Company may at its discretion satisfy or undertake any act or obligation in respect of the Buy-Back itself, by Rio Tinto plc, by any of their respective subsidiaries or by any contractor or adviser.

The postal acceptance rule does not apply to Tenders.