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Rating Agency Release – Standard & Poor's

Attached is a *RatingsDirect Publication* issued by Standard & Poor's relating to Rio Tinto's credit ratings.

Yours faithfully

Stephen Consedine
Company secretary

STANDARD
&POOR'S

CORPORATE RATINGS

Rio Tinto Upgraded To 'BBB+/A-2' On Completion Of $15 Billion Rights Issue; Outlook Stable

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Overview

- Rio Tinto has completed its $15.2 billion rights issue, providing much improved liquidity and lowering leverage.
- We are raising the long- and short-term corporate credit ratings on the group to 'BBB+/A-2' from 'BBB/A-3'.
- The outlook is stable.

Rating Action

On July 8, 2009, Standard & Poor's Ratings Services raised its long- and short-term corporate credit and debt ratings on diversified mining group Rio Tinto (incorporating Rio Tinto PLC, Rio Tinto Ltd., and subsidiaries) to 'BBB+/A-2' from 'BBB/A-3'. At the same time, we removed the long-term rating from CreditWatch, where it was placed with positive implications on June 5, 2009, following news of the $15.2 billion rights issue. Furthermore, we removed the short-term rating from CreditWatch where it was placed with positive implications on Feb. 12, 2009. The outlook is stable.

Rationale

The upgrade reflects the receipt of net proceeds of about $14.8 billion from the issuance of new shares, and the positive impact this will have on Rio Tinto's financial risk profile, notably stronger liquidity and lower leverage. Furthermore, this transaction avoids the potentially negative aspects of the group's previous transaction with Chinalco.

Rio Tinto intends to apply the net proceeds from the rights issue as repayments of drawings under its Alcan bank loans of about $7 billion due in October 2009 and about $8 billion due in October 2010. These loans constitute the main components of the group's debt maturities in 2009 and 2010. In our view, this action will significantly lower Rio Tinto's refinancing risks for the next two years.

Furthermore, we estimate that adjusted debt of about $46.7 billion on March 31, 2009, will be reduced by approximately one-third to about $31.9 billion. We estimate that the ratio of funds from operations (FFO) to adjusted debt on Dec. 31, 2008, would have been around 45% on a pro forma basis, compared with the actual level of about 30%. In addition, the group has made progress with disposals. It received about $1.0 billion in the first three months of 2009 and should receive about $2.5 billion from disposals which have been announced but not yet closed, including that of Alcan Packaging Food Americas. We understand that further disposals of other non-core assets could take place.

Operationally, the group's results for the first three months to March 31, 2009, were weak, in our view, especially in the aluminum segment, which reported losses. Group EBITDA was about $2.3 billion, approximately 35% lower than the year before. We anticipate that the group's operations will continue to report weak operating results during the rest of the year. Capital expenditures (capex) of $1.5 billion in the first quarter were higher than we had anticipated, given management's stated total of $4.7 billion for 2009.

In our view, it is too early to factor into the ratings Rio Tinto's nonbinding joint venture (JV) agreement with BHP Billiton (A+/Stable/A-1). This agreement covers both companies' western Australia iron ore assets, and is expected by Rio Tinto to close in mid-2010. We therefore treat the JV as being neutral for the ratings on Rio Tinto at the current time. Preconditions for the formation of the JV include regulatory and governmental clearance, and the approval of shareholders of both Rio Tinto and BHP Billiton.

Short-term credit factors

The short-term rating is 'A-2'. Short-term debt was $10.2 billion on March 31, 2009, which would be lowered to $1.3 billion on a pro forma basis following the rights issue. Liquidity is also supported by retained cash, which stood at $1.7 billion on March 31, 2009, and available undrawn committed bank facilities of $8.2 billion on the same date. We understand that the latter mainly comprises a fully undrawn $5.0 billion Facility C of the Alcan acquisition bank loan, which matures in 2012, and $2.1 billion of undrawn bilateral bank facilities, of which $1.0 billion expires in 2011 and $1.1 billion 2012.

Bank loan drawings were further reduced in April 2009, when the group raised $3.5 billion through the issuance of a $2.0 billion 8.95% bond due 2014 and a $1.5 billion 9% bond due 2019. However, the group still has $10.0 billion of debt falling due in October 2012, which will need to be repaid or refinanced.

Recovery analysis

Drawings under Rio Tinto's original $40 billion senior unsecured bank loan facility for the acquisition of Alcan in 2007 were reduced to $25.2 billion on April 30, 2009, from $28.0 billion on Dec. 31, 2008. This facility is rated 'BBB+', at the same level as the corporate credit rating, and comprises four tranches:

- Facility A: $7.145 billion drawn amount due in October 2009, with no undrawn availability, to be fully repaid from the rights issue proceeds.
- Facility B: $8.1 billion drawn amount due in October 2010, with $1.9 billion undrawn availability, to be substantially repaid from the rights issue proceeds.
- Facility C: Undrawn $5.0 billion revolving credit facility, expiring in October 2012.
- Facility D: $10.0 billion drawn amount due in October 2012.

Borrowers under the facility are Rio Tinto PLC and, under its guarantee, both Rio Tinto Finance PLC and Rio Tinto Canada Holding Inc. Terms and conditions include a rating pricing grid, under which the margin on drawings varies according to the long-term corporate credit rating on Rio Tinto. The 'BBB+' ratings on Rio Tinto Alcan Inc.'s bonds are equalized with the corporate credit rating on Rio Tinto. No notching is warranted for potential structural subordination in these circumstances. Priority liabilities appear moderate in size. Mitigating factors include the group's size and diversification.

Outlook

The stable outlook reflects our opinion that Rio Tinto will achieve sufficient cash flow generation to ensure that a ratio of FFO to adjusted debt of 30%-35% can be achieved in 2010. Market prices and a continued focus by management on further debt reduction and maintaining capital spending within previously indicated levels will be key factors.

We will continue to evaluate the proposed iron ore joint venture with BHP Billiton, which we would expect to factor into the ratings when there is a high likelihood of it taking place.

If, for example, market prices were to fall to below our expectations or if the group were unable to curtail capex or complete planned disposals, downside risks to the ratings could arise. Upside potential to the ratings could develop over time if Rio Tinto were able to deleverage further, and strengthen its operating performance on a sustainable basis.

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
Rio Tinto Ltd.		
Rio Tinto PLC		
Rio Tinto Canada Inc.		
Rio Tinto America Inc.		
Rio Tinto Alcan Inc.		
North Ltd.		
Corporate Credit Rating	BBB+/Stable/A-2	BBB/Watch Pos/A-3
Rio Tinto Alcan Inc.		
Senior Unsecured	BBB+	BBB/Watch Pos
Rio Tinto Canada Holding Inc.		
Senior Unsecured*	BBB+	BBB/Watch Pos
Rio Tinto Finance PLC		
Senior Unsecured*	BBB+	BBB/Watch Pos
Rio Tinto PLC		
Senior Unsecured	BBB+	BBB/Watch Pos
Rio Tinto Finance (USA) Ltd.		
Senior Unsecured*	BBB+	BBB/Watch Pos
Rio Tinto PLC		
Rio Tinto America Inc.		
Rio Tinto (Commercial Paper) Ltd.		
Rio Tinto (Commercial Paper) PLC		
U.S. Borax Inc.		
Commercial paper*	A-2	A-3/Watch Pos

*Guaranteed by Rio Tinto PLC.

N.B. This list does not include all ratings affected.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.