



Table of Contents

Executive Summary	2
Overview	3
Company History	4
Executives & Directors	5
Recent Headlines	6
<u>Industry Analysis</u>	7
Iron Ore	
Gold & Silver	
Copper	
Diamonds	
Aluminum	
Titanium Dioxide	
Competitive Forces	11
Strategy	13
Relative Valuation	14
<u>Financials</u>	15
Balance Sheet	
Income Statement	
Statement of Cash Flows	
Share of Production	
Supplement to Financials	21
<u>Fundamental Analysis</u>	23
Ratio Analysis	
Valuation	
Risk Factors	
Investment Drivers	
<u>Technical Analysis</u>	36
Parabolic SAR	
Moving Averages	
Bollinger Bands	
Relative Strength Index	
References	38
Disclosures	40



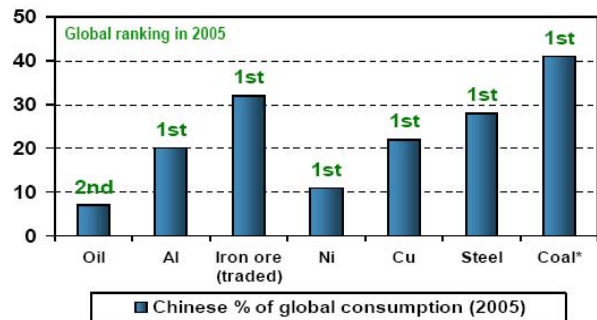
Executive Summary

The outlook for industrial metals and minerals remains positive across the board. Iron ore, copper, and aluminum prices are at record highs and price increases are forecasted for the next few years. We are currently in the midst of an upward trend towards a new pinnacle for the raw materials sector.

Massive takeovers within this sector are already happening, with Freeport-McMoran's (FCX) \$26 billion offer for Phelps Dodge (PD). As Australia becomes a merger and takeover haven, Rio Tinto plc and BHP Biliton (BHP), the two largest mining companies in the world, become potential marks for private equity firms. Historically an aggressor, Rio Tinto would be at the mercy of venture investors looking to use their deep pockets to reap huge rewards. Leigh Clifford, chief executive of Rio Tinto, would not be specific but hinted at even more M&A activity in the near future.

Recently, there have been a number of expansions and purchases by Rio Tinto and there are no signs of slowing down. This is on the heels of China and India's rapidly growing economies and need for natural resources. China remains the fastest-growing country in terms of imports and consumption. As more construction begins, amplifying demand to unmatched levels, Chinese officials are accepting higher prices for Rio Tinto and the rest of the world's raw materials.

China is now the largest consumer of a number of commodities



Earnings have grown dramatically over the past five years. 2005 saw a 76% increase in net profit after a 42.8% increase from 2003 to 2004. This increase had followed a 240% rise in 2002. With both operating and profit margins above 32%, a PEG ratio of 0.79, and operating cash flow 1.45 times current liabilities, Rio Tinto is a solid and fast-growing company and should continue to outperform well into the future.

After a comprehensive industry and fundamental analysis, Rio Tinto is a company any investor, value or growth, would be wise to invest in. Value investors will love that it is a well-established corporation with a low P/E, while growth investors will salivate over its fast-growing earnings and low PEG ratio. Naturally cyclical, the metals industry is in the state of what is called "economic boom." It is in this stage that companies see the largest growth in earnings and stock price performance.

The materials sector has been one of the best performing sectors over the past year, trailing only the energy market. Next year should bring more pleasant surprises from what is, historically, the worst-performing sector of the past 50 years. *We recommend buying 100 shares of Rio Tinto at market price, using funds produced from the sale of Infosys and Sprint Nextel. Those two transactions will result in the formation of over \$24,000, far exceeding the resources necessary to purchase approximately \$21,000 of RTP.*



Analysis: RTP

Recommendation: **BUY**

Overview

Headquarters: London, United Kingdom

Full-Time Employees: 32,000

Rio Tinto plc (RTP) and Rio Tinto Limited operate as a single unit in the exploration, mining, and processing of several minerals including gold, silver, copper, titanium dioxide, salt, borates, talc, diamonds, iron ore, as well as multiple energy products. Although primarily based in England and Australia, they engage in operations throughout much of North and South America, Africa, and Europe. Additionally, Rio Tinto owns or jointly operates Hamersley Iron, Robe River Iron Associates, Iron Ore Company of Canada, Escondida Copper, Comalco Limited, Kennecott Utah Copper, Coal & Allied, Palabora Mining Co., Borax, and the Grasberg gold mine. As a cyclical company by nature, Rio Tinto manages to hedge market swings by diversifying their portfolio of minerals and focusing on long-term share performance and investments (capital expenditures). Having completed 65 deals and acquisitions since 1980 including their most recent financing of Canadian-based Ivanhoe Mines (IVN), Rio Tinto is currently the second largest mining entity in the world.



Rio Tinto continues the expansion of its iron ore division in Dampier, Western Australia looking to increase capacity in order to meet growing demand. Upon completion, this site will have the capability of handling 200 million tonnes of iron ore and is expected to expand even further in the future. Rio Tinto has remained competitive partly through its agreements with Norilsk Nickel, Russia's largest mining corporation, in order to create a venture unrivaled in mining expertise. As the supply of several minerals falls and operating costs increase, Rio Tinto and other mining enterprises are forced to look for additional exploration opportunities.



Analysis: RTP

Recommendation: **BUY**

Company History²¹

The Rio Tinto Company was formed in 1873 to mine the ancient copper workings at Rio Tinto in Spain. Two thirds of The Rio Tinto Company's Spanish business were sold in 1954 and the remaining interest was subsequently divested. The Consolidated Zinc Corporation was incorporated in 1905, initially to treat zinc bearing tailings at Broken Hill in New South Wales, Australia which soon expanded into mining.

Following the 1962 merger with Consolidated Zinc, RTZ (later renamed RTP) developed a number of major projects including Palabora (copper) in South Africa and Rössing (uranium) in Namibia. It also grew through acquisitions, including the Borax group in 1968. Between 1968 and 1985, significant interests in cement, chemicals, oil and gas and manufactured products for the construction and automotive industries were also developed. However, a major review of corporate strategy between 1987 and 1988 led to a series of disposals and acquisitions which refocused the company on mining and related activities. As a result, between 1988 and 1994, non-mining businesses were sold as going concerns, and interests in mining acquired. These included the 1989 acquisition of the major part of British Petroleum's international minerals businesses, and the 1993 acquisition of the Nerco and Cordero coal mining businesses in the US.

In mid 1995, a 40 per cent direct interest in the expansion potential of the Grasberg copper gold mine in Indonesia was acquired through formation of a joint venture with Freeport-McMoran Copper & Gold. After 1962, Rio Tinto also grew through the development of several important mineral discoveries, including Hamersley (iron ore) in Australia, Bougainville (copper) in Papua New Guinea, Comalco (bauxite, alumina refining and aluminium smelting) in Australia and New Zealand, Argyle (diamonds) and Blair Athol and Tarong (coal) in Australia, and Kelian (gold) and Kaltim Prima (coal) in Indonesia. Growth also came from acquisitions, including the Australian coal assets of BP in 1989 and a 70.7 per cent interest in Coal & Allied Industries' New South Wales operations.

In 2000, Rio Tinto set in motion \$4 billion* of acquisitions of major aluminium, iron ore, diamonds and coal assets, adding further strength to an already exceptional base of resources. The acquisition of North Ltd. of Australia, with its iron ore and other mines complementing those of Rio Tinto, provided important rationalization opportunities with existing, adjacent operations. In 2001, Coal & Allied acquired the Peabody Group's Australian coal businesses for US\$455 million. The Group's diamond business was expanded with the opening of the Diavik diamond mine in Canada in 2003 and the Murowa diamond project in Zimbabwe in 2004.

Capital expenditure has been at record levels on a wide range of projects in Australia, including a new greenfields alumina refinery, construction of the Hail Creek coking coal mine, and major expansions of iron ore production and transport infrastructure, as well as investments in copper mines in South Africa and South America. In 2003 and 2004, Rio Tinto completed the sale of a number of non-core assets for proceeds of about \$1.7 billion.

*All figures in U.S. dollars unless specified.



Analysis: RTP

Recommendation: **BUY**

Executives & Directors²¹



Paul Skinner, 61 - Chairman

Was appointed chairman in November 2003. He graduated with degrees in law from Cambridge University and in business administration from Manchester Business School. A director of Rio Tinto since 2001, he is also chairman of the Nominations committee. He was previously a managing director of The “Shell” Transport and Trading Company plc and group managing director of The Royal Dutch/Shell Group of Companies, for whom he had worked since 1966. He is a director of Standard Chartered PLC, Tetra Laval Group, Air Liquide and is also a non-executive member of the Defence Management Board of the UK Ministry of Defence. He is also a member of the board of INSEAD business school.



Leigh Clifford, 58 – Chief Executive Officer

B Eng (Mining), M Eng Sci. Leigh has been a director of Rio Tinto plc since 1994 and Rio Tinto Limited since 1995 and was appointed chief executive in 2000. He was last re-elected by shareholders in 2004 and stands for re-election in 2006. Leigh graduated from the University of Melbourne as a mining engineer and gained a Master of Engineering Science from the same University. He has held various roles in the Group's coal and metalliferous operations since joining in 1970, including managing director of Rio Tinto Limited and chief executive of the Energy group. He was a member of the Coal Industry Advisory Board of the International Energy Agency for a number of years and its chairman from 1998 to 2000. He will be stepping down as CEO in May '07.



Guy Elliott, 50 - Finance Director

MA (Oxon) MBA (INSEAD). Guy has been finance director of Rio Tinto plc and Rio Tinto Limited since 2002. He was last re-elected by shareholders in 2004. Guy joined the Group in 1980 after gaining an MBA. He has subsequently held a variety of commercial and management positions, including head of Business Evaluation and president of Rio Tinto Brasil.



Tom Albanese, 48 – Chief Executive of Copper

BS (Mineral Economics) MS (Mining Engineering). Tom was appointed an executive director in March 2006 and has been chief executive of the Copper group and head of Exploration since 2004. He joined Rio Tinto in 1993 on Rio Tinto's acquisition of Nerco and has held a series of management positions before being appointed chief executive of the Industrial Minerals group in 2000. He became director of Group Resources on 1 July, 2006. He will succeed Leigh Clifford on May 1, 2007.



Analysis: RTP

Recommendation: **BUY**

Recent Headlines

December 1, 2006

Escondida, 30% owned by Rio Tinto plc, and the world's largest privately-held copper mine, posted a net profit of \$4.13 billion from \$6.5 billion in revenue.

November 30

The partnership between Rio Tinto and Ivanhoe Mines Ltd. was approved. They will develop the Oyu Tolgoi copper-gold project in Mongolia's South Gobi region. Under the terms of the deal, Rio Tinto plc will initially invest \$303 million but has contract stipulations that will allow up to \$1.5 billion to be spent.

Along with Sumitomo, Rio Tinto will develop the E48 block cave in New South Wales, Australia at a cost of \$160 million, extending mining there until 2016. Approval from the New South Wales Department of Planning is still pending.

November 28

Energy Resources of Australia Ltd. plans to build a A\$27.6 million processing facility producing laterite, a red soil rich in aluminum and iron. Starting in 2008, the plant will produce about 400 metric tons of uranium oxide per year.

November 27

A feasibility study will initiate in New South Wales as part of Coal & Allied's Mount Pleasant project in order to determine possible development and production.

November 22

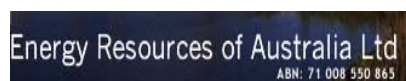
Private equity analysts are forecasting an ultra-merger or takeover deal involving either BHP Biliton or Rio Tinto plc. After an offer was made for Qantas Airways Ltd., part of a cyclical industry, analysts are now saying that a takeover of any company is possible. Private equity firms have traditionally shied away from extreme cyclicals. Rio Tinto plc historically targets other companies and moves in, usually through partnerships, but is now a target itself.

November 20

The Australian government approved a boost in the expansion of uranium mining. Australia has 38% of known recoverable reserves of uranium and produces about 23% of all global output. Ranger, one of the three major uranium mines in Australia, is owned by Rio Tinto.

September 20

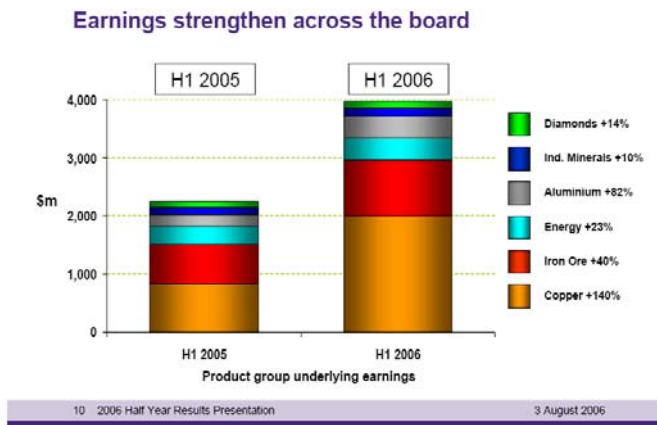
Rio Tinto's shares in Ashton Mining Company of Canada have been bought by Stornoway, as their takeover bid commences. Rio Tinto will hold 17.7% of Stornoway's shares after the deal.





Industry Analysis

Recent rising demand and forecasted price increases for the world's minerals puts Rio Tinto in a great position to reap huge benefits. The driving force behind the majority of this demand comes from China, whose economy is growing at an astonishing annual rate of 10-15% a year. China's growing hunger for gold reserves continues to rise as they attempt to brace for a potential economic downturn following this extended growth period. Titanium dioxide and iron ore are needed for new construction projects and expansion, allowing Rio Tinto to expand its operations at a steady pace. Supply and demand for all minerals continues to remain tight, which should continue to push prices above historical levels.



Iron Ore

Essentially the backbone of modern-day construction and infrastructure, iron ore remains the most demanded and important mineral available. Based on negotiations in June between producers and steel mills, iron ore prices rose steadily over the past year. It was agreed upon that fines and pellet values would increase by 19% and 3%, respectively. The demand for this metal comes primarily from Japan,

Korea, China, Taiwan, and Europe. As one of the Big Three iron ore exporters (with BHP Biliton and Cia Vale do Rio Doce), Rio Tinto controls 20% of this market. Because of the trio's constrained production capacity, many analysts and insiders are expecting 5-10% gains in the price of iron ore next year. There had been some worries about a 5-15% decrease in iron costs, which would have significantly hindered Rio Tinto's profitability. So far this year, there has been a 19% rise in iron ore prices, following last year's 71.5% gain. Growing Chinese demand (50 million metric tons/yr) continues to drive prices upward. Additionally, spot prices continue to outpace futures contracts.

Overall, this is Rio Tinto's most profitable operation, contributing nearly 36% of net income. This past quarter set a record for iron ore production as RTP's expansion project in Pilbara, Western Australia and the \$1 billion Hope Downs iron development plan increased capacity dramatically. Overall production rose 15.5% to 124.5 million tonnes. Record global demand is likely to push prices to new highs in 2007.

Gold & Silver

As the American dollar continues to weaken, people turn to precious metals, specifically gold, in order to retreat from the market and a weak economy. In addition, OPEC is putting pressure on oil-producing nations to cut production in order to raise crude oil prices. Oil prices have fallen over 25% since their highs during the summer of 2006. Gold ultimately becomes a hedge for rising energy costs as gold and oil tend to move in the same direction.



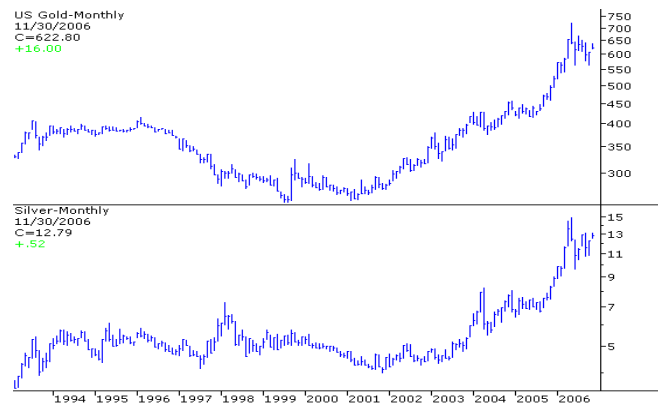
Analysis: RTP

Recommendation: **BUY**

China once again plays a key role in the demand for and the rise in cost of gold. Currently, they are sitting on about \$300 billion in reserves after taking in \$20-25 billion monthly from exports over the past few years. Their prime minister is in talks about buying a substantial amount of the yellow metal in order to diversify and protect themselves against a collapse in their rapidly expanding economy.

“Gold in New York gained the most since June on speculation that China will boost purchases of the precious metal to diversify its foreign-exchange reserves.”¹¹

Earlier this month, Democrats gained control of the House and Senate for the first time in 12 years. Traditionally, Democrats are seen as anti-Big Business and often anti-free-trade. This reputation, in addition to their proposed raise in the minimum wage puts doubt into the minds of investors about the future of the market. Concerns about inflation and interest rates as well as the slowing housing market have turned many investors sour on the economy. In times of uncertainty, investors will turn to the healthcare and consumer staples industry, but most often look to metals as a safe bet. This increased demand puts upward force on the price of gold.



Gold is up 23% so far this year after an 18% rise in 2005 and has seen gains every year since 2001. Some analysts are setting a year-end price target of \$750, which would be the highest price since the 1980's. Most investors and traders will maintain their bullish stance until the dollar and market begin to show a steady direction.

Rio Tinto's \$1.5 billion investment into Ivanhoe Copper & Gold will prove a highly beneficial move for the world's second largest mining company. Consequently, silver has also seen big gains as gold and silver generally follow one another (see graph). Some even view silver as having greater potential for growth than gold. The metal has increased in value by 30% this year while demand could top 80 million ounces. While manufacturing demand is expected to fall in 2007, experts are predicting the price to stay in line with gold. Rio Tinto does not have the same dominance in these metals as it does with other minerals, but it does retain a stake in some of the largest gold mines in the world.



Copper

Worldwide demand increased 5-6% over the first half of 2006. Copper has been on the rise for the past few years. Last month, prices dipped as a correction to the extravagant growth of the metal set in. Copper had reached a peak of over \$7000/tonne in May of this year but fell to a low of \$6,700 in earlier November. As of November 21, copper was \$9000/tonne. Japanese, European and Chinese copper imports have been the chief force in the 260% rise in price over the past year. However, it appears China's demand will slow beginning next year. Chile, the world's largest copper producer appears to be expanding even further. Earlier this year miners went on strike, sending prices up. The situation has since been resolved but the possibility of a repeat remains. Nevertheless, speculators are bidding prices up even further as worldwide sentiment turns optimistic once again. Most expect inventories and supply to decline. The copper market tends to be cyclical, often seeing large gains over periods of 5-6 years. It is often tied to the growth in the world's economies – currently seeing superb gains as China and India grow significantly.

Even though Rio Tinto's copper production was down this past quarter and temporary shutdown of a smelter at Kennecott Copper mine initiated, outlook remains buoyant as copper and its by-products remain strong.

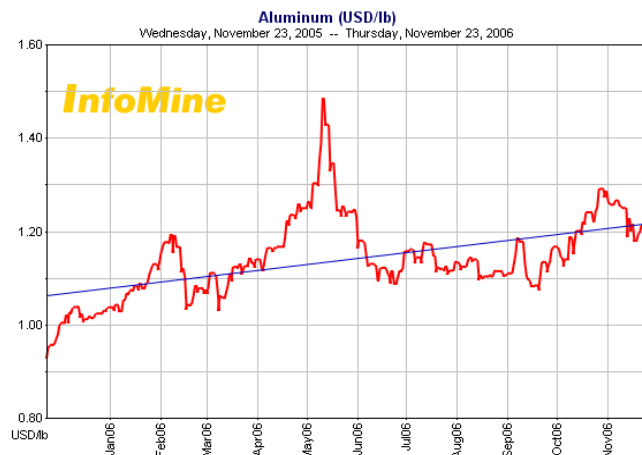
Diamonds

This market remains sturdy as consumers turn to luxury items during the current bull market. Jewelry accounts for about 20-25% of diamond usage but is mounting at about 25% per year. India is the fastest growing producer of small diamonds, growing 40% annually. The diamond market is virtually controlled by DeBeers. Although a figurehead in some points of the process, almost 75% of the world's diamonds pass through their headquarters in London or South Africa. The diamond market has slowed somewhat over the past year as gold rises to new highs. The past two years have seen international prices rise 5% and 6%, respectively.

Rio Tinto currently owns and operates the Argyle Diamond mine, the largest diamond exploration facility in the world. They account for over 90% of the world's pink diamonds, which represent less than 1% of this mine. Prices remain near historical highs.

Aluminum

2006 has seen strong demand for aluminum. Estimates are set at 6% demand growth this year, on point with expected output. Once again, China is responsible for about two thirds of this demand. They are consuming almost one-fourth of the world's aluminum supply. As demonstrated by the graph, prices have dropped over the past month but are in an upward trend. Competing metals have also been a force in the drop in price. Another central factor in aluminum prices is the weakness in the automobile industry. As GM



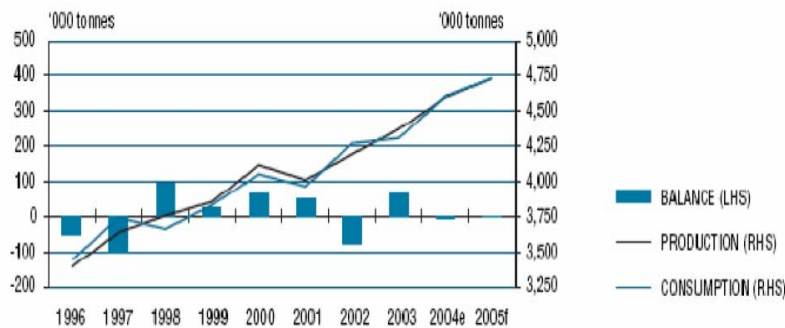


and Ford cut back on costs, demand fell 2.5%. This loss was somewhat cushioned by the aluminum need in New Orleans following Hurricane Katrina. On a positive note, the costs of smelters are rising as gas prices fall, providing a boost to prices. Further, the U.S. Government is spending more and more on defense, particularly aircraft made with 70-90% aluminum components. Overall, the aluminum market outlook is hazy but seems to be trudging along among mixed circumstances.

Titanium Dioxide (TiO₂)

Surprisingly, 93% of the world's titanium is used in its powder or pigment form. This little-known \$9 billion market is actually larger than the nickel market and is utilized in plastics, sunscreens, construction projects and paper, generally as a white paint. Over the past 25 years, titanium dioxide demand has grown 3% annually.

TiO₂ PIGMENT SUPPLY-DEMAND BALANCE 1996-2005



Two-thirds of global demand comes from North America and Europe but Asia is increasingly becoming a key player. China's TiO₂ consumption has increased 18% annually since 2003. There is a worldwide shortage of titanium dioxide as existing supply continues to dry up. Despite the deficiency, buyers refuse to accept producer's price hike proposals. However, some buyers are raising prices

themselves. As one can infer from the graph, supply and demand remain extremely tight. Analysts forecast 2.9% price increases in 2007.

In July of this year, Rio Tinto was forced to sell off 26% of its titanium dioxide (TiO₂) plants and mines as the South African government aims to rid its country of apartheid by providing restitution to victims of discrimination in the form of natural resources. However, production in 2006 is up 6% trailing twelve months as demand continues to grow for pigments. Rio Tinto continues to direct a little less than 25% of the world's production of titanium dioxide.

Key Points

- ◆ China's growing economy and demand for raw minerals.
- ◆ Commodity price increases across the board.
- ◆ Pressure from OPEC to cut oil production.
- ◆ Hedging against mixed economic signals.
- ◆ Luxury items in high demand as worldwide standard of living rises.
- ◆ Dollar remains relatively weak.
- ◆ Change in Congress and Senate causing doubt among investors.



Competitive Forces

Entry of New Competitors

Because of Rio Tinto's dominance in the mining industry, trailing only BHP Biliton in market capitalization and worldwide operations, it is relatively difficult for new competitors to contend. Recently, there was a major merger between Freeport-McMoran and Phelps Dodge, creating the largest copper producer in the world. Although not new competitors, they have formed a fresh challenge to Rio Tinto and the rest of the mineral market.

Supremacy within the materials sector relies heavily on real estate. Control of areas around the world with rich mineral deposits is vital and major players are reluctant to lose power over such profitable land. Start-ups involve discovery or purchase of mineral-rich land, labor, extremely expensive equipment, and multiple legal fees in order to maintain rights to territory — costing upwards of \$1 billion.

Threat of Substitutes

There are several companies producing synthetic versions of many different metals. Generally, the threat of a substitute is affected by the raw materials put into a product. However, since Rio's main product is the raw material, there are fewer options for substitutes in a sense.

Although not authentic, “scientists have come up with a way to produce stones that are physically, chemically, and optically nearly indistinguishable from real diamonds.”²⁸ These replicas can be produced in about a week and could pose a threat to certified diamond miners. Cubic zirconia, a simulant, can be used as a substitute for genuine diamonds. It is heavier than and not as hard as the real thing but is virtually flawless compared to normally blemished, authentic diamonds. Other than diamonds, there are chemically-altered forms of aluminum, iron, steel, copper, and gold, but at the moment, none are widely used. In essence, these metals are substitutes for one another, but the fact that Rio Tinto mines almost all of them provides a safety net for the threat of substitute products.

Bargaining Power of Buyers

Rio Tinto is in a market with relatively few suppliers, limiting buyer power to some extent. However, the products they explore and mine are generally sold in the commodities market, bought and sold like a stock—where prices are set through supply and demand. Unlike retail and manufactured products, raw materials prices can be manipulated through production cuts, i.e. OPEC and oil.

Bargaining power of purchasers is greatly influenced by the differentiation in products across businesses within the industry. In Rio Tinto's case, the products (minerals and metals) are fairly standardized, differing only through miniscule quality discrepancies and synthetically-produced raw materials.

Although Rio Tinto has a number of competitors specializing in certain minerals, there are relatively few with the same magnitude and resources available. This size allows RTP to offer larger quantities to consumers, often underselling smaller companies.



Analysis: RTP

Recommendation: **BUY**

Bargaining Power of Suppliers

Major mineral exporters have substantial bargaining power. Take the iron ore price increases in China as an example. Because of the extreme shipping costs of a product this heavy and unwieldy, contractors, countries, and individuals are almost forced to buy raw materials from the closest producer. Rio Tinto maintains a major presence in almost every developed and emerging market in the world specifically to take advantage of this.

Again, Rio Tinto is effectively within a triopoly of global mineral exporters. While relatively unknown to the average consumer, Rio Tinto, BHP Biliton, and Anglo-American (AAUK) are household names to major construction entities around the world. These three mining exporters have a combined market capitalization greater than the next 100 largest mineral producers. With this sort of leverage, they maintain a strength and size comparable to Microsoft and Apple. There is little leeway for price negotiations, leaving Rio Tinto and their two closest competitors with a near lock on the industry. Their brand names provide even more of a boost to price manipulation and bargaining power.

Rivalry

In the steel and iron industry, there are three core competitors (see Industry Analysis “Iron Ore”). BHP Biliton is the largest by market capitalization and production. Although Rio Tinto is currently number two in size, they maintain the highest credit rating of any raw materials corporation in the world—rated AA by Moody’s and A+ by Standard & Poor’s. Freeport-McMoran recently completed the purchase of Phelps Dodge, hoping to cash in on the tremendous gains seen in copper over the past few years. While not as large as the world’s number three mineral exporter, Anglo-American, these four (RTP, FCX, BHP, and AAUK) should continue to dominate the raw materials sector in the years to come. They continue to vie for lucrative construction contracts and valuable property throughout the world.

Sub-Industry : Diversified Metals & Mining Peer Group*: Copper Mining

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-Day Price Chg(%)	1 Year Price Chg(%)	Beta	Yield (%)	Quality Ranking	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap (%)
Rio Tinto plc	RTP	57,151	214.65	14	15.24	-4%	28%	1.01	1.5	NR	41.0	38.4	13.4
Aur Res Inc	AUR.C	2,395	24.60	11	2.19	22%	126%	1.00	0.6	NR	37.7	49.9	20.7
Freeport-McM. Copper & Gold	FCX	12,111	61.50	9	6.83	3%	13%	1.37	2.0	B	231.7	48.7	25.2
Phelps Dodge	PD	25,091	123.00	14	8.97	28%	73%	1.80	0.7	B-	31.7	28.4	8.7
Southern Copper	PCU	15,954	54.18	9	6.12	7%	61%	1.04	9.5	B	45.6	48.7	24.4

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

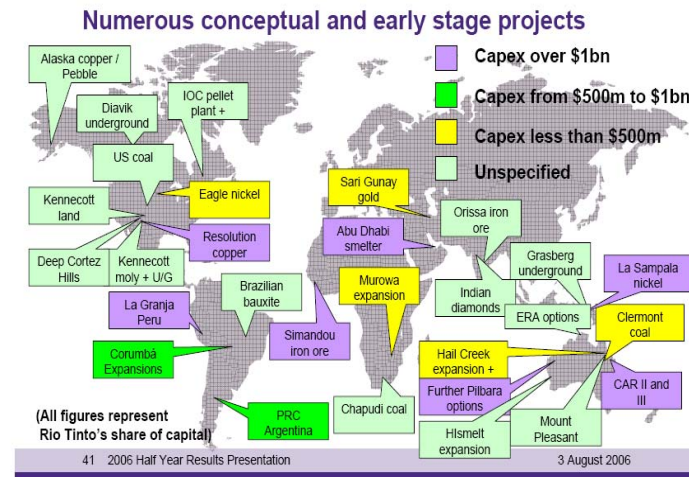
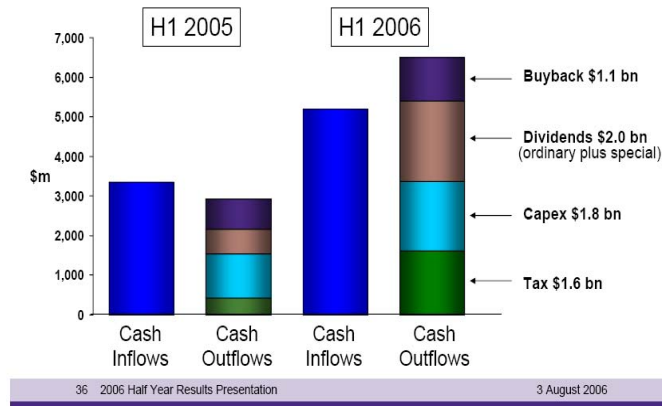
*Figures from September 13, 2006.



Strategy

On October 27, 2006, Rio Tinto announced that it had increased its share buyback program from \$4 billion to \$7 billion. Earlier this year, a special dividend of \$1.5 billion was paid to shareholders as part of the original \$4 billion plan. Under the current program, the outstanding \$5.5 billion of shares will be bought back by the end of 2007. This should provide investors with an improved return on equity (all else constant).

More cash to investment, shareholders and tax



The majority of growth in current business operations is attributable to Rio Tinto's \$4 billion capital expenditure budget. Major expansions are taking place in Western Australia, Madagascar, and the United States within the iron ore, titanium dioxide, and gold divisions, respectively. The Madagascar project will nearly eliminate the problem of limited supply by increasing the amount of ilmenite, a form of titanium dioxide, by 750,000 tons per year. This project will begin in 2008, with existing supply gaps hopefully

eradicated by 2009. To further develop the booming copper business, Rio Tinto is exploring possible deposits in Chile, Argentina, Kazakhstan, and the U.S.

²¹ "We take a long term and responsible approach to finding, mining and processing minerals. We constantly seek new sources of advantage and wherever possible, institutionalise them in a way that cannot be replicated. Our strategy is to focus on large scale, long life and cost competitive mining operations and to invest in them throughout their lives so that they maintain their competitive position. The drive for greater economic value means that we concentrate on our use of capital, with new projects and replacement expenditures subjected to rigorous analysis and value engineering. Our prime consideration is the quality of projects, concentrating on creating long term shareholder value through considered investments in mining and responsible operating practices geared to economic value. Investments are determined by our ability to create value and not in pursuit of a theoretical mix of geographical areas or commodities. We maintain a portfolio of quality projects currently under development or appraisal, and a clear and focused exploration programme to seek out and secure quality new opportunities for further profitable expansion."



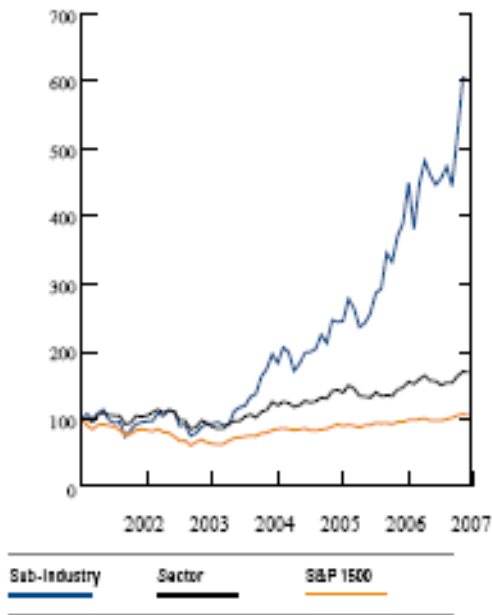
Analysis: RTP

Recommendation: **BUY**

Relative Valuation

GICS Sector: Materials
Sub-Industry: Diversified Metals & Mining

Based on S&P 1500 Indexes
Month-end Price Performance as of 11/30/06



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Rio Tinto plc is traded primarily on the Australian, London, and New York Stock Exchanges. Looking strictly at P/E ratios, key indicators of over or undervaluation, of the S&P/ASX 50*, S&P Europe 350, and the S&P 500, we find that Rio Tinto is relatively undervalued. As of Dec 3, these ratios stood at 13.17, 15.19, and 15.95, respectively, while Rio Tinto's P/E remains at a relatively low 11.11. Because the P/E of the latter two indices is not calculated daily, we used the P/E ratios from iShares' S&P Europe 350 Index and Standard & Poor's Depository Receipts (SPDR), an index that closely tracks the S&P 500, in order to find an approximation of this statistic. RTP's forward P/E gives an even better picture of the relative undervaluation, currently forecasted at 9.23. While the materials sector traditionally trades at a low P/E, we feel that this number is of particular importance. Even with the uncertainty about the market, rising commodity prices, and Rio Tinto's performance over the past year, institutions and wealthy investors have failed to see the potential of this company. The P/E has continued to stay low even as several analysts have initiated coverage over the past few months.

*The S&P/ASX 50 follows the Australian Stock Exchange's 50 largest stocks by market capitalization.



Analysis: RTP

Recommendation: **BUY**

Financials¹⁹

Annual Balance Sheet

	2005 12/31/05	2004 12/31/04 <i>Restated</i> 12/31/05	2003 12/31/03	2002 12/31/02	2001 12/31/01 <i>Restated</i> 12/31/02
In Millions of U.S. Dollars (except for per share items)					
Assets: Cash & Equivalents	2,379	392	395	325	679
Short Term Investments	62	29	230	306	11
Cash and Short Term Investments	2,441	421	625	631	690
Trade Accounts Receivable, Net	2,488	1,878	1,270	1,198	1,247
Other Receivables	30	29	512	296	522
Total Receivables, Net	2,518	1,907	1,782	1,494	1,769
Inventory - Finished Goods	931	876	764	662	633
Inventory - Work In Progress	553	498	382	245	282
Inventory - Raw Materials	564	578	637	595	567
Total Inventory	2,048	1,952	1,783	1,502	1,482
Prepaid Expenses	--	--	684	701	720
Deferred Income Tax	--	--	17	44	--
Other Current Assets	474	232	--	--	--
Other Curr. Assets, Total	474	232	17	44	--
Total Current Assets	7,481	4,512	4,891	4,372	4,661
Land/Improvements	3,824	3,809	3,523	2,867	2,830
Machinery/Equipment	27,068	25,890	23,334	18,569	16,558
Construction in Progress	1,838	1,760	1,739	1,891	1,389
Property/Plant/Equipment - Gross	32,730	31,459	28,596	23,327	20,777
Accumulated Depreciation	(15,110)	(14,738)	(13,400)	(11,144)	(9,265)
Property/Plant/Equipment - Net	17,620	16,721	15,196	12,183	11,512
Goodwill, Gross	1,034	1,075	1,562	1,282	1,198
Accum. Goodwill Amort.	(14)	0	(377)	(267)	(176)
Goodwill, Net	1,020	1,075	1,185	1,015	1,022
Intangibles, Gross	1,441	1,262	834	694	678
Accum. Intangible Amort.	(1,221)	(1,073)	(765)	(637)	(623)
Intangibles, Net	220	189	69	57	55
LT Invt. - Affiliate Comp.	1,988	2,146	2,740	2,577	2,290
LT Investments - Other	517	687	--	--	--
Long Term Investments	2,505	2,833	2,740	2,577	2,290
Other Long Term Assets	902	926	--	--	--
Total Assets	29,803	26,308	24,081	20,204	19,540



Analysis: RTP

Recommendation: **BUY**

Liabilities: Accounts Payable	2,202	1,819	790	607	632
Accrued Expenses	--	--	381	360	335
Notes Payable/Short Term Debt	1,190	789	2,194	3,366	3,835
Dividends Payable	--	--	492	430	540
Income Taxes Payable	987	142	250	371	331
Other Payables	78	--	226	202	136
Other Current Liabilities	329	193	1	4	0
Other Current Liabilities, Total	1,394	335	969	1,007	1,007
Total Current Liabilities	4,786	2,943	4,334	5,340	5,809
Total Long Term Debt	2,783	3,883	3,849	2,708	2,566
Total Debt	3,973	4,672	6,043	6,074	6,401
Deferred Income Tax	2,197	2,135	--	1,050	915
Minority Interest	791	714	1,003	778	827
Reserves	3,865	3,759	4,536	2,562	2,279
Other LT Liabilities	433	997	322	304	101
Other Liabilities, Total	4,298	4,756	4,858	2,866	2,380
Total Liabilities	14,855	14,431	14,044	12,742	12,497
Shareholder's Equity: Common Stock	1,191	1,305	1,240	970	886
Additional Paid-In Capital	1,888	1,822	1,629	1,610	1,600
Retained Earnings (Accumulated Deficit)	11,869	8,750	7,168	4,882	4,557
Total Equity	14,948	11,877	10,037	7,462	7,043
Total Liabilities & Shareholders' Equity	29,803	26,308	24,081	20,204	19,540
Shr Outs.-Com. Primary Iss.	1,068	1,068	1,067	1,065	1,065
Shr Outs.-Com. Stk. Iss. 2	286	312	312	311	311
Total Common Shares Outstanding	1,354	1,380	1,378	1,377	1,376



Analysis: RTP

Recommendation: **BUY**

Annual Income Statement

	2005 12/31/05	2004 12/31/04 Reclassified 12/31/05	2003 12/31/03 Reclassified 12/31/04	2002 12/31/02	2001 12/31/01 Restated 12/31/02
In Millions of U.S. Dollars (except for per share items)					
Total Revenue	19,033	12,954	9,228	8,443	8,152
Cost of Revenue, Total	2,860	2,157	3,030	2,672	2,568
Selling/Gen/Admin Expense	822	577	593	448	457
Labor & Related Expense	2,087	1,817	1,666	1,337	1,160
Sell/General/Admin. Expenses, Total	2,909	2,394	2,259	1,785	1,617
Research & Development	270	206	150	155	169
Depreciation	1,315	1,152	1,006	954	929
Amortiz of Intangibles	19	19	--	--	--
Depreciation/Amortization	1,334	1,171	1,006	954	929
Interest/Expense (In), Net Operating	6	18	123	41	(58)
Unusual Expense (Income)	--	--	--	1,078	715
Other Operating Expense	5,057	4,303	1,451	1,143	892
Other, Net	(3)	558	(287)	(216)	(242)
Other Operat Expse, Total	5,054	4,861	1,164	927	650
Total Operating Expense	12,433	10,807	7,732	7,612	6,590
Operating Income	6,600	2,147	1,496	831	1,562
Interest Expense, Non-Operating	(173)	(148)	(199)	(233)	(352)
Interest Capital, Non-Operating	--	--	39	22	21
Interest Expense, Net Non-Operating	(173)	(148)	(160)	(211)	(331)
Interest Income, Non-Operating	82	28	21	50	75
Investment Income, Non-Operating	1,098	1,703	896	771	825
Inter/Invest Inc, Non-Oper	1,180	1,731	917	821	900
Interest Income (Exp), Net Non-Operating	1,007	1,583	690	534	478
Unrealized Gains (Losses)	(179)	220	--	--	--
Other Non-Operat Inc (Expnse)	(116)	(87)	(92)	(54)	(57)
Other, Net	(295)	133	(92)	(54)	(57)
Net Income Before Taxes	7,312	3,863	2,094	1,311	1,983
Provision for Income Taxes	1,814	619	567	708	718
Net Income After Taxes	5,498	3,244	1,527	603	1,265
Minority Interest	(283)	53	(19)	48	(186)
U.S. GAAP Adjustment	(246)	(474)	647	(70)	(41)
Net Income Before Extra. Items	4,969	2,823	2,155	581	1,038



Analysis: RTP

Recommendation: **BUY**

Total Extraordinary Items	--	--	(178)	0	0
Net Income	4,969	2,823	1,977	581	1,038
Income Available to Common Excl. Extra. Items	4,969	2,823	2,155	581	1,038
Income Available to Common Incl. Extra. Items	4,969	2,823	1,977	581	1,038
Basic/Primary Weighted Average Shares	1,364	1,379	1,378	1,377	1,375
Basic/Primary EPS Excl. Extra. Items	3.643	2.047	1.564	0.422	0.755
Basic/Primary EPS Incl. Extra. Items	3.643	2.047	1.435	0.422	0.755
Dilution Adjustment	0.0	0.0	0.0	0.0	0.0
Diluted Weighted Average Shares	1,369	1,381	1,379	1,379	1,375
Diluted EPS Excl. Extra. Items	3.631	2.044	1.562	0.421	0.755
Diluted EPS Incl. Extra. Items	3.631	2.044	1.433	0.421	0.755
DPS - Common Stock Primary Issue	1.90	0.77	0.64	0.60	0.59
Gross Dividend - Common Stock	2,522	1,062	882	826	812
Stock Based Compensation	--	--	--	--	(7)
Pro Forma Net Income	--	--	--	--	1,032
Pro Forma Basic EPS	--	--	--	--	1.345
Pro Forma Diluted EPS	--	--	--	--	1.345
Interest Expense, Supplemental	173	148	199	233	352
Interest Capitalized, Supplemental	(28)	(35)	(39)	(22)	(21)
Depreciation, Supplemental	1,315	1,152	1,006	864	848



Analysis: RTP

Recommendation: **BUY**

Statement of Cash Flows

	2005 12/31/05	2004 12/31/04 <i>Restated</i> 12/31/05	2003 12/31/03	2002 12/31/02 <i>Restated</i> 12/31/03	2001 12/31/01
In Millions of U.S. Dollars (except for per share items)					
Net Income	5,498	3,244	1,496	831	--
Depreciation/Depletion	1,334	1,171	1,006	954	--
Unusual Items	(322)	(1,180)	0	--	--
Equity in Net Earnings/Loss	(776)	(523)	--	--	--
Other Non-Cash Items	2,209	1,546	122	70	--
Non-Cash Items	1,111	(157)	122	70	--
Cash Taxes Pd, Supplemental	1,017	865	917	722	615
Cash Interest Pd, Suppl	179	179	231	184	335
Accounts Receivable	(530)	(97)	154	158	--
Inventories	(249)	(217)	(43)	85	--
Payable/Accrued	279	234	66	(57)	--
Changes in Working Capital	(1,000)	(878)	(332)	865	2,450
Total Cash from Operations	6,943	3,380	2,292	2,720	2,450
Purchase of Fixed Assets	(2,552)	(2,256)	(1,533)	(1,296)	(1,351)
Purchase/Acq of Intangibles	(264)	(190)	(130)	(124)	(132)
Capital Expenditures	(2,816)	(2,446)	(1,663)	(1,420)	(1,483)
Acquisition of Business	--	--	--	(106)	(958)
Sale of Business	321	1,507	405	233	299
Sale of Fixed Assets	36	41	19	16	25
Sale/Maturity of Investment	133	261	83	(323)	(54)
Investment, Net	--	--	(18)	(6)	13
Purchase of Investments	(231)	(30)	--	--	--
Other Investing Cash Flow	74	86	(199)	76	(97)
Other Investment Cash Flow Items, Total	333	1,865	290	(110)	(772)
Total Cash from Investing	(2,483)	(581)	(1,373)	(1,530)	(2,255)
Financing Cash Flow Items	12	30	8	--	--
Total Cash Dividends Paid	(1,141)	(906)	(833)	(948)	(803)
Sale/Issuance of Common	100	26	25	37	7
Repurchase/Retirement Common	(877)	--	--	--	0
Issuance (Retirement) of Stock, Net	(777)	26	25	37	7
Long Term Debt Issued	388	206	--	--	--
Long Term Debt Reduction	(893)	(2,061)	--	--	--
Iss (Retirmnt) of Debt, Net	(505)	(1,855)	(202)	(409)	641
Total Cash From Financing	(2,411)	(2,705)	(1,002)	(1,320)	(155)



Analysis: RTP

Recommendation: **BUY**

Foreign Exchange Effects	(8)	(9)	--	--	--
Net Change in Cash	2,041	85	(83)	(130)	40
Net Cash - Begin Balance/Rsvd for Future Use	326	241	--	--	--
Net Cash - End Balance/Rsrv for Future Use	2,367	326	--	--	--
Depreciation, Supplemental	1,334	1,171	1,006	954	--
Cash Interest Pd, Suppl	179	179	231	184	335
Cash Taxes Pd, Supplemental	1,017	865	917	722	615

Notes

On the balance sheet, two types of stock are listed: primary and second issue. The primary issue of 1.068 billion shares comprises the stock of Rio Tinto plc. The second issue encompasses 286 million shares of the Australian-based Rio Tinto Ltd. Once again, these are the same company under the same management, but are listed on multiple exchanges under different titles. Each share, however, carries equal voting rights.

In 2004, portions of, or entire subsidiaries under Rio Tinto ownership were sold off, contributing over \$1.5 billion in investment cash flow. Major sales included shares of Freeport-McMoran totaling \$882 million, Somincor copper mine in Portugal (\$70m), Sweden's Zinkgruvan colliery (\$105m), 10% of Hail Creek and 47% of Beasley River—both iron ore excavations in Australia (\$150m), and Brazil's Morro do Ouro gold mine for approximately \$260m.

2004's financials and subsequently previous year's results were restated due to the implementation of IAS 39, a recently developed, innovative procedure in accounting for pensions, derivatives, loan commitments, contracts, amortization, profit, and sales. Rio Tinto also determined that basing overhead costs on each separate product (mineral) would provide investors with a more accurate picture of overall performance and income. Reserves of \$3.865 billion listed on the balance sheet represent the net change in liabilities under the stipulated provisions inherent with this new procedure.



Supplement to Financials

20 DERIVATIVES RELATED TO NET DEBT

	2005 US\$m	2004 US\$m
Reconciliation to balance sheet categories		
Non current assets	254	494
Current assets	62	29
Current liabilities	(6)	-
Non current liabilities	(20)	-
Total fair value of derivatives related to net debt	288	523

(a) Current assets and current liabilities include US\$6 million and US\$5 million respectively in respect of derivatives not qualifying for hedge accounting, which relate to debt maturing after more than one year.

	2005 Effective hedges US\$m	2005 Other US\$m	2005 Total US\$m	2004 Effective hedges US\$m	2004 Other US\$m	2004 Total US\$m
Analysis by type						
Currency exchange rate derivatives	229	56	285	377	146	523
Interest rate derivatives	7	(4)	3	-	-	-
Total fair value of derivatives related to net debt (Note 35)	236	52	288	377	146	523

21 OTHER FINANCIAL ASSETS

	Non current 2005 US\$m	Current 2005 US\$m	Non current 2004 US\$m	Current 2004 US\$m
Currency and commodity contracts: cash flow hedges	46	28	-	-
Derivatives and embedded derivatives not related to net debt: non hedge (a)	-	138	-	142
US Treasury bonds	19	90	31	76
Equity shares and quoted funds	42	30	57	-
Other investments, including loans	92	183	68	-
	199	469	156	218

(a) Non hedge derivatives and embedded derivatives include amounts of US\$95 million (2004: US\$119 million) which fall due in more than one year.

(b) Detailed information relating to the interest and maturity profile of other financial assets is given in Note 35.

Derivatives

Rio Tinto plc holds derivatives primarily to hedge interest rate and currency risk. Some are held, though, simply to provide supplemental income. By using interest rate swaps in exchange for floating rates in U.S. dollars, RTP is able to circumvent some of the risks inherent with natural global and domestic commodity and market cycles. The investments are made vigilantly, taking precautions not to expose the business to the highly volatile and unpredictable nature of the underlying assets these derivatives are based upon.

Complementing the \$236 million made in derivatives related to net debt and the \$266 million earned through assets are the additional cash flows attributable to non-hedging related ventures. David Ovington, Co-Head of Investor Relations, explains that “if a currency exposure is in one legal entity but the swap is taken out in another entity, then it is not considered to be a hedge for cash flow purposes. From a Group point of view, however, they are an economic hedge but it is not disclosed in this way.” These are listed in the footnotes of the Statement of Cash Flows and include a rise in cash flow from operations of \$31 million from derivatives unrelated to debt. Of more significance is the gain in cash flows from consolidated operations of \$54 million due to shrewd investments in currency and interest rate derivatives.

Interest rate swaps are acknowledged in the Income Statement as additional net interest income for as long as the contract is held. All other derivatives are recognized as supplementary income and are accounted for in the standard process of determining net profit. Through these derivatives and other cautious investments, Rio Tinto was able to accumulate just short of \$1.1 billion in non-operating investment income in 2005.



Analysis: RTP

Recommendation: **BUY**

Off-Balance Sheet Items

Somewhat trivial for a company with a profit of \$5.5 billion last year, Rio Tinto currently has \$113 million in what are called operating leases. As opposed to a capitalized lease, where payments are made toward an asset that eventually becomes property of the compensating entity, an operating lease involves paying rental fees for use of some asset, without it ever becoming a possession. For example, an office building that is leased through monthly payments. Two more noteworthy items listed are debt and unconditional purchase obligations and are explained in the footnotes to the right.

US\$m	than 1 year	1 and 3 years	3 and 5 years	years
Contractual cash obligations				
Debt (a)	3,697	1,148	1,707	680
Operating leases	113	28	31	31
Unconditional purchase obligations (b)	3,982	965	1,263	1,014
Deferred				
Consideration (c)	179	97	54	–
Other (d)	1,322	1,159	130	–
Total	9,293	3,397	3,185	986

- (a) Debt obligations include bank borrowings repayable on demand and reflect the impact of related currency and interest rate swaps.
 (b) Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at fixed or minimum prices. The future payment commitments have not been discounted and mainly relate to commitments under 'take or pay' power and freight contracts. They exclude unconditional purchase obligations of jointly controlled entities apart from those relating to the Group's tolling arrangements.
 (c) Deferred consideration relates to the purchase of coal reserves by Kennecott Energy.
 (d) Other relates primarily to capital commitments.

Pending Lawsuit

A controversial human rights class action lawsuit against The Rio Tinto Group has been pending since the original complaints in early 2000. The suit, brought on by residents of Bougainville, Papua New Guinea, alleges that Rio Tinto confided with officials of that country's government in order to explore a mountainside rainforest deposit, knowing that they would be dumping toxic waste and destroying land throughout the area. The government stood to gain millions in profits as a percentage of income created through the operation.

Residents claim that approximately 15,000 lives have been lost due to toxins that continue to permeate the air and terrain. During the apex of Rio Tinto's mining activities (1990-1997), former inhabitants assert that Rio Tinto's operations caused hospitals to shut down, destroyed rivers formally used for drinking water, and forced them to relocate their entire families to areas with breathable air.

Special Voting Shares

Every Rio Tinto plc or Rio Tinto Ltd. share grants the stockholder one vote in certain management issues and one of three types of resolutions. The "ordinary resolution" pertains to either plc or Ltd., meaning shareholders vote on decisions specifically affecting the company they own. "Joint decision resolutions" involve holders of both companies voting on the same motions. Similar to joint decisions are "class rights actions," whereupon stockholders of each company must separately approve any decisions presented. However, should one company not approve, the resolution dies.

The holder of Special Voting Shares submits one vote for each vote put forth by common shareholders. Rio Tinto plc and Rio Tinto Limited extend the rights to SPS to RTL Shareholder RVC and RTP Shareholder RVC, respectively. It should be noted that each company's votes are equal. However, Rio Tinto plc does hold a slight advantage in voting power because of the greater quantity of shares presently outstanding.



Analysis: RTP

Recommendation: **BUY**

RIO TINTO SHARE OF PRODUCTION

	Rio Tinto interest	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	9 MTHS 2005	9 MTHS 2006
ALUMINA								
Production ('000 tonnes)								
Comalco Alumina Refinery	100%	191	220	257	322	302	616	880
Eurallumina (a)	56%	150	153	152	152	158	448	461
Queensland Alumina	39%	384	375	369	381	361	1,151	1,111
Rio Tinto total alumina production		725	748	778	854	821	2,214	2,452
ALUMINIUM								
Refined production ('000 tonnes)								
Anglesey	51%	18.3	18.7	18.5	18.1	18.7	54.7	55.3
Bell Bay	100%	43.9	43.6	43.2	43.7	45.1	130.2	132.0
Boyne Island	59%	82.4	82.7	80.4	80.9	82.7	243.5	244.0
Tiwai Point	79%	72.0	70.6	65.0	63.9	68.8	209.8	197.7
Rio Tinto total aluminium production		216.6	215.6	207.1	206.6	215.2	638.1	629.0
BAUXITE								
Production ('000 tonnes)								
Weipa	100%	3,781	4,576	3,843	3,815	4,036	10,898	11,695
BORATES								
Production ('000 tonnes B ₂ O ₃ content)								
Rio Tinto Minerals - borates	100%	141	151	130	142	136	409	408
COAL - HARD COKING								
Rio Tinto Coal Australia (b) ('000 tonnes)								
Hail Creek Coal	82%	1,208	1,270	617	797	1,119	3,568	2,533
Kestrel Coal	80%	547	315	508	739	613	2,042	1,860
Rio Tinto total hard coking coal production		1,755	1,585	1,126	1,535	1,732	5,610	4,393
COAL - OTHER*								
Rio Tinto Coal Australia (b) ('000 tonnes)								
Bengalla	30%	366	622	330	426	490	1,185	1,245
Blair Athol Coal	71%	1,994	1,876	1,730	1,778	1,840	5,675	5,348
Hunter Valley Operations	76%	2,259	2,293	2,124	2,639	2,161	7,076	6,924
Kestrel Coal	80%	143	89	125	232	213	530	570
Mount Thorley Operations	61%	664	491	763	549	452	1,909	1,764
Tarong Coal	100%	1,804	1,549	1,803	1,685	1,713	4,922	5,200
Warkworth	42%	766	657	744	784	796	1,991	2,324
Total Australian other coal		7,996	7,576	7,618	8,093	7,665	23,287	23,376
Rio Tinto Energy America (c) ('000 tonnes)								
Antelope	100%	7,287	6,413	7,501	7,849	7,760	20,761	23,109
Colowyo (d)		1,219	1,477	1,468	1,497	1,431	3,848	4,396
Cordero Rojo	100%	7,687	8,642	8,675	9,121	8,775	25,592	26,571
Decker	50%	841	890	776	807	775	2,254	2,358
Jacobs Ranch	100%	8,014	8,590	8,513	8,879	9,220	25,233	26,612
Spring Creek	100%	3,243	3,122	2,549	3,527	3,341	8,758	9,417
Total US coal		28,290	29,135	29,481	31,680	31,302	86,446	92,463
Rio Tinto total other coal production		36,286	36,710	37,099	39,773	38,967	109,732	115,839
COPPER								
Mine production ('000 tonnes)								
Bingham Canyon	100%	50.2	51.6	61.6	68.7	68.9	169.0	199.1
Escondida	30%	101.7	100.4	107.2	105.9	81.1	280.7	294.2
Grasberg - Joint Venture (e)	40%	23.6	38.2	11.9	10.2	8.3	71.3	30.4
Northparkes	80%	11.8	13.3	15.5	16.5	16.8	29.9	48.8
Palabora (f)	58%	8.2	7.2	7.2	6.1	7.8	22.7	21.0
Rio Tinto total mine production		195.4	210.7	203.4	207.4	182.8	573.7	593.6
Refined production ('000 tonnes)								
Escondida	30%	10.2	10.4	8.0	6.1	9.1	32.7	23.2
Kennecott Utah Copper	100%	68.1	65.1	70.9	67.7	55.1	166.8	193.7
Palabora (f)	58%	10.8	9.9	6.7	10.2	11.4	29.4	28.2
Rio Tinto total refined production		89.2	85.5	85.6	83.9	75.6	229.0	245.1
DIAMONDS								
Production ('000 carats)								
Argyle	100%	5,995	6,455	5,214	7,509	8,330	24,021	21,052
Diavik	60%	1,306	1,098	1,073	1,632	1,697	3,865	4,402
Murowa	78%	48	44	38	66	44	151	148
Rio Tinto total diamond production		7,349	7,598	6,324	9,206	10,071	28,037	25,602



Analysis: RTP

Recommendation: **BUY**

GOLD

Mine production ('000 ounces)							
Barneys Canyon	100%	4	4	4	3	5	13
Bingham Canyon	100%	92	99	129	146	131	302
Cortez/Pipeline	40%	89	74	35	27	55	287
Escondida	30%	13	13	12	15	11	42
Grasberg - Joint Venture (e)	40%	122	248	9	19	8	422
Greens Creek	70%	11	12	11	9	11	39
Kelian (g)	90%	-	-	-	-	-	38
Lihir (h)	0%	28	-	-	-	-	61
Northparkes	80%	12	13	16	16	23	33
Rawhide	51%	3	4	4	3	3	14
Others	-	2	2	2	2	0	5
Rio Tinto total mine production		376	469	221	240	246	1,257
Refined production ('000 ounces)							
Kennecott Utah Copper	100%	92	110	118	141	137	258

IRON ORE & IRON

Production ('000 tonnes)							
Channar	60%	1,371	980	1,211	1,486	1,591	4,206
Corumbá	100%	371	290	440	455	538	1,121
Eastern Range (i)		1,897	1,536	1,756	2,021	2,326	5,024
Hamersley	100%	18,915	19,931	17,404	19,536	21,304	54,455
Iron Ore Company of Canada (j)	59%	2,292	2,424	1,871	2,640	2,412	6,764
Robe River	53%	7,341	7,362	5,986	7,178	7,570	20,402
Rio Tinto total mine production		32,187	32,522	28,668	33,315	35,740	91,972
Pig iron production ('000 tonnes)							
Hlsmetl® (k)	60%	-	5	2	17	15	-

LEAD

Mine production ('000 tonnes)							
Greens Creek	70%	2.5	2.7	3.0	2.2	3.2	9.2

MOLYBDENUM

Mine production ('000 tonnes)							
Bingham Canyon	100%	3.9	4.6	4.4	3.5	4.7	11.0

SALT

Production ('000 tonnes)							
Rio Tinto Minerals - salt	65%	1,121	1,610	1,209	1,441	1,447	3,896

SILVER

Mine production ('000 ounces)							
Bingham Canyon	100%	884	884	1,036	1,217	1,033	3,074
Escondida	30%	505	593	457	565	439	1,377
Grasberg - Joint Venture (e)	40%	280	718	19	30	87	646
Greens Creek	70%	1,313	1,562	1,451	1,231	1,794	5,229
Others	-	216	226	216	228	0	617
Rio Tinto total mine production		3,197	3,982	3,180	3,270	3,354	10,943
Refined production ('000 ounces)							
Kennecott Utah Copper	100%	830	814	1,398	1,008	1,148	2,723

TALC

Production ('000 tonnes)							
Rio Tinto Minerals - talc	100%	328	346	381	346	340	1,018

TITANIUM DIOXIDE FEEDSTOCK

Production ('000 tonnes)							
Rio Tinto Iron & Titanium	100%	327	335	344	353	338	976

URANIUM

Production (tonnes U ₃ O ₈)							
Energy Resources of Australia	68%	1,035	1,040	938	376	750	2,997
Rössing	69%	712	745	569	622	593	1,801
Rio Tinto total uranium production		1,747	1,785	1,508	998	1,344	4,797

ZINC

Mine production ('000 tonnes)							
Greens Creek	70%	8.1	8.7	8.6	7.1	7.6	28.5

Mine production figures for metals refer to the total quantity of metal produced in concentrates or doré bullion irrespective of whether these products are then refined on-site, except for the data for iron ore which represent production of saleable quantities of ore plus pellets. See footnotes on page 10.

* 21



Analysis: RTP

Recommendation: **BUY**

Ratio Analysis

Ratio analysis is the study and interpretation of the relationships between diverse financial variables, performed by investors or lenders. For the purposes of identifying specific factors that are directly related to the company itself, rather than the overall state of the market or technical analysis data, fundamental analysis was performed. Fundamental analysis is a method of security valuation which involves examining the company's financials and operations. The investigation consists of the following:

Operating Performance

These ratios that indicate how well the management is operating the business can be divided into two subcategories: (1) operating efficiency ratios and (2) operating profitability ratios. Efficiency ratios examine how the management uses its assets and capital, measured in terms of the dollars of sales generated by various assets or capital categories. Profitability ratios analyze the profits as a percentage of sales and as a percentage of assets and capital employed.

Operating Efficiency Ratios

The total asset turnover ratio indicates the effectiveness of the firm's use of its total asset base. It is computed by dividing net sales by average total net assets. That being noted, Rio Tinto has a TAT of 1.08, and has been on a steady increase within the last five years. It is essential that this number gets compared with the industry's average of 1.01. Too high of a ratio in comparison with the rest of the industry typically means management is not efficiently supervising the use of its assets. Rio Tinto is currently on target. Beyond examining Rio Tinto's total assets, it is often insightful to observe the utilization of some assets, specifically receivables turnover.

The receivables turnover implies an average collection period. The faster the accounts are paid, the sooner the firm gets the funds that can be used to pay off its current liabilities. It is computed by dividing net annual sales by average receivables. Rio Tinto has a 2005 turnover rate of 6.42, a little low compared to the industry average of 9.49. Deviation from the mean can signify the possibility of several bad debts.

Operating Profitability Ratios

Net profit margin relates net income to sales. The ratio computed is based on sales and earnings from continuing operations because the analysis seeks to derive future expectations. While the industry average stands at a healthy 20.75%, Rio Tinto currently has an NPM of 26.11%, meaning they are bringing in more income per sale than the competition.

Return on equity is extremely important to the owner of the enterprise, the common stockholder, because it indicates the rate of return that management has earned on the capital provided by the owner after accounting for payments to all other capital suppliers. RTP has an ROE of 48.92%, which is well above the industry average of 31.35%: This is where a company wants to be – exceeding industry standards.



Analysis: RTP

Recommendation: **BUY**

The importance of ROE as an indicator of performance makes it desirable to divide the ratio into several components that provide insights into the causes of a firm's ROE or any changes in it. This breakdown is generally referred to as the DuPont System. It is broken down into three ratios—net profit margin, total asset turnover, and the equity multiplier. The following is a breakdown of the previous 3 years of the DuPont:

2005 ROE: $(.4521) \times (.5427) \times (1.99) = 48.92\%$

2004 ROE: $(.3578) \times (.4104) \times (2.22) = 32.53\%$

2003 ROE: $(.3379) \times (.2574) \times (2.40) = 20.86\%$

As noticed, the ROE has more than doubled within the last three years. This signifies an increasing return on equity, and from the analysis it can be concluded that Rio Tinto is more effective than its competition.

Liquidity Indicators

Internal liquidity ratios indicate the ability of the firm to meet future short-term financial obligations. They compare near-term to current assets and liabilities that will be available to meet obligations.

Current Ratio: Clearly the most widely used liquidity measure is the current ratio, which examines the relationship between current assets and liabilities as follows: current assets/current liabilities. Currently, Rio Tinto has a ratio of 1.17, trailing the industry average of 2.41. It can plausibly be concluded that other companies are accumulating assets instead of utilizing them in order to grow their firms.

A quick ratio relates current liabilities to only relative liquid current assets: cash plus marketable securities plus receivables divided by current liabilities. Rio Tinto's ratio is 0.76 compared with the industry average of 1.62. While low compared to the rest of the industry, it has been rising progressively over the past few years.

Market Value

A P/E ratio is the most common measure of how expensive a stock is. The P/E ratio is equal to a stock's current price divided by its after-tax earnings per share over a 12-month period. That being said, Rio Tinto's is 10.21 compared with an industry average of 12.33. This is actually a good sign for our company, because it shows that the investor is willing to pay \$10.21 for \$1 of Rio Tinto's current earnings, compared to the industry's \$12.33 per dollar of profit. This is significant because it shows that our stock is undervalued.



Analysis: RTP

Recommendation: **BUY**

Ratio Chart

	Industry Average	2005	2004	2003	2002	2001
Liquidity Indicators						
Current Ratio	2.39	1.56	1.53	1.13	0.82	0.80
Acid-Test (Quick) Ratio	1.60	1.11	0.79	0.56	0.40	0.42
Cash Ratio		0.51	0.14	0.14	0.12	0.12
Efficiency (Asset Utilization) Ratios						
Total Asset Turnover	1.01	1.08	0.9091	0.6175	0.7734	0.7928
Receivable Turnover	9.49	6.42	5.66	3.48	3.86	3.16
Profitability Ratios						
Net Profit Margin	20.75%	26.11%	21.79%	21.42%	6.88%	12.73%
Return on Assets	19.92%	24.53%	14.68%	8.70%	6.49%	10.15%
Return on Equity	31.35%	48.92%	32.53%	20.86%	17.57%	28.16%
Leverage Ratios						
Debt to Equity (Long-Term)		18.62%	32.69%	38.35%	36.29%	36.43%
Total Debt to Equity		40.00%	41.25%	50.89%	59.46%	62.30%
Times Interest Earned (Coverage)		43.27	27.10	11.52	6.63	6.63
Market Value Ratios						
EPS		17.37	9.05	6.91	1.87	3.34
Historical Prices		177.35	112.92	102.77	70.64	67.19
Price-to-Earnings (P/E)	12.33	10.21	12.48	14.87	37.78	20.12
DUPONT ANALYSIS						
ROE	31.35	48.92%	32.53%	20.86%	17.57%	28.16%
ROA	19.92	24.53%	14.68%	8.70%	6.49%	10.15%
Financial Leverage		1.99	2.22	2.40	2.71	2.77
Net Profit Margin	20.75	0.4521	0.3578	0.3379	0.2272	0.3551
Total Asset Turnover	1.01	0.5427	0.4104	0.2574	0.2856	0.2858



Analysis: RTP

Recommendation: **BUY**

Valuations

$$(\$252.71 + 263.93 + 286.21) / 3 = \$267.62$$

DividendDiscountModel.com Valuation

RIO TINTO-ADR			
Ticker:	RTP	<u>Last Closing Price:</u>	214.5300
<u>Market Cap:</u>	\$57,222.7 (mil)	52 Week High:	246.7800
<u>Shares Outstanding:</u>	266.7 (mil)	52 Week Low:	173.5200
<u>Avg. Daily Volume:</u>	470,860	<u>Price Change YTD:</u>	17.36%
Industry:	MINING -MISC	<u>PE Ratio:</u>	9.19
Sector:	BASIC MATERIALS	<u>EPS (current year estimate):</u>	23.34
<u>Current Dividend:</u>	3.26	<u>EPS (next year's estimate):</u>	22.66
<u>Dividend Yield:</u>	1.52%	<u>Historic EPS Growth:</u>	N/A
<u>Historic Dividend Growth:</u>	5.23%	<u>Projected EPS Growth:</u>	11.81%
<u>% Return from Dividends:</u>	11.40%	<u>Expected Return:</u>	13.33%

<u>Model:</u>	Simple
<u>Discount Rate:</u>	13.10 %

<u>Calculated Value:</u>	\$252.71
<u>Last Closing Price:</u>	214.5300
<u>Percent under/(over) valued:</u>	17.80%

Note

The discount rate of 13.10% was derived using the capital asset pricing model:

$$\text{Discount rate (k)} = \text{Risk-free rate (R}_f\text{)} + \text{Beta } (\beta) (\text{Market Risk Premium (R}_m\text{)})$$

$$k = 4.80\% + 0.97 (8.55\%) \approx \mathbf{13.10}$$



Analysis: RTP

Recommendation: **BUY**

Two-Stage Dividend Growth Model

Current Earnings per share =	\$20.19	(in currency)
Current Dividends per share =	\$3.26	(in currency)

Enter length of extraordinary growth period = 5 (in years)

Do you want to enter cost of equity directly? Yes (Yes or No)

If yes, enter the cost of equity = 13.10% (in percent)

If no, enter the inputs to the cost of equity

Beta of the stock =	0.97	
Risk free rate =	4.80%	(in percent)
Risk Premium =	8.55%	(in percent)

Do you want to use the historical growth rate? Yes (Yes or No)

If yes, enter EPS from five years ago = \$1.87 (in currency)

Do you have an outside estimate of growth? Yes (Yes or No)

If yes, enter the estimated growth: 30.00% (in percent)

Do you want to calculate the growth rate from fundamentals? Yes

If yes, enter the following inputs:

Net Income Currently =	\$7,592,000,000.00	Last year	(in currency)
Book Value of Equity =	\$15,466,000,000.00	\$14,948,000,000.00	(in currency)
Tax Rate on Income =	25.00%		(in percent)

The following will be the inputs to the fundamental growth formulation:

ROE =	48.89%	(in percent)
Retention =	78.00%	(in percent)

Do you want to change any of these inputs for the high growth period?

If yes, specify the values for these inputs (Please enter all variables)

ROE =	35.00%	(in percent)
Retention =	78.00%	(in percent)



Analysis: RTP

Recommendation: **BUY**

Two-Stage Continued

Cost of Equity =

13.10%

Current Earnings per share =

\$20.19

Growth Rate in Earnings per share

	<i>Growth Rate</i>	<i>Weight</i>
Historical Growth =	72.66%	30.00%
Outside Estimates =	11.82%	35.00%
Fundamental Growth =	25.00%	35.00%
<i>Weighted Average</i>	<i>34.69%</i>	

Payout Ratio for high growth phase =

22.00%

The dividends for the high growth phase are shown below (up to 10 years)

	1	2	3	4
Dividends	\$5.98	\$8.06	\$10.85	\$14.62

Growth Rate in Stable Phase =	8.00%
Payout Ratio in Stable Phase =	22.00%
Cost of Equity in Stable Phase =	13.10%
Price at the end of growth phase =	\$416.88

Present Value of dividends in high growth phase =	\$38.66
Present Value of Terminal Price =	\$225.27
Value of the stock =	\$263.93



Analysis: RTP

Recommendation: **BUY**

P/E, P/CF, P/S - Valuations

RTP	2001	2002	2003	2004	2005	2006	Avg
Historical Prices	67.19	70.64	102.25	113.2	175.6	218.7	-
Earnings Per Share	3.34	1.87	6.91	9.05	17.37	20.19	9.79
Cash Flow to Share	7.88	8.75	7.35	10.83	24.28	31.34	15.07
Sales Per Share	26.21	27.15	29.58	41.52	66.55	92.36	47.23
Price to Cash Flow	8.53	8.07	13.92	10.45	7.23	8.24	9.41
Price to Sales	2.56	2.60	3.46	2.73	2.64	3.36	2.89
Price to Earnings	20.12	37.78	14.80	12.51	10.11	10.62	17.65

Expected Price (P/E)	\$277.93
Expected Price (P/CF)	\$268.25
Expected Price (P/S)	\$312.44
Average	\$286.21

WACC	2001	2002	2003	2004	2005	2006	Average
Revenues ($\Delta\%$)		3.60%	9.30%	40%	47%	29.60%	25.90%
Operating Cost Margin							
Operating Income	1562	831	1496	2147	6600	11292.6	
Net Sales	8152	8443	9228	12954	19033	24670	
Operating Margin	0.1916	0.0984	0.1621	0.1657	0.3468	0.4577	
Average Operating Cost Margin	23.71%						
Taxation							
Tax Paid	718	708	567	619	1814		
EBIT	1562	831	1496	2147	6600		
Net Income Before Taxes	1983	1311	2094	3863	7312		
Calculated Tax Rate	36.21%	54.00%	27.08%	16.02%	24.81%		
Average Tax Rate	31.62%						
Net Investment							
Capital Expenditure	1483	1420	1663	2446	2816		
Depreciation Charges	929	954	1006	1152	1315		
	2412	2374	2669	3598	4131		
Net Investment (% of Revenue)	29.59%	28.12%	28.92%	27.78%	21.70%		27.22%
Debt		0.0451	Risk-free rate	4.8			
Equity		13.09	Beta	0.97			
Tax Rate		27.22%	Risk Prem	8.55		WACC	8.80%



Risk Factors

Exploration and New Projects

RTP vigorously seeks to discover new mining properties through an extensive exploration program without any guarantee as to the success of the project. This can lead to negative impacts on Rio Tinto's financial results should constant failures occur. RTP is continuously developing new mining properties and expanding existing mining operations. This is one of the focal components in generating value for shareholders. Required increases of regulatory, social and environmental approvals can result in major delays and higher costs with regards to construction. As a result, these required increases can affect a specific project's costs, earnings, asset values and cash flows.

Economic Conditions

Commodity prices and the demand for Rio Tinto's products are greatly influenced by the world's economic growth, especially the United States and Asia. Rio Tinto looks to sell their products during time periods with increasing market prices. Commodity prices are unpredictable, fluctuating quite frequently and can have significant impacts on the Group's overall financial results

Exchange Rates

Wide varieties of currencies can impact RTP as they conduct worldwide operations. This can impact the Group's bottom line for the better or worse. Although most sales are conducted in the U.S. dollar, the Australian dollar plays a large role as well with respect to influencing costs. Since currency values have the potential to fluctuating wildly, currencies can have a major impact on the Group's overall financial results.

Acquisitions

RTP has grown significantly through acquisitions of other businesses, but there is always the risk that current management and operations will not be able to effectively handle the acquisition. Undisclosed previous actions from the acquired business can become a predicament that Rio Tinto has no choice but to address, possibly leading to a significant impact on their financial status.

Mining Operations

Mining operations are central to RTP's success and yet may be one of the most unpreventable risk factors. These operations are vulnerable to several unavoidable circumstances, including natural disasters, industrial actions and geological variations. In essence, this leads to unexpected costs for the affected mines for unknown time periods. Refining and smelting processes also rely on key inputs such as fuel and electricity. Insurance can provide some relief and protection but does not cover all costs that may arise. Price

Health, Safety, and the Environment

The industry that Rio Tinto operates in has several health, safety and environmental laws and regulations. Community expectations and relations must not be forgotten. RTP is dedicated to following specific regulations pertaining to conduct and events that can negatively affect earnings and cash flows.



Analysis: RTP

Recommendation: **BUY**

Land and Resource Tenure

Because Rio Tinto operates in regions of the world where rights to land and the resources on those lands may be unclear, there are often altercations with respect to the development of specific lands. These disputes can interfere with existing mining operations or nullify their chances of developing new mining lands.

Rehabilitation

There are several costs associated with rehabilitating land disturbed during the mining process. Addressing health, community and environmental issues are estimated as best as possible using the most recent information available. However, estimates may be incorrect and more issues may arise that were not originally accounted for.

Reserve Estimation

With so many possibilities in estimating ore reserves, the original estimations may change as new information is made available. The fluctuations in exchange rates, commodities, increased production costs, or reduced recovery rates can provide a reduction in reserves which could impact Rio Tinto noticeably.

Political and Community

Political instability is a major concern for RTP. This can lead to expropriation, civil unrest and more notably, renegotiation or nullification of existing agreements, mining leases and permits, changes in laws, taxation policies or currency restrictions. Recently, the Bolivian government nationalized oil, essentially taking possession of all operations and natural resources relating to the product. They felt that foreign entities were exploiting a product that should have been used to build their economy and provide funds aimed at increasing their standard of living. By taking over refineries and explorations within their domestic borders and installing Bolivian citizens as employees, they have decreased efficiency and world output. This is a plausible situation for minerals as well and is something that Rio Tinto prepares to face in the future. Anyone of these events can adversely affect Rio Tinto's profitability or the feasibility of an operation.



Investment Drivers

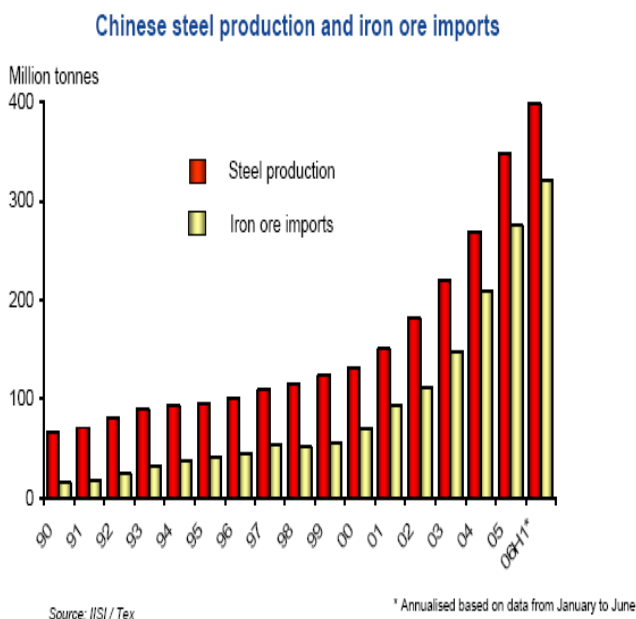
Financial Investment Drivers:

Cash and Equivalents: The net change in cash is computed by taking net loss and adding back the non-cash expenses and deductions, due to the general day-to-day operating activities of the company. Rio Tinto's cash and equivalents have gone from \$392 million in 2004 to \$2,379 million in 2005 which is substantially from the net change in cash.

The growths of two other numbers on the financial statements deserve an explanation: retained earnings are how this company continues to grow. In most cases, companies retain their earnings in order to invest them into areas where the company can create growth opportunities, such as buying new machinery or spending the money on more research and development. It has gone up an extreme amount from \$4,557 million in 2001 to \$11,869 in 2005. Similarly, the company contains assets that are being utilized by the company: machinery. Total assets at year-end 2005 were \$29,803 million of which machinery/equipment consisted of \$27,068 million. In other words, 90.82% of their assets come from machinery and equipment.

Other Key Investment Drivers

With rising prices of iron ore, the key ingredient in steel, mining and exploration has been exploding to try and meet the growing demand of the market. In addition to controlling roughly 20% of the iron ore market, they also have multiple explorations including the following: Energy, diamonds, other precious metals, and borates. With demand surpassing supply, the consistent rise in the price of precious metal and minerals will continue to improve Rio Tinto's bottom line. Along with the effective management structure and steadily increasing annual dividend, these three enduring factors will be the principal investment drivers looking into the future.



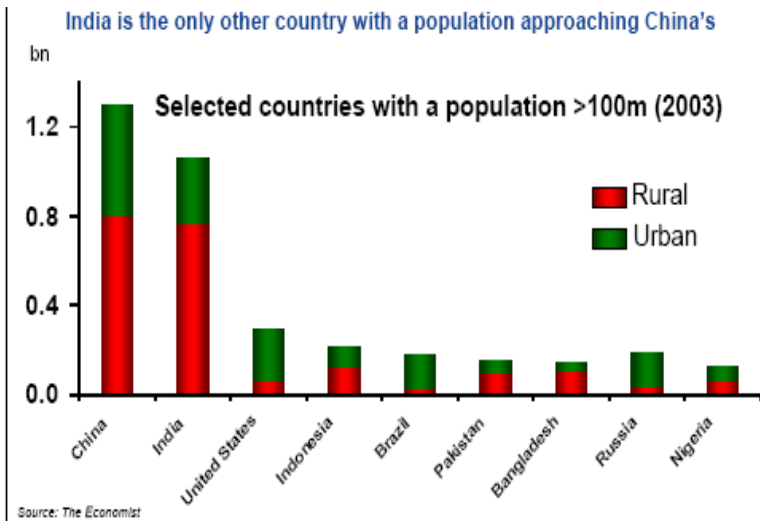
Within 2006, iron ore has shot up roughly 20% and is still budding. Rio Tinto has a stable pipeline of projects coming up, with many already in existence. Many trades presently are within China, the number one importer of precious metals. They are in the process of urbanizing the country and in doing so have topped the charts of many commodities worldwide. Rio Tinto has benefited immensely from the demanding needs of China. Over the past two years, RTP has sold \$4.583 billion worth of steel to the world's most populous nation. Rises in copper, energy products such as uranium, borates, and alumina continue to allow Rio Tinto to profit during the commodity bull market we are currently in. To the left is an illustration of China's growing consumption of steel and iron ore.



Analysis: RTP

Recommendation: **BUY**

Partly as a result of these projects, Rio Tinto's stock price has surged over the three year period from December 2004 – December 2006.



Presently, China has the highest population, creating the need for advancements and construction within their country—railroads, skyscrapers, streets, and several other infrastructure needs. India is a country without many resources and must constantly rely on imports to supply their needs. They are approaching China's population at an accelerating rate. It is expected that by 2050, India's population will exceed that of China. Not expected to dry up soon, the opportunities in China will one day slow and be handed to India.



Analysis: RTP

Recommendation: **BUY**

Technical Analysis

Parabolic SAR (Stop and Reversal)



This method of technical analysis is a very useful and accurate tool during a trending period.¹⁵ A parabola line above the price line usually leads to a bearish trend while a parabola under the price line leads to a bullish trend. Rio Tinto is currently in an upward trend as the SAR lies below the price movement. This signifies a smart time to buy.

Moving Averages



In the beginning of 2006, Rio Tinto was consistently above both their 50-day and 200-day moving averages. Approximately halfway through the year they dropped slightly below their 50-day MA to about \$200 which was still above their 200-day average. September was quite interesting as both averages and the RTP stock price evened out at about \$203. In November, RTP finally began to rise along with both moving averages, indicating a bullish market and a great time to buy.



Bollinger Bands



Bollinger Bands are used to determine the volatility of a market and whether relative price levels are high or low. The upper band is the SMA plus 2 standard deviations and the lower band is the SMA less 2 standard deviations. When the upper band is breached this indicates an upward trend and a buy signal. However, when the lower band is breached this indicates a reverse trend and a warning sign to investors. At the end of November, RTP is slightly above the lower band but looks to be continually rising toward the upper band indicating an opportunity to buy.

Relative Strength Index (RSI)



The Relative Strength Index is used to compare the magnitude of recent gains to recent losses to try and determine if a stock is overbought or oversold.¹⁵ When a stock reaches an RSI of 70 it is deemed to be overbought and overvalued and may be a good time to back away. However, when a stock reaches an RSI of 30 it is deemed to be oversold and undervalued. RTP currently has an RSI of 50, which makes us uncertain. However, from mid-March to mid-May there is a trend of an RSI of about 40 to 70 in which not only did the RSI rise but the stock price as well. It peaked to its 52-week high of \$253.33 in the beginning of May. The downward trend to follow was during an RSI period of below 50.



Analysis: RTP

Recommendation: **BUY**

References

- ¹“Asian steelmakers fuel record iron ore prices.” The Age. 21 May 2005.
<theage.com.au/news/Business/Asian-steelmakers-fuel-record-iron-ore-prices/2005/05/21/1116533578222.html>.
- ² Big Charts <bigcharts.com>.
- ³ Business Line. <thehindubusinessline.com>.
- ⁴ “Chile Private Copper Miners Posted \$11.4B 9-Mo Net Profit.” 1 Dec 2006.
<online.wsj.com/BT-CO-20061201-712484>.
- ⁵ “China accepts 19% rise in iron ore price.” China Daily. 21 June 2006.
<chinadaily.com.cn/china/2006-06/21/content_622052.htm>.
- ⁶ “China digs in its heels; What it means for gold.” USA Gold. 28 Sept 2006.
<usagold.com/analysis/kosares-20060929.html>.
- ⁷ “Copper Bull Market.” Zeal Speculation and Investment. 30 Sept 2005.
<zealllc.com/2005/copper.htm>.
- ⁸ “Dynamic Charting: Aluminum.” Global Infomine.
<infomine.com/investment/metalschart.asp?c=Aluminum>.
- ⁹ “Five Competitive Forces (Porter).” 12 Manage.
<http://www.12manage.com/methods_porter_five_forces.html>.
- ¹⁰ “FCX to acquire Phelps Dodge for \$26 billion.” Economic Times. 21 Nov 2006
<economictimes.indiatimes.com/articleshow/503233.cms?epaper>.
- ¹¹ “Gold Gains Most Since June as Dollar Drops on China Report.” Bloomberg. 9 Nov 2006.
<bloomberg.com/apps/news?pid=20601012&refer=commodities&sid=>.
- ¹² “Gold jumps to new high on weak dlr, China Report.” Reuters. 9 Nov 2006.
<yahoo.reuters.com/news/articlehybrid.aspx?storyID=urn:newsml:reuters.com:20061109:MTFH59638_2006-11-09_20-57-28_NO9547656&type=comktNews&rpc>.
- ¹³ “Gold Market Intelligence 2006.” <a1-guide-to-gold-investments.com/>.
- ¹⁴ “High gold prices hit diamond trade.” The Economic Times. 21 Nov 2006.
<economictimes.indiatimes.com/articleshow/495600.cms>.
- ¹⁵ Investopedia. <investopedia.com>.



Analysis: RTP

Recommendation: **BUY**

- ¹⁶ “Ivanhoe Mines Hldrs OK Partnership Terms With Rio Tinto.” The Wall Street Journal. 30 Nov 2006. <online.wsj.com/BT-CO-20061130-714442>.
- ¹⁷ “Let the metal deals flow.” Fortune. 2 Aug 2006. <money.cnn.com/magazines/fortune/fortune_archive/2006/07/24/8381715/index.htm?postversion=2006080213>.
- ¹⁸ “Market Analysis: Copper” GFMS Metals Consulting. Oct 2006. <gfms-metalsconsulting.com/market_analysis_copper.htm>.
- ¹⁹ “Qantas May Be Precursor To Global Mega-Merger.” The Wall Street Journal 22 Nov 2006. <online.wsj.com/BT-CO-20061122-701887.html>.
- ²⁰ Reuters. <reuters.com>.
- ²¹ Rio Tinto <riotinto.com>.
- ²² “Rio Tinto: Northparks E48 Project Approved.” The Wall Street Journal. 30 Nov 2006. <online.wsj.com/BT-CO-20061130-701498>.
- ²³ “Rio Tinto Unit ERA To Build A\$27.6M Processing Plant.” The Wall Street Journal. 28 Nov 2006. <online.wsj.com/article_print/BT-CO-20061128-716712>.
- ²⁴ Siegel, Jeremy. The Future for Investors. New York: Crown Business, Mar 2005. 52, 62-63.
- ²⁵ “Skyrocketing copper too pricey for market.” Stuff. 21 Nov 2006. <stuff.co.nz/stuff/0,2106,3867403a13aT,00.html>.
- ²⁶ Standard & Poors: Net Advantage. <standardandpoors.com>.
- ²⁷ Stock Charts. <stockcharts.com>.
- ²⁸ “Synthetic diamonds are almost real.” Political Gateway. 30 Oct 2006. <politicalgateway.com/news/read/44692>.
- ²⁹ “The TiO₂ Market.” GoldInsider. 26 Jun 2005. <goldmau.com/titanium.pdf>.
- ³⁰ “U.S. Aerospace Market Showing Skyrocketing Aluminum Demand.” Newswire. 11 Oct 2006. <newswiretoday.com/news/9429/>.
- ³¹ “U.S aluminum outlook mixed; energy prices weighing.” McGraw-Hill. 28 Sept 2005. <platts.com/Metals/Resources/News%20Features/outlook/index.xml>.
- ³² Yahoo! Finance <finance.yahoo.com>.



Analysis: RTP

Recommendation: **BUY**

Disclosures

Ownership and material conflicts of interest: The author(s) of this analysis do not hold a financial interest in the securities of this company.

Receipt of compensation: Production of this report is not based on investment banking revenue.

Position as an officer or director: Neither the author(s) nor members of their household serve as an officer, director, or advisory board member of the subject company.

Market maker: The author(s) of this report do not act as a market maker in the subject company's securities.

Ratings key: Professional analysts generally rate securities buy, hold, or sell. A BUY rating implies a 15% or better rate of return over the next twelve months. A HOLD rating signifies a company expected to neither appreciate nor depreciate over the next twelve months. Analysts expect a flat return. Finally, a SELL rating implies a security expected to depreciate by 15% or more over the next twelve months.

Disclaimer: All ratings are the opinion of the analyst(s) and should not be considered fact or recommendations of St. John's University or anyone affiliated with the organization. The information set forth herein has been obtained or derived from sources generally available to the public and believed by the authors to be reliable, but the author(s) do not make any representation or warranty, expressed or implied, as to its accuracy or completeness. The information is not intended to be used as the basis for any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security.