



**2007 KENNECOTT UTAH COPPER
SUSTAINABLE DEVELOPMENT REPORT**

SUSTAINABLE DEVELOPMENT
AT KENNECOTT UTAH COPPER



2007 HIGHLIGHTS AND
OPERATIONS OVERVIEW



ENVIRONMENTAL
STEWARDSHIP



SOCIAL WELL-BEING



ECONOMIC
PROSPERITY



GOVERNANCE



2007 SUSTAINABILITY SCORECARD



Sustainable Development is our Business Strategy

At Kennecott Utah Copper (KUC), Sustainable Development (SD) is integral to our success as a fully integrated producer of copper cathode, molybdenum, gold and silver, and to the social and financial investment our stakeholders and surrounding communities have made in us.

By aligning our business strategy and daily practices with the concept of sustainable development, we are able to strengthen our operations and products and provide lasting benefits for our employees and stakeholders. These benefits include lower risks, improved efficiency and a superior reputation.

Our mission, "to maximize the long-term value of the resources under our stewardship," is supported by focused efforts in all three pillars of sustainable development: economic prosperity, social well-being and environmental stewardship. Governance includes the management systems and processes that enable us to accomplish our goals in these areas.



An Open Letter to the Community and Employees:

I am extremely proud to be the new Chief Executive Officer of Kennecott Utah Copper. The hard work, dedication and passion of our employees and contractors are truly impressive. I plan to build on Kennecott's many successes and continue the positive legacy this company has created in the Salt Lake Valley.

This year saw major accomplishments in all areas of Sustainable Development and I would like to share some highlights with you:

With respect to safety, we recorded our lowest ever All Injury Frequency Rate of 1.31. In addition, our Lost Time Injury Frequency Rate of 0.41 was the second lowest ever. This is six times better than the industry average of 2.5.

In November, I announced the launch of an Energy Efficiency Policy, which clearly sets forth our commitments to critical energy supply and climate change issues. We have also begun implementing an energy improvement plan that will help us identify, prioritize, and implement energy efficiency and supply opportunities.

Strong global demand for copper, molybdenum, gold and silver coupled with our flexible production strategy and culture of continuous improvement led to a 22 percent increase in refined copper as well as significant growth in gold and silver production. As a result, for the second time in a row we posted the highest net earnings among all Rio Tinto business units.

We again reinvested heavily in capital improvements. These included excavation of the Highland Boy drainage gallery at the Bingham Canyon Mine, construction of a consolidated warehouse, implementation of a bulk flotation upgrade at the Concentrator as well as the purchase of 12 new haul trucks and a new shovel. In addition, we further enhanced our evaluation of both open pit and underground mining options to extend our mine life well beyond 2019.

In 2008, we plan to further our contribution to Sustainable Development by improving our safety performance, investing heavily in our people and our facilities, and ensuring that we meet our stakeholders' expectations on the social and environmental front.

I would like to thank all of our stakeholders for their support and engagement, which is critical for our success. I look forward to working together to make 2008 another fantastic year.

Andrew Harding
President and CEO, Kennecott Utah Copper

Our core value is to "Stay Safe and Protect our People" and we will not be satisfied until we achieve a sustained level of zero injuries.



How Can Mining Contribute to Sustainable Development?

Mining may seem inconsistent with the concept of sustainable development given that we excavate 'non-renewable' resources. However, mining supplies the minerals and metals that are essential to our quality of life, and makes a significant contribution to the social and economic prosperity of our shareholders and the communities in which we operate. Furthermore, while the "ore" we evaluate may be a finite resource, the copper, gold and silver produced can be recycled indefinitely. At KUC, we believe mining makes a positive contribution to sustainable development provided we continue to:

- Keep our employees and contractors safe
- Protect and, where possible, enhance the environment
- Support the communities surrounding our operations
- Ensure our products are safe and useful to society
- Remain profitable to provide jobs key to the local economy

About Kennecott Utah Copper and Rio Tinto

Kennecott Utah Copper (KUC) is a mining, smelting and refining company committed to integrating sustainable development into every facet of its business. For more than 105 years, KUC has been mining and processing rich minerals found in the huge ore body of the Bingham Canyon Mine. Nearly everything people do today relies on materials that are mined – from minerals we use daily in medicine, food, shampoo and soap, to metals used to conduct heat and electricity, as well as those used for CAT scans and in the space shuttle.

Bingham Canyon Mine is located approximately 28 miles southwest of Salt Lake City. In addition to the Bingham Canyon Mine, KUC's operations include the Copperton Concentrator, Smelter, Refinery, Tailings Impoundments, Power Plant and several other facilities. KUC produces about 250,000 tons (227,000 metric tonnes) of copper cathode annually. That production is about 13 percent of the United States' copper output and makes KUC the country's second-largest copper producer. KUC also produces molybdenum, gold, silver and sulfuric acid, a byproduct of air pollution control equipment at the Smelter. To learn more about Kennecott Utah Copper, visit kennecott.com.

KUC is owned by Rio Tinto, a world leader in discovering, mining and processing the earth's mineral resources in a responsible economic, social and environmentally-friendly manner. Rio Tinto employs more than 65,000 people worldwide. Kennecott Utah Copper has about 1,800 employees and 1,200 contractors. In addition to KUC, three other Rio Tinto companies have

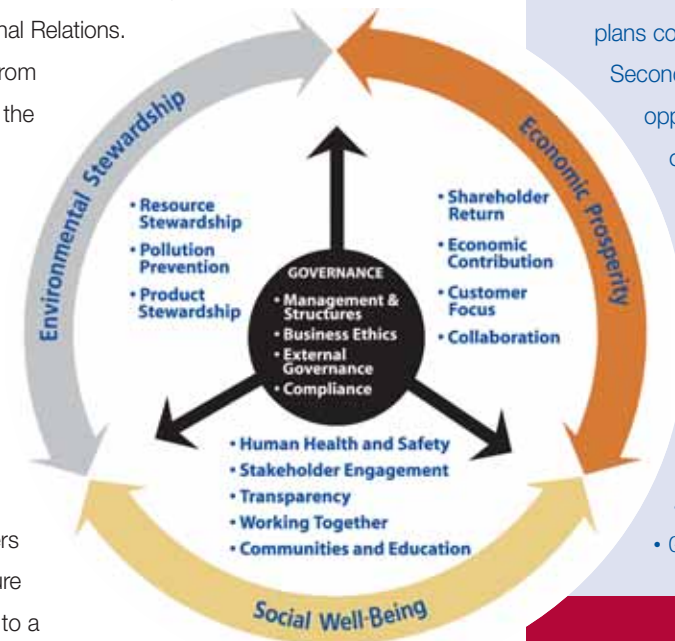
offices in Salt Lake City: Kennecott Land Company, Kennecott Minerals Company and Kennecott Exploration. Also present are the following support functions: People and Organizational Support, Information Services and Technology, Operational and Technical Excellence, and Communications and External Relations. Approximately 600 employees from these companies will move into the Rio Tinto regional center at Daybreak in 2008. To learn more about Rio Tinto, visit riotinto.com.

Engaging Stakeholders

In May of 2007, Kennecott met with twenty-four stakeholders to talk about the company's future and how Kennecott contributes to a sustainable community. During the half day meeting, a diverse group of participants discussed their views concerning the top three critical issues facing our community today and five to ten years from now.

Water resources, water quality, air quality, and transportation were the top environmental issues. In the community area, vocational training and higher education emerged as major concerns. Maintaining a continued role for small business vendors in the local community was the top priority for the economy. The insights shared during stakeholder discussions help Kennecott understand the company's role in addressing these issues.

In other meetings, stakeholder groups said they would like to see the Kennecott Utah Copper and Kennecott Land SD reports and advisory boards combined in 2008.



Purpose of the Report

The purpose of this 2007 Sustainable Development Report is twofold. First, the report is meant to inform local communities and interested stakeholders of KUC's commitment to sustainable development, and to highlight the ways in which our current actions and future plans contribute to this commitment.

Second, the report provides an opportunity to seek feedback from our stakeholders. The 2007 report is organized around the pillars of sustainable development that guide our daily work, as illustrated in the model to the left:

- Environmental Stewardship
- Social Well-Being
- Economic Prosperity
- Governance

Our Stakeholders

We regularly engage with our stakeholders who include employees and representatives from government, education, business, transportation, non-profit groups, health and safety and trade and community organizations.

We encourage community feedback to continuously improve our approach to sustainable development. We welcome your feedback on the 2007 Sustainable Development Report. Please visit our website at kennecott.com to complete our brief online survey.





The Smelter stack seen from the Inland Sea Shorebird Reserve where approximately 120,000 birds migrate through each year.

ENVIRONMENTAL STEWARDSHIP

- Celebrated the 10-year anniversary of Kennecott's Inland Sea Shorebird Reserve.
- Worked with the United States Environmental Protection Agency and the Utah Department of Environmental Quality to investigate and begin remediation of the historic Bingham-Magna Ditch.
- Launched an Energy Efficiency Policy focused on reducing energy use, evaluating alternative energy sources, securing long-term energy supplies and raising awareness among employees and stakeholders.
- Demolished the Bonneville Crushing and Grinding complex and the North Concentrator complex west of Magna and began reclamation.
- Entered into a Consent Decree with EPA and DEQ, making a formal commitment to continue to clean-up groundwater contamination below the Bingham Canyon Mine, backed by financial assurance.
- Completed an update of our Life Cycle Assessment used to understand and improve upon the environmental footprint of our production process.

SOCIAL WELL-BEING

- Provided a full year of drinking water to 14,000 residents of West Jordan, South Jordan, Riverton and Herriman from our Reverse Osmosis Water Treatment Plant.
- Helped fund community projects and partnerships including Kennecott's Earthquake Information Center at the University of Utah, the Fallen Officer's Memorial, Magna Ethnic and Mining Museum, and Tracy Aviary.
- Achieved an 11% ethnic diversity rate in new hires, exceeding target of 8%. Fell short of gender diversity goal, attaining 8% versus goal of 18%.
- Hosted 170,000 visitors at the Bingham Canyon Mine's Visitors Center, an increase of about 21,000 from 2006, and donated more money back to the community than any other year in the Foundation's history.
- Rio Tinto employees donated more than 2,500 food items for the Thanksgiving Food Drive and 5,500 toys to the Sub for Santa program.

ECONOMIC PROSPERITY

- Earned \$1.6 billion, due to high metal prices and a flexible, market-oriented production strategy.
- Awarded 24 technical work-study scholarships to students in local community colleges and technical trade schools pursuing a maintenance career in the areas of instrumentation, electrical, diesel mechanics and linemen.
- Successfully migrated our information technology systems to a single, integrated business solution supported by SAP.
- Attained ISO 9001¹ certification for the electro-refining of copper to create copper cathode.
- Contributed more than \$1.8 million in corporate partnerships and programs, charitable contributions and matching gifts.
- Invested approximately \$225 million in capital projects with \$109 million devoted to development projects, including:
 - Bulk Flotation Upgrade
 - Highland Boy Drainage Gallery
 - Haul Truck Purchases
 - Centralized Distribution Center
 - Pebble Crushing Circuit
- Completed 41 improvement projects generating over \$44.7 million in value and trained 105 employees in the Six Sigma approach to business improvement.

For the second year in a row, Kennecott Utah Copper posted the highest net earnings among all Rio Tinto businesses.



Employees at the precious metals plant cast 1,000 troy ounce silver bars. The silver is a by-product of copper production.

Dragonflies play an important role in the control of the mosquito population at the Inland Sea Shorebird Reserve. They are sometimes called "mosquito hawks."



We progressed reclamation of Lower Bingham Canyon and planted approximately 8,000 tree seedlings at the Mine in 2007.

¹ ISO 9001 is an international Quality Management System Standard utilized to meet customer expectations for product quality.



Barneys Canyon

Precious Metals Extraction – The Barneys Canyon Mine continued to operate as a heap leaching facility, producing over 10,000 ounces of gold.

Safety Award – The mine received the Mine Safety and Health Administration (MSHA) Safest Metal Mine Award in the Rocky Mountain Region. Mine personnel have worked accident-free for more than six years.

Reclamation – Activities included the completion of preliminary contouring of all five ore pads, the demolition of the truck shop, the sulfide mill and the removal of all other structures not required for leaching activities.

Tailings and Water Services

Safety Record – In October 2007, Tailings and Water Services employees achieved two years of service without a Lost Time Injury.

Water Treatment Plant – The Bingham Canyon Reverse Osmosis Water Treatment Plant completed its first year producing approximately 3,800 acre-feet of high-quality drinking water. Distributed by the Jordan Valley Water Conservancy District, this water supplied more than 14,000 Salt Lake Valley residents.

A focus on reinvestment and continuous improvement resulted in an extremely successful year. Here are highlights from each of the plants:

MINE

Haul Truck Performance – During 2007, the mine revised its strategy and began replacing haul trucks after 80,000 hours of use versus 100,000 hours. The result was less downtime for repairs and improved productivity. The existing fleet of trucks was retired and 12 new haul trucks with improved energy efficiency were placed into production.

Improved Tire Performance – Overall, haul truck tire lives increased by more than 10 percent in 2007 while the percentage of tires lost to premature failures dropped. This improvement can be attributed to a lot of hard work and attention by haulage drivers, road maintainers, and support staff.

Production Success – The mine was able to successfully excavate the amount of ore required to meet 2007 plans despite major challenges. Some of the actions taken to meet the goal were: keeping pits clean and roads maintained, maximizing drill and shovel working time, and effective mine planning.



CONCENTRATOR

Copperton Concentrator Sustainable Development (SD) Team – The Concentrator's SD team came together early in 2007, comprised entirely of volunteer employees. The team volunteered to prepare a booth for the 2007 Wellness, Safety, and Environment Fair. The purpose of everything the team displayed was to communicate what we can all do right now to bring sustainability into our lives.

Concentrator Maintenance Group Expansion and Safe Shutdown – The expansion of condition monitoring reliability centered maintenance at the Concentrator is having a major impact on reducing unplanned



Workers installing the bulk flotation circuit at the Concentrator to improve copper recovery and concentrate quality.

maintenance. The use of an infrared camera to identify worn rubber lined piping in the grinding circuit has been especially successful.

Moly Plant – The Moly shipping area was the first 5S project at the Concentrator and is an excellent example of how organization and cleanliness can improve safety and efficiency. 5S is a process to achieve and sustain a clear, clean, safe, and organized workplace. Partially as a result of 5S, the Moly Plant exceeded its 2007 budgeted production.



SMELTER

Acid Plant Production Record – In 2007, the Smelter produced a record amount of sulfuric acid. In addition, the Acid Plant also set a record for utilization, the amount of time the plant was running versus being shut down for maintenance or not being used.

Relocation of the Smelter Control Room – The Smelter control room was relocated from the hot metals building to the administration building. The new control room is a state-of-the-art, ergonomically designed facility.

REFINERY

Safety Excellence – Refinery employees had no Lost Time Injuries and no injuries requiring medical treatment in 2007.

Silver and Gold Records – The precious metals plant set new records for gold and silver production. It produced more than 500,000 ounces of gold and 4 million ounces of silver.

ISO 9001 Certification – The Refinery's Quality Management System for electro-refining of copper to create copper cathode became ISO 9001:2000 certified in 2007. This certification is required for cathode sold on the London Metals Exchange.

Utah Power Plant and Kennecott Operational Services

Safety Award – The Utah Power Plant was the 2006 recipient of the President's Award for safety improvement.

Environmental Performance – The Power Plant further decreased high opacity events by 4.6% in 2007, following a 20% decrease in 2006.

Energy Initiative – Kennecott Operational Services (KOS) completed a major initiative to reduce fuel use and costs of operating vehicles. As a result, a wider range of on and off-road vehicles was acquired, including hybrids, to meet needs for optimally-sized, fuel-efficient vehicles.

Lean Production Methods – Across the plants, truck shops and garages implemented more efficient methods of layout and parts organization. These efforts have improved workflow and increased maintenance productivity.

Reclamation of Facilities – KOS reclaimed facilities no longer in use. They coordinated the removal of 25 miles of power lines and poles between the Bingham Mine and the Smelter as well as several miles of rail lines, including the entire track complex at the former site of the Bonneville Crushing and Grinding Plant.



"We recognized that it's going to take people working together to achieve our vision. To us, people are the pillars of Sustainable Development. The globe is a representation of what we're taking care of. It's unifying because we all live on the same planet."

Chad Larsen
Advanced Craftsman



Copperton Concentrator Sustainable Development Team

In 2007, employees at the Concentrator formed a volunteer Sustainable Development Team. "We want to do our part," said Sharon Rigsby, Sr. Technician. "We'd like to address issues and share ideas that could make a difference in the way we live and do business."

As the SD Team prepared for the Wellness, Safety and Environment Fair, they educated themselves about Sustainable Development (SD). This led to the development of their own mission statement, "Preserving the Planet and Our Children's Futures," and their own team logo seen at right. Shown below is a photo of the model sustainable home created to raise awareness about energy efficiency at the fair.

Since the fair, the SD Team has been working on a number of projects. These include developing a recycling program, a Concentrator SD audit program and a communications plan. The plan included development of:

- Sustainable Development and energy efficiency training
- An SD wallet card and brochure
- Guidance on compact fluorescent light bulb usage and proper disposal
- Information packets for elementary school students



Bingham – Magna Ditch

Kennecott Utah Copper is working with the United States Environmental Protection Agency (EPA) and the Utah Department of Environmental Quality (UDEQ) to continue remediation of the historic Bingham-Magna Ditch. The 17-mile ditch was used by the Utah Copper Corporation (a predecessor of Kennecott Utah Copper) to transport wastewater from the Bingham Mine to mining mills in Magna during the 1930s. The ditch was abandoned and filled with topsoil by 1940, and only rediscovered in recent years.

Starting in summer 2007, KUC environmental experts went door to door to inform residents of the ditch and offered to conduct sampling of their yards. Results from those samples show that arsenic concentrations in surface soil are well below the EPA-approved levels for the Bingham-Magna Ditch, except at one location, where Kennecott has completed removal of contaminated soils.

"After two years we want every Concentrator employee to be able to speak as knowledgeably about SD as they do now about safety."

Deb Sonntag
SD Team Leader

Kennecott is also remediating the ditch in open spaces to assure that the ditch sediments are not dug up without proper precaution. Kennecott will report all of the information collected from its investigation in a final report to EPA and UDEQ by March 2008.

Environmental Stewardship

- Maintain KUC's ISO 14001 Environmental Management System (EMS) registration.
- Make material progress towards achieving KUC's goal of a 16% reduction in greenhouse gas emissions per ton of product between 2003 and 2008.
- Demonstrate leadership in energy efficiency by actively engaging with community groups, regulators and business partners in the Salt Lake Valley.
- Remediate the site of the Old Bingham Middle School in Copperton.
- Complete Bingham-Magna Ditch remediation.



KUC has self-imposed environmental targets that drive a process of continual environmental performance improvement. The tables below and on the next page summarize how KUC is performing against its targets.

2007 Environmental Targets

Target	Result	Comment
Zero significant spills.	✓	There were no significant spills in 2007. (A significant spill may require resources from other locations and/or involvement of outside agencies.)
Re-certification of ISO 14001 Environmental Management System.	✓	ISO 14001 Environmental Management System (EMS) was implemented throughout KUC and re-certified in 2007. (ISO 14001 is a management system utilized to demonstrate KUC's commitment to environmentally responsible production.)
Implementation of ISO 9001 Quality Management System.	✓	ISO 9001 Quality Management System (QMS) was certified in September 2007 for copper cathode produced at the Refinery. (ISO 9001 is a Quality Management System Standard utilized to meet customer expectations for product quality.)

✓ Target met ✗ Target not met

Being recognized with LEED certifications demonstrates Kennecott's commitment to Sustainable Development.

Green Building

In 2007, the U.S. Green Building Council (USGBC) awarded KUC a LEED Silver Certification for the Kennecott Mine Administration Building and LEED Certification for the Bingham Canyon Mine Visitor Center. The USGBC's Leadership in Energy and Environmental Design® (LEED) Green Building Rating System™ certifies buildings where preventative measures have been taken to reduce environmental impacts. Such measures include the use of recycled materials, increased use of daylight, reduced water and energy consumption, and innovative design.

The Bingham Canyon Mine Administration Building houses 55 employees who manage the mine. The Bingham Canyon Mine Visitor Center has welcomed more than 2.5 million visitors since 1992.



"Our employees take pride in the fact that they work in energy efficient buildings that will meet our needs for many years."

Ted Himebaugh
General Manager,
Bingham Canyon Mine

2008 Environmental Targets

Target	Trend	Comment
Reduction by 14% in energy used per tonne of copper product between 2003 and 2008. KUC contributes 22% of the total Rio Tinto 5% reduction target.	✓	<i>KUC has made progress toward the 2008 energy reduction target and has a number of projects in the works that will improve energy efficiency and product recovery. These projects include reducing diesel consumption at the Bingham Canyon Mine and installation of pebble crushers and advanced flotation cells at the Copperton Concentrator.</i>
Reduction by 16% in greenhouse gas emissions per tonne of copper product between 2003 and 2008. KUC contributes 25% of the total Rio Tinto 4% reduction target.	✓	
Limit to 3% increase in freshwater withdrawn per tonne of copper product between 2003 and 2008. KUC's contribution to the total Rio Tinto 10% reduction target is relatively small.	✓	<i>KUC has made progress in limiting fresh water withdrawal, and while we are currently off trajectory to meet this target, additional water reductions and increased copper production is expected to result in improvement towards achieving the target.</i>

✓ On trajectory ✓ Behind trajectory



Inland Sea Shorebird Reserve 10th Anniversary

Kennecott Utah Copper celebrated its 10th year anniversary of the Inland Sea Shorebird Reserve (ISSR) on August 31, 2007. Hundreds of Rio Tinto employees, contractors, and their families attended. The program included bird watching field trips as well as children's activities.

The ISSR was built to mitigate the expansion of our North Tailing Impoundment. KUC purchased severely scarred land near Great Salt Lake and transformed it into a wetland reserve that provides feeding, staging and breeding habitats for thousands of migratory birds.

Our efforts at mitigation were so successful that we expanded the facility from 2,500 to 3,670 acres to create one of the largest wetland mitigation banks in the United States. The ISSR received an international environmental award in 1999 from the Association of Engineering Geologists.

KUC has been celebrating a Bird Watching Week every year since its inception. In fact, all Rio Tinto business units celebrate a bird day or bird week as part of a project called Birds and the Environment developed between Rio Tinto and BirdLife International.

Birds are important indicators of environmental quality, biodiversity and sustainable land-use practices, as well as providing a powerful focus for engaging employees and local communities.



Shorebirds above clockwise: American Avocets, a flock of Long-Billed Dowitchers, and a Burrowing Owl.

Building a nest isn't as easy as the birds make it look. Nest building was one of the activities at the ISSR 10th anniversary celebration.





KUC Mine Rescue Competition Team readies for high angle rescue scenario at a competition in Elko, Nevada.

The Kennecott Mine, Smelter, Concentrator and Power Plant all won Awards of Merit in 2007. The Utah Safety Council recognizes organizations for exceptional safety results and maintaining better rates than the industry average.

"This award reflects safety as one of our core values by demonstrating that every employee takes responsibility for their actions on a daily basis."

Frank Klobchar
Safety and Health Manager,
Kennecott Utah Copper

SCHOLARSHIPS

Kennecott awards thousands of dollars in scholarships. For more information on these programs, visit kennecott.com.

Health & Safety

KUC is committed to continually improving health and safety performance in order to ultimately achieve a sustained zero incident workplace. KUC believes this goal can be achieved through the development of an interdependent safety culture supported by global best practice systems and management.

In 2007, KUC recorded its lowest ever All Injury Frequency Rate (AIFR)² of 1.31. In addition, it recorded its second-lowest ever Lost Time Injury

Frequency Rate (LTIFR)³ of 0.41. This is six times better than the industry average of 2.5. These rates include statistics from both our employees and all of the approximately 1,200 contractors who work onsite.



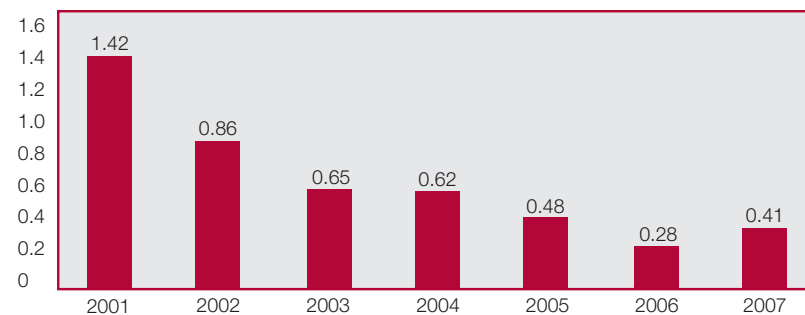
In addition to safety standards, procedures and management systems, KUC also has an advanced occupational health program, which includes workplace

exposure risk management, fitness for duty evaluations, personal exposure monitoring, and employee medical surveillance systems.

Earthquake Information Center

Kennecott Utah Copper committed \$600,000, our largest single donation ever, toward a new Earthquake Information Center at the University of Utah. The center will be the regional site for earthquake tracking and study for Utah and parts of Idaho, Wyoming, and Yellowstone National Park.

Lost Time Injury Rates for Kennecott Utah Copper



² All Injury Frequency Rate is the rate of occurrence of All Injuries per 200,000 hours worked.

³ Lost Time Injury Frequency Rate is the rate of occurrence of Lost Time Injuries per 200,000 hours worked.

After

Crews completed demolition of the Bonneville Crushing and Grinding complex, as well as the North Concentrator. These iconic buildings had loomed over Magna since the 1960s. Ten million dollars was spent on this work. Replanting will begin in the spring of 2008.

Before



"The Kennecott Companies continue to act on their concern for education and demonstrate their dedication to the community through their unprecedented gift to establish the Kennecott Earthquake Information Center," said Frank Brown, dean of the College of Mines and Earth Sciences. "Kennecott provides an excellent example of ways in which private enterprise can profoundly impact not only the University, but also the community as a whole."

The 2,250-square-foot Kennecott Earthquake Information Center will be housed in the new Frederick Sutton Building and is scheduled for completion in February 2009. "Kennecott is proud of our historic relationship with the University of Utah and, in particular, the College of Mines and Earth Sciences," said Andrew Harding, president of Kennecott Utah Copper. "The Earthquake Information Center has a well-deserved, regional reputation for its expertise in seismic study and earthquake tracking."

The Kennecott Earthquake Information Center will serve as the nerve center for reports on local earthquake activity, providing information to emergency managers, the news media, and the general public.



2008 Goals

Social Well-Being

- Ensure zero fatalities. To achieve a target of zero injuries we set annual continuous improvement targets. For 2008, the target All Injury Frequency Rate is 1.06.
- Continue to work collaboratively with all of our stakeholders.
- Focus corporate contributions on education, environment, community and human development.
- Require all employees to have personal Health, Safety and Environment plans to demonstrate their commitments in these areas.

EMPLOYMENT

Kennecott offers a range of employment opportunities and is always looking for qualified individuals. If you are interested, visit the career section of kennecott.com.



Resource Development

The Resource Development Group commenced the Keystone project in 2007 with the purpose of investigating and defining mining options beyond the existing mine plan of 2019. The team is currently evaluating the open pit resources and developing a potential mine design. As part of the process, this work involves drilling rock core to provide geological and geotechnical data such as ore grades, rock strength and geological structures. Another part of the work involves recovering the North Ore Shoot shaft, which has not been used since the 1980's. This will provide access to underground platforms and enable further exploration of underground ore resources.

Business Improvement – Six Sigma

Forty one improvement projects were completed in 2007 contributing more than \$44.7 million in value. More than 100 employees completed the 120-hour, data-driven Six Sigma curriculum, with 55 being certified as Green Belt business improvement practitioners. More than 300 employees participated in a 16-hour course on Lean Principles. Lean involves eliminating waste and creating continuous flow in Kennecott's processes. An additional 217 employees participated in an eight-hour 5S workshop. 5S is a process to achieve and sustain a clear, clean, safe, and organized workplace. There are currently over 55 Lean improvement activities underway across Kennecott Utah Copper. Approximately

35 percent of the participants in the Kennecott-led Business Improvement training are from 15 other business units within Rio Tinto North America. Looking ahead, Kennecott will continue to leverage Lean Six Sigma as a key aspect of its business improvement effort.

ISO 9001 Certification

Kennecott Utah Copper achieved ISO 9001 certification in September 2007 for its electro-refining process. This process converts an anode, which is 99% copper to a cathode, which has a purity of 99.9999%. ISO 9001 is a

Quality Management System (QMS) that ensures copper cathode is produced with a focus on quality, innovation and customer satisfaction. Starting in January 2009, the London Metal Exchange (LME) will require copper producers to be ISO 9001 certified. This certification will allow us to trade copper on the LME if market conditions change.

This was a Six Sigma project that included team members from the Refinery as well as the Sales and Transportation Department. Six Sigma is Kennecott's

primary approach to problem solving and business improvement. It focuses on identifying, assigning and completing projects to continually improve business performance.

"The ISO 9001 certification is another demonstration of Kennecott's commitment to customer satisfaction and continuous improvement."

Janna Hardman
Six Sigma Project Lead

2008 Goals

Economic Prosperity

- Continue to focus on integrating sustainable development into all business decisions.
- Reinvest in the business by completing the following improvement projects:
 - Upgrade pit dewatering system at the mine
 - Upgrade shovels at the mine
 - Pre-stripping to expand open-pit mine
 - Bulk Flotation project at the concentrator
 - Central Distribution Center
 - Fixed Rail Conveyor System at the refinery
- Award scholarships valued at \$210,000 to students studying the disciplines critically needed for mining at University of Utah, Brigham Young University, Utah State University, Westminster College, and Weber State University.

Key Financial Statistics	2005	2006	2007
Total Sales (in millions)	\$2,134	\$2,837	\$3,546
Net Profits (in millions)	\$1,037	\$1,804	\$1,625
Key Production Statistics ⁴	2005	2006	2007
Copper Production (in cathodes)	255,700 short tons (232,000 metric tonnes)	240,200 short tons (217,900 metric tonnes)	292,800 short tons (265,600 metric tonnes)
Gold Production	368,500 troy oz	462,300 troy oz	522,800 troy oz
Silver Production	3,538,000 troy oz	4,152,000 troy oz	4,365,000 troy oz
Molybdenum Production	17,178 short tons (15,584 metric tonnes)	18,486 short tons (16,770 metric tonnes)	16,431 short tons (14,906 metric tonnes)

For information on Rio Tinto's financial performance see riotinto.com.

⁴ Does not include purchased production.

Upper: A 400 troy ounce gold bar with a stamp of quality – 999.9 Fine.

Lower: A stack of copper cathode being loaded into a rail car for shipment.



In 2007, the Visitors Center hosted 170,000 visitors, an increase of about 21,000 from 2006, and donated more money back to the community than any other year in the Foundation's history.

Corporate Programs and Community Support

Kennecott Utah Copper supports and partners with local charities, non-profit organizations and community groups, especially those in Salt Lake and Tooele Counties, near our operations. These partnerships and programs are aligned with KUC's Business Plan and are part of the company's Sustainable Development Program, designed to promote an economically strong, productive, and responsible company in concert with a safe, vibrant community, and a clean environment.

In 2007, KUC donated \$250,000 in matching funds to assist homeless families at The Road Home. In addition, the Corporate Program funded more than \$1.6 million in community support programs and partnerships. This includes funding Kennecott's Earthquake Information Center at the University of Utah and the Magna Ethnic and Mining Museum, donating copper to the Fallen Officer's Memorial, and sponsoring the Tracy Aviary's Wetland Emersion Experience.

The KUC Visitors Center Charitable Foundation donated \$130,000 to support more than 100 local community charities. The Foundation raises money through tax-deductible entrance fees to the Bingham Canyon Mine Visitors Center. In 2007, the Visitors Center hosted 170,000 visitors, an increase of about 21,000 from 2006, and donated more money back to the community than any other year in the Foundation's history. The Foundation has donated more than \$2.5 million to local community charities and non-profit organizations since its founding in 1992. KUC rounded out the year with the Thanksgiving Food Drive and Sub-for-Santa program where KUC, Kennecott Land Company and Rio Tinto employees donated more than 2,500 food items and 5,500 toys benefiting hundreds of less-fortunate families. The company also pays millions of dollars

in wages, salaries and benefits to employees, makes payments to vendors and suppliers, and pays taxes to finance schools, roads and social services. The amounts are summarized at left.



Above: Kids decorating educational projects at the Inland Sea Shorebird Reserve.

Communities and Employees	2005	2006	2007
Employee Costs & Benefits (in millions)	\$193 ⁵	\$168	\$186
Other Payments for Goods & Services (in millions)			
Local	\$405	\$437	\$438
State of Utah	\$30	\$68	\$50
National	\$231	\$339	\$635
International	\$41	\$36	\$62
Total	\$900	\$1,048	\$1,371

⁵ While employee costs and benefits increased from 2005 to 2006, a transfer of pension funds in 2005 resulted in a higher number for that year.

Corporate Donations 2007

Corporate Giving	\$1,648,695
Charitable Foundation	\$138,500
Employee Matching Gifts	\$22,148

2007 total contributions from Kennecott Utah Copper were \$1,809,343.



Kennecott Utah Copper Smelter

The KUC Smelter is one of the most technologically advanced, energy efficient and cleanest copper smelters in the world. The Smelter uses waste heat from its smelting and acid making processes to co-generate about 22 megawatts of electricity, equivalent to 60 percent of its total energy needs. The Smelter also captures 99.9% of the sulfur released during the smelting process.

Energy

Kennecott Utah Copper has launched a major effort to reduce its energy and greenhouse gas emissions, secure a stable long term energy supply and explore renewable energy options. To accomplish this, KUC created partnerships and joined several government and industry alliances. These include:

Blue Ribbon Advisory Council on Climate Change (BRAC) – A forum created by Governor Jon Huntsman Jr. comprised of government, industry, environment, and community representatives. The Council was responsible for developing State energy policy options to encourage conservation and provide market-based incentives for emission reductions.

The Climate Registry – A voluntary reporting system for greenhouse gas (GHG) emissions developed in collaboration with 39 states, including Utah, five provinces and three tribes. KUC and sister company Kennecott Land joined the Climate Registry as founding members. Joining the registry is significant because it enables companies to voluntarily inventory,

The overarching objective is to reduce energy costs and enhance the sustainability and reliability of our energy supply.

verify and publicly report greenhouse gas emissions (GHG) on a national level while transparently communicating environmental impacts. “By joining the Registry now before greenhouse gasses are regulated, we hope to gain valuable experience in publicly reporting independently certified greenhouse gas emissions from our operations,” said Steve Sands, KUC’s Energy Director.

US Climate Action Partnership – Rio Tinto joined the US Climate Action Partnership, an alliance of major businesses and environmental groups that encourage federal policy to reduce GHG emissions.

Other ways that Kennecott Utah Copper is working to reduce energy use:

Energy Efficiency Policy – Kennecott Utah Copper CEO Andrew Harding instituted a comprehensive Energy Efficiency Policy aimed at achieving energy conservation and securing reliable energy supplies to meet the needs of current and future mining operations. “The combination of rising fuel prices and the impact of energy on production means we are under increasing pressure to improve our energy efficiency and look to alternative energy sources,” said Harding.

Employee Energy Incentive – KUC has tied a part of its employee bonus pay to energy by offering extra incentives to those who provide useful energy efficiency ideas and complete energy projects.

Hybrid Vehicles – As fleet vehicles age, they are being replaced with hybrid vehicles and sedans that are more fuel efficient.

Alternative Energy – KUC is evaluating supplemental power generation options such as additional combined heat and power co-generation, solar, wind and hydro-electric generation.

Researching Climate Impacts on Land – KUC has partnered with The Nature Conservancy to study the impacts of climate change by performing research at Dugout Ranch in southern Utah.



Closure Planning

While Kennecott Utah Copper is exploring expansion options to extend the life of the mine past its current estimate of 2019, it is also diligently planning for eventual mine closure. Closure planning is a key component of Sustainable Development. It enables the company to manage business risks, control costs, and anticipate impacts to the environment, employees, and communities.

As we look at expansion options and new technologies for land reclamation and water quality, the closure plan will be reviewed and updated in accordance with our commitment to continuous improvement.



Proper training and management systems are critical to keep employees safe. They are one of the governance structures in place.



Daybreak

Daybreak is the first community developed by Kennecott Land Company. It is situated on 4,126 acres in South Jordan City where 20,000 homes are planned. To date, more than 1,500 have been built. Daybreak is a walkable community with miles of trails, bike paths, open space and parks. It offers amenities including Oquirrh Lake and the Daybreak Elementary School and Community Center. For more information, visit daybreakutah.com.

Future Communities

Fueled by strong market demand, high metal prices and improving technology, Rio Tinto announced in December of 2007 that the Bingham Canyon Mine could extend operations to 2036, continuing to provide jobs and economic growth to Utah for the next three decades. In addition, Kennecott Exploration announced plans to investigate additional mineral opportunities in the Oquirrh Mountains.

As a result, Kennecott Utah Copper (KUC) and Kennecott Land Company (KLC) agreed to re-focus the approach to entitling and developing the West Bench. During the next several years, a joint KLC and KUC team will advance feasibility studies on the West Bench to determine the prospect of developing on land that is currently used as buffer land. The results of these studies will guide Rio Tinto decisions for the West Bench. During these studies, Kennecott Utah Companies will work closely with west side jurisdictions and Salt Lake County.

The vision for the West Bench is a long-term strategy with strong sustainable attributes that are core to Rio Tinto values. Kennecott's vision for sustainable communities remains intact, but the timing or confirmation of additional communities is unclear.

For additional information about Sustainable Development at Kennecott Utah Copper, please contact:
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Kennecott Land

Aligned with Rio Tinto's long-term approach to conducting business, Kennecott Utah Copper began exploring the idea of using some of the company's 43,000 acres of non-mining land to develop communities. In 2001, Kennecott Land Company was established with the goal of creating enduring and sustainable communities on the West Bench.



Summary of Sustainable Development Performance Data

Social	2005	2006	2007
Employees	1,505	1,672	1,815
Fatalities	0	0	0
Lost Time Injury Frequency Rate (LTFIR)	0.48	0.28	0.41
All Injury Frequency Rate (AIFR)	1.42	1.65	1.31
New cases of occupational illness (per 10,000 employees)	0	0	0
Environment			
Environmental Management System (EMS) certification – ISO 14001	Yes	Yes	Yes
Quality Management System (QMS) certification – ISO 9001	No	No	Yes
Energy use (million GJ) ⁶	18.63	19.52	21.04
Greenhouse gas emissions – total (million tonnes CO ₂ -equivalent)	1.89	1.84	1.90
Freshwater consumption (mega liters)	4,235	4,192	4,255
Land disturbed ⁷ (hectares)	5,415	5,314	5,262
Land rehabilitated ⁸ (hectares)	3,561	3,672	3,749
Waste generation – mineral ⁹ (million tonnes)	6,233	6,358	6,503
Waste generation – non mineral ¹⁰ (million tonnes)	0.176	0.213	0.255
NOX emissions (short tons)	6,129	6,417	6,654
SOX emissions (short tons)	3,435	3,391	3,695
Particulate matter emissions (short tons)	2,979	3,331	3,682 ¹¹
Economic			
Total sales (US\$ millions)	\$2,134	\$2,837	\$3,546
Net profits (US\$ millions)	\$1,037	\$1,804	\$1,625
Employee Costs and Benefits (US\$ millions)	\$193 ¹²	\$168	\$186
Corporate Donations	\$663,000	\$782,000	\$1,809,000

Note about 2007 Environment Performance Data:

In 2007, we received approval from Rio Tinto to expand Bingham Canyon Mine beyond 2019 and continue to provide jobs and contributions to the local economy. However, to reach the ore we had to increase stripping of overburden. This in turn increased our mineral waste, water use and air emissions. In addition, we proactively demolished the Bonneville Crushing and Grinding complex and North Concentrator, and began reclamation. This involved removal of large amounts of steel, asphalt and concrete. Although most of this material was recycled, it is still reported as non-mineral waste.

⁶ Energy and GHG based on total onsite usage and purchased power.

⁷ Land disturbed for mining, processing and related activities that is not currently rehabilitated.

⁸ Land disturbed for mining that was later rehabilitated. The objective is to manage land with minimum disturbance and to rehabilitate disturbed land as soon as practicable.

⁹ The portion of mined geological resource that is not shipped from the operation as product nor generated by processing activities.

¹⁰ Non-mineral waste includes industrial and workshop wastes, scrap steel, tires, and municipal wastes.

¹¹ Estimated emissions. Final numbers will be provided to the Utah Division of Air Quality by April 15, 2008.

¹² While employee costs and benefits increased from 2005 to 2006, a transfer of pension funds in 2005 resulted in a higher number for that year.

"As a key player in the economic, social and environmental future of the Salt Lake Valley, we are committed to integrating Sustainable Development into everything we do."

Andrew Harding

President and CEO, Kennecott Utah Copper

AWARD HIGHLIGHTS:

2007

The Utah Safety Council presented Kennecott's Bingham Canyon Mine, Smelter, Concentrator and Power Plant with Awards of Merit. The Award of Merit is presented to companies for outstanding quality in occupational safety and health programs.

Barneys Canyon Mine won the Mine Safety and Health Administration Rocky Mountain District Safest Mine Achievement Award for their safety performance.

2006

The Kennecott Bingham Canyon Mine and Copperton Concentrator were recognized for their outstanding safety performance by receiving Awards of Merit from the Utah Safety Council. This award is given to facilities that achieve three years of continual safety improvement and sustain a level that outperforms industry standards.

2005

Bingham Canyon Mine was awarded the Utah Manufacturer Association's Workplace Safety Award for employees and contractors who worked over 3.2 million hours without a Lost Time Injury.



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