COMPANY NUMBER 1599006

RIO TINTO TALC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

July 2006

DIRECTORS:	Mr R P Dowding Mr D Larsen (appointed 1 January 2006) Mrs A V Lawless Mr C H H Lawton Mr C Lenon Mr I C Ratnage
SECRETARY:	Miss S A Morley
REGISTERED OFFICE:	6 St James's Square London SW1Y 4LD
AUDITORS:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

REPORT OF THE DIRECTORS

The directors present their report, together with the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Rio Tinto Talc Limited is a wholly owned subsidiary of Rio Tinto plc ("Rio Tinto"). The Company is an investment holding company for the Rio Tinto Group and will continue to be so for the foreseeable future.

Details of the principal subsidiaries at 31 December 2005 are given on page 12.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2005 are set out on page 7.

The Company's profit for the financial year is £708,000 (2004: loss of £1,679,000).

No interim dividend was paid during the year (2004 - £nil). The directors do not recommend the payment of a final dividend (2004 - £nil).

FINANCIAL RISK MANAGEMENT

The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Rio Tinto Group companies.

Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

Liquidity Risk

The Company finances its operations through a combination of retained profits, new share issues and intercompany loans.

Interest Rate Risk

To the extent that the Company enters into intercompany loan agreements, the Company exposure to interest rate risk arises on those loans on which interest is charged at US Libor. The Company does not participate in interest rate hedging.

Credit Risk

Credit risk arises on the balances receivable from other members of the Rio Tinto Group. No material exposure is considered to exist in respect of intercompany balances.

INDEMNITIES AND INSURANCE

Rio Tinto plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance.

The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

REPORT OF THE DIRECTORS continued

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. Mr M R Merton resigned as a director on 31 December 2005. Mr D Larsen was appointed as a director on 1 January 2006.

DIRECTORS' INTERESTS

The directors who held office as at 31 December 2005 and whose interests are not reported in the financial statements of a parent company had the following interests in the ordinary shares of Rio Tinto plc, the ultimate parent company, as recorded in the register required to be kept by Section 325 of the Companies Act 1985:

	Ordinary shares of 10p each of Rio Tinto		Options over ordinary shares of 10p each of Rio Tinto				Long term incentive plans [3]	
	01.01.05[1]	31.12.05	01.01.05	Granted	Exercised	31.12.05[2]	01.01.05[1]	31.12.05
R P Dowding	6,331	6,202	7,618	1,792	149	9,261	1,178	2,970
C H H Lawton	33,775	31,198	101,875	17,780	50,636	69,019	41,033	50,783

1 *Or date of appointment, if later.*

2 Options cancelled during the year are not shown above and as such the options figure for the year end will not necessarily be equal to the sum of the opening figure and the options granted, less the options exercised.

3 Represents the maximum number of ordinary shares in Rio Tinto that may be awarded to the directors at a future date as a result of their participation in the Mining Companies Comparative Plan. For further information regarding Rio Tinto's long-term incentive plans, including the Mining Companies Comparative Plan, please see the Rio Tinto Annual Report and financial statements.

The directors held no other interests in the Company or in any other Rio Tinto Group companies.

The directors are also deemed to have an interest in a trust fund containing 835 Rio Tinto ordinary shares at 31 December 2005 (1 January 2005 – 8,219 ordinary shares) as potential beneficiaries, together with other Rio Tinto Group employees.

No director had a material interest in any contract or arrangement during the year to which the Company or any subsidiary is or was a party.

AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the Company in general meetings and the appointment of auditors are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been re-appointed at the end of the period of 28 days beginning on the day on which copies of this report and financial statements are sent to members unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

REPORT OF THE DIRECTORS continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

SAMorley

S A Morley
Secretary

6 St James's Square
London SW1Y 4LD

18 July 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO TALC LIMITED

We have audited the financial statements of Rio Tinto Talc Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

18 July 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £000	2004 £000
Income from shares in subsidiary undertakings		-	150
Operating profit	2	-	150
Decrease/(Increase) in impairment provisions against investment in subsidiary undertaking		2,300	(700)
Interest payable	3	(2,275)	(1,613)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		25	(2,163)
Taxation on profit/(loss) on ordinary activities	4	683	484
Retained profit/(loss) for the year		708	(1,679)
MOVEMENT IN (ACCUMULATED LOSSES) / RETAINED EARNINGS			
At 1 January		(1,372)	307
Retained profit/(loss) for the year		708	(1,679)
At 31 December		(664)	(1,372)

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

All items dealt within the above profit and loss account relate to continuing operations.

The notes on pages 9 to 14 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
FIXED ASSETS			
Investments	5	50,421	48,121
CURRENT ASSETS			
Debtors	6	683	484
CREDITORS: Amounts falling due within one year	7	(50,941)	(49,150)
NET CURRENT LIABILITIES		(50,258)	(48,666)
NET ASSETS/(LIABILITIES)		163	(545)
CAPITAL AND RESERVES			
Called up share capital	8	827	827
Profit and loss account	9	(664)	(1,372)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		163	(545)

The financial statements on pages 7 to 14, were approved by the Board of Directors on 18 July 2006 and signed on its behalf by:

D S Larsen, Director

The notes on pages 9 to 14 form part of these financial statements.

NOTES TO THE 2005 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. The principal accounting policies are set out below.

Changes in accounting policies

The Company has adopted FRS 21, 'Events after the balance sheet date' in these financial statements. However, there has been no impact in the current year, or prior year, financial statements of the adoption of this standard.

In addition, the Company has adopted paragraphs 15-50 of FRS 25, 'Financial instruments: disclosure and presentation', being those paragraphs relating to presentation only, in these financial statements. However, there has been no impact in the current year, or prior year, financial statements of the adoption of this standard.

b) Reporting Currency

The principal currency affecting Rio Tinto's international operations is the US dollar, and all financing provided to / by the Company is denominated in the US dollar. Accordingly, the directors regard the US dollar as the principal currency affecting the Company's own cashflows. As a result, the financial statements are presented in US dollars. The year end exchange rate was US$1.73 : £1 (31 December 2004 US$1.93 : £1).

c) Interest Income

Interest is accounted for on an accruals basis. Interest receivable from subsidiary undertakings registered overseas is presented inclusive of any overseas withholding tax.

d) Investment Income

Income from investments is recognised when the right to receive payment is established. Dividends from subsidiary undertakings registered overseas are presented inclusive of any overseas withholding tax.

e) Investments

Fixed asset investments are valued at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the Company's weighted average cost of capital, with appropriate adjustment for the risks associated with the relevant unit.

NOTES TO THE 2005 FINANCIAL STATEMENTS *continued*

1. ACCOUNTING POLICIES (Continued)

f) Deferred Taxation

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

g) Group Financial Statements

Group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company incorporated in England and Wales. In the opinion of the directors, the aggregate value of the assets of the Company consisting of shares in, and amounts owing from, its subsidiary companies is not less than the aggregate amount at which those assets are included in the balance sheet.

h) Currency Translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Exchange differences, except where they relate to share capital, share premium and reserves, are dealt with in the profit and loss account.

i) Taxation

Payment is made for group relief claimed only to the extent that a corresponding receipt has been claimed by the company surrendering the tax losses. In most cases, the Company does not pay for, or receive payment for, any group relief claimed from, or surrendered to, other Group companies.

j) Reporting Format

The Company acts as an investment holding company, and hence the dividends received from investee companies and any impairment provisions against investments are presented as operating items.

2. OPERATING PROFIT

a) The auditors' remuneration is borne by a fellow group undertaking (2004 – £nil).

b) The average number of persons employed during the year, excluding directors, was nil (2004 – nil).

c) No emoluments were paid to any of the directors in respect of their services to the Company (2004 – £nil).

NOTES TO THE 2005 FINANCIAL STATEMENTS continued

3. INTEREST PAYABLE

	2005 £000	2004 £000
Interest payable to group companies	2,275	1,613

4. TAXATION

The tax credit based on the result for the year is made up as follows:

	2005 £000	2004 £000
Current tax:		
UK corporation tax on loss of the year	(683)	(484)
Tax on loss on ordinary activities	(683)	(484)

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £000	2004 £000
Profit/(Loss) on ordinary activities before tax	25	(2,163)
Loss on ordinary activities multiplied by standard rate of tax in the UK 30% (2004: 30%)	7	(649)
Effects of:		
Expenses not deductible for tax purposes	-	210
Other income not chargeable to UK tax	(690)	(45)
Current tax credit for the year	(683)	(484)

5. INVESTMENTS IN SUBSIDIARIES

	2005 £000	2004 £000
Cost		
At 1 January	61,921	61,921
Additions	-	-
At 31 December	61,921	61,921
Provision		
At 1 January	13,800	13,100
(Released)/Charged in the year	(2,300)	700
At 31 December	11,500	13,800
Net book value at 31 December	50,421	48,121

NOTES TO THE 2005 FINANCIAL STATEMENTS continued

5. INVESTMENTS IN SUBSIDIARIES (Continued)

The impairment provision relates to two subsidiary undertakings involved in the mining of talc. It has been calculated so as to ensure that the carrying value of the relevant assets are the same as the present value of expected future cash flows relating to those assets. The impairment provision is reviewed annually and any change in the provision required is released/charged through the profit and loss account. The discount rates used in calculating the present value of expected future cash flows were derived from the Company's weighted average cost of capital, with appropriate risk adjustments, and are consistent with 2004. When adjusted to include inflation and grossed up at the UK tax rate of 30% for 2005 (2004: 30%), the discount rate applied was equivalent to 10%.

The following information relates to the Company's principal subsidiaries at 31 December 2005:

Company	Country of incorporation	Class of shares held	% held	Principal activities
Luzenac Val Chisone SpA	Italy	Ordinary shares of €1	99.51	Mining
Luzenac Micro Milling Limited	England and Wales	Ordinary shares of £1	100	Mineral processing
Luzenac Sierra SA de CV (formerly known as Luzenac de Mexico SA)	Mexico	Ordinary shares of MXP 1	100	Mining
Luzenac Borax et Mineraux SA	France	Ordinary shares of €38.15	100	Holding company
and through Luzenac Borax et Mineraux SA				
- Talc de Luzenac SA	France	Ordinary shares of €15	100	Mining
- Borax Francais SA	France	Ordinary shares of €15.25	100	Mineral processing
- Luzenac SET SA	Spain	Ordinary shares of €1000	100	Mining
- Luzenac Naintsch GmbH	Austria	Ordinary shares of €72.67	100	Mining

NOTES TO THE 2005 FINANCIAL STATEMENTS continued

6. DEBTORS

	2005 £000	2004 £000
Amounts receivable from group undertakings	683	484

7. CREDITORS: *Amounts falling due within one year:*

	2005 £000	2004 £000
Amounts owed to parent undertaking	50,911	49,120
Amounts owed to fellow subsidiary undertaking	30	30
	50,941	49,150

8. SHARE CAPITAL

	2005 £000	2004 £000
Authorised: 1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued, called-up and fully paid: 826,828 ordinary shares of £1 each	827	827

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2005	827	(1,372)	(545)
Profit/(Loss) for the year	-	708	708
At 31 December 2005	827	(664)	163

10. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The financial statements do not include a cash flow statement because the Company is a wholly owned subsidiary and the conditions of FRS 1 exempting inclusion are satisfied. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Rio Tinto Group or investees of the Rio Tinto Group.

NOTES TO THE 2005 FINANCIAL STATEMENTS continued

11. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Rio Tinto Overseas Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Rio Tinto plc consolidated financial statements can be obtained from its registered office at 6 St James's Square, London, SW1Y 4LD.