

COMPANY NUMBER 01599006

RIO TINTO TALC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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COMPANIES HOUSE

October 2007

DIRECTORS

Mr R P Dowding
Mr D S Larsen
Mr C H H Lawton
Mr C Lenon
Mr B J S Mathews
Mr I C Ratnage

SECRETARY

Miss L A M Jackson

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 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Rio Tinto Talc Limited is a wholly owned subsidiary of Rio Tinto plc and is an investment holding company for the Rio Tinto Group

Details of the principal subsidiaries at 31 December 2006 are given on page 12

The Company does not produce consolidated financial statements as its results are consolidated into the financial statements of the Rio Tinto Group. The company's results from year to year are highly sensitive to the timing of dividend flows and of movements in provisions, and do not necessarily reflect the performance of its group undertakings. The loss for the financial year was £11,918,000 (2005 profit of £708,000)

No interim dividend was paid during the year (2005 - £nil). The directors do not recommend the payment of a final dividend (2005 - £nil)

FUTURE DEVELOPMENTS

The company's future developments are integrated with those of the Rio Tinto Group which are discussed in its 2006 Annual report and financial statements which do not form part of this report

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal risks and uncertainties are integrated with those of the Rio Tinto Group and are not managed separately. The Group's risk factors and policies for financial risk management are also discussed in its 2006 Annual report and financial statements which do not form part of this report

KEY PERFORMANCE INDICATORS

The Company's directors are of the opinion that there are no meaningful financial or non financial key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. Mr D S Larsen was appointed as a director on 1 January 2006. Mrs A V Lawless resigned as director on 31 July 2007. Mr B J S Mathews was appointed director on 1 August 2007

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for that period. The financial statements have been prepared on the going concern basis as the directors have satisfied themselves that the company has access to adequate financial resources to continue in operational existence for the foreseeable future

REPORT OF THE DIRECTORS (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)**

The directors consider that the 2006 Annual report and financial statements present a true and fair view and have been prepared in accordance with applicable accounting standards, using the most appropriate accounting policies, and supported by reasonable and prudent judgements and estimates. The accounting policies have been consistently applied.

The directors are responsible for maintaining proper accounting records in accordance with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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.

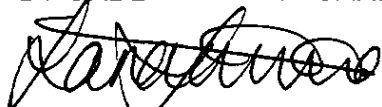
AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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.

Each of the directors at the time this report was approved has confirmed that

- so far as he or she is aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the auditors are unaware, and
- he or she has taken all steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

BY ORDER OF THE BOARD



L A M Jackson
Secretary

6 St James's Square
London SW1Y 4LD
3 October 2007

**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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

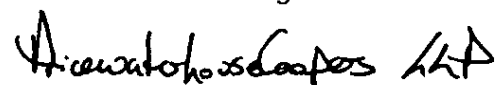
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 October 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

| | Note | <u>2006</u> £000 | <u>2005</u> £000 |
|---|------|---------------------|---------------------|
| (Increase)/decrease in impairment provisions against investment in subsidiary undertaking | | (9,592) | 2,300 |
| Interest payable | 3 | <u>(2,326)</u> | <u>(2,275)</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (11,918) | 25 |
| Taxation on (loss)/profit on ordinary activities | 4 | <u>-</u> | <u>683</u> |
| Retained (loss)/profit for the year | 9 | <u>(11,918)</u> | <u>708</u> |

MOVEMENT IN ACCUMULATED LOSSES

| | | |
|-------------------------------------|-----------------|--------------|
| At 1 January 2006 | (664) | (1,372) |
| Retained (loss)/profit for the year | <u>(11,918)</u> | <u>708</u> |
| At 31 December 2006 | <u>(12,582)</u> | <u>(664)</u> |

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 8 to 12 form part of these financial statements

BALANCE SHEET AS AT 31 DECEMBER 2006

| | Note | <u>2006</u> £000 | <u>2005</u> £000 |
|---|------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Investments | 5 | <u>40,829</u> | <u>50,421</u> |
| CURRENT ASSETS | | | |
| Debtors | 6 | 683 | 683 |
| CREDITORS Amounts falling due within one year | 7 | <u>(53,267)</u> | <u>(50,941)</u> |
| NET CURRENT LIABILITIES | | <u>(52,584)</u> | <u>(50,258)</u> |
| NET (LIABILITIES)/ASSETS | | <u>(11,755)</u> | <u>163</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 827 | 827 |
| Profit and loss account | 9 | <u>(12,582)</u> | <u>(664)</u> |
| EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS | | <u>(11,755)</u> | <u>163</u> |

The financial statements on pages 6 to 12 were approved by the Board of Directors on
 3 October 2007 and signed on its behalf by



D S Larsen, Director

The notes on pages 8 to 12 form part of these financial statements

NOTES TO THE 2006 FINANCIAL STATEMENTS

1 ACCOUNTING POLICIESa) Basis of Accounting

These 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 directors have reviewed the Company's existing accounting policies and consider that with the exception of the changes in accounting policies set out below, they are consistent with last year. The principal accounting policies are set out below.

Changes in accounting policies

The company has adopted FRS 20, 'Share-based payment' during the period. However, there has been no impact of adopting this standard on current or prior year financial statements.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

1 ACCOUNTING POLICIES (Continued)g) 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

h) 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

Withholding tax incurred on the receipt of interest or dividends is presented as part of the tax charge within the profit and loss account

i) Reporting Format

The Company acts as an investment holding company, and hence the dividends received from investee companies, the interest receivable on loans to such companies and provisions relating to its investments are presented within operating profit

2 OPERATING PROFIT

- a) The auditors' remuneration of £4,500 (2005 - £4,500) is borne by a fellow group undertaking
- b) The average number of persons employed during the year, excluding directors, was nil (2005 - nil)
- c) No emoluments were paid to any of the directors in respect of their services to the Company (2005 - £nil)

3 INTEREST PAYABLE

| | <u>2006</u> £000 | <u>2005</u> £000 |
|-------------------------------------|---------------------|---------------------|
| Interest payable to group companies | <u>2,326</u> | <u>2,275</u> |

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

4 TAXATION

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

| | <u>2006</u> £000 | <u>2005</u> £000 |
|--|---------------------|---------------------|
| Current tax: | | |
| UK corporation tax on loss of the year | - | (683) |
| Tax on loss on ordinary activities | - | (683) |

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

| | <u>2006</u> £000 | <u>2005</u> £000 |
|---|---------------------|---------------------|
| (Loss)/profit on ordinary activities before tax | (11,918) | 25 |
| Loss on ordinary activities multiplied by standard rate of tax in the UK 30% (2005 30%) | (3,575) | 7 |
| Effects of | | |
| Expenses not deductible for tax purposes | 2,877 | - |
| Group relief surrendered for nil consideration | 698 | - |
| Other income not chargeable to UK tax | - | (690) |
| Current tax credit for the year | - | (683) |

5 INVESTMENTS IN SUBSIDIARIES

| | <u>2006</u> £000 | <u>2005</u> £000 |
|------------------------------------|---------------------|---------------------|
| Cost | | |
| At 1 January 2006 | 61,921 | 61,921 |
| Additions | - | - |
| At 31 December 2006 | 61,921 | 61,921 |
| Provision | | |
| At 1 January 2006 | 11,500 | 13,800 |
| Charged in the year | 9,592 | - |
| Released in the year | - | (2,300) |
| At 31 December 2006 | 21,092 | 11,500 |
| Net book value at 31 December 2006 | 40,829 | 50,421 |

NOTES TO THE 2006 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 realizable value of 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 following information relates to the Company's principal subsidiaries at 31 December 2006

| 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 | Mexico | Ordinary shares of MXP 1 | 100 | Mining |
| Luzenac Borax et Mineraux SA and through Luzenac Borax et Mineraux SA | France | Ordinary shares of €38.15 | 100 | Holding company |
| - 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 |

These companies are all subsidiaries and fellow group undertakings

6 DEBTORS

| | <u>2006</u> £000 | <u>2005</u> £000 |
|--|---------------------|---------------------|
| Amounts receivable from group undertakings | <u>683</u> | <u>683</u> |

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

7 CREDITORS Amounts falling due within one year

| | <u>2006</u> £000 | <u>2005</u> £000 |
|---|---------------------|---------------------|
| Amounts owed to parent undertaking | 53,237 | 50,911 |
| Amounts owed to fellow subsidiary undertaking | <u>30</u> | <u>30</u> |
| | <u>53,267</u> | <u>50,941</u> |

Amounts owed to Group undertakings above are subject to interest payable at an applicable average 3 month LIBOR, except where the subsidiary is dormant and are repayable on demand

8 SHARE CAPITAL

| | <u>2006</u> £000 | <u>2005</u> £000 |
|--|---------------------|---------------------|
| Authorised 1,000,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, issued, called-up and fully paid 826,828 ordinary shares of £1 each | <u>827</u> | <u>827</u> |

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/DEFICIT

| | <u>Share capital</u> £000 | <u>Profit and loss account</u> £000 | <u>Total</u> £000 |
|-------------------------------------|------------------------------|--|----------------------|
| Opening shareholder's funds | 827 | (664) | 163 |
| Loss for the year | <u>-</u> | <u>(11,918)</u> | <u>(11,918)</u> |
| Closing shareholder's funds/deficit | <u>827</u> | <u>(12,582)</u> | <u>(11,755)</u> |

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.

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.