COMPANY NUMBER 04986803

RIO TINTO BRAZILIAN HOLDINGS LIMITED

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2006

October 2007

DIRECTORS	R Dowding C Lenon B J S Mathews M J Whyte
SECRETARY	M J Whyte
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 period ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

The results of the Company for the year ended 31 December 2006 are set out on page 7

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

The Company's loss for the financial year is $153,170,000 (2005 $97,893,000) 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

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 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

The Rio Tinto Group has purchased directors' and officers' insurance during the year to indemnify individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with the Group's 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

- there is no relevant audit information (of which the auditors are unaware, and
- the directors have 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

M J Whyte
Secretary

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO BRAZILIAN HOLDINGS LIMITED

We have audited the financial statements of Rio Tinto Brazilian Holdings 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO BRAZILIAN HOLDINGS LIMITED (continued)

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 October 2007

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2006

	Note	2006 $000	2005 $000
Operating Costs	2	(205)	(385)
Increase in impairment provision against investments	5	(143,700)	(90,120)
Operating loss		(143,905)	(90,505)
Loss on sale of investments	5	-	(7,260)
Profit on sale of investments	5	4	5,594
Interest payable	3	(9,269)	(5,722)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(153,170)	(97,893)
Taxation on profit on ordinary activities	4	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(153,170)	(97,893)
Loss for the year		(153,170)	(97,893)
Movement in retained earnings			
At 1 January 2006		(276,674)	(178,781)
Loss for the year		(153,170)	(97,893)
At 31 December 2006		(429,844)	(276,674)

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 loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents

All items dealt with in the above profit and loss account relate to continuing operations

The notes on pages 9 to 13 form part of these financial statements

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 $000	2005 $000
FIXED ASSETS			
Investments	5	370,000	510,000
CURRENT ASSETS			
Debtors	6	-	5,950
CREDITORS Amounts falling due within one year	7	(189,844)	(182,624)
NET CURRENT LIABILITIES		(189,844)	(176,674)
NET ASSETS		180,156	333,326
CAPITAL AND RESERVES			
Called up share capital	8	610,000	610,000
Profit and loss account	9	(429,844)	(276,674)
EQUITY SHAREHOLDERS' FUNDS		180,156	333,326

The financial statements on pages 7 to 13, 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 9 to 13 form part of these financial statements

NOTES TO THE 2006 FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) 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) 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 96 £1 (2005 $1 73 £1)

c) 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

d) 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

e) 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)

f) 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

g) Taxation

The Company does not pay for, or receive payment for, any group relief claimed from, or surrendered to, other Group companies

h) Dividends

Final dividends are recognised when the obligation to make payment is established Interim dividends are recognised when paid

2 OPERATING COSTS

	2006 $000	2005 $000
The operating profit is stated after debiting -		
Other operating costs	171	411
Increase in impairment provision against investments	143,700	90,120
Exchange gain	-	(26)
Exchange loss	34	-
	143,905	90,505

Aggregate costs of $171,000 relate to the operations of certain Brazilian companies in which the company held a participating interest (2005 $411,000)

a) The auditors' remuneration of $8,280 is borne by a fellow group undertaking (2005 - $8,190) Fees payable for other services were $125,559 (2005 – Nil)

b) The average number of persons employed during the period, 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

	2006 $000	2005 $000
Interest payable to group companies	9,269	5,722

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

4 TAXATION

The tax charge based on the result for the period is made up as follows

	2006 $000	2005 $000
Current tax:		
UK corporation tax on loss of the year	-	-
Tax on loss on ordinary activities	-	-

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%)

	2006 $000	2005 $000
Loss on ordinary activities before tax	(153,170)	(97,893)
Loss on ordinary activities multiplied by standard rate of tax in the UK 30% (2005 30%)	(45,951)	(29,368)
Effects of		
Income not chargeable to UK tax	(1)	(1,678)
Expenses not deductible for tax purposes	43,171	29,337
Group relief surrendered to other companies without charge	2,781	1,709
Current tax charge for the year	-	-

5 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2006 $000	2005 $000
Cost		
At 1 January	626,680	613,560
Additions	3,700	29,510
Disposals	-	(16,390)
At 31 December	630,380	626,680
Provision		
At 1 January	116,680	26,560
Charged in the year	143,700	90,120
At 31 December	260,380	116,680
Net book value at 31 December	370,000	510,000

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

5 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

Interests in principal subsidiary and associated undertakings comprise

Interest in subsidiary

Company	Country of Incorporation	Class of shares held	% held	Nature of business activity
Rio Tinto Brasil Limitada	Brazil	Quotas of R$1	100	Investment holding

Upon reviewing the value of Rio Tinto Brasil Limitada, the directors determined that as at 31 December 2006 a provision for impairment of $260 4 million would be required The impairment provision 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 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 When adjusted to include inflation and grossed up at the UK tax rate of 30% for 2006, the discount rate applied was equivalent to 10%

During the year, the Company increased its investment in Rio Tinto Brasil Ltda by subscribing to new quotas for $3,700,000

On 18 November 2004, the Company acquired from a fellow group company 64,525,692 ordinary shares in Morro do Ouro Empreendimentos Minerai's S A. (MOE) MOE was then transferred to a fellow group company, Morro do Ouro Investmentos Minerais S A in exchange for the issue of shares These shares were subsequently sold during 2004 to a third party at a loss of $151,451,000 At 31 December 2005, the company recognised an additional profit of $5,594,000 arising on the sale of MOE At 31 December 2006, the company recognised an additional profit of $3,718 arising on sale of MOE

In 2005 the company incurred a loss of $7,260,000 on the disposal of 29 93% of Santana Empreendimentos Comerciais Ltda to Rio Tinto Brasil Ltda

6 DEBTORS

	2006 $000	2005 $000
Amounts receivable from group undertakings	-	5,950

7 CREDITORS

	2006 $000	2005 $000
Accruals	85	213
Amounts owed to parent undertaking	189,749	156,605
Amounts owed to group undertakings	10	25,806
	189,844	182,624

NOTES TO THE 2006 FINANCIAL STATEMENTS continued

8 SHARE CAPITAL

	2006 $000	2005 $000
Authorised		
700,000,000 shares of $1 each	700,000	700,000
1,000 shares of £1 each	2	2
Allotted, issued, called-up and fully paid		
610,000,000 ordinary shares of $1 each	610,000	610,000
1 share of £1 each	-	-

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital $000	Profit and loss account $000	Total $000
At 1 January 2006	610,000	(276,674)	333,326
Loss for the year	-	(153,170)	(153,170)
At 31 December 2006	610,000	(429,844)	180,156

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 European 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 accounts can be obtained from its registered office at 6 St James's Square, London, SW1Y 4LD