COMPANY NUMBER 339168

RIO TINTO CANADIAN HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

February 1999

DIRECTORS:	J S Bradley B G Gale (appointed 30 January 1998) A V Lawless (appointed 22 May 1998) S F McAdam I C Ratnage
SECRETARY:	B G Gale
REGISTERED OFFICE:	6 St. James's Square, London SW1Y 4LD
AUDITORS:	PricewaterhouseCoopers 1 Embankment Place London WC2N 6NN

REPORT OF THE DIRECTORS

The directors present their report, together with the audited accounts of the Company for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Rio Tinto Canadian Holdings Limited is a wholly-owned subsidiary of Rio Tinto plc ("Rio Tinto") and acted as a holding company until 1 December 1997 when all remaining investments were sold. The company has been inactive since that date.

The results of the Company for the year ended 31 December 1998 are set out on page 7.

DIVIDENDS

No interim dividend was paid during the year (1997 - Nil). The directors do not recommend the payment of a final dividend.

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. The following directors also held office during the year:

G C Lloyd-Davis - resigned 30 January 1998
M M Freeman - resigned 31 May 1998

DIRECTORS' INTERESTS

The directors who held office on 31 December 1998 and whose interests are not reported in the accounts of a parent company had the following interests in the ordinary shares of Rio Tinto, the ultimate parent company, as recorded in the register required to be kept by section 325 of the Companies Act 1995:

	Ordinary shares of 10p each of Rio Tinto		Options over ordinary shares of 10p each of Rio Tinto				Long Term Incentive Plans[3]	
	01.01.98[1]	31.12.98	01.01.98[1]	Granted	Exercised	31.12.98[2]	01.01.98[1]	31.12.98
B G Gale	4,646	5,313	2,320	10,761	-	10,046	3,639	3,639

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 FTSE Plan and Mining Companies Comparative Plan. For further information regarding Rio Tinto's long-term incentive plans, including the FTSE Plan, Mining Companies Comparative Plan and Mining Plan, please see the Rio Tinto Group accounts.

The directors are also deemed to have an interest in a trust fund containing 379,367 Rio Tinto plc shares at 31 December 1998 (1 January 1998 – 453,556 shares) as potential beneficiaries, together with other Rio Tinto plc group employees.

DIRECTORS INTERESTS continued

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

AUDITORS

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. Following the merger, Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint them as the Company's auditors was passed at an Extraordinary General Meeting of the Company on 6 November 1998. PricewaterhouseCoopers have indicated their willingness to continue in office and the directors have agreed to their so continuing.

ELECTIVE RESOLUTIONS

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually were passed at an Extraordinary General Meeting of the Company on 6 November 1998.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare accounts for each financial period which 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. In preparing the accounts, which have been prepared on a going concern basis, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The directors are responsible for maintaining proper accounting records, in accordance with the Companies Act 1985, for safeguarding the assets of the Company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

YEAR 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting commercial disruption. The Company's operations depend not only on its own computer systems, but also to some degree on those of its suppliers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The Company is participating in a programme designed to address the impact of the year 2000 issue on companies based in Rio Tinto plc's head office in London. A committee has been established to control the exercise, including a member of the Rio Tinto plc board of directors and senior members of the information technology, internal audit, finance and procurement departments.

As part of this exercise, an analysis of significant risks has been performed to determine the impact of the year 2000 issue on relevant companies' activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority has been given to those systems that could cause a significant financial impact if they were to fail. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on relevant companies of year 2000 failure by significant suppliers. In appropriate cases formal assurance is being sought from these other parties.

The total cost of modifying relevant computer systems is being absorbed by Rio Tinto London Limited, so this Company has not incurred any such costs.

BY ORDER OF THE BOARD

B G Gale
Secretary
6 St. James's Square,
London SW1Y 4LD

5 February 1999

AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO CANADIAN HOLDINGS LIMITED

We have audited the accounts on pages 7 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 4 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

5 February 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £000	1997 £000
Interest receivable and similar income	2	-	1,992
Other operating charges	3	-	(106)
Operating profit		-	1,886
Profit on disposal of fixed asset investment	5	-	211
Profit on ordinary activities before taxation		-	2,097
Tax on profit on ordinary activities	4	(543)	(321)
Retained (loss)/profit for the year		(543)	1,776
Movement in retained earnings:			
At 1 January		8,060	5,490
Retained (loss)/profit for the year		(543)	1,776
Transfer from other reserves		-	794
At 31 December		7,517	8,060

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.

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

The notes on pages 9 to 12 form part of these accounts.

BALANCE SHEET AS AT 31 DECEMBER 1998

	NOTE	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	6	7,617	39,456
CREDITORS: Amount falling due within one year	7	-	(31,296)
NET CURRENT ASSETS		7,617	8,160
NET ASSETS		7,617	8,160
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account		7,517	8,060
Equity shareholders' funds		7,617	8,160

The accounts on pages 7 to 12 were approved by the Board of Directors on 5 February 1999 and signed on its behalf by:

Director

Director

The notes on pages 9 to 12 form part of these accounts.

NOTES TO THE 1998 ACCOUNTS

1. ACCOUNTING POLICIES

a) The accounts have been prepared on the historical cost basis and in accordance with applicable U.K. accounting standards.

b) 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 denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Exchange differences are dealt with in the profit and loss account.

c) Investment Income

Dividend income is accounted for on a cash received basis. Interest and other income from investments is recognised on an accruals basis.

d) Group Accounts

Group accounts 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 consisting of shares in, and amounts owing from its subsidiaries is not less than the aggregate amount at which those assets are included in the balance sheet.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998	1997
	£000	£000
Interest receivable and discount accrued	-	905
Exchange gains on current asset investments	-	1,087
	-	1,992

3. OTHER OPERATING CHARGES

	1998	1997
	£000	£000
Loss on disposal of current asset investments	-	74
Asset management fee	-	32
	-	106

NOTES TO THE 1998 ACCOUNTS continued

3. OTHER OPERATING CHARGES (continued)

a) The auditors' remuneration is borne by a fellow group undertaking (1997 – nil).

b) The average number of persons employed during the year, excluding directors, was nil (1997 – nil).

c) No emoluments were paid to any of the directors in respect of their services to the Company (1997 – nil).

4. TAXATION

The tax charge comprises:

	1998 £000	1997 £000
UK tax		
Corporation tax at 31% (1997: 31.5%):	-	585
Prior year under/(over) provision	543	(264)
Tax charge for the year	543	321

5. INVESTMENTS

Interest in subsidiaries

During 1997 the company disposed of its investment in The Consolidated Zinc Corporation of Canada Inc to a fellow subsidiary, RTZ Canada Holdings Inc, realising a profit of £211,414. There was no taxation charge on this gain.

Movements in the year comprise:

Cost	1998 £000	1997 £000
At 1 January	-	363
Disposals	-	(363)
At 31 December	-	-

NOTES TO THE 1998 ACCOUNTS continued

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £000	1997 £000
Amounts due from ultimate parent undertaking	7,617	39,451
Other debtors	-	5
	7,617	39,456

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £000	1997 £000
Amounts due to parent undertaking	-	30,643
Amounts due to fellow subsidiary undertaking	-	68
Taxation and social security	-	585
	-	31,296

8. SHARE CAPITAL

	1998 £000	1997 £000
Authorised, issued and fully paid ordinary shares of £1 each	100	100

The only movements on shareholders' funds are those in retained earnings which are shown on page 7.

9. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The accounts do not include a cash flow statement because the Company is a wholly-owned subsidiary and the conditions of Financial Reporting Standard No. 1 exempting inclusion are satisfied. The Company is also exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with entities that are part of the Rio Tinto group of investees of the Rio Tinto group.

NOTES TO THE 1998 ACCOUNTS continued

10. ULTIMATE PARENT UNDERTAKING

The immediate Parent undertaking is Rio Tinto International 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.