

RIO TINTO

News release...

2 February 2004

Rio Tinto's 49.2 per cent owned subsidiary, Palabora Mining Company, issued the following news release in Johannesburg on 30 January 2004. All dollars are in US\$ unless otherwise stated.

Palabora Mining Company Ltd – annual results 2003

Overview

The ramp up to full production of the underground block-cave mining operation continued during 2003. In-pit ramp scavenging activities were discontinued in November 2003. Palabora's underground mine achieved a number of significant milestones during 2003. The safety record was the best on record with only seven lost time injuries recorded. This is consistent with improvements around the rest of the business where a total of 17 lost time injuries were recorded compared to 26 in 2002. The Industrial Minerals Division continued with its excellent safety performance, finishing the year without any lost time injuries. The first quarter production in 2003 averaged 10,288 tonnes per day, this increased to 21,983 tonnes per day in the final quarter as a result of the improvements initiated during 2003. A production rate of 30,000 tonnes of ore per day was achieved on several occasions during the fourth quarter and the Company is confident of achieving that rate more regularly in the forth coming months. Current work to achieve this is focused on further improvements to equipment effectiveness, particularly secondary breaking equipment. Production of refined copper was supplemented by purchased copper concentrate and the ongoing ramp scavenging operation in the open pit. On 15 September 2003 Palabora issued convertible debentures via a rights offer which raised R849 million. During the last quarter Palabora implemented the first stage of the organisation restructuring process, the aim of which is to process lower throughput efficiently.

Group financial results

Group loss after taxation for the year was R35 million, which compares with the R257 million profit achieved in 2002, after a R66 million deferred taxation credit.

The Rand strengthened by 28 per cent on average in 2003 compared with 2002, which led to reduced revenues of R577 million. Partially offsetting this was an improvement in the price of copper and other minerals which increased revenues by R169 million. Sales volumes of copper during 2003 were 8.5 per cent below the 2002 level. Copper sales were limited by reduced production. Overall, lower sales volumes reduced profit by R65 million.

Group operating expenditure reduced by R184 million mainly due to reduced sales and production volumes. Achievements obtained through business improvement initiatives continued from prior years reduced the cost base further. Included are increased open pit contract mining costs of R72 million and a provision raised of R37 million for the cost of voluntary early retirement for former employees.

Finance charges increased due to the increased debt levels of the Group as well as more expensive loans. This was partially offset by currency gains on repayment of existing debt.

Cont.../

Earnings were adversely impacted in the final quarter of 2003 as a result of the commencement of depreciation of the underground asset as well as the cessation of capitalisation of interest. These changes were made to recognize that the underground mine had reached commercial levels of production.

Higher inventory values are primarily due to increased unit cost of production, premium paid on imported concentrates and inclusion of depreciation.

The feasibility study indicated the total expenditure requirement to build the underground mine would be \$437 million. Subsequently the latest estimate indicates that a total of \$460 million is required, an overspend of \$23 million. The following are the main reasons for this increase in cost:

- additional mobile equipment (three additional secondary breaking units have been ordered for delivery in April 2004);
- enhanced water management;
- slowdown of the development of the production footprint because of seismic activity; and
- additional support for drawpoints because of excessive wear.

The project to develop an underground mine had been in progress for 92 months at the end of 2003. A total of 117,556 square metres have been undercut, to date 99 per cent complete. The outstanding 1,783 square metres are anticipated to be completed in February 2004. A total of 148 drawbells have been commissioned, 89 per cent of the total complete. Completion of the outstanding 18 drawbells is anticipated by end April 2004. 16 out of the targeted 19 crosscuts were completed. The development of a 20th crosscut is being reviewed.

The net debt increased by 27 per cent to R1,820 million during the year mainly due to on-going capital expenditure on the underground project. The Company has negotiated with its major shareholder to provide an unsecured loan of US\$65 million to meet short term financial obligations. The intent is that this will be repaid out of the proceeds of a full recapitalisation of the business at a later stage. No dividends were declared and it is unlikely that dividends will recommence within the next year.

ZBS (zirconium basic sulphate) production was 1,129 metric tons for the year. Whilst the plant has been proven technically, the difficult market conditions have meant that the Board are in the process of considering other options for the ZBS facility, including, sale to a third-party as a going concern or alternatively a toll-manufacturing arrangement with the major customer. Shareholders will be advised in due course regarding the Board's decision.

Demand for vermiculite was constrained in the United States and efforts were made to develop new markets. Production during the third quarter of 2003 was reduced in order to lower supply chain inventory levels.

The sudden death of our previous Chairman, Mr. Wells Ntuli, who retired at the end of 2002, is announced with sadness.

Abridged income statement

	2003 R'000	2002 R'000
Revenue	1 554 727	2 121 307
Operating costs	1 402 401	1 586 598
Depreciation	126 402	133 187
Operating profit	25 924	401 522
Interest received	215	5 495
Interest paid	(93 003)	(31 283)
Foreign exchange gains	14 366	27 306
Provisions	(30 675)	(40 976)
(Loss)/profit before taxation	(83 173)	362 064
Taxation	48 522	(105 211)
Current	(17 871)	(25 010)
Deferred tax	66 393	(80 201)
(Loss)/profit after taxation	(34 651)	256 853
(Loss)/earnings per share	(122)c	907c
Write back of profit on disposal of fixed assets – net of tax	(30)c	(68)c
Reversal of provision for Palabora Foundation donation	(69)c	-
Headline (loss)/earnings per share (7)	(221)c	839c
Weighted average shares in issue	28 316	28 316

Abridged balance sheet**Employment of capital****Current assets**

	2003 R'000	2002 R'000
Stores	59 322	47 737
Product inventories	374 940	254 607
Accounts receivable	220 677	282 456
Taxation	1 400	3 030
Cash and cash equivalents	16 602	39 019
	672 941	626 849

Non-current assets

Mining assets	4 575 672	4 284 701
Investment – unlisted	118 043	54 971
Total assets	5 366 656	4 966 521

Liabilities and shareholders' equity**Current liabilities**

Accounts payable	298 031	217 900
Provisions	26 799	39 227
Current portion of long term loans	294 212	355 450
Taxation	6 237	7 403
Group companies – related parties	13 237	8 214
Bank overdraft	388 660	391 816
	1 027 176	1 020 010

Non-current liabilities

Provision for close down costs and restoration costs	196 817	185 147
Provision for post retirement medical benefits	172 209	159 760
Deferred taxation	799 436	865 535
Long-term loans	1 153 937	726 881
Total liabilities	3 349 575	2 957 333
Total shareholders' equity	2 017 081	2 009 188
Total equity and liabilities	5 366 656	4 966 521

NOTES**1. ACCOUNTING POLICIES**

The preliminary consolidated financial statements are prepared on the historical cost basis. During the year, Palabora adopted the provisions of AC133, "Financial Instruments: Recognition and Measurement". As a consequence, investments are now stated in the balance sheet at fair market value. The impact of adoption of AC133 resulted in an increase in investments amounting to R61 million. Unrealised gains and losses on the revaluation are recognised through the statement of changes in equity. All other accounting policies used are consistent with those used in the audited financial statements for the year ended 31 December 2002. The preliminary results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, including accounting standard AC127, "Interim Reports".

2. AUDIT REVIEW

The year-end financial results have been reviewed in terms of paragraph 3.18 (c) of the Listings Requirements of the JSE Securities Exchange SA by the Company's auditors, PricewaterhouseCoopers Inc. This review opinion is available on request from the Company Secretary.

3. NET DEBT

	2003 R'000	2002 R'000
Current portion of long term loans	294 212	355 450
Non current portio of long term loans	1 153 937	726 881
Total long term loans	1 448 149	1 082 331
Bank overdrafts	388 660	391 816
Cash and cash equivalents	(16 602)	(39 019)
Net debt	1 820 207	1 435 128

In 2001 the Company arranged an unsecured long-term loan with a group of domestic and international banks. The facility consisted of a US\$90 million tranche and a Rand tranche of R283 million.

The loan is repayable in six equal half yearly instalments of US\$15 million and R47 million. The first repayment was made in June 2003 and the second repayment in December 2003. The interest rate is Libor / Jibor plus 1,5 per cent. During the first half of 2003, Rio Tinto, the Company's major shareholder, agreed to provide a short-term facility of up to US\$60 million at an interest rate of Libor plus 5 per cent.

US\$55 million had been drawn and this loan was repaid from the proceeds of a rights offer of debentures completed in September 2003. R849 million was raised by way of a renounceable rights offer to shareholders at an issue price of R1,000 per convertible debenture at an interest rate of Jibar plus 5 per cent.

4. CONTINGENCIES AND COMMITMENTS

In the 2002 Annual Financial Statements a contingent liability was disclosed relating to payments made to former employees for early voluntary retirement. In the current financial year Palabora provided R37 million to recognise this liability.

5. HOLDING COMPANY

The immediate holding Company is Palabora Holdings Limited and the ultimate holding Company is Rio Tinto plc, which is incorporated in the United Kingdom.

6. SHARE CAPITAL

The directors are authorised to issue unissued shares until the next annual general meeting. On 16th July 2003 shareholders approved a special resolution to increase the authorised share capital of the Company to 100,000,000 ordinary shares of R1 each and an ordinary resolution placing the newly issued shares under the control of the directors.

7. HEADLINE LOSS

The calculation of headline (losses)/earnings per share is derived from consolidated net loss after taxation of R34.7 million (2002: net profit of R256.9 million) adjusted for any non-

operational losses or gains, divided by the number of shares in issue. 2003 year losses (2002: earnings) have been adjusted for the post taxation impact of profit on disposal of fixed assets of R8.5 million (2002: R19.4 million) and the release of provisions for donations to the Palabora Foundation of R19.4 million. Headline losses for the year ended 31 December 2003 are R62.5 million (2002: headline earnings of R237.5 million).

Summarised cash flow

	2003 R'000	2002 R'000
Cash (utilised in)/generated from operating activities	(4 576)	588 917
Cash utilised in investing activities	(555 629)	(741 996)
Replacement of mining assets	(117 964)	(195 323)
Development expenditure	(450 601)	(570 075)
Other investing activities	12 936	23 402
Cash flow from financing activities	540 944	18
Long and short term loans raised	1 268 840	18
Long and short term loans re-paid	(727 896)	-
Net decrease in cash and cash equivalents	(19 261)	(153 061)
Cash and cash equivalents at beginning of year	(352 797)	(199 736)
Cash and cash equivalents at end of year	(372 058)	(352 797)

	Share Capital & Premium R'000	Other Reserves R'000	Distributable Reserves R'000	Total R'000
Statement of changes in equity for the year ended 31 December 2003				
Balance 1 January 2003	28 891	134 244	1 846 053	2 009 188
Revaluation of investments	-	60 795	-	60 795
Currency translation difference	-	(18 436)	-	(18 436)
Other movements	-	185	-	185
Net loss for the year	-	-	(34 651)	(34 651)
Balance 31 December 2003	28 891	176 788	1 811 402	2 017 081

Statement of changes in equity for the year ended 31 December 2002				
Balance 1 January 2002	28 891	174 642	1 589 200	1 792 733
Currency translation difference	-	(40 398)	-	(40 398)
Net profit for the year	-	-	256 853	256 853
Balance 31 December 2002	28 891	134 244	1 846 053	2 009 188

Segmental Reporting**Profit and Loss****Revenues****Cost and expenses****Operating
(loss)/profit****Net interest paid****Other costs and
provisions****(Loss)/profit before
tax****Taxation****Net (loss)/profit for
the year**

Copper R'000		Industrial Minerals R'000		Other R'000		Total R'000	
31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
1 082 735	1 459 146	356 802	535 249	115 190	126 912	1 554 727	2 121 307
1 140 774	1 156 909	333 338	457 495	54 691	105 381	1 528 803	1 719 785
(58 039)	302 237	23 464	77 754	60 499	21 531	25 924	401 522
						(92 788)	(25 788)
						(16 309)	(13 670)
						(83 173)	362 064
						48 522	(105 211)
						(34 651)	256 853

The segmental split on a geographical basis is based on the country in which the order is received.

Profit and Loss**Revenues****Cost and expenses****Operating
(loss)/profit before
tax****Taxation****Net (loss)/profit for
the year**

South Africa R'000		America R'000		United Kingdom R'000		Total R'000	
31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
1 227 439	1 632 754	163 241	280 917	164 047	207 636	1 554 727	2 121 307
1 367 622	1 344 112	154 743	255 506	115 535	159 625	1 637 900	1 759 243
(140 183)	288 642	8 498	25 411	48 512	48 011	(83 173)	362 064
65 869	(80 945)	(2 907)	(9 206)	(14 440)	(15 060)	48 522	(105 211)
(74 314)	207 697	5 591	16 205	34 072	32 951	(34 651)	256 853

For further information, please contact:

AUSTRALIA**Media Relations**

Ian Head

Office: +61 (0) 3 9283 3620

Mobile: +61 (0) 408 360 101

Investor Relations

Dave Skinner

Office: +61 (0) 3 9283 3628

Mobile: +61 (0) 408 335 309

Daphne Morros

Office: +61 (0) 3 9283 3639

Mobile: +61 (0) 408 360 764

Website: www.riotinto.com

LONDON**Media Relations**

Lisa Cullimore

Office: +44 (0) 20 7753 2305

Mobile: +44 (0) 7730 418 385

Investor Relations

Peter Cunningham

Office: +44 (0) 20 7753 2401

Mobile: +44 (0) 7711 596 570

Richard Brimelow

Office: +44 (0) 20 7753 2326

Mobile: +44 (0) 7753 783 825