



News release...

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Rio Tinto's 75.7 per cent owned subsidiary, Coal & Allied Industries Limited, issued the following news release in Australia. All dollars are Australian currency.

Coal & Allied benefits from improved market conditions - 2004 full year results

SUMMARY

- Net profit after tax was \$111.4 million compared with \$0.1 million profit after tax in 2003
- Net debt in Australian dollar terms reduced by 45.9% in 2004 to \$246.2 million
- A fully franked dividend of \$1.00 per share will be paid on ordinary shares

Commenting on the result, Coal & Allied's Managing Director, Dr Grant Thorne said, "This result reflects the improved market conditions for seaborne traded coal in 2004.

"Throughout the year, revenues increased because of higher coal prices and increased production. We also benefited from demurrage costs falling to an average of US\$0.19 per tonne in the second half as a result of the Port Allocation System and more efficient use of infrastructure along the Hunter Valley coal chain."

Coal & Allied's net profit was positively affected by the recognition of input inventory, by depreciating mining properties over their estimated life and by depreciating Hunter Valley property, plant and equipment on a units-of-production basis. These accounting adjustments, which were indicated in the first half results, had a positive effect of \$25.5 million on the full year net profit after tax.

"The new management services agreement with Rio Tinto Coal Australia was implemented at a much lower cost than expected, and delivered benefits of \$15 million for the year," Dr Thorne said.

"However, the strong Australian dollar, increased oil prices and the higher coal royalty introduced by the New South Wales Government in mid-year had a negative effect on the result.

"Despite the absence of capacity in coal infrastructure in New South Wales to accept expanded production in response to the stronger market, the outlook for Coal & Allied for 2005 is strong."

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Summary of financial performance

Coal & Allied's results for 2004 are shown below, along with comparative results for 2003.

	Year to 31 December		Change %
	2004	2003	
Sales revenue (\$ millions)	1,024.5	895.7 ¹	14%
Net profit after tax (\$ millions)	111.4	0.1	
Operating cash flow (\$ millions)	224.7	16.7	
Dividends (cents per share)	100.0	Nil	
Coal production ² (million tonnes)	29.1	27.2	7%
Coal shipments ² (million tonnes)	28.7	27.9	3%

¹ Comparative information for 2003 has been reclassified to include sea freight receipts and foreign exchange gains.

² Production and shipments are on a 100% basis. Shipments exclude purchased coal. Details of full production and shipments are shown in the Financial and Operating Statistics appendix.

Restructure

On 1 February 2004, Rio Tinto Coal Australia (100 per cent Rio Tinto) began managing Coal & Allied's assets in the Hunter Valley under a management services agreement. Changes to head office administration and support structures delivered annual pre-tax savings of \$20 million to Coal & Allied. A restructuring provision of \$15 million before tax was raised in 2003 to cover one-off implementation costs but actual costs totalled only \$10.5 million.

Sales revenue

Sales revenue of \$1,024.5 million was 14 per cent higher than in 2003, reflecting higher prices for export thermal coal in the second half of 2004, which were partially offset by a stronger Australian dollar.

Production

Managed production of saleable coal was up by seven per cent (1.9 million tonnes) to 29.1 million tonnes, consistent with allocation through Port Waratah and domestic contracts. Coal & Allied's share of saleable coal production was 22.1 million tonnes.

Dividends

A fully franked final dividend of \$1.00 per ordinary share will be paid. There was no interim dividend paid during 2004. A dividend of 1.75 cents per preference share, fully franked, will be paid, making the total preference dividend for the year 3.5 cents per share, fully franked.

Cash flow

Net operating cash was \$224.7 million compared with \$16.7 million in 2003. The significant change in operating cash flow reflected the effect of higher earnings resulting from better operating performance and improved coal prices in Australian dollar terms, and the timing of taxation payments/receipts in 2003 and 2004.

Debt

Net debt was lower in Australian dollar terms in 2004 at \$246.2 million. Gearing (net debt to net debt + equity) was 21.2 per cent at 31 December 2004, compared with 36.2 per cent at 31 December 2003.

Capital expenditure

Total capital expenditure for the year was \$29.5 million compared with \$55.2 million in 2003. Expenditure was predominantly for sustaining purposes, the purchase of land and the upgrade of the Coal Preparation Plant at Hunter Valley Operations. Capital expenditure in 2003 included land acquisitions for Mount Pleasant.

Port Allocation System

Extraordinarily long vessel queues at Port Waratah resulted in demurrage of US\$1.83 per tonne in the first half. With the introduction of the Port Allocation System queues were reduced to fewer than 15 vessels, with full year demurrage averaging US\$0.99 per tonne. Stakeholders in the Hunter Valley coal chain collaborated during the year through a logistics team aimed at maximising output from existing infrastructure.

Market conditions

Global thermal coal spot prices continued to rise in the first half of 2004. By year-end, average prices had drifted down by around 20 per cent, but were still very high by historical standards. Strong demand in Asia and Europe combined with a stabilising of coal exports from China, heavy rains in Indonesia early in the year and the infrastructure constraints in Australia all contributed to the strength of the seaborne thermal coal market.

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Coal & Allied Financial and Operating Statistics

	2004 '000 tonnes	2003 '000 tonnes
Production and shipments		
Total shipments ¹	28,677	27,887
Total saleable production ²		
Hunter Valley Operations	13,269	12,008
Mount Thorley Operations	3,547	3,152
Bengalla	5,312	6,203
Warkworth	6,955	5,869
Total	29,083	27,232
Coal & Allied equity share of production		
Hunter Valley Operations (100%)	13,269	12,008
Mount Thorley Operations (80%)	2,838	2,522
Bengalla (40%)	2,125	2,481
Warkworth (55.57%)	3,865	3,261
Total	22,097	20,272
Shipments by market ¹		
Japan	14,441	14,876
Asia (excluding Japan)	8,630	7,388
Europe	1,564	2,349
Other	796	512
Domestic	3,246	2,762
Total	28,677	27,887
Shipments by product ¹		
Export thermal	20,172	20,316
Domestic thermal	4,306	2,762
Coking	4,198	4,809
Total	28,677	27,887
Financial	2004	2003
	\$ million	\$ million
<i>Total assets</i>	1,782	1,805
Capital expenditure and investments	30	55
Depreciation and amortisation	115	121
Employees	1,400	1,516
Net debt to net debt + equity (%)	21.2	36.2
Earnings per share (cents)	128.6	0.1

¹ Shipments are on a 100% basis and exclude purchased coal

² Production is on a 100% basis