



News release...

Date: 22 December 2004
Ref: PR395g

Palabora Mining Company (Rio Tinto 49.2 per cent) issued the following statement in Johannesburg today.

Business update and cautionary announcement

Strategic review

The Company finalised a review of the business in the third quarter of 2004 addressing operational performance and organisational structure. Benefits of the review are now resulting directly in improved production and lower operating costs. A new daily average record of 27,500 tonnes hoisted per day was achieved in November 2004. Operating costs have benefited from improved production and a reduction of 20 per cent in the management team and 13 per cent in the workforce.

The balance sheet value of Palabora's copper assets is being assessed in light of the completion of the review and the ongoing strength of the rand against the US dollar. The outcome of this assessment will be reflected in the financial results for the year ending 31 December 2004.

The management team is encouraged by the results to date and is committed to further improvement in the performance of the business.

Sale of magnetite assets

The Company has recently received approval from the lenders to permit a prior ranking charge over the Company's magnetite assets in favour of Rio Tinto Finance plc to secure a loan of US\$25,000,000. This loan is to be repaid from the proceeds of sale of the magnetite assets, details of which will be published at a later date.

Cave induced surface subsidence

The failure of the north wall of the open pit has continued and all affected infrastructure has been relocated. The failure is limited to a zone close to the pit rim, within that zone the subsidence is progressing as predicted by the most recent geotechnical analysis.

Pension fund surplus

Work continues on the pension fund distribution. To date Palabora has not received its portion of the surplus distribution. Management is doing its best to ensure that the surplus portion is received by the third quarter of 2005.

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Cautionary announcement

In accordance with the JSE Listings Requirements, shareholders and debenture holders are advised that there are circumstances relating to the Company, the full impact of which is currently being determined, which may have a material effect on the price of the Company's securities. Shareholders and debenture holders are accordingly advised to exercise caution when dealing in the Company's securities until a further announcement is made.

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