RIO TINTO

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 impacted by stronger Australian dollar - 2004 half year results

SUMMARY

- Net profit after tax was $7.2 million, similar to the same period last year.
- Net debt has reduced in Australian dollar terms by 2 per cent in the first half of 2004 to $443.8 million.
- No interim dividend will be paid on ordinary shares.

Commenting on the result, Coal & Allied's Managing Director Dr Grant Thorne said, "The underlying operational result reflects the continuing impact of the strong Australian dollar and the fact that for most of the reporting period Coal & Allied's selling price was locked in at 2003 settlement levels. After a difficult first half, Coal & Allied is only now beginning to enjoy the benefit of prevailing higher prices. The company is operating much more profitably, with realised US dollar prices expected to be approximately 25 per cent higher for the second half."

Coal & Allied's net profit after tax of $7.2 million was positively affected by the recognition of inpit inventory for the first time and by depreciating mining properties over their estimated life. These two accounting adjustments had a positive effect of $14.0 million on net profit.

"Half year production was similar to the same period in 2003, with production interruptions in the first quarter due to wet weather offset by operational improvements in the second quarter This improvement was through higher equipment availability and utilisation at all mines, along with Mount Thorley/Warkworth coaling operations moving to a seven-day roster," Dr Thorne said.

"Following the successful introduction of the port allocation system, the number of ships queuing off the port of Newcastle has reduced from a peak of more than 50 in the first quarter to just 12 at 30 June, resulting in reductions in demurrage.

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"The transition to Rio Tinto Coal Australia management has been successfully implemented with efficiencies and cost benefits starting to be realised. With these organisational and production improvements in place, we are optimistic about the second half of 2004 when we expect to see positive benefits for Coal & Allied flowing through from price increases and lower demurrage costs.

"However, earnings will continue to be hit by higher fuel prices and the increased New South Wales coal royalty which takes effect from 1 July 2004."

SUMMARY OF FINANCIAL PERFORMANCE

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

	Half-year ended 30 June 2004	2003	Change %
Sales revenue ($ millions)	**435.8**	463.0	(6)
Net profit after tax ($ millions)	**7.2**	7.2	-
Operating cash flow ($ millions)	**56.9**	(15.8)	460
Dividends (cents per share)	**Nil**	Nil	-
Coal production[1] (million tonnes)	**13.6**	13.8	(1)
Coal shipments[1] (million tonnes)	**13.9**	13.8	(1)

[1] *Production and shipments are on a 100% basis. Shipments exclude purchased coal.*

Restructure
Coal & Allied combined its corporate and service functions with those of Rio Tinto Coal Australia on 1 February 2004. Rio Tinto Coal Australia (100 per cent Rio Tinto) is managing Rio Tinto Coal Australia's (formerly Pacific Coal's) existing assets, as well as Coal & Allied's assets in the Hunter Valley under a management services agreement. Both businesses are now managed from a single corporate office in Brisbane.

Sales revenue
Sales revenue of $435.8 million was down six per cent compared with the first half of 2003, reflecting the stronger Australian dollar against the US dollar and a greater proportion of lower value domestic sales partly offset by improved prices for export coal.

Production
Managed production of saleable coal was down by 200,000 tonnes to 13.6 million tonnes. Coal & Allied's share of this was 10.3 million tonnes of saleable coal.

Production interruptions in the first quarter due to wet weather were offset in the second quarter as a result of higher equipment availability and utilisation at the mines, along with Mount Thorley/Warkworth coaling operations moving to a seven-day roster. During the period, coal chain congestion and the port allocation system imposed constraints on the quantity of coal exported. This was offset by an increase in production for domestic sales.

Dividends
As a result of the difficult financial conditions in the first half of 2004, Directors have decided no interim dividend for ordinary shares will be paid. A preference dividend of 1.75 cents per share, fully franked, will be paid on 18 August 2004. This is consistent with the first half of 2003.

Cash flow
Net operating cash flow was $56.9 million compared with ($15.8 million) in 2003. The improvement was primarily attributable to the timing of tax payments in 2003, which related to 2002 earnings, and a tax refund in 2004, which related to 2003 payments. The underlying cash generated by the business was similar in both periods.

Debt
Net debt was lower at $443.8 million. Gearing (net debt to net debt + equity) was 35.4 per cent at 30 June 2004, compared with 36.2 per cent at 31 December 2003.

Capital expenditure
Total capital expenditure for the half year was $10.9 million compared with $17.9 million for the same period last year. Expenditure was predominantly for equipment replacement and the upgrade of the Hunter Valley coal preparation plant.

Integration of Mt Thorley and Warkworth
The joint venture participants of the Mt Thorley and Warkworth Joint Ventures agreed to an operational integration of the two mines. A road bridge linking the two operations was completed in January 2004 allowing more effective use of infrastructure.

Market conditions
The upward trend in spot thermal coal prices, which developed in late 2003, continued throughout the first half of 2004 driven by continuing strong demand and uncertainty around Chinese supply. By the end of June the globalCOAL Newcastle spot index had reached its highest ever level of US$63.63 per tonne compared with US$36 per tonne at the end of December 2003. Although there has been a retreat from this peak, most major export coal supply chains are already operating at or near capacity. This would indicate there is unlikely to be a surge of new production in the short term which could weaken market sentiment. Contract prices also rose strongly during the half-year. However the company will significantly benefit from the increase in contract prices in the second half.

The introduction of the port allocation system at Newcastle in April has been a major contributor to the reduction in the number of vessels waiting to berth. At the end of March there were over 50 vessels waiting and by 30 June this had fallen to around 12, which reduces demurrage to negligible levels.

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COAL & ALLIED FINANCIAL AND OPERATING STATISTICS

Production and shipments	First half 2004 '000 tonnes	First half 2003 '000 tonnes
Total shipments [1]	**13,911**	13,807
Total saleable production [2]		
Hunter Valley Operations	**6,093**	6,104
Mount Thorley Operations	**1,622**	1,558
Bengalla	**2,600**	3,074
Warkworth	**3,295**	3,065
Total	**13,610**	13,801
Coal & Allied equity share of production		
Hunter Valley Operations (100%)	**6,093**	6,104
Mount Thorley Operations (80%)	**1,298**	1,246
Bengalla (40%)	**1,040**	1,230
Warkworth (55.57%)	**1,831**	1,703
Total	**10,262**	10,283
Shipments by product [1]		
Export thermal	**9,479**	10,022
Domestic thermal	**2,048**	1,254
Coking	**2,384**	2,531
Total	**13,911**	13,807

Financial	$ million	$ million
Total assets	**1,830**	1,803
Capital expenditure and investments	**11**	18
Depreciation and amortisation	**59**	58
Employees (number)	**1,377**	1,534
Net debt to net debt + equity (%)	**35.4**	38.4
Earnings per share (cents)	**8.3c**	8.3c

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

[2] Production is on a 100% basis