



News release...

Date: 14 January 2004
Ref: PR337g

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

Palabora Mining Company Limited

Progress report on the underground mine

Palabora's underground mine achieved a number of significant milestones during 2003. In particular, the safety record was by far the best on record. 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. Production rates from the underground at year end were close to three times higher than at the beginning of the year as a result of the improvements initiated during 2003.

Underground production continued to improve during the final quarter of 2003. Production increased by 20 per cent third quarter's performance of 18,355 tonnes of ore per day to an average rate of 21,983 tonnes of ore per day. The expected full production rate of 30,000 tonnes of ore per day remains the key target.

The following table summarises recent daily underground production:

| | |
|-----------------------------------|-------------------------------|
| Final Quarter 2003 | 21,983 tonnes per day average |
| Month December 2003 | 22,603 tonnes per day average |
| Final 10 days to 31 December 2003 | 24,292 tonnes per day average |

Production shortfalls relate primarily to the delayed undercut development and equipment deficiencies. The development of the undercut has been slowed down in order to better manage rock stress and improve the longer-term management of the cave. A further three secondary breaking units and load haul dump units were commissioned in the last quarter. Three additional secondary breaking units have been ordered for delivery in April 2004.

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Underground project status at 31 December 2003

| | <u>Commissioned</u> | <u>Target</u> | <u>Anticipated Date</u> |
|------------|---------------------|---------------|-------------------------|
| Undercut | 117,556sq.m. | 119,339sqm | Jan 2004 |
| Draw bells | 148 | 166 | April 2004 |
| Crosscuts | 16 | 19 | April 2004 |

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 weeks ahead. Current work to achieve this is focussed on further improvements to equipment availability, particularly secondary breaking equipment. As always, the safety of employees and contractors is being given first priority and will not be compromised to achieve production targets.

Fourth quarter production statistics

Tonnage of ore treated during the fourth quarter of 2003 was in line with the underground output. The open pit ramp scavenging operation was completed in November. Copper in concentrate production increased with the improved head grades and recoveries. Total concentrate smelted comprised run-of-mine production, smelter secondary and imported concentrate.

Vermiculite production was stable and the reconfigured plant continues to meet market demand at significantly improved recoveries. Production during the third quarter of 2003 was reduced in order to lower supply chain inventory levels.

ZBS (zirconium basic sulphate) production for the fourth quarter was 305 tonnes and 1,129 tonnes 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 and specific product toll manufacturing. Shareholders will be advised in due course regarding the board's decision.

OPERATIONAL DATA

| | 4Q 2002 | 1Q 2003 | 2Q 2003 | 3Q 2003 | 4Q 2003 | FULL YEAR 2002 | FULL YEAR 2003 |
|---|------------|------------|------------|------------|--------------|----------------------|----------------------|
| Palabora mine | | | | | | | |
| Ore treated ('000 tonnes) | 2,648 | 2,453 | 2,726 | 3,398 | 2,838 | 9,933 | 11,415 |
| Average ore grade: copper (%) | 0.56 | 0.59 | 0.60 | 0.53 | 0.63 | 0.63 | 0.59 |
| Copper concentrates produced ('000 tonnes) | 35.7 | 35.3 | 38.2 | 43.5 | 46.3 | 167.9 | 163.3 |
| Average concentrate grade: copper (%) | 31.9 | 31.5 | 32.7 | 32.9 | 31.3 | 31.1 | 32.1 |
| Copper in concentrates ('000 tonnes) | 11.4 | 11.1 | 12.5 | 14.3 | 14.5 | 52.2 | 52.4 |
| Palabora smelter/refinery | | | | | | | |
| New concentrate smelted on site ('000 tonnes) | 59.7 | 57.5 | 73.7 | 64.0 | 80.0 | 258.6 | 275.2 |
| New copper anodes produced ('000 tonnes) (1) | 18.9 | 15.8 | 20.1 | 19.4 | 21.3 | 82.3 | 76.7 |
| Refined new copper produced ('000 tonnes) | 20.4 | 15.9 | 19.2 | 17.4 | 20.9 | 81.6 | 73.4 |
| By-products: | | | | | | | |
| Magnetite concentrate ('000 tonnes) | 40 | 44 | 51 | 53 | 68 | 172 | 215 |
| Refined nickel sulphate (tonnes) | 85 | 61 | 27 | 26 | 38 | 314 | 152 |
| Vermiculite plant | | | | | | | |
| Vermiculite produced ('000 tonnes) | 59.8 | 51.2 | 53.9 | 32.5 | 35.6 | 223.5 | 173.2 |

(1) Contained copper in anodes; anode production includes an amount produced from purchased material.

Trading update and cautionary announcement

Shareholders are advised that the Company's earnings and headline earnings per share for the year ended 31 December 2003 will be substantially ("substantially" equating to 30 per cent or more as defined in the Listings Requirements of the JSE Securities Exchange South Africa ("JSE")) below those of the comparative period, resulting in a loss situation. It is anticipated that the unaudited results for the year ended 31 December 2003 will be published on or about 28 January 2004 at which stage further details will be provided regarding the Company's results.

The Company's results have not been reviewed and/or reported on by the Company's auditors and accordingly, shareholders are advised to exercise caution when dealing in the Company's securities on the JSE until the audited results for the year ended 31 December 2003 are published.

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