RIO TINTO PLC
Form 20-F
March 26, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12 (b) or 12(g) of the Securities Exchange Act of 1934
or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the financial year ended: 31 December 2003

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from: _________ to _________

Commission file number: 1-10533	Commission file number: 0-20122
Rio Tinto plc (Exact name of Registrant as specified in its charter)	**Rio Tinto Limited** (Exact name of Registrant as specified in its charter)
England and Wales (Jurisdiction of incorporation or organisation)	**Victoria, Australia** (Jurisdiction of incorporation or organisation)
6 St James's Square **London, SW1Y 4LD, England** (Address of principal executive offices)	**Level 33, 55 Collins Street** **Melbourne, Victoria 3001, Australia** (Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Name of each exchange on which registered	Title of each class
American Depositary Shares*	New York Stock Exchange		None
Ordinary Shares of 10p each**	New York Stock Exchange		

* Evidenced by American Depository Receipts. Each American Depository Share Represents four Rio Tinto plc Ordinary Shares of 10p each.

** Not for trading, but only in connection with the listing of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of each class	Title of each class
None	American Depositary Shares*** Ordinary Shares

*** Evidenced by American Depository Receipts. Each American Depository Share represents four Rio Tinto Limited Ordinary Shares.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None	None

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Title of each class	**Number**	**Number**	**Title of each class**
Ordinary Shares of 10p each	1,066,674,301	499,058,420	Shares
DLC Dividend Share of 10p	1	1	DLC Dividend Share
Special Voting Share of 10p	1	1	Special Voting Share

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark which financial statement item the Registrants have elected to follow:

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EXPLANATORY NOTE

The Rio Tinto Group is a leading international mining group, combining Rio Tinto plc and Rio Tinto Limited in a dual listed companies (‘DLC’) merger that has created a single economic enterprise, nevertheless both companies remain separate legal entities with separate share listings and registrars, and with separate ADR programmes.

Rio Tinto plc and Rio Tinto Limited prepare annual reports and financial statements for the combined group that are presented to their shareholders as their consolidated accounts in accordance with both United Kingdom and Australian legislation and regulations. The current such document is the 2003 Annual report and financial statements and is referred to in this annual report on Form 20-F as the “2003 Annual report”. They also prepare combined annual reports on Form 20-F that are filed with the SEC in accordance with United States legislation and regulations.

The following have been filed as part of this annual report on Form 20-F:

- The 2003 Annual report, as modified for purposes of filing with this annual report on Form 20-F. Data included on pages 22 to 24 of the 2003 Annual report relating to mineral resources in compliance with the requirements of the Australian Stock Exchange has been intentionally omitted from this annual report on Form 20-F because it conflicts with the requirements of SEC Industry Guide 7. Also included on pages 81 to 133 of the 2003 Annual report are the financial statements of the Rio Tinto Group formed through the DLC merger. These financial statements have been prepared in accordance with UK GAAP that recognises the DLC merger as a merger of economic interests and in order to present a true and fair view of the Rio Tinto Group the principles of merger accounting have been adopted in accordance with FRS 6. The Profit and loss account and the Audit report on pages 82 and 135 respectively of the 2003 Annual report are not in accordance with the SEC rules and so replacement pages have been substituted. The replacement page 82 also includes a condensed income statement in the format prescribed by the SEC but does not change the reported state of affairs of the Rio Tinto Group or of its profit and cash flows.
- The 2003 Annual report Appendix. For purposes of this annual report on Form 20-F the separate consolidated financial statements of the Rio Tinto plc and Rio Tinto Limited parts of the Group, prepared on the basis of the legal ownership of the various operations within each part of the Group, have been presented in the 2003 Annual report Appendix. However, the DLC merger of Rio Tinto plc and Rio Tinto Limited has the effect of placing the shareholders of each company in substantially the same position as if they held shares in a single economic enterprise and therefore the directors consider that the combined financial statements of the Rio Tinto Group provide shareholders with the most meaningful representation of the state of affairs and of the profit and cash flows.

Only (i) the information that has been referenced in the answers to the Items of this annual report on Form 20-F, and (ii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into any documents filed by Rio Tinto plc, Rio Tinto Limited or Rio Tinto Finance (USA) Limited pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference this annual report on Form 20-F. Any information herein which is not referenced in the answers to the Items of this annual report on Form 20-F, or the Exhibits themselves, shall not be deemed to be so incorporated by reference.

The information contained in the 2003 Annual report and the 2003 Annual report Appendix has not materially changed since 20 February 2004, but see Item 8 for a discussion of a post balance sheet event.

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RIO TINTO

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected consolidated financial data

The following selected consolidated financial data has been derived from the consolidated financial statements of the Rio Tinto Group presented elsewhere herein, restated where appropriate to accord with the current accounting policies and presentations. The selected consolidated financial data should be read in conjunction with, and qualified in their entirety by reference to, the consolidated financial statements and notes thereto included elsewhere in this annual report on Form 20-F.

The consolidated financial statements are prepared in accordance with UK GAAP which differs in certain respects from US GAAP. Details of the principal differences between UK GAAP and US GAAP are set out on pages 137 to 147 of the 2003 Annual report and in note 42 on pages A-59 to A-74 of the 2003 Annual report Appendix.

Rio Tinto Group

Income Statement Data For the years ending 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Consolidated turnover	9,228	8,443	8,152	7,875	7,197
Group operating profit (a)	1,496	831	1,562	2,188	1,631
Net earnings (a)	1,508	651	1,079	1,507	1,282
Group operating profit per share (US cents)	108.6	60.3	113.6	159.4	119.1
Earnings per share (US cents)	109.5	47.3	78.5	109.8	93.6
Dividends per share (US cents) (b)	64.0	60.0	59.0	57.5	55.0
Dividends per share (pence) (b)	37.13	37.47	41.68	38.87	34.23
Dividends per share (Australian cents) (b)	89.70	105.93	115.27	102.44	87.11
Weighted average number of shares (millions) (b)	1,378	1,377	1,375	1,373	1,370

Diluted earnings per share figures are 0.2 US cents lower than the basic earnings per share figures shown for 2003 and 2001, and approximately 0.1 US cents lower than the basic earnings per share figures for 2002 and other years.

Amounts in accordance with US GAAP (US$ millions)					
Consolidated turnover (c)	9,211	8,447	8,157	7,859	7,197
Group operating profit (e) (g)	1,041	746	1,821	1,948	1,407
Net earnings (e)	1,977	581	1,038	1,174	958
Group operating profit per share (US cents) (e) (g)	75.5	54.2	132.4	141.9	102.7
Earnings per share (US cents) (e)	143.5	42.2	75.5	85.5	69.9

Diluted earnings per share figures are 0.2 US cents lower than the basic earnings per share figures for 2003 and, approximately 0.1 US cents lower than the basic earnings per share figures for other years.

Balance Sheet Data at 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Total assets (e)	24,081	20,204	19,540	19,367	15,533
Share capital / premium	2,869	2,580	2,486	2,535	2,784
Shareholders' funds (net assets) (e)	10,037	7,462	7,043	7,211	6,963

Amounts in accordance with US GAAP (US$ millions)					
Total assets	26,959	22,600	22,102	21,530	17,469
Share capital / premium	2,869	2,580	2,486	2,535	2,784
Shareholders' funds (net assets) (e)	12,044	9,517	9,571	9,812	9,928

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Rio Tinto plc part of Rio Tinto Group

Income Statement Data for the years ending 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Consolidated turnover	4,032	3,929	3,723	3,993	4,016
Group operating profit (a)	368	(19)	137	915	779
Net earnings (a)	956	195	491	1,064	970
Group operating profit per share (US cents)	34.5	(1.8)	12.9	86.0	73.4
Earnings per share (US cents)	89.7	18.3	46.1	100.1	91.4
Dividends per share (US cents) (b)	64.0	60.0	59.0	57.5	55.0
Dividends per share (pence) (b)	37.13	37.47	41.68	38.87	34.23
Weighted average number of shares (millions) (b)	1,066	1,065	1,064	1,063	1,061

Diluted earnings per share figures are approximately 0.1 US cents lower than the basic earnings per share figures for all years.

Amounts in accordance with US GAAP
(US$ millions)

Consolidated turnover (c)	4,012	3,929	3,727	3,982	4,016
Group operating profit (e) (g)	(7)	(481)	548	747	594
Net earnings (e)	949	(206)	618	820	669
Group operating profit per share (US cents) (e) (g)	(0.7)	(45.2)	51.5	70.2	56.0
Earnings per share (US cents) (e)	89.0	(19.3)	58.1	77.1	63.1

Diluted earnings per share figures are approximately 0.1 US cents lower than the basic earnings per share figures for all years.

Balance Sheet Data at 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Total assets (e)	13,708	12,606	11,921	11,948	11,390
Share capital / premium	1,784	1,764	1,754	1,741	1,882
Shareholders’ funds (net assets) (e)	7,343	5,899	5,902	6,325	5,558

Amounts in accordance with US GAAP
(US$ millions)

Total assets	15,180	13,941	13,735	13,557	13,408
Share capital / premium	1,784	1,764	1,754	1,741	1,882
Shareholders’ funds (net assets) (e)	8,931	7,697	8,371	8,693	8,222

Rio Tinto Limited part of Rio Tinto Group

Income Statement Data for the years ending 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Consolidated turnover	5,196	4,514	4,429	3,882	3,181
Group operating profit (a)	1,128	855	1,425	1,273	852
Net earnings (a)	884	736	942	771	606
Group operating profit per share (US cents)	226.1	171.3	286.1	235.7	141.8
Earnings per share (US cents)	177.2	147.6	189.0	142.8	100.8
Dividends per share (US cents) (b)	64.0	60.0	59.0	57.5	55.0
Dividends per share (Australian cents) (b)	89.70	105.93	115.27	102.44	87.11
Weighted average number of shares (millions) (b)	499	499	498	540	601

Diluted earnings per share figures are approximately 0.1 US cents lower than the basic earnings per share figures for all years.

Amounts in accordance with US GAAP (US$ millions)					
Consolidated turnover (c)	5,199	4,518	4,430	3,873	3,181
Group operating profit (e) (g)	1,048	1,231	1,273	1,201	813
Net earnings (e)	1,647	1,267	671	614	562
Group operating profit per share (US cents) (e) (g)	210.0	246.7	255.6	222.4	135.3
Earnings per share (US cents) (e)	330.1	254.0	134.6	113.9	93.5

Diluted earnings per share figures are approximately 0.1 US cents lower than the basic earnings per share figures for all years.

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Balance Sheet Data at 31 December Amounts in accordance with UK GAAP (US$ millions)	**2003**	**2002**	**2001**	**2000**	**1999**
Total assets (e)	13,542	10,382	9,977	9,542	5,743
Share capital / premium	1,280	964	865	939	1,276
Shareholders' funds (net assets) (e) (f)	4,324	2,510	1,828	1,420	2,669
Amounts in accordance with US GAAP (US$ millions)					
Total assets	15,234	11,609	10,770	10,236	6,021
Share capital / premium	1,280	964	865	939	1,276
Shareholders' funds (net assets) (e)	4,996	2,922	1,920	1,795	3,233

(a) In 2003 Rio Tinto Group net earnings under UK GAAP are stated after exceptional gains totalling US$126 million which arose on the sale of certain operations by Rio Tinto Limited.
In 2002 Rio Tinto Group operating profit under UK GAAP is stated after charging US$962 million for asset write downs, of which US$529 million relates to Rio Tinto plc and US$433 million relates to Rio Tinto Limited. In addition, group operating profit for 2002 includes US$116 million for environmental remediation charges which all relate to Rio Tinto plc. In 2002 net earnings for the Rio Tinto Group include US$763 million for asset write downs of which US$623 million relates to Rio Tinto plc and US$225 million relates to Rio Tinto Limited. In addition the Group’s net earnings for 2002 include US$116 million for environmental remediation charges which all relate to Rio Tinto plc.
In 2001 Rio Tinto Group operating profit under UK GAAP is stated after charging US$715 million for exceptional asset write downs, of which US$644 million relates to Rio Tinto plc and US$71 million relates to Rio Tinto Limited. In 2001 Rio Tinto Group net earnings under UK GAAP are after charges of US$583 million for asset write downs of which US$551 million relates to Rio Tinto plc and US$52 million relates to Rio Tinto Limited.
Under UK GAAP asset write downs and the environmental remediation charges are classified as ‘exceptional' but none of these items would be classified as ‘extraordinary’ items under US GAAP.
(b) These figures are the same under both UK and US GAAP.
(c) A cumulative adjustment was made in 2000 to reflect the application of Staff Accounting Bulletin No. 101 (‘SAB101’) Revenue recognition in financial statements. The effect of SAB 101 is described on page A-62.
(d) The results for all years relate wholly to continuing operations.
(e) Total assets and shareholders’ funds under UK GAAP have been restated for all years to reflect the implementation of FRS 19 Deferred Tax. The application of FRS 19 did not impact significantly on net earnings and, accordingly, net earnings have not been restated. 2001 and 2000 Rio Tinto Group, Rio Tinto plc and Rio Tinto Limited operating profit, net earnings and shareholders’ funds under US GAAP have been restated for prior years to reflect the implementation of FAS 123 Accounting for Stock Based Compensation in 2002.
(f) The decrease in Rio Tinto Limited shareholders’ funds in 2000 reflects the buy back of 91,000,000 shares from Rio Tinto plc in that year.
(g) Under US GAAP the impact of exchange differences on US dollar debt and the mark to market of certain derivative contracts are excluded from operating profit but are included in net earnings. 1999-2002 Group operating profit and Group operating profit per share figures under US GAAP have been restated to reflect this.

Risk factors

Risk factors have been discussed on page 7 of the 2003 Annual report.

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Cautionary statement about forward looking statements

To come within the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, Rio Tinto is providing the following cautionary statement:

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of the Rio Tinto Group. The words “intend”, “aim”, “project”, “anticipate”, “estimate”, “plan”, “beli “expects”, “may”, “should”, “will”, or similar expressions, commonly identify such forward looking statements. Examples of forward looking statements in this annual report on Form 20-F include those regarding estimated reserves, anticipated production or construction commencement dates, costs, outputs and productive lives of assets or similar factors. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors set forth in this document that are beyond the Group’s control. For example, future reserves will be based in part on market prices that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, and activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

In light of these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements. The Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

Item 4. Information on the Company

Information on the Rio Tinto Group has been set out on pages 9 to 21 and on pages 25 to 31 of the 2003 Annual report and in notes 26 and 27 on pages A-34 to A-38 in the 2003 Annual report Appendix. The disclosures in connection with ore reserves are supplemented with alternative estimates for purposes of US reporting on page 147 of the 2003 Annual report and which has been repeated on page A-75 in the 2003 Annual report Appendix. A description of Rio Tinto’s dual listed companies structure has been set out on pages 77 to 79 of the 2003 Annual report and its principal subsidiaries have been listed in note 31 on page 118 of the 2003 Annual report.

Item 5. Operating and Financial Review and Prospects

Individual listed company information: Rio Tinto plc and Rio Tinto Limited parts of Rio Tinto Group

In December 1995 the shareholders of Rio Tinto plc and Rio Tinto Limited approved the terms of a dual listed companies (‘DLC’) merger that was designed to place the shareholders of both companies in substantially the same position as if they held shares in a single enterprise. UK GAAP recognises the DLC merger as a combination of economic interests and in order to present a true and fair view of the Rio Tinto Group the principles of merger accounting have been adopted in accordance with FRS 6. Accordingly, the Rio Tinto Group’s Operating and Financial Review and Prospects have been presented on a combined basis on pages 32 to 56 in the 2003 Annual report. Set out below is a separate discussion and analysis relating to each of the Rio Tinto plc and Rio Tinto Limited parts of the Rio Tinto Group.

Rio Tinto plc part of Rio Tinto Group

2003 compared with 2002

Rio Tinto plc's net sales revenue (referred to as consolidated turnover in the financial statements) was US$4,032 million (2002: US$3,929 million). The three per cent increase in 2003 is largely due to the commencement of sales at Diavik.

Profit on ordinary activities before interest and tax was US$1,512 million. The corresponding figure for 2002 was US$602 million lower, but suffered from exceptional charges of US$755 million. Iron and Titanium profits were lower in 2003 as a result of the weak US dollar, soft market conditions and the write down of a customer receivable. The pretax profit impact of reduced volumes at Kennecott Utah Copper was partly offset by benefits from higher copper prices. A loss at Rössing reflected lower prices and adverse exchange rates. 2003 profits also suffered from increased pension finance costs, resulting from the decrease in fund asset values. However, profits benefited in 2003 from Diavik's first year of operation; and there was an increase in operating profit contributed by joint ventures following expansion of capacity at Escondida.

In 2003, net interest payable decreased to US$138 million (2002: US$156 million), as a result of lower net debt and the reduced interest rates. Interest rates for the majority of Rio Tinto plc's borrowings are based on 3 month LIBOR, which averaged 1.2 per cent in 2003 and 1.8 per cent in 2002.

The effective tax rate was 26.1 per cent in 2003. The reduction from the 2002 tax rate of 61.8 per cent is largely due to the effect of exceptional items. Excluding these, the tax rate in 2003, at 27.1 per cent is lower than the 30.7 per cent for 2002 as a result of lower tax payments in the US. The 2003 exceptional gain of US$47 million attracted no tax charge. In 2002 tax relief recognised on the exceptional losses of US$755 million was US$9 million.

Net earnings of US$956 million compare with US$195 million in 2002. The increase of US$761 million includes the effect of exceptional charges of US$739 million, in 2002, in contrast with gains of US$47 million in 2003.

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Total cash flow from operations was US$1,710 million (2002: US$1,976 million). Although 2003 operating profit was higher than in 2002, this largely resulted from the influence of exceptional non-cash charges.

Capital expenditure and financial investment in 2003 was US$1,097 million (2002: US$1,205 million). The decrease was largely due to:

- An increase in net funds advanced to Rio Tinto plc by Rio Tinto Limited of US$5 million (2002: decrease of US$87 million).
- A reduction in the purchase of property plant and equipment following the completion of the Diavik project in January 2003.
- The acquisition by a subsidiary company of Rio Tinto plc, of US$500 million of redeemable preference shares in a subsidiary company of Rio Tinto Limited.
- The purchase, in 2002, of US$304 million of US treasury bonds as security for the deferred consideration on the acquisition of the North Jacobs Ranch reserves.

The net cash inflow from acquisitions and disposals of US$1,209 million in 2003 reflects deferred payment by Rio Tinto Limited for the buy back in 2000 of some of its shares from Rio Tinto plc. Net debt fell from US$2,625 million in 2002 to US$1,842 million in 2003.

Shareholders’ funds increased to US$7,343 million at 31 December 2003 (31 December 2002: US$5,899 million), largely due to retained profit and exchange gains.

2002 compared with 2001

Rio Tinto plc's net sales revenue (referred to as consolidated turnover in the financial statements) was US$3,929 million in 2002, six per cent higher than in 2001. The increase primarily reflected higher volumes at Utah Copper and higher average prices at Kennecott Energy. Profit on ordinary activities before interest and tax was US$910 million compared with US$1,253 million in 2001. Exceptional asset write downs reflected in this number were US$639 million in 2002 against US$671 million in 2001. US$480 million of the write downs in 2002 and US$531 million of the write downs in 2001 related to Utah Copper. 2002 exceptional asset write downs also included US$89 million relating to Rio Tinto Limited's write down of the Iron Ore Company of Canada Inc. The remainder of the write downs in 2001 related to gold producing assets. In addition, in 2002, there was an exceptional charge of US$116 million relating to environmental remediation works at Utah Copper. None of these exceptional charges would qualify as extraordinary items under US GAAP. In addition to the above exceptional items, the reduction in profit before interest and tax reflected the absence of the US$54 million gain on disposal of Norzink in 2001, adverse exchange rates, inflation and adverse changes in other corporate items including pension costs.

Interest rates for the majority of Rio Tinto plc's borrowings are based on 3 month LIBOR, which averaged 1.8 per cent in 2002 and 3.8 per cent in 2001. Net interest payable was US$69 million lower than in 2001 as the lower interest rate more than offset the effect of increased net debt in the year.

The effective tax rate was 30.7 per cent (2001: 30.1 per cent) before exceptional charges and 61.8 per cent (2001: 38.5 per cent) after exceptional charges. The 2001 effective tax rate before exceptional charges benefited from the US$54 million non taxable gain on the sale of Norzink.

Net earnings of US$195 million (2001: US$491 million) were reduced in both years by the exceptional charges referred to above. Adjusted net earnings at US$934 million (2001: US$1,042 million) exclude the exceptional charges and are lower as a result of the factors noted above.

Total cash flow from operations was US$1,976 million compared with US$1,532 million in 2001. Reductions in working capital in the period largely reversed the increases in 2001. Dividends from associates increased, reflecting a US$146 million dividend paid by Rio Tinto Limited to Rio Tinto plc on the DLC Dividend Share.

Capital expenditure and financial investment remained around the same level as in 2001. However, 2002 includes the purchase of US$304 million of US treasury bonds held as security for the deferred consideration on the North Jacobs Ranch reserves acquired during the period, which is payable over the next four years. A net US$87 million of funds were advanced to Rio Tinto Limited companies in 2002 which compares with an advance of US$399 million in 2001.

The net cash inflow from acquisitions and disposals of US$104 million in 2002 included the remittance of US$115 million from Rio Tinto Limited in relation to the buyback of some of its shares from Rio Tinto plc in 2000. Dividends paid to shareholders were US$108 million higher than in 2001 as a result of the change in policy for weighting of interim and final dividends announced in 2001. Net debt increased from US$2,311 million at 31 December 2001 to US$2,625 million at 31 December 2002 primarily reflecting the cash outflow before management of liquid resources and financing of US$235 million. Shareholders' funds were US$5,899 million at the end of 2002 compared with US$5,902 million at the end of 2001. Retained losses of US$444 million were offset by positive exchange rate changes, primarily on the Australian dollar, and the impact of the dividend on the DLC Dividend Share.

Rio Tinto Limited part of Rio Tinto Group

2003 Compared with 2002

Rio Tinto Limited's net sales revenue (referred to as consolidated turnover in the financial statements) was US$5,196 million in 2003 (2002: US$4,514 million). The 15 per cent increase in 2003 is largely due to increased volumes and prices at the Iron Ore operations and increased prices and smelter output at Comalco. The disposals of Kaltim Prima Coal and Alumbrera during the year resulted in a reduction in share of joint ventures' and associates' turnover.

In 2003 profit on ordinary activities before interest and tax was US$1,391 million (2002: US$1,180 million after exceptional asset write downs of US$433 million). The weakening of the US dollar against the Australian dollar and Canadian dollar, in which most of the Group's costs are denominated, reduced profit. However, 2003 profits benefited from exceptional gains on the disposal of a subsidiary, a joint venture and an associate, of US$126 million: whereas, 2002 profits were reduced by exceptional losses.

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In 2003, net interest payable decreased to US$100 million (2002: US$124 million), due largely to lower interest rates.

The effective tax rate in 2003 was 28.7 per cent, which compares with 40.9 per cent in 2002. However, excluding the effect of exceptional items, the tax rate was 31.7 per cent in both years. The 2003 exceptional gain of US$126 million attracted no tax charge. In 2002 tax relief recognised on the exceptional losses of US$433 million was US$42 million.

Profits attributable to outside interests increased in 2003, primarily because 2002 was impacted by the exceptional asset write downs at IOC.

Net earnings increased to US$884 million (2002: US$736 million) as a result of the factors above.

Total cash flow from operations was similar to 2002 at US$2,053 million (2002: US$ 2,043 million). The increase in cash flow from operating activities was offset by a reduction in dividends received from the coal joint ventures in 2003.

Capital expenditure and financial investment increased as a result of continued expansion at Hamersley; and construction of the Comalco Alumina Refinery. During 2003 Rio Tinto Limited remitted US$1,208 million to Rio Tinto plc in respect of shares that were repurchased in 2000. In addition, a subsidiary of Rio Tinto Limited, issued US$500 million of redeemable preference shares to a subsidiary of Rio Tinto plc. The factors mentioned above combined to reduce cash flow and increase the level of net debt in 2003.

2002 Compared with 2001

Rio Tinto Limited's net sales revenue was US$4,514 million in 2002, 2 per cent higher than in 2001. The effect of higher volumes at Argyle and the commencement of West Angelas operations more than offset the absence of sales from the Forestry operations, which were disposed of in 2001. Profit on ordinary activities before interest and tax was US$1,180 million compared with US$1,745 million in 2001. This fall included the impact of US$433 million of exceptional asset write downs in 2002 compared with US$71 million of exceptional asset write downs in 2001. The 2002 exceptional asset write down related primarily to the Iron Ore Company of Canada Inc (IOC). The 2001 asset write down related to some of Rio Tinto Limited's gold producing assets. The exceptional asset write downs do not qualify as extraordinary items under US GAAP. The decrease in profit on ordinary activities before interest and tax also reflected the strengthening of the Australian dollar against the US dollar, which increased costs, and lower prices for iron ore and coal.

The interest charge of US$124 million was US$66 million lower than in 2001.

The effective tax rate was 31.7 per cent (2001: 33.7 per cent) before exceptional asset write downs and 40.9 per cent (2001: 34.0 per cent) after exceptional asset write downs. The effective rate before exceptional asset write downs in 2002 benefited from reductions in deferred tax provisions brought forward from prior years.

There was a credit of US$126 million for amounts attributable to outside shareholders in 2002 compared to a charge in 2001 of US$72 million. Profits attributable to outside interests for 2002 are reduced by US$166 million as a result of exceptional asset write downs. Lower profits at partly owned operations reduced the amount attributable to outside interests in addition to this impact from exceptional asset write downs.

Net earnings at US$736 million were US$206 million below 2001 which reflected the exceptional asset write downs of US$225 million after tax and minorities.

Total cash flow from operations increased to US$2,043 million from US$1,992 million in 2001. Lower operating profits were offset by other favourable movements including a reduction in inventories as West Angelas came into production and as a result of an IOC shut down in August. Capital expenditure and financial investment remained at around the same level as 2001 as increased spending on the Comalco Alumina Refinery and Hail Creek compensated for the suspension of expenditure on IOC's Sept-Iles pellet plant and the completion of West Angelas.

There were net disposals of US$138 million in 2002. The disposals largely related to units acquired with Peabody's Australian coal businesses in 2001. Acquisitions primarily related to an increase in the Group's interest in lines 1 and 2 at Boyne Smelters.

Dividends paid in 2002 included a dividend of US$146 million paid to Rio Tinto plc in relation to the DLC Dividend Share.

Rio Tinto Limited received loans of US$87 million from Rio Tinto plc during the year and repaid US$115 million of the consideration outstanding for 91,000,000 of its shares repurchased from Rio Tinto plc in 2000.

Net debt decreased from US$3,400 million at 31 December 2001 to US$3,122 million at 31 December 2002 reflecting the cash flow during the period.

Adjusted earnings

UK Financial Reporting Standard 3 expressly permits presentation of an adjusted measure of earnings. As presented by Rio Tinto, this excludes the effect of exceptional items of such magnitude that their exclusion is useful in order that adjusted earnings fulfil their purpose of reflecting the Group's underlying performance. Except where otherwise indicated, earnings contributions from business units and business segments exclude the effect of these exceptional items. Adjusted earnings is reconciled with net earnings on page 82 of the 2003 Annual report and on page A-2 of the 2003 Annual report – Appendix. Further information on exceptional items may be found in note 4 on page 91 of the 2003 Annual report and in note 4 on page A-13 of the 2003 Annual report – Appendix.

Critical accounting estimates

The Rio Tinto Group's critical accounting estimates have been set out on pages 35 to 36 of the 2003 Annual report.

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Trend information

The Group’s worldwide operations supply essential minerals and metals that help to meet global needs and contribute to improvements in living standards, so changes in the demand for its products are closely aligned with changes in global GDP. Changes in the GDP of developing countries will have a greater impact on materials such as iron ore and coal that can be used to improve infrastructure whereas changes in the GDP of developed countries will have a greater impact on industrial minerals that have many applications in consumer products. Trends in total turnover, earnings, cash flow, debt, equity, total capital are set out on pages 2 to 6 of the 2003 Annual report. Trends in the production of the Group’s minerals and metals are set out in the Operational review on pages 37 to 51 of the 2003 Annual report.

Item 6. Directors, Senior Management and Employees

Details of the Group’s directors, senior management and employees have been set out on pages 57 to 59 of the 2003 Annual report, the Remuneration report has been set out on pages 62 to 69 of the 2003 Annual report and board practices have been explained under Corporate governance on pages 70 to 72 of the 2003 Annual report. Details of post retirement benefits have been set out in note 41 on pages 123 to 128 of the 2003 Annual report and in note 40 on pages A-52 to A-56 of the 2003 Annual report- Appendix.

Rio Tinto’s employment policies have been summarised on page 56 of the 2003 Annual report. Employee costs have been set out in note 3 on page 90 of the 2003 Annual report and in note 3 on page A-12 of the 2003 Annual report Appendix, and analyses of the average number of employees by principal location and by business unit have been set out in note 30 on page 117 of the 2003 Annual report and in note 30 on page A-46 of the 2003 Annual report Appendix.

As made clear in *The way we work*, Rio Tinto’s statement of business practice, the Group recognises everyone’s right to choose whether or not they wish to be represented collectively.

Details of the Group’s various arrangements for involving directors and employees in its shares are set out in the Remuneration report on pages 62 to 69 of the 2003 Annual report. The tables of the directors’ beneficial interests in shares and their awards under long term incentive plans and options, as included in the Remuneration report, have been updated to the latest practicable date and are reproduced as follows:

Table 3 Directors’ beneficial interests in shares

	1 Jan 2003[2]	31 Dec 2003[8]	19 Mar 2004
Robert Adams[3]	56,599	71,764	71,818
Sir David Clementi[4]			
Leigh Clifford	2,100	2,100	2,100
	56,300	*76,428*	*90,296*
Leon Davis	6,100	6,100	6,100
	133,838	*187,293*	*187,293*
Guy Elliott[3]	28,897	40,847	42,487
Sir Richard Giordano	1,065	1,065	1,065
Andrew Gould			
Oscar Groeneveld	19,010	19,010	19,010
	6,909	*23,515*	*31,357*
Sir John Kerr[4]			
Jonathan Leslie[5]	44,886	55,396	n/a
David Mayhew	2,500	2,500	2,500
John Morschel			
The Hon Raymond Seitz[5]	500	500	n/a
Paul Skinner	1,000	5,140	5,140
Sir Richard Sykes	2,294	2,359	2,359
Lord Tugendhat	1,135	1,135	1,135
Sir Robert Wilson[5]	114,124	138,609	n/a

Notes

1. Rio Tinto plc ordinary shares of 10p each; *Rio Tinto Limited ordinary shares stated in italics.*
2. Or date of appointment if later.
3.

These directors, together with other Rio Tinto plc Group employees, also had an interest in a trust fund containing 21,849 Rio Tinto plc shares at 31 December 2003 (1 January 2003: 102,136 Rio Tinto plc shares) as potential beneficiaries of The Rio Tinto Share Ownership Trust. At 19 March 2004 this trust fund contained 8,006 Rio Tinto plc shares.

4. Sir David Clementi and Sir John Kerr were appointed directors on 28 January 2003 and 14 October 2003 respectively.
5. Mr Leslie, The Hon Raymond Seitz and Sir Robert Wilson retired or resigned as directors on 31 March 2003, 1 May 2003 and 31 October 2003 respectively.
6. The above includes the beneficial interests obtained through the Rio Tinto Share Ownership Plan, details of which are set out on page 64 of the 2003 Annual report under the heading 'Other share plans'.
7. The total beneficial interest of the directors in the Group amounts to less than one per cent.
8. Or date of retirement or resignation if earlier.
9. The shares held by the directors have the same voting and other rights as the shares held by other shareholders.

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Table 4 – Awards to directors under long term incentive plans

	Plan	1 Jan 2003	Awarded	Lapsed	Vested[1]	31 Dec 2003[2]	Awarded	Lapsed	19 Mar 2004
Robert Adams	MCCP 2000	27,830	–	10,437	17,393	–	–	–	–
	MCCP 2001	27,330	–	–	–	27,330	–	–	27,330
	MCCP 2002	25,064	–	–	–	25,064	–	–	25,064
	MCCP 2003	–	26,837	–	–	26,837	–	–	26,837
		80,224	26,837	10,437	17,393	79,231	–	–	79,231
Leigh Clifford[5]	MCCP 2000	*37,609*	–	*14,104*	*23,505*	–	–	–	–
	MCCP 2001	*37,474*	–	–	–	*37,474*	–	–	*37,474*
	MCCP 2002	*34,435*	–	–	–	*34,435*	–	–	*34,435*
	MCCP 2003	–	*36,341*	–	–	*36,341*	–	–	*36,341*
		109,518	*36,341*	*14,104*	*23,505*	*108,250*	–	–	*108,250*
Guy Elliott	MCCP 2000	4,307	–	1,616	2,691	–	–	–	–
	MCCP 2001	7,845	–	–	–	7,845	–	–	7,845
	MCCP 2002	16,935	–	–	–	16,935	–	–	16,935
	MCCP 2003	–	22,923	–	–	22,923	–	–	22,923
		29,087	22,923	1,616	2,691	47,703	–	–	47,703
Oscar Groeneveld[5]	MCCP 2000	*21,266*	–	*7,975*	*13,291*	–	–	–	–
	MCCP 2001	*20,934*	–	–	–	*20,934*	–	–	*20,934*
	MCCP 2002	*20,322*	–	–	–	*20,322*	–	–	*20,322*
	MCCP 2003	–	*21,469*	–	–	*21,469*	–	–	*21,469*
		62,522	*21,469*	*7,975*	*13,291*	*62,725*	–	–	*62,725*
Jonathan Leslie[6]	MCCP 2000	21,574	–	8,091	13,483	–	–	–	–
	MCCP 2001	21,192	–	–	–	21,192	–	–	n/a
	MCCP 2002	19,758	–	19,758	–	–	–	–	–
	MCCP 2003	–	–	–	–	–	–	–	–

		62,524	□	27,849	13,483	21,192	□	□	n/a
Sir Robert Wilson	MCCP 2000	50,191	□	18,822	31,369	□	□	□	□
	MCCP 2001	49,796	□	□	□	49,796	□	□	n/a
	MCCP 2002	47,983	□	□	□	47,983	□	□	n/a
	MCCP 2003	□	50,599	8,456	□	42,143	□	□	n/a
		147,970	50,599	27,278	31,369	139,922	□	□	n/a

Notes

1. The Rio Tinto Group's 7th place ranking against the comparator group for the MCCP 2000 award will generate a 62.5 per cent vesting based on the scales applied to conditional awards made prior to 2004.
2. Rio Tinto plc □ ordinary shares of 10p each; *Rio Tinto Limited □ ordinary shares □ stated in italics.*
3. The shares awarded under the MCCP 2000 vested on 27 February 2004 but, as the performance cycle ended on 31 December 2003, they have been dealt with in this table as if they had vested on that date. The values of these awards have been based on share prices of 1,386p and A$35.24, being the closing share prices on 6 February 2004, the latest practicable date prior to the publication of the 2003 Annual report. Amounts in Australian dollars have been translated into sterling at the year end exchange rate of £1=A$2.3785.
4. The shares awarded under the FTSE 1997 and MCCP 1999 vested on 28 February 2003 but as the performance cycles ended on 31 December 2002, they were dealt in the 2002 Annual report as if they had vested on that date. The values of the awards in the 2002 Annual report were based on share prices of 1,169p and A$32.52, being the closing share prices on 14 February 2003, the latest practicable prior to the publication of the 2002 Annual report. Amounts in Australian dollars were translated into sterling at the year end exchange rate of £1=A$2.829.
   The actual share prices on 28 February 2003, when the awards vested, were 1,268.5p and A$33.3518, with the result that the values of the awards had been understated in respect of Sir Robert Wilson by £105,773, Mr Adams by £61,321, Mr Leslie by £36,304, Mr Davis by £183,279, Mr Clifford by £12,143 and Mr Groeneveld by £36,319, and overstated in respect of Mr Elliott by £4,308.
5. Mr Clifford was given a conditional award over 36,341 Rio Tinto Limited shares and Mr Groeneveld was given a conditional award over 21,469 Rio Tinto Limited shares during the year. These awards were approved by the shareholders under ASX Listing Rule 10.14 at the 2003 annual general meeting.
6. Following Mr Leslie's resignation from the boards of Rio Tinto plc and Rio Tinto Limited on 31 March 2003, the Remuneration committee agreed that his MCCP awards in 2000 and 2001 should continue to the end of their respective performance periods. The 2002 MCCP award was forfeited.
7. A full explanation of the MCCP together with the proposed changes under the plan can be found on pages 63 and 64 of the 2003 Annual report.
8. Or as at date of resignation or retirement if earlier.

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Table 5 Directors’ options to acquire Rio Tinto plc and Rio Tinto Limited shares

		Holding at 1 Jan 2003	Granted[5]	Exercised/ cancelled	Holding at 31 Dec 2003[7]	Weighted average option price	Options exercised / cancelled during year: Number	Option price	Market price	Gain on exercise £’000	Holding at 19 Mar 2004
Robert Adams	A	398,615	114,014		512,629	1,136p					512,629
Leigh Clifford	A	*384,050*	*254,132*		*638,182*	*A$31.10*					*638,182*
	B	*208,882*			*208,882*	*A$39.87*					*A$39.87*
Leon Davis	A	*93,978*			*93,978*	*A$23.44*					*A$23.44*
Guy Elliott	A	106,183	98,818	27,241	177,760	1,323p	8,292	820.0p	1,273p	38	1,323p
							8,645	808.8p	1,273p	40	
							7,613	965.4p	1,273p	23	
							2,691	641.0p	1,299p	18	
							27,241				
Oscar Groeneveld	A	*175,084*	*91,511*		*266,595*	*A$29.83*					*A$29.83*
	B	*73,965*			*73,965*	*A$39.87*					*A$39.87*
Jonathan Leslie	A	309,775		277,095	32,680	965p	55,730	808.8p	1,270p	257	n/a
							53,414	820.0p	1,270p	240	
							16,341	965.4p			
							77,749	1,265.6p			
							71,986	1,458.6p			
							1,875	876.0p			
							277,095				
Sir Robert Wilson	A	841,076	358,273	253,954	945,395	1,288p	129,636	808.8p	1,292p	626	n/a
							124,318	1,263.0p			
							253,954				

A is where the options are in respect of shares whose market price at the end of the financial year is equal to, or exceeds, the option price.

B is where the options are in respect of shares whose market price at the end of the financial year is below the option price.

Notes

1. Rio Tinto plc ordinary shares of 10p each; *Rio Tinto Limited shares stated in italics.*
2. Options have been granted under the Share Option Plan, the Rio Tinto plc Share Savings Plans and the Rio Tinto Limited Share Savings Plan.
3. The options granted to each director have been aggregated, except that any ‘out of the money options’ as at 31 December 2003 have been separately aggregated and disclosed. The closing price of Rio Tinto plc ordinary shares at 31 December 2003 was 1,543p (2002: 1,240p) and the closing price of Rio Tinto Limited shares at 31 December 2003 was A$37.54 (2002:

A$33.95).

4. Two directors were granted share options under the Rio Tinto Share Savings Plan that are exercisable between 1 January 2009 and 30 June 2009. One was granted options over 1,431 Rio Tinto plc ordinary shares at 1,107p per share and the other was granted options over 1,431 Rio Tinto Limited shares at A$27.48 per share.
5. All other share options were granted under the Share Option Plan and, subject to the performance criteria explained on page 63 of the 2003 Annual report, are exercisable between 7 March 2006 and 7 March 2013. Options were granted over 569,674 Rio Tinto plc ordinary shares at 1,263p per share and over 344,212 Rio Tinto Limited shares at A$33.336 per share.
6. No directors' options lapsed during the year. Following Mr Leslie's resignation, 167,951 of his options were cancelled with immediate effect. Following Sir Robert Wilson's retirement 124,318 of his options were also cancelled.
7. Or at date of retirement or resignation if earlier.

Rio Tinto's register of directors' interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe for Rio Tinto shares.

Corporate governance

Rio Tinto is committed to high standards of corporate governance, for which the directors are accountable to shareholders. Rio Tinto's statement on corporate governance, report of its Audit committee and Audit committee charter are set out on pages 70 to 73 of the 2003 Annual report. As a non US company Rio Tinto is permitted to follow home country standards in relation to corporate governance in lieu of complying with most of the provisions of Section 303A of the NYSE's Listed Company Manual but as from 2005 it will be required to disclose significant differences, if any, between its standards of corporate governance and those followed by US companies under NYSE listing standards.

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Item 7. Major Shareholders and Related Party Transactions

Major shareholders

As far as is known, Rio Tinto plc is not directly or indirectly owned or controlled by another corporation or by any government. The Capital Group of Companies Inc. by way of a notice dated 5 February 2004 informed the Company of its interest in 65,148,434 ordinary shares representing 6.1 per cent of its shares as at 6 February 2004. Rio Tinto plc does not know of any arrangements which may result in a change in its control. As of 19 March 2004, the total amount of the voting securities owned by the directors of Rio Tinto plc as a group was 153,714 ordinary shares of 10p each representing less than one per cent of the number in issue.

As far as is known, Rio Tinto Limited, with the exception of the arrangements for the dual listed companies merger described under Shareholder information on page 77 to 79 of the 2003 Annual report, is not directly or indirectly owned or controlled by another corporation or by any government. As of 19 March 2004, the only person known to Rio Tinto Limited as owning more than five per cent of its shares was Tinto Holdings Australia Pty Limited, which is an indirect wholly owned subsidiary of Rio Tinto plc, with 187,439,520 shares, representing 37.56 per cent of its issued capital. Rio Tinto Limited does not know of any arrangements which may result in a change in its control. As of 19 March 2004 the total amount of the voting securities owned by the directors of Rio Tinto Limited as a group was 308,946 shares representing less than one per cent of the number in issue.

Except as provided under the DLC Merger Sharing Agreement as explained on page 78 of the 2003 Annual report, the group’s major shareholders have the same voting and other rights as other shareholders.

As at 19 March 2004 there were 253 US registered shareholders holding 150,158 shares in Rio Tinto plc, and 214 US registered shareholders holding 310,405 shares in Rio Tinto Limited.

Related party transactions

Details of the Group’s material related party transactions are set out in note 38 on page 122 of the 2003 Annual report and in note 38 on page A-51 of the 2003 Annual report Appendix.

As stated in the Financial review on page 32 of the 2003 Annual report the Group’s financial statements show the full extent of the Group’s financial commitments including debt and similar exposures. The Group’s share of the net debt of joint ventures and associates is also disclosed. It is not the Group’s practice to engineer financial structures as a way of avoiding disclosure.

Item 8. Financial Information

Legal proceedings

Neither Rio Tinto plc nor Rio Tinto Limited nor any of their subsidiaries is a defendant in any proceedings which the directors believe will have a significant effect on either Company’s financial position or results of operations.

Dividends

The Group’s policy on dividend distributions is set out under Shareholder information on page 74 of the 2003 Annual report.

Post balance sheet events

On 22 March 2004 Rio Tinto announced that it had reached agreement with Freeport McMoRan Copper & Gold Inc (“FCX”) for FCX to acquire for cash all of Rio Tinto’s 23,931,100 FCX shares. The consideration per share will be based on the price used to establish the conversion price of FCX’s convertible preferred stock which will be issued to finance the buy back. Completion, which is subject to a number of conditions, will occur simultaneously with the closing of FCX’s convertible preferred stock offering. Gross proceeds are expected to amount to US$882 million.

The sale of FCX shares does not affect the terms of Rio Tinto’s joint venture interest in production from the Grasberg mine which is managed by FCX.

There have been no other significant post balance sheet events.

Item 9. The Offer and Listing

Share prices and details of the markets on which the Group’s shares are traded are set out under Shareholder information on pages 74 to 75 of the 2003 Annual report.

The tables of the high and low share prices for Rio Tinto plc and Rio Tinto Limited shares for the most recent six months have been extended to include February 2004 and are reproduced as follows:

	Pence per Rio Tinto plc share High	Low	US$ per Rio Tinto plc ADS High	Low
Aug 2003	1,407	1,270	90.30	82.30
Sep 2003	1,420	1,283	93.83	86.41
Oct 2003	1,474	1,290	100.34	86.85
Nov 2003	1,461	1,366	100.52	92.82
Dec 2003	1,543	1,421	111.35	98.50
Jan 2004	1,574	1,426	116.33	103.95
Feb 2004	1,485	1,386	114.74	102.10

	A$ per Rio Tinto Limited share High	Low	US$ per Rio Tinto Limited ADS High	Low
Aug 2003	34.31	31.55	88.83	83.19
Sep 2003	35.31	32.87	94.00	88.34
Oct 2003	36.59	32.32	101.00	88.22
Nov 2003	35.96	33.68	102.56	97.52
Dec 2003	37.54	34.79	112.42	101.11
Jan 2004	38.41	35.36	118.35	107.75
Feb 2004	36.62	35.08	115.60	106.75

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Item 10. Additional information

Memorandum and Articles of Association

Rio Tinto plc adopted new Articles of Association by Special Resolution passed on 11 April 2002 and Rio Tinto Limited amended its Constitution by Special Resolution on 18 April 2002. These resolutions dealt with the creation of a new special purpose share in each Company to be called a “DLC Dividend Share”. The objective of these shares is to provide improved internal funds management flexibility to the Rio Tinto Group by allowing dividends to be paid between the two parts of the Group. Neither of theses shares has any rights attaching to it, other than the right to dividends as declared by the boards. These resolutions also dealt with some relatively minor technical amendments.

Introduction

As explained on pages 77 to 79 of the 2003 Annual report under the terms of the dual listed companies (‘DLC’) merger the shareholders of Rio Tinto plc and of Rio Tinto Limited entered into certain contractual arrangements which are designed to place the shareholders of both Companies in substantially the same position as if they held shares in a single enterprise which owned all of the assets of both Companies. Generally and as far as is permitted by the UK Companies Act and the Australian Corporations Law this principle is reflected in the Memorandum and Articles of Association of Rio Tinto plc and in the Constitution of Rio Tinto Limited. The summaries below include descriptions of material rights of the shareholders of both Rio Tinto plc and Rio Tinto Limited. Unless stated otherwise the Memorandum and Articles of Association of and Constitution are identical.

Rio Tinto plc is incorporated under the name “Rio Tinto plc” and is registered in England and Wales with registered number 719885 and Rio Tinto Limited is incorporated under the name “Rio Tinto Limited” and is registered in Australia with ACN Number 004458404.

No holder of shares, which may be held in either certificated or uncertificated form, will be required to make any additional contributions of capital.

Objects

The objects of Rio Tinto plc are set out in the fourth clause of its Memorandum of Association and the objects of Rio Tinto Limited are set out in the second clause of its Constitution. Included in these objects is the right for each Company to enter into, with one another, operate and carry into effect an Agreement known as the DLC Merger Sharing Agreement and a Deed Poll Guarantee.

Other objects of Rio Tinto plc include provisions:

- to carry on as an Investment Holding Company;
- to subscribe for, sell, exchange or dispose of any type of security or investment;
- to purchase any estate or interest in property or assets;
- to borrow and raise money to secure or discharge any debt or obligation of or binding on the Company;
- to draw, make or deal in negotiable or transferable instruments;
- to amalgamate with and co-operate with or assist or subsidise any company, firm or person and to purchase or otherwise acquire or undertake all or any part of the business property or liabilities of any person, body or company carrying on any business which this Company is authorised to carry on;
- to promote the Company;
- to lend money and guarantee contracts or obligations of the Company and to give all kinds of indemnities;
- to sell, lease, grant licences and other rights over any part of the Company;
- to procure the registration of the Company outside England;
- to subscribe or guarantee money to any national, charitable, benevolent, public, general or exhibition which may further the objects of the Company or the interest of its members;
- to grant pensions or gratuities to employees, ex-employees, officers and ex-officers;
- to establish any scheme or trust which may benefit employees;
- to lend money to employees to purchase Company shares;
- to purchase and maintain insurance for employees and to carry on the objects of the Company in any part of the world either as principals, agents, contractors, trustees or otherwise.

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Other objects of Rio Tinto Limited include the powers:

- to prospect for, explore, quarry, develop, excavate, dredge for, open, work, win, purchase or otherwise obtain all minerals, metals and substances;
- to carry on business as proprietors of and to purchase, take on, lease or in exchange or otherwise acquire and control mineral and other properties, lands and hereditaments of any tenure, mines and other rights or options thereon;
- to raise, win, get, quarry, crush, smelt, calcine, refine, dress, amalgamate, manipulate and otherwise treat, prepare, sell and deal in ores, metals and other products of mines;
- to carry on business as ship owners, railway proprietors, motor car, lorry and coach proprietors, and garage proprietors, carriers and hauliers, bankers, storekeepers, wharfingers, cartage, storage, building and general contractors and to buy and sell or otherwise deal in real or personal property of any kind;
- to carry on business as manufacturers of and dealers in and exporters and importers of goods and merchandise of all kinds and merchants generally; and
- to guarantee the payment of premiums on any sinking fund or endowment policy or policies taken out by any company having objects similar to the objects of the Company.

Directors

Under Rio Tinto plc's Articles of Association a director may not vote in respect of any proposal in which he or any other person connected with him, has any material interest other than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, except where resolutions:

(a) indemnify him or a third party in respect of obligations incurred by the director on behalf of, or for the benefit of, the Company, or in respect of obligations of the Company, for which the director has assumed responsibility under an indemnity, security or guarantee;
(b) relate to an offer of securities in which he may be interested as a holder of securities or as an underwriter;
(c) concern another body corporate in which the director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate;
(d) relate to an employee benefit in which the director will share equally with other employees; and
(e) relate to liability insurance that the Company is empowered to purchase for the benefit of directors of the Company in respect of actions undertaken as directors (or officers) of the Company.

Under Rio Tinto Limited's Constitution, except where a director is constrained by Australian law, a director may be present at a meeting of the board while a matter in which the director has a material interest is being considered and may vote in respect of that matter.

The directors are empowered to exercise all the powers of the Companies to borrow money, to charge any property or business of the Companies or all or any of their uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Companies or of any other person. The directors shall restrict the borrowings of Rio Tinto plc to the limitation that the aggregate amount of all moneys borrowed by the Company and its subsidiaries shall not exceed an amount equal to one and one half times the Company’s share capital plus aggregate reserves unless sanctioned by an ordinary resolution of the Company.

Directors are not required to hold any shares of either Company by way of qualification, but a director is nevertheless entitled to attend and speak at shareholders' meetings. Nevertheless, as disclosed in the Remuneration report on pages 62 to 69 of the 2003 Annual report the Remuneration committee has informed the executive directors that they would be expected to build up a shareholding equal in value to two times salary over five years.

Directors are required to retire in accordance with statutory age limits. Directors who were elected or re-elected a director in the third year before each annual general meeting are required to retire by rotation and such further directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one third of the number of directors in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one third). These further directors required to retire shall be selected from the other directors subject to retirement by rotation who have been longest in office since their last re-election and where directors were re-elected on the same day then, unless they otherwise agree amongst themselves, they will be selected by the alphabetical order of their names. In addition any director appointed by the directors since the last annual general meeting is also required to retire. A retiring director shall be eligible for re-election.

In the absence of an independent quorum, the directors are not competent to vote compensation to themselves or to any members of their body.

Rights attaching to Shares

Under English law, dividends on shares may only be paid out of profits available for distribution, as determined in accordance with generally accepted accounting principles and by the relevant law. Shareholders are entitled to receive such dividends as may be declared by the directors. The directors may also pay shareholders such interim dividends as appear to them to be justified by the financial position of the Group.

Any Rio Tinto plc dividend unclaimed after 12 years from the date the dividend was declared, or became due for payment, will be forfeited and returned to the Company. Any Rio Tinto Limited dividend unclaimed may be invested or otherwise made use of by the board for the benefit of the Company until claimed or otherwise disposed of according to Australian law.

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Voting rights

Voting at any general meeting of shareholders is by a show of hands unless on a poll, being a written vote, that has been duly demanded. On a show of hands, every shareholder who is present in person or by proxy at a general meeting has one vote regardless of the number of shares held. On a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share or share for which he or she is the holder and, in the case of Joint Decisions, the holder of the Special Voting Share has one vote for each vote cast by the public shareholders at the parallel meeting of shareholders. The voting rights attached to the Special Voting Share have been set out on page 78 of the 2003 Annual report. A poll may be demanded by any of the following:

- the chairman of the meeting;
- at least five shareholders entitled to vote at the meeting;
- any shareholder or shareholders representing in the aggregate not less than one tenth (Rio Tinto plc) or one twentieth (Rio Tinto Limited) of the total voting rights of all shareholders entitled to vote at the meeting;
- any shareholder or shareholders holding shares conferring a right to vote at the meeting on which there have been paid-up sums in the aggregate equal to not less than one tenth of the total sum paid up on all the shares conferring that right; or
- the holder of the Special Voting Share.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a Rio Tinto plc general meeting is three persons and for a Rio Tinto Limited general meeting is two persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at general meetings by the proposing and passing of resolutions, of which there are three kinds:

- an ordinary resolution, which includes resolutions for the election of directors, the receiving of financial statements, the cumulative annual payment of dividends, the appointment of auditors, the increase of authorised share capital or the grant of authority to allot shares;
- a special resolution, which includes resolutions amending the Company’s Memorandum and Articles of Association, disapplying statutory pre-emption rights or changing the Company’s name; and
- an extraordinary resolution, which includes resolutions modifying the rights of any class of the Company’s shares at a meeting of the holders of such class or relating to certain matters concerning the Company’s winding up.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons voting at a meeting at which there is a quorum. Special and extraordinary resolutions require the affirmative vote of not less than three fourths of the persons voting at a meeting at which there is a quorum. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting is entitled to cast the deciding vote in addition to any other vote he may have.

The DLC Merger Sharing Agreement further classifies these three kinds of resolutions into ‘Joint Decisions’ and ‘Class Rights Actions’ as explained on page 78 of the 2003 Annual report.

Annual general meetings must be convened with 21 days advance written notice for Rio Tinto plc and with 28 days for Rio Tinto Limited. Other meetings must be convened with 21 days advance written notice for the passing of a special resolution and with 14 days for any other resolution, depending on the nature of the business to be transacted. The days of delivery or receipt of the notice are not included. The notice must specify the nature of the business to be transacted. The board of directors may, if they choose, make arrangements for shareholders who are unable to attend the place of the meeting to participate at other places.

Variation of Rights

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the relevant legislation, with the consent in writing of holders of three fourths in value of the shares of that class or upon the adoption of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provision of the Articles of Association and Constitution relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons (which must be two or more) who hold or represent by proxy not less than one third in nominal value of the issued shares of the class.

The DLC Merger Sharing Agreement provides for the protection of the public shareholders of both Companies and so any variations of rights would be dealt with as 'Class Rights Actions' that require the separate approval of the shareholders of both Companies.

Rights in a Winding-up

Except as the shareholders have agreed or may otherwise agree, upon a winding up, the balance of assets available for distribution:

- after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and
- subject to any special rights attaching to any class of shares;

is to be distributed among the holders of ordinary shares according to the amounts paid-up on the shares held by them. This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of an extraordinary resolution of the shareholders, divide among the shareholders the whole or any part of the assets in kind.

The DLC Merger Sharing Agreement further sets out the rights of ordinary shareholders in a liquidation as explained under Shareholder information on page 78 of the 2003 Annual report.

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Limitations on Voting and Shareholding

There are no limitations imposed by either law or Rio Tinto plc's Memorandum or Articles of Association or Rio Tinto Limited's Constitution on the right of non-residents or foreign persons to hold or vote the ordinary shares or ADSs, other than the limitations that would generally apply to all shareholders and those that arise from the DLC merger.

There are no restrictions under Rio Tinto plc’s Memorandum and Articles of Association or under English law that limit the right of non resident or foreign owners to hold or vote its shares. Nor are there any restrictions under Rio Tinto Limited’s constitution or under Australian law that limit the right of non residents to hold or vote its shares, other than under the Foreign Acquisitions and Takeovers Act 1975, see Shareholder information on pages 76 to 77 of the 2003 Annual report for details. A description of the change in control provisions triggered by significant share ownership is set out under Shareholder information on pages 78 to 79 of the 2003 Annual report.

Exchange controls

At present, there are no exchange controls or other restrictions that affect remittance of the Group’s dividends to US residents, but see Shareholder information on page 76 to 77 of the 2003 Annual report for controls on remittances to certain specified organisations and certain specified targets related to certain specified territories.

Taxation

This section describes the material United States federal income tax consequences of ownership of Rio Tinto plc ADSs, Rio Tinto plc shares, Rio Tinto Limited ADSs and Rio Tinto Limited shares (“the Group’s ADSs and Shares”). It applies to you only if you are a US holder, as defined below, and you hold the Group’s ADSs and Shares as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organisation;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds the Group’s ADSs and Shares as a part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the US dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and on the convention between the United States of America and United Kingdom, that was ratified and came in force on 31 March 2003, which may affect the tax consequences of the ownership of the Group’s ADSs and Shares. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations by The Bank of New York as Depositary and the assumption that each obligation in our deposit agreement relating to the ADRs and any agreement will be performed in accordance with its terms.

You are a US holder if you are a beneficial owner of the Group’s ADSs and Shares and you are:

- a citizen or resident of the United States;
- a corporation created or organised under the laws of the United States or any of its political subdivision;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorised to control all substantial decisions of the trust.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

Rio Tinto believes that it will not be treated as a passive foreign investment company (PFIC) for US federal income tax purposes. The further discussion of the tax consequences of holding the Group’s ADSs and shares by US residents under Shareholder information on page 76 of the 2003 Annual report assumes this treatment.

With reference to the description of the holding requirement period pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003 included under US Federal income tax on page 76 of the 2003 Annual report, the IRS announced on 19 February 2004 that it will permit taxpayers to apply a proposed legislative change to this holding period requirement as if such change were already effective. This legislative "technical correction" would change the minimum required holding period, retroactive from 1 January 2003, to more than 60 days during the 121 day period beginning 60 days before the ex dividend date.

US holders should consult their tax advisers regarding United States federal, state and local and other tax consequences of owning and disposing of the Group's ADSs and Shares in their particular circumstances.

Documents on display

Rio Tinto plc and Rio Tinto Limited file reports and other information with the SEC. You may read without charge and copy at prescribed rates any document filed at the public reference facilities of the SEC's principal office at 450 Fifth Street, NW, Washington, D.C. 20549, United States of America. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

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Item 11. Quantitative and Qualitative Disclosures about Market Risk

The Rio Tinto Group's policies for currency, interest rate and commodity price exposures, and the use of derivative financial instruments are discussed in the Financial review on pages 32 to 36 of the 2003 Annual report. In addition, the Group's quantitative and qualitative disclosures about market risk are set out in note 28 on pages 111 to 116 of the 2003 Annual report and in note 28 on pages A-39 to A-44 of the 2003 Annual report Appendix. The discussion regarding market risk contains certain forward looking statements and attention is drawn to the Cautionary statement under Item 3 on page 6.

2003 compared with 2002

Currency hedges of trading transactions which matured during 2003 have not been replaced by new hedges. The sensitivity of the Group's earnings to currency movements has therefore increased slightly.

Exchange rates

In any particular year, currency fluctuations may have a significant impact on Rio Tinto's financial results. A weakening of the US dollar against the currencies in which the Group's costs are incurred has an adverse effect on Rio Tinto's net earnings. The approximate effect on the Group's net earnings of ten per cent movements from the 2003 full year average exchange rates of the currencies having most impact on costs are as follows:

	2003 Average exchange rate in US cents	2003 Effect of 10% change in full year average US$m	2002 Average exchange rate in US cents	2002 Effect of 10% change in full year average US$m
Australian $	65	141 +/-	54	115 +/-
Canadian $	71	26 +/-	64	18 +/-
South African rand	13	22 +/-	9	14 +/-

These sensitivities are based on the prices, costs and volumes for each respective year and assume that all other variables remain constant. They take into account the effect of hedges maturing in each year as disclosed in note 28 on pages 111 to 116 of the 2003 Annual report and in note 28 on pages A-39 to A-44 of the 2003 Annual report Appendix. These exchange rate sensitivities include the effect on operating costs of movements in exchange rates but exclude the impact through revaluation of foreign currency working capital and should therefore be used with care.

Interest rates

Based on the Group's net debt at 31 December 2003 and with other variables unchanged, the approximate effect on the Group's net earnings of a one per cent increase in US dollar LIBOR interest rates would be a reduction of US$30 million (2002: US$40 million based on the Group's net debt at 31 December 2002).

Commodity prices

Approximately 40 per cent (2002: 35 per cent) of Rio Tinto's net earnings from operating businesses came from products whose prices were terminal market related and the remainder came from products priced by direct negotiation.

The approximate effect on the Group's net earnings of a ten per cent change from the full year average market price for the following metals would be:

2003 Average market price	2003 Effect of 10% change in full year average US$m	2002 Average market price	2002 Effect of 10% change in full year average US$m

Copper	80 c/lb	109 +/-	71 c/lb	95 +/-
Aluminium	65 c/lb	95 +/-	61 c/lb	75 +/-
Gold	US$363 oz	52 +/-	US$309 oz	55 +/-

Item 12. Description of Securities other than Equity Securities

Not applicable.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds

There are no material modifications to the rights of security holders.

Item 15. Controls and Procedures

The conclusions of management about the effectiveness of the Rio Tinto Group’s disclosure controls and procedures have been set out on page 80 of the 2003 Annual report.

Item 16A. Audit Committee Financial Expert

Details relating to the Audit committee financial expert have been set out under Corporate governance on page 72 of the 2003 Annual report.

Item 16B. Code of Ethics

Rio Tinto’s statement of business practice, *The way we work* and its supplementary guidance documents, has been described under Corporate governance on page 71 of the 2003 Annual report and can be viewed on the Group’s website at www.riotinto.com.

Item 16C. Principal Accountant Fees and Services

The remuneration of the Group’s principal auditors for audit services and other services as well as remuneration payable to other accounting firms has been set out in note 37 on page 121 of the 2003 Annual report and in note 37 on page A-50 of the 2003 Annual report Appendix.

Audit-related regulatory reporting

Includes the audit of employee benefit plans, consultation regarding GAAP and International FRS and assistance and advice in connection with the implementation of Section 404 of the Sarbanes-Oxley Act of 2002.

Further assurance services

Includes due diligence of potential business acquisitions and disposals.

Tax services

Includes tax compliance, involving the preparation or review of tax returns for corporation, income, sales, excise and other taxes and duties, consultancy in relation to tax audits, accounting, restructurings, mergers and acquisitions, advice on transfer pricing and dealing with tax returns for expatriates.

Other services

Includes reviews of risk management policies and procedures, forensic investigations, review of actuarial reports, provision of training services and other procedures of an assurance nature.

Rio Tinto has adopted policies designed to uphold the independence of the Group’s principal auditors by prohibiting their engagement to provide a range of accounting and other professional services that might compromise their appointment as independent auditors. The engagement of the Group’s principal auditors to provide statutory audit services, certain other assurance services, tax services and certain limited other services are pre-approved. The engagement of the Group’s principal auditors to provide other permitted services are individually subject to the specific approval of the Audit committee or its chairman.

Prior to the commencement of each financial year the Group’s Finance director and its principal auditors submit to the Audit committee a schedule of the types of services that are expected to be performed during the following year for its approval. The Audit committee may impose a US dollar limit on the total value of other permitted services that can be provided. Any non audit service provided by the Group’s principal auditors, where the expected fee exceeds a pre-determined level, must be subject to the Group’s normal tender procedures. However, in exceptional circumstances the Finance director is authorised to engage the Group’s principal auditors to provide such services without going to tender, but if the fees are expected to exceed $250,000 then the chairman of the audit committee must approve the engagement.

The Audit committee adopted policies for the pre-approval of permitted services provided by the Group’s principal auditors during January 2003 which were further refined and adopted during September 2003. All of the engagements for services provided by the Group's principal auditors since the adoption of these policies were either within the pre-approval policies or approved by the Audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

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PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The financial statements for the Rio Tinto Group and the Report of the Independent Auditors have been set out on pages 81 to 135 of the 2003 Annual report and the separate financial statements for the Rio Tinto plc and Rio Tinto Limited parts of the Rio Tinto Group and the Report of the Independent Auditors have been set out on pages A-1 to A-75 of the 2003 Annual report Appendix.

Item 19. Exhibits

Exhibits marked "*" have been filed as exhibits to this annual report on Form 20-F and other exhibits have been incorporated by reference as indicated.

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Exhibit Number	Description
1.1	Memorandum and Articles of Association of Rio Tinto plc (adopted by special resolution passed on 11 April 2002) (incorporated by reference to Exhibit 1.11 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
1.2	Constitution of Rio Tinto Limited (ACN 004 458 404) (as adopted by special resolution passed on 24 May 2000 and amended by special resolution on 18 April 2002) (incorporated by reference to Exhibit 1.2 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
3.1	DLC Merger Implementation Agreement, dated 3 November 1995 between CRA Limited and The RTZ Corporation PLC relating to the implementation of the DLC merger (incorporated by reference to Exhibit 2.1 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533).
3.2	DLC Merger Sharing Agreement, dated 21 December 1995 between CRA Limited and The RTZ Corporation PLC relating to the ongoing relationship between CRA and RTZ following the DLC merger (incorporated by reference to Exhibit 2.1 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533).
3.3	RTZ Shareholder Voting Agreement, dated 21 December 1995 between The RTZ Corporation PLC, RTZ Shareholder SVC Pty. Limited, CRA Limited, R.T.Z. Australian Holdings Limited and The Law Debenture Trust Corporation p.l.c. (incorporated by reference to Exhibit 2.3 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533).
3.4	CRA Shareholder Voting Agreement, dated 21 December 1995 between CRA Limited, CRA Shareholder SVC Limited, The RTZ Corporation PLC and The Law Debenture Trust Corporation p.l.c., relating to the RTZ Special Voting Share (incorporated by reference to Exhibit 2.4 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533).
4.01	Letter dated 1 January 1992 to Mr R Adams about supplementary pension arrangements (incorporated by reference to Exhibit 4.23 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.02	Supplementary letter dated 1 January 1992 to Mr R Adams about pension arrangements (incorporated by reference to Exhibit 4.24 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.03	Letter dated 22 November 1994 to Mr R Adams about supplementary pension arrangements (incorporated by reference to Exhibit 4.29 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.04	Letter dated 20 January 1997 to Mr R Adams about directors' pension arrangements (incorporated by reference to Exhibit 4.32 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2001, File No. 1-10533).
4.05	

Service Agreement dated 15 April 2003 between Mr R Adams and Rio Tinto London Limited (incorporated by reference to Exhibit 4.30 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).

*****4.06 Memorandum effective 1 March 2004 to Service Agreement dated 15 April 2003 between Mr R Adams and Rio Tinto London Limited.

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4.07 Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.18 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.08 Memorandum effective 1 April 1999 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.19 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.09 Memorandum effective 1 April 2000 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.20 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.10 Memorandum effective 1 April 2001 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.21 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.11 Memorandum effective 1 March 2002 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.23 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2001, File No. 1-10533).
4.12 Memorandum effective 1 March 2003 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited (incorporated by reference to Exhibit 4.25 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
*4.13 Memorandum effective 1 November 2003 to Service Agreement dated 24 March 1999 between Mr R L Clifford and Rio Tinto Limited.

4.14 Service Agreement dated 19 June 2002 between Mr G R Elliott and Rio Tinto London Limited (incorporated by reference to Exhibit 4.31 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
4.15 Memorandum effective 1 March 2003 to Service Agreement dated 19 June 2002 between Mr G R Elliott and Rio Tinto Limited (incorporated by reference to Exhibit 4.32 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
*4.16 Memorandum effective 1 March 2004 to Service Agreement dated 19 June 2002 between Mr G R Elliott and Rio Tinto London Limited.

4.17 Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.53 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.18 Memorandum effective 1 April 1999 to Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.54 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.19 Memorandum effective 1 April 2000 to Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.55 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.20 Memorandum effective 1 April 2001 to Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.56 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.21 Memorandum effective 1 March 2002 to Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.61 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2001, File No. 1-10533).
4.22 Memorandum effective 1 March 2003 to Service Agreement dated 19 January 1999 between Mr O L Groeneveld and Rio Tinto Limited (incorporated by reference to Exhibit 4.38 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).
*4.23 Service Agreement dated 19 January 2004 between Mr O L Groeneveld and Rio Tinto Limited.
*4.24 Memorandum effective 1 March 2004 to Service Agreement dated 19 January 2004 between Mr O L Groeneveld and Rio Tinto Limited.

4.25 Service Agreement dated 1 June 1994 between Mr J C A Leslie and RTZ Limited (incorporated by reference to Exhibit 4.57 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.26 Letter dated 22 November 1994 to Mr J C A Leslie about supplementary pension arrangements (incorporated by reference to Exhibit 4.58 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.27

Memorandum effective 1 April 1995 to Service Agreement dated 1 June 1994 between Mr J C A Leslie and RTZ Limited (incorporated by reference to Exhibit 4.59 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

4.28 Letter dated 20 January 1997 to Mr J C A Leslie about directors' pension arrangements (incorporated by reference to Exhibit 4.60 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

4.29 Memorandum effective 1 April 1998 to Service Agreement dated 1 June 1994 between Mr J C A Leslie and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.61 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

4.30 Memorandum effective 1 April 1999 to Service Agreement dated 1 June 1994 between Mr J C A Leslie and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.62 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

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4.31 Memorandum effective 1 April 2000 to Service Agreement dated 1 June 1994 between Mr J C A Leslie and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.63 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.32 Memorandum effective 1 April 2001 to Service Agreement dated 1 June 1994 between Mr J C A Leslie and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.64 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.33 Memorandum effective 1 March 2002 to Service Agreement dated 19 August 1991 between Mr J C A Leslie and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.70 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2001, File No. 1-10533).

4.34 Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.01 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.35 Letter dated 1 January 1992 to Sir Robert Wilson about supplementary pension arrangements (incorporated by reference to Exhibit 4.02 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.36 Supplementary letter dated 1 January 1992 to Sir Robert Wilson about pension arrangements (incorporated by reference to Exhibit 4.03 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.37 Memorandum effective 1 April 1992 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.04 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.38 Memorandum effective 1 April 1993 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.05 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.39 Letter dated 9 March 1994 amending Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.06 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.40 Memorandum effective 1 April 1994 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.07 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.41 Letter dated 22 November 1994 to Sir Robert Wilson about supplementary pension arrangements (incorporated by reference to Exhibit 4.08 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.42 Memorandum effective 1 April 1995 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.09 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.43 Memorandum effective 1 April 1996 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.10 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.44 Letter dated 20 January 1997 to Sir Robert Wilson about directors' pension arrangements (incorporated by reference to Exhibit 4.11 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.45 Memorandum effective 1 April 1997 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and RTZ Limited (incorporated by reference to Exhibit 4.12 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.46 Memorandum effective 1 April 1998 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.13 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.47 Memorandum effective 1 April 1999 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.14 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.48 Memorandum effective 1 April 2000 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.15 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.49 Supplementary letter dated 14 February 2001 to Sir Robert Wilson about reduction of notice period (incorporated by reference to Exhibit 4.16 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.50 Memorandum effective 1 April 2001 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.17 of Rio Tinto

plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

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4.51 Memorandum effective 1 March 2002 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.18 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2001, File No. 1-10533).
4.52 Memorandum effective 1 March 2003 to Service Agreement dated 1 January 1992 between Sir Robert Wilson and Rio Tinto London Limited (formerly RTZ Limited) (incorporated by reference to Exhibit 4.19 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533).

4.53 Mining Companies Comparative Plan (incorporated by reference to Exhibit 4.65 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.54 Share Option Plan (incorporated by reference to Exhibit 4.66 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.55 Medical expenses plan (incorporated by reference to Exhibit 4.67 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).
4.56 Pension plan (incorporated by reference to Exhibit 4.68 of Rio Tinto plc's Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533).

*8.1 List of subsidiary companies.

*10.1 Consent of Independent Accountants.

*99.1 Certifications pursuant to Rule 13a-14(a) of the Exchange Act.
*99.2 Certifications furnished pursuant to Rule 13a-14(b) of the Exchange Act (such certificate is not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference with any filing under the Securities Act).

SIGNATURE

The Registrants hereby certify that they meet all of the requirements for filing on Form 20-F and that they have duly caused and authorised the undersigned to sign this Annual Report on their behalf.

Rio Tinto plc (Registrant)	**Rio Tinto Limited** (Registrant)
/s/ Anette Lawless	/s/ Anette Lawless
Name: **Anette Lawless**	Name: **Anette Lawless**
Title: Secretary	Title: Assistant Secretary

Date: 26 March 2004

Rio Tinto

Rio Tinto is a leader in finding, mining and processing the earth s mineral resources. The Group s worldwide operations supply essential minerals and metals that help to meet global needs and contribute to improvements in living standards. Rio Tinto encourages strong local identities and has a devolved management philosophy, entrusting responsibility with accountability to the workplace.

In order to deliver superior returns to shareholders over time, Rio Tinto takes a long term and responsible approach to the Group s business. We concentrate on the development of first class orebodies into large, long life and efficient operations, capable of sustaining competitive advantage through business cycles.

Major products include aluminium, copper, diamonds, energy products (coal and uranium), gold, industrial minerals (borax, titanium dioxide, salt and talc) and iron ore. The Group s activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and southern Africa.

Wherever Rio Tinto operates, health and safety is our first priority. We seek to contribute to sustainable development. We work as closely as possible with our host countries and communities, respecting laws and customs. We minimise adverse effects and strive to improve every aspect of our performance. We employ local people at all levels and ensure fair and equitable transfer of benefits and enhancement of opportunities.

Cover photograph, stacked aluminium billets at Boyne Island smelter, Australia.

2003 Annual report and financial statements

FORM 20-F

The information referenced in this *Annual report and financial statements* will be incorporated into Rio Tinto s *Annual report* on Form 20-F that will be filed with the US Securities and Exchange Commission (SEC). This filing will exclude certain pages that are not SEC compliant and will include some additional replacement pages and additional data and so the index to Form 20-F is for general reference only.

The attention of readers is drawn to the Risk factors and Cautionary statement about forward looking statements on page 7.

ANNUAL REPORT AND FINANCIAL STATEMENTS

Rio Tinto s*Annual report and financial statements* encompass Australian, UK and relevant US statutory requirements. The majority of shareholders have chosen to receive a shorter *Annual review* but those who wish to receive the full *Annual report and financial statements* for all future years may do so by writing to the Companies registrars.

Both the above documents are also available in electronic form. For futher details please visit the Rio Tinto website www.riotinto.com

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Chairman s letter

Adjusted earnings
US$m

Net earnings
US$m

Net earnings in 2001 2002 and 2003 were after exceptional items.

Cash flow from operations
US$m

Dividends per share
US UK Australian
cents pence cents

Dividends from associates and joint ventures

Operating cash flow

Dear shareholder

Having joined the board as a non executive director in 2001, I was delighted to be asked to succeed Sir Robert Wilson as chairman in November 2003. I look forward to working with Leigh Clifford and his executive team and I share fully the Group s long standing commitment to creating shareholder value, delivering operational excellence and embracing sustainable development.

My focus will be on corporate governance, strategy and relations with our key stakeholders. I intend to contribute where possible to the Group s continuing efforts to integrate sustainable development into our business. Rio Tinto now represents my principal activity and I will commit whatever time is required to fulfil my role.

The year 2003 proved to be challenging for Rio Tinto. As the world economy continued its slow recovery, strong growth in key markets, like China, resulted in significant increases in the prices of some of our key commodities. This was particularly the case with iron ore, copper and alumina. Prices for seaborne thermal and coking coal improved towards the end of the year, but those for industrial minerals remained weak.

Unfortunately, revenue gains from higher US dollar prices were mostly offset by the weakness of the US dollar against some of our main producing currencies. We also incurred higher costs as a result of supply and logistical constraints and a number of operational events which affected production at some of our businesses.

Our adjusted earnings were US$1,382 million, US$148 million below 2002, while net earnings were US$1,508 million, or 109.5 US cents per share. The term adjusted earnings is defined on page 32. Cash flow from operations was US$3,486 million, only seven per cent below the previous year. Dividends equivalent to 64 US cents per share have been declared for 2003 as a whole compared with 60 US cents in 2002. This also means that the 2004 interim dividend payable in September can be expected to be 32 US cents per share.

We continue to manage our assets proactively. Our diversified portfolio includes many world class assets across a range of commodities which continue to provide resilience in earnings as well as attractive growth opportunities. Our current development programme includes major investments in our iron ore, bauxite and alumina operations. New capacity has also recently been added in coking coal and diamonds. During 2004/2005 we plan to invest approximately US$4 billion in our core businesses.

We aim to achieve high standards of corporate governance. Our board consists of nine non executive directors, of whom seven have been assessed by the board to be fully independent, four executive directors and myself as chairman. Collectively, the non executive directors bring an outstanding range of experience which is vital to good governance and corporate accountability in today s world. An account of our level of compliance with both the current and the new, recently introduced, Combined Codes in the UK is given in our discussion of corporate governance starting on page 70. We also comply with the requirements of the Australian Stock Exchange Best Practice Corporate Governance Guidelines and those of other authorities in countries where we have obligations.

Lord Tugendhat will be retiring from the board at this year s annual meeting after seven years of distinguished contribution, for which we thank him. We welcomed Sir John Kerr, formerly head of the UK Diplomatic Service, to the board in October 2003 and he is standing for election to the board at the forthcoming annual general meetings.

This letter would not be complete without special recognition of Sir Robert Wilson s retirement after 33 years of outstanding service to the Group. Bob s vision and strategic leadership were pivotal to a number of major portfolio transactions which have transformed Rio Tinto into the industry leading position it holds today. We thank him for all he has done for the Group, and for shareholders, and wish him well in his new activities.

Looking forward to 2004, we expect to see stronger markets for a number of our products. Overall market conditions and increased production from recent investments look encouraging. However, exchange rate developments will be a critical determinant of earnings in 2004.

In conclusion, I would like to acknowledge the hard work and dedication of Rio Tinto s employees throughout the world in 2003. Their contribution and continuing commitments to our core values is a vital factor in delivering sustained high performance in a challenging world.

Paul Skinner Chairman

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Chief executive s report

Graph intentionally omitted

Product group earnings
US$m

Note: 2003, 2002 and 2001 exclude exceptional items.
Product group earnings are stated before exceptional items, net interest, exploration and evaluation costs and other central items. A reconciliation is shown on page 132.

The year 2003 was characterised by the impact of the weak US dollar eroding margins and by prices which did not strengthen until towards the end of the year. However, strong cash flow and a number of completed and current projects paved the way for strong progress to be sustained in the future. Continuing robust demand from China has presented us with opportunities for growth in a number of commodities.

Operating performance

Product group earnings were US$1,584 million, compared with US$1,776 million in 2002.

Market conditions remained difficult for much of the year. An additional challenge was the rapid depreciation of the US dollar against most major currencies which had a significant effect on our earnings. Periods of US dollar weakness have been typically associated with stronger commodity prices. We saw metals prices responding to the weaker dollar in the second half of the year. However, our US based businesses benefited from higher copper and gold prices without incurring additional production costs.

Demand for iron ore, alumina, coking coal and diamonds has been strong. Towards the end of the year there was improved demand and prices for thermal coal from Australia.

The unprecedented demand for iron ore is stretching our infrastructure. Capacity and infrastructure expansions at Hamersley Iron and Robe River are under way involving expenditure of more than US$1 billion.

Strategy

Rio Tinto has had a very consistent strategy resulting in long term shareholder returns superior to those delivered by most of our peers. Fundamentally, we remain convinced that our competitive advantage is in mining, and that returns are best in the upstream part of the industry.

Furthermore, we believe that the best returns are delivered by large, long life, low cost orebodies that often have the potential for further development in the future. In order to maximise the value of these high quality assets we focus on operational excellence.

Our growth comes from creating options and recognising opportunities. We do not set growth targets but look at the quality of each investment opportunity on its merits.

The strength of our balance sheet coupled with the resilience of our cash flows enables us to invest in projects throughout the economic cycle. Across our portfolio we have a range of value creating opportunities and numerous options for future growth.

New projects

Because our strength lies in long life assets, we have the capability in the current environment to increase production in line with demand. We have recently invested heavily in copper, alumina, iron ore and diamonds. We are especially pleased with the Diavik diamond project in Canada, which reinforces our

position in the diamond industry. We opened the Hail Creek coking coal mine in Australia just as demand was firming and Comalco s alumina refinery in Australia, which will make us a major player in the alumina market, is on track to ship its first product in early 2005.

Opportunities to invest have been enhanced considerably by China s ongoing demand for raw materials. While there will undoubtedly be hiccups along China s growth path, fundamentally we believe the underlying trend for industrialisation in China presents a significant opportunity for the mining industry. We have positioned Rio Tinto to take its fair share of a market, the size of which has no precedent in our industry.

Hail Creek coking coal is a huge resource, giving us options for expansion as market demand allows. In iron ore, we are expanding capacity significantly. We have options for expansion of the new Comalco Alumina Refinery which will increase the demand for bauxite from Weipa.

In 2003, we pursued opportunities for asset disposals in a patient and disciplined manner. We sold our interests in Minera Alumbrera, Peak Gold, Kaltim Prima Coal and a number of exploration projects that did not fit our investment criteria. The sale of Fortaleza in Brazil was also agreed in 2003.

Following our Exploration group s evaluation of the large Resolution copper deposit in the US, the project was transferred to the Copper group in 2003 for further study.

Iron ore

Iron ore shipments were at an all time high, and we celebrated our 30th anniversary of iron ore exports to China. Rio Tinto shipped more than 100 million tonnes of iron ore in 2003.

In December, we announced an investment of US$920 million to increase output at Hamersley Iron. This involves increasing Dampier port capacity to 116 million tonnes per annum by late 2005, from the current 74 million tonnes per annum capacity, and expanding the Yandicoogina mine to produce 36 million tonnes per annum by early 2005 from the 24 million tonnes per annum capacity it will achieve in 2004. The Robe River joint venture approved a US$105 million expansion of the new West Angelas mine from 20 million tonnes per annum to 25 million tonnes.

Rio Tinto s managed iron ore infrastructure capacity in Australia is currently about 130 million tonnes per annum. These investments will take this to about 170 million tonnes by 2006.

Energy

Our energy businesses were challenged by weak markets for most of 2003. Continuing pit stability issues affected production in the US. In Australia, the formation of Rio Tinto Coal Australia unified management of our coal interests in New South Wales and Queensland.

We increased our production of hard

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Chief executive s report continued

Net debt: total capital

%

coking coal with the commencement of the Hail Creek mine, and the opening of the Ti Tree area at the Kestrel mine. Chinese steel mills have shown considerable interest in the Hail Creek product, indicating potential for a faster ramp up of production than was initially planned.

Industrial minerals

Demand for industrial minerals is related to the performance of mature economies, which have been weak. Market conditions in 2003 were consequently very difficult. To varying degrees, all products borates, talc, titanium dioxide, salt have had to contend with soft markets in 2003.

In the case of salt and titanium dioxide, the situation has been compounded by new supply and high customer stocks. We have curtailed production and taken action to mitigate the impact of lower production on the cost base, in anticipation of markets continuing to be oversupplied. In the case of our boric acid and upgraded slag expansions, we are allocating resources in areas where we see good opportunities for growth. Our industrial minerals assets are of high quality and capital demands have been low in recent years so cash generation continues to be solid.

Aluminium

In aluminium, our main focus is the development of our alumina business. The options we have to expand mean that we could be a six million tonnes per annum alumina producer within a decade.

Our two major projects in Queensland are working towards this goal. Two years into construction, our new alumina refinery at Gladstone will come on stream at a rate of 1.4 million tonnes per annum late in 2004. Designed to have an ultimate annual capacity of over four million tonnes, we are already looking at a phase two expansion. At Weipa, the source of the high quality bauxite that underpins our alumina business, we are increasing annual production to 16.5 million tonnes from the current capacity of 12 million tonnes. Three million tonnes of this capacity is required to support stage one of the new alumina refinery.

Copper

A slippage and subsequent debris flow at the Grasberg mine in Indonesia late in the year affected earnings in the fourth quarter. Despite this event and depressed prices for most of the year, our Copper group was able to maintain a robust earnings performance. We are well positioned to benefit from an upturn in the market. We have invested a total of US$850 million at Palabora, Escondida, Northparkes and Grasberg, and these projects are expected to be at full production by 2005.

We have made significant progress at Kennecott Utah Copper in the US to improve performance. The finalisation of a labour agreement in June, work practice changes in the mine, together with the implementation of 12 hour shifts, have resulted in a significant improvement in productivity.

Diamonds

Diamonds have become a major product for Rio Tinto. About a quarter of our exploration expenditure is devoted to the search for diamonds, mainly in Canada, but also in India.

The Diavik diamond mine was completed ahead of schedule and within budget. The process plant reached design throughput of 1.5 million tonnes of ore per annum six months ahead of schedule. We have established a strategic planning team separate from mine operations to look at options, including underground mining and construction of a second dike to open a third kimberlite pipe.

Initial production from Diavik entered a robust diamond market and we have enjoyed good sales volumes and prices significantly higher than the feasibility study projections. At the same time, Argyle in Australia benefited from the sale of stockpiled inventory.

Safety, health, environment and communities

We place the utmost importance on health and safety in the workplace. While our record compares very well with our own and other industries, the rate of improvement towards our goal of zero injuries levelled off in 2003. Rigorous compliance with the Rio

Tinto safety standards and increased visible

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leadership from all levels of management is expected. The 2003 winners of the Chief Executive s Safety Award were US Borax s Boron mine in California, Rio Tinto Brasil s Morro do Ouro gold mine and Comalco s Tiwai Point aluminium smelter in New Zealand. The award recognises outstanding performance as a leadership example for other Group operations.

Despite our strenuous efforts, I very much regret to have to report that there were six deaths at operations we manage in 2003; three were Group employees and three were contractors. There were 468 lost time incidents during the year, a four per cent decrease from 2002. The frequency rate was 0.81 compared with 0.85 in 2002.

By the end of 2003, 80 per cent of our managed operations had implemented the ISO 14001 environmental management system (EMS) or equivalent. We are now requiring all operations to certify their EMS by mid 2005. To complement the safety standards we are implementing Group wide occupational health and environment standards. We are targeting fewer workplace exposures and new cases of occupational disease. We seek improved efficiency of greenhouse gas emissions, energy use and fresh water withdrawn from the environment. Specific five year targets have been integrated into business plans to ensure that fully resourced and costed action plans are in place to achieve them.

We made further progress in integrating sustainable development practices and approaches into our activities. Most businesses have appointed cross functional teams to implement a sustainable development framework appropriate to local circumstances, and efforts are being made to formalise the incorporation of relevant criteria into key business decisions.

All of our businesses continued to report social and environmental performance to their local communities. Increasingly, this includes community verification.

Outlook

While 2003 was challenging, the Group s strong fundamentals ensured a satisfactory operating and financial result. We are ready to benefit from improving economic conditions.

In 2003, the world economy ended in better shape, with growth in China being a significant factor. Together with the cyclical upswing in the US and in other developed economies, significant pressure is being exerted on mineral raw materials markets. Iron ore and coking coal are particularly short whilst copper is getting rapidly tighter. Deferral of production at Grasberg due to the slippage event will, however, affect copper production.

The major economic uncertainty ahead lies in the currency markets, both with respect to possible impacts on our costs expressed in US dollars, and the responses which further moves in exchange rates might provoke from economic policy makers.

Our natural hedge against the weakening US dollar provided by strengthening prices for our diverse product range protects us to some extent, as does our policy of borrowing at floating interest rates, but the relative value of the US dollar remains a key uncertainty.

Considering the expansion plans we have announced, and the strong outlook for a number of our products on the back of growth in China, we see a promising medium to long term outlook, with our performance underpinned by some of the best mining assets in the world.

Finally, whatever the mix of challenge and opportunity, I am delighted to be supported by a very strong management team and employees of the highest calibre. In the end, it is the quality of people that makes the difference in delivering long term value. Recognising this, we are increasing our focus on developing a cadre of future leaders. I believe that Rio Tinto is exceptionally well placed in this regard to continue to deliver value to our shareholders.

Leigh Clifford Chief executive

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Selected financial data for Rio Tinto Group for the period 1999 to 2003

Gross turnover
US$m

Graph intentionally omitted

Cash flow from operations
US$m

Capital expenditure and financial investment
US$m

Adjusted earnings
US$m

A reconciliation of adjusted earnings with net earnings is included on page 82.

Net earnings
US$m

Net earnings in 2001,
2002 and 2003 were
after exceptional items.

Adjusted earnings per share
US cents

Net earnings per share
US cents

Dividends per share
US cents

UK pence

Australian cents

Shareholders funds
US$m

Total capital
US$m

Net debt: total capital
%

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Risk factors and cautionary statement

RISK FACTORS

The following describes some of the risks that could affect Rio Tinto. In addition, some risks may be unknown to Rio Tinto and other risks, currently believed to be immaterial, could turn out to be material. These risks, whether individual or simultaneous occurrences, could significantly affect the Group s business and financial results. They should also be considered in connection with any forward looking statements in this document and the cautionary statement below.

Economic conditions

Commodity prices, and demand for the Group s products, are influenced strongly by world economic growth, particularly that in the US and China. The Group s normal policy is to sell its products at prevailing market prices. Commodity prices can fluctuate widely and could have a material and adverse impact on the Group s asset values, revenues, earnings and cash flows. Further discussion can be found on page 11, Business environment and markets, and on page 34, Commodity prices.

Exchange rates

The Group s assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s sales and the countries in which it operates. The US dollar is the currency in which the majority of the Group s sales are denominated. The Australian and US dollars are the most important currencies influencing costs. The relative value of currencies can fluctuate widely and could have a material and adverse impact on the Group s revenues, earnings and cash flows. Further discussion can be found on page 34, Exchange rates, reporting currencies and currency exposure.

Acquisitions

The Group has grown partly through the acquisition of other businesses. There are numerous risks commonly encountered in business combinations and Rio Tinto cannot ensure that management will be able effectively to integrate businesses acquired, or generate the cost savings and synergies anticipated. Failure to do so could have a material and adverse impact on the Group s costs, earnings and cash flows.

Exploration and new projects

The Group seeks to identify new mining properties through an active exploration programme. However, there is no guarantee that such expenditure will be recouped or that the existing mineral reserves will be replaced. Failure to do so could have a material and adverse impact on the Group s financial results and prospects.

The Group develops new mining properties and expands its existing operations as a means of generating shareholder value. However, there are increasing regulatory, environmental and social approvals required that can potentially result in significant increases in construction costs and/or significant delays in construction. These increases could materially and adversely impact upon a project s economics, the Group s asset values, costs, earnings and cash flows.

Reserve estimation

There are numerous uncertainties inherent in estimating ore reserves. Reserves that are valid at the time of estimation may change significantly when new information becomes available. Fluctuations in the price of commodities, exchange rates, increased production costs or reduced recovery rates may render lower grade reserves uneconomic and may, ultimately, result in a restatement. A significant restatement could have a material and adverse impact on the Group s asset values, costs, cash flows and earnings.

Political and community

The Group has operations in some countries where varying degrees of political instability exist. Political instability can result in civil unrest, expropriation, nationalisation, renegotiation or nullification of existing contracts, mining leases and permits or other agreements, changes in laws, taxation policies or currency restrictions. Any of these can have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation.

Some of the Group s current and potential operations are located in or near communities that may now, or in the future, regard such an operation as having a detrimental effect on their economic and social circumstances. Should this occur, it might have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such an event may adversely affect the Group s ability to enter into new operations.

Technology

The Group has invested in and conducts information system and operational initiatives. Several technical aspects of these initiatives are still unproven and the eventual operational outcome or commercial viability cannot be assessed with certainty. Accordingly, the costs and benefits from participating and investing in new technologies and the consequent effects on the Group s future earnings and financial results may vary widely from present expectations.

Land and resource tenure

The Group operates in several countries where title to land and rights in respect of land and resources (including indigenous title) are sometimes unclear and disputes may arise over resource development. Such disputes could disrupt some mining projects and/or impede the Group s ability to develop new mining properties.

Health, safety and environment

Rio Tinto operates in an industry that is subject to numerous health, safety and environmental laws and regulations and community expectations. Evolving regulatory standards and expectations can result in increased litigation and/or increased capital, operating, compliance and remediation costs all of which can have a material and adverse impact on earnings and cash flows.

Mining operations

Mining operations are vulnerable to a number of circumstances beyond the Group s control, including transport disruption, weather and other natural disasters such as cyclones and flooding, unexpected maintenance problems, collapse or damage to pit walls, unexpected geological variations and industrial actions. These can affect costs at particular mines for varying periods. Mining, smelting and refining processes also rely on key inputs, for example fuel and electricity. Appropriate insurance can provide protection from some, but not all, of the costs that may arise from unforeseen events. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on the Group s costs, earnings and cash flows.

Rehabilitation

Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. However, there is a risk that estimates may be insufficient and/or further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect the Group s financial results and cash flows.

Non managed operations

Rio Tinto cannot guarantee that local management of mining and processing assets where it does not have managerial control will comply with the Group s standards or objectives, nor that they continually maintain effective policies, procedures and controls, including disclosure and reporting controls, over their assets.

CAUTIONARY STATEMENT ABOUT FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of the Rio Tinto Group. The words intend , aim , project , anticipate , estimate , plan , believes , expects , may , similar expressions, commonly identify such forward looking statements. Examples of forward looking statements in this Annual report include those regarding estimated reserves, anticipated production or construction commencement dates, costs, outputs and productive lives of

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Risk factors and cautionary statement continued

assets or similar factors. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors set forth in this document that are beyond the Group s control. For example, future reserves will be based in part on market prices that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, and activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

In light of these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements. The Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

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About Rio Tinto

INTRODUCTION

Rio Tinto Limited and Rio Tinto plc operate as one business organisation, referred to, in this report as *Rio Tinto*, the *Rio Tinto Group* or, more simply, *the Group*. These collective expressions are used for convenience only since both Companies and the individual companies in which they directly or indirectly own investments are separate and distinct legal entities.

Limited , plc , Pty , Inc , Limitada , or SA has generally been omitted from Group company names, except to distinguish betw Rio Tinto plc and Rio Tinto Limited.

Financial data in United States dollars (US$) is derived from, and should be read in conjunction with, the Rio Tinto Group s consolidated financial statements which are in US$. In general, financial data in pounds sterling (£) and Australian dollars (A$) has been translated from the consolidated financial statements at the rates shown on page 153 and has been provided solely for convenience; exceptions arise where data, such as directors remuneration, can be extracted directly from source records. Certain key information has been provided in all three currencies on page 136.

Rio Tinto Group turnover, profit before tax and net earnings, and operating assets for 2002 and 2003 attributable to the Group s products and geographical areas, are shown in notes 26 and 27 to the Financial statements on pages 106 to 110. In the Operational review, operating assets and turnover are consistent with the financial information by business unit on pages 132 and 133.

The tables on pages 13 to 16 show production for 2001, 2002 and 2003 and include estimates of proved and probable reserves and mineral resources. The weights and measures used are mainly metric units; conversions into other units are shown on page 153. Words and phrases, often technical, have been used which have particular meanings; definitions of these terms are on pages 150 to 152.

AN OVERVIEW OF RIO TINTO

Rio Tinto is a leading international mining group, combining Rio Tinto plc and Rio Tinto Limited in a dual listed companies (DLC) structure as a single economic entity.

Nevertheless, both Companies remain legal entities with separate share listings and registers. Rio Tinto plc is incorporated in England and Wales and Rio Tinto Limited is incorporated in Australia.

Rio Tinto s international headquarters is in London whilst the Australian representative office in Melbourne provides support for operations, undertakes external and investor relations and fulfils statutory obligations there. For legal purposes, Rio Tinto s US agent is Shannon Crompton, Secretary of Rio Tinto s US holding companies, 8309 West 3595 South, Magna, Utah 84044. Investor relations in the US are provided by Makinson Cowell US Limited, One Penn Plaza, 250 W 34th St,

Suite 1935, New York, NY 10119.

Rio Tinto s address and telephone details are shown on the inside back cover of this report.

Objective, strategy and management structure

Rio Tinto s fundamental objective is to maximise the overall long term return to its shareholders by operating responsibly and sustainably in areas of proven expertise where the Group has competitive advantage. Its strategy is to maximise the net present value per share by investing in large, long life, cost competitive mines. Investments are driven by the quality of opportunity, not choice of commodity.

Rio Tinto s substantial mining interests are diverse both in geography and product. The Group consists of wholly and partly owned subsidiaries, joint ventures, associated companies and joint arrangements, the principal ones being listed in notes 31 to 34 of the Financial statements on pages 118 to 120.

Rio Tinto s management structure is designed to facilitate a clear focus on business performance and the Group s objective. The management structure, which is reflected in this report, is based on principal product and global support groups:

- Iron Ore
- Energy
- Aluminium
- Copper
- Diamonds
- Exploration, and
- Technology.

The chief executive of each group reports to the chief executive of Rio Tinto.

2003 FINANCIAL SUMMARY

On 31 December 2003, Rio Tinto plc had a market capitalisation of £16.5 billion (US$29.3 billion) and Rio Tinto Limited had a market capitalisation of A$18.6 billion (US$13.9 billion). The combined Group s market capitalisation in publicly held shares at the end of 2003 was US$38.0 billion.

At 31 December 2003, Rio Tinto had consolidated operating assets of US$15.8 billion; 56 per cent were located in Australia and New Zealand and 31 per cent in North America. Group turnover, or sales revenue, in 2003 was US$11.8 billion (or US$9.2 billion excluding Rio Tinto s share of joint ventures and associates turnover). Net earnings in 2003 were US$1,508 million.

History

Rio Tinto plc was formed in 1962 by the merger of two English companies, The Rio Tinto Company and The Consolidated Zinc Corporation. At the same time, the Australian interests of these two companies were also merged to form Rio Tinto Limited.

The Rio Tinto Company was formed in 1873 to mine ancient copper workings at Rio Tinto in southern Spain. The Consolidated Zinc Corporation was incorporated in 1905, initially to treat zinc bearing mine waste at Broken Hill, New South Wales, Australia.

Between 1962 and 1995, Rio Tinto plc and Rio Tinto Limited discovered important mineral deposits, developed major mining projects and also grew through acquisition. Their DLC merger in 1995 was structured to ensure that, as far as possible, the shareholders of both Companies are in substantially the same economic position as if they held shares in a single enterprise which owns all the Companies assets. A more detailed description of the DLC can be found on page 77.

Following the DLC merger, Rio Tinto has continued to invest in developments and acquisitions in keeping with its strategy.

RECENT DEVELOPMENTS

Share buybacks and issues 2003

In April 2003, Rio Tinto plc shareholders renewed approvals for the buyback of up to ten per cent of its own shares. Rio Tinto Limited is authorised by shareholder approvals obtained in 1999 to buy back up to 100 per cent of Rio Tinto Limited shares held by Tinto Holdings Australia Pty Limited (a wholly owned subsidiary of Rio Tinto plc) plus, on market, and up to ten per cent of the publicly held capital in any 12 month period.

Rio Tinto plc and Rio Tinto Limited will seek renewal of their existing shareholder approvals at their respective annual general meetings in 2004. The number of shares, if any, which may be bought back under these authorities will continue to be determined by the directors, based on what they consider to be in the best interests of the continuing shareholders.

In the year to 31 December 2003, neither Rio Tinto plc nor Rio Tinto Limited purchased any publicly held shares for cancellation in either Company. However, a further 1,192,702 Rio Tinto plc and 240,466 Rio Tinto Limited shares were issued in respect of the Companies employee share plans. During the year, options for a further 2,696,000 Rio Tinto plc and 1,627,000 Rio Tinto Limited shares were granted under Rio Tinto s share plans.

Share buybacks and issues 2001-2002

In 2001, 398,000 Rio Tinto plc and 10,000 Rio Tinto Limited shares were issued in connection with the completion of the acquisition of Ashton Mining.

An additional 681,000 Rio Tinto plc and 79,000 Rio Tinto Limited shares were issued in respect of the Companies employee share plans which were extended to subsidiary companies worldwide. In aggregate, approximately 24 per cent of eligible employees took out a savings contract for a fixed monthly amount over periods of up to five years and were granted options over 1.0 million Rio Tinto plc shares and 1.4 million Rio Tinto Limited shares.

Rio Tinto plc converted its share warrants

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About Rio Tinto continued

to bearer to registered ordinary shares in June 2001.

In 2002, a further 887,000 Rio Tinto plc and 360,000 Rio Tinto Limited shares were issued in respect of the Companies employee share plans and options were granted over 2.6 million Rio Tinto plc shares and 2.2 million Rio Tinto Limited shares.

During 2001-2002, neither Rio Tinto plc nor Rio Tinto Limited purchased any publicly held shares for cancellation in either Company.

Operations divested 2003

The sale of Rio Tinto s 25 per cent interest in Minera Alumbrera Limited in Argentina, together with its wholly owned Peak Gold mine in New South Wales, Australia, was completed in March 2003. Cash consideration was US$210 million.

On 21 July 2003 Rio Tinto and BP announced that they had agreed to sell their interests in Kaltim Prima Coal for a cash price of US$500 million, including assumed debt, to PT Bumi Resources, a public company listed on the Jakarta and Surabaya Stock Exchanges. The sale was completed on 10 October and each company received 50 per cent of the net proceeds.

Rio Tinto announced in late December the sale of its 100 per cent interest in the nickel mining and smelting company Mineração Serra da Fortaleza in Brazil. The final consideration, which is dependent on the forward nickel price, is expected to be at least US$90 million. The transaction was completed during January 2004.

Operations acquired and divested 2001 2002

In January 2001, Coal & Allied Industries acquired the Peabody Group s Australian coal businesses for US$455 million and the assumption of US$100 million in debt. Rio Tinto acquired an additional 1.83 per cent interest in Coal & Allied on market for US$15 million in March 2001.

In April 2001, Rio Tinto s 50 per cent share of the Norzink smelter was sold for an after tax gain of US$54 million.

Rio Tinto sold North Forest Products for US$171 million in May. Following a review, Rio Tinto also sold its 34.8 per cent interest in Aurora Gold as well as other minority interests acquired with Ashton Mining whilst increasing its interest in Ashton Mining of Canada to 63.8 per cent.

Rio Tinto s offer resulted in it purchasing, for US$56 million, units representing 20.3 per cent of the Labrador Iron Ore Royalty Income Fund (LIORF).

In July, Rio Tinto purchased additional shares in Palabora Mining, increasing its interest by some 0.7 per cent to 49.2 per cent.

Dampier Salt acquired Cargill Australia s Port Hedland operation for US$95 million and contingent performance payments not exceeding US$15 million in aggregate.

With effect from September 2001, Comalco acquired an additional 8.3 per cent in Queensland Alumina for US$189 million, taking its overall interest to 38.6 per cent. Rio Tinto acquired the Three Springs talc mine in Western Australia for US$28 million in the same month.

In January 2002, Kennecott Energy (KEC) purchased the North Jacobs Ranch coal reserves for US$380 million, payable in installments over a five year period. The reserves are adjacent to KEC s existing Jacobs Ranch operation and provide a basis for low cost expansion in line with market demand.

Following the purchase of outstanding units in the Western Australian Diamond Trust, Rio Tinto s interest in Argyle Diamonds increased from 99.8 per cent to 100 per cent.

In August, Comalco completed the acquisition of an additional 9.5 per cent interest in reduction lines 1 and 2 of the Boyne Island Smelter for US$78.5 million. This increased Comalco s share in lines 1 and 2 of the smelter to 59.5 per cent from 50 per cent. The interest in line 3 remained unchanged at 59.25 per cent.

During the first half of 2002, Coal & Allied completed the sale of its interest in the Moura Joint Venture for US$166 million and in Narama and Ravensworth for US$64 million. These were classified as assets held for resale and consequently their disposal had no effect on net earnings. In September, Rio Tinto acquired for cash in the market a further three per cent in Coal & Allied to bring its shareholding to 75.7 per cent.

As a result of a refinancing in December 2002, in which LIORF chose not to participate, Rio Tinto s interest in Iron Ore Company of Canada increased from 56.1 to 58.7 per cent.

Development projects 2003

Rio Tinto invested US$1.6 billion in 2003 on capital projects around the world.

The Diavik diamond project in the Northwest Territories, Canada, was completed well ahead of schedule and within budget. Initial production commenced from the contact zone above the orebody with the main orebody accessed during the second half of 2003.

Construction of the US$100 million second block cave at the underground Northparkes copper gold mine in New South Wales, Australia was delayed by ground control problems. Production from the first underground block cave ceased in early 2003 to be replaced by the Lift 2 block cave which is expected to commence production in 2004.

Production ramp up at Palabora s US$460 million underground copper mine in South Africa was constrained by an inability to clear drawpoints blocked by poorly fragmented, large rocks. Further work resulted in design capacity of 30,000 tonnes per day being reached intermittently by the end of 2003.

Development of the Escondida Norte satellite deposit at the 30 per cent owned Escondida copper mine in Chile was started in June 2003 to provide mill feed to keep Escondida s capacity above 1.2 million tonnes of copper per year to the end of 2008. First production is expected by the end of 2005. Commissioning of the new US$1,045 million, 110,000 tonnes of ore per day Laguna Seca concentrator was completed in the second quarter of 2003.

Expansion of the Weipa bauxite mine in Queensland, Australia, is underway to increase production capacity to 16.5 million tonnes per year in support of the requirements of the new Comalco Alumina Refinery. A key component of the US$150 million expenditure is a 9.5 million tonne beneficiation plant to allow mining of lower grade ores. The project is expected to be completed in 2004.

Construction of Comalco s
US$750 million alumina refinery at Gladstone, Queensland, proceeds on schedule with US$576 million spent to date. Initial shipments from the 1.4 million tonne per year plant are expected in early 2005. Options exist to expand capacity to more than four million tonnes per year.

Pacific Coal completed development of the US$255 million Hail Creek coking coal project in Queensland, Australia with a capacity of 5.5 million tonnes annually.

Construction began in January 2003 on an expanded US$200 million HIsmelt® plant at Kwinana in Western Australia. The plant is expected to be commissioned in late 2004 and reach full production of 800,000 tonnes of iron per year in the first half of 2006.

Development of the 54 per cent owned Eastern Range iron ore mine with a capacity of ten million tonnes per year continued. First shipments are expected in the first half of 2004.

In the first quarter of 2003, Freeport Indonesia completed an expansion to 35,000 tonnes of ore per day of its Deep Ore Zone (DOZ) project at a cost of US$34 million.

Kennecott Land s Project Daybreak in Utah, US, a mixed use land development on a 1,800 hectare site, was commenced in 2003 with land sales planned to start in 2004 and ramp up over a period of five to six years.

A major US$920 million expansion of Hamersley Iron s Dampier port and Yandicoogina mine in Western Australia was announced during December 2003. Further detail on these investments and projects is provided in the Operational review on pages 37 to 56.

Development projects have been funded using the US commercial paper market, the 2003 bond issue, the European medium term note facility and internally generated funds.

Development projects 2001 2002

In the US, Kennecott Utah Copper closed its North Concentrator in December 2001.

Work on the Robe River Joint Venture s US$450 million West Angelas iron ore mine and port facilities in Western Australia was completed in mid 2002 and the first shipments were made. The mine is expected

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to be operating at an annualised rate of 20 million tonnes by the end of the first quarter of 2004, two years earlier than originally scheduled. The Robe River partners agreed to share rail infrastructure with Hamersley Iron.

Freeport Indonesia s Deep Ore Zone (DOZ) underground block cave project was declared fully operational from 1 October, 2002. This achieved design capacity of 25,000 tonnes of ore per day in 2002, a year earlier than originally projected.

Pacific Coal began development of the Hail Creek coking coal project in Queensland, Australia.

BUSINESS ENVIRONMENT AND MARKETS

Overview

The world economy continued its uncertain recovery in 2003, global output rising 3.3 per cent, slightly more than the three per cent of 2002. The volume of world trade grew at around three per cent, similar to the rate achieved in 2002, but well below the six per cent average of the previous 20 years.

The year began slowly with uncertainties over the strength of the US economy and mounting concerns over the possible impact of a war with Iraq causing growth in OECD countries to stall. Successive US interest rates cuts, coupled with tax cuts and the conclusion of the war in April, helped to reverse the trend, producing a very much stronger second half of the year.

Low interest rates in particular helped boost the housing market and support US consumer spending. The renewed strength of US demand, however, aggravated the country s already sizeable current account imbalance and pushed down the US dollar, particularly against the euro and against the currencies of commodity producing countries such as Australia, Canada and South Africa.

The economies of Europe and Japan followed a similar pattern to that of the US, only in a weaker form and with a lag. Growth in the euro zone was restrained by the maintenance of a relatively tight economic policy environment and by the impact on export growth of the strong euro. Germany, the largest economy in Europe, recorded three negative quarters of growth up to the middle of 2003 and, for the year as a whole, failed to grow at all. Like Europe, Japan also suffered from weak domestic demand although in contrast to Europe its exports enjoyed the benefits of strong import demand from China. Japan s GDP for the year as a whole rose a surprisingly robust 2.3 per cent.

Much the most dynamic market during the year was China. Despite suffering the disruptive effects of an outbreak of Severe Acute Respiratory Syndrome (SARS) through the second quarter, China bounced back to record another remarkable year of economic growth. Lifted by high levels of investment and rapidly growing exports, GDP grew nine per cent while industrial production was up 17 per cent. The emphasis of China s growth on materials intensive sectors of industry and construction resulted in the demand for a number of metals, including steel, copper and aluminium, rising by over 20 per cent during the year.

With China providing a consistent underpinning of global demand for mineral commodities, the gradual recovery in demand in the OECD countries during the second half of the year produced a quickening of the pace in commodity markets, leading them to end the year on a generally high note.

The market for seaborne iron ore enjoyed another strong year, its fourth successive year of growth, assisted by a 33 per cent increase in China s ore imports. After producers achieved a price increase of around nine per cent during the annual contract negotiations in May, the market continued to tighten. The high level of deliveries also created acute pressures in the market for bulk shipping resulting in record freight rates.

The seaborne market for steam coal started the year more slowly and contract prices in the Asian market were reduced for the second year in succession. As the year progressed, however, market conditions began to improve and by the fourth quarter, with the strength of domestic demand restricting China s capacity to export, spot prices surged ahead of contract levels.

With demand concentrated more heavily on the more mature economies, the market for industrial minerals such as borates and titanium dioxide did not experience the full benefit of China s robust economic performance. Although the second half of the year represented an improvement on the first, rates of demand growth generally fell short of those achieved by metals.

Responding to the broader trends of the global economy, the markets for non ferrous metals stalled in their upward course during March and April, before climbing from May through to the end of the year. Firming demand and declining stocks helped underpin this shift in the market, but prices also appear to have been boosted by fund buying in anticipation of future economic growth and US dollar weakness.

Global demand for copper increased around four per cent during 2003, China being by far the world s strongest market. With mine output restrained by the low level of investment in recent years, refined metal production was unable to respond to rising demand and metal stocks fell around 300,000 tonnes. Spot prices trended upwards for most of the year, achieving an average of 80.7 US cents a pound for the year as a whole compared to 70.6 US cents in 2002.

Demand growth for aluminium in 2003, at eight per cent, was even more buoyant than that for copper. However, strong Chinese production of aluminium meant that the market did not experience copper s deficits. Price growth for aluminium was accordingly more subdued, an average spot price of

65 US cents per pound compared with 61 US cents per pound in 2002. The spot price for alumina, the raw material for producing aluminium, rose very sharply during the year and by the end of the year a shortage of alumina was beginning to constrain world metal output.

Like non ferrous metals, gold felt the effects of growing speculative influences and the weakening of the US dollar. Prices rose through much of the year. The average price for the year was US$363 per ounce, compared with US$309 in 2002. Also helping to support prices, a number of gold producers who had previously hedged their gold sales bought back their positions, effectively adding to gold demand.

A discussion of the financial results for the three years to 31 December 2003 is given in the Financial review on pages 32 to 36. Comments on the financial performance of the individual product groups for the three years to 31 December 2003 are included in the Operational review on pages 37 to 56. Details of production, reserves and resources, and information on Group mines are given on pages 13 to 24 and 26 to 31, respectively. Analyses of Rio Tinto s revenues by product group, geographical origin and geographical destination have been set out in Financial information by business unit on page 132 and note 27 to the Financial statements on pages 108 to 110.

Marketing channels

Each business within each product group is responsible for the marketing and sale of their respective metal and mineral production. Rio Tinto therefore has numerous marketing channels, which now include electronic marketplaces, with differing characteristics and pricing mechanisms.

In general, Rio Tinto s businesses contract their metal and mineral production direct to end users under long term supply contracts and at prevailing market prices. Typically, these contracts specify annual volume commitments and an agreed mechanism for determining prices, for example, businesses producing non ferrous metals and minerals reference their sales prices to the London Metal Exchange (LME) or other metal exchanges such as the Commodity Exchange Inc (Comex) in New York. Fluctuations in these prices, particularly for aluminium, copper and gold, inevitably affect the Group s financial results.

Businesses producing iron ore would typically reference their sales prices to annually negotiated industry benchmarks. In markets where international reference market prices do not exist or are not transparent, businesses negotiate product prices on an individual customer basis.

Rio Tinto s marketing channels include a network of regional sales offices worldwide. Some products in certain geographical markets are sold via third party agents or to major trading companies.

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About Rio Tinto continued

Governmental regulations

Rio Tinto is subject to extensive governmental regulations that affect all aspects of its operations, and consistently seeks to apply best practice in all of its activities. Due to Rio Tinto s product and geographical spread, there is unlikely to be any single governmental regulation that could have a material effect on the Group s business.

Native title has, since 1992, been accepted as a part of Australia s common law. The Native Title Act 1993 provides, amongst other things, a framework for the validation of title, including mining tenements, that might be affected by the existence of native title; the determination of native title claims; a right to negotiate process with respect to the grant of new exploration and mining tenements and certain compulsory acquisitions of land; and the negotiation and registration of indigenous land use agreements.

US based operations are subject to local environmental legislation.

The South African Department of Mines has published a scorecard by which companies will be judged on their progress with black economic empowerment and the attainment, for value, of the target for 26 per cent ownership in ten years. In addition, new royalty payments are to be introduced that will be calculated on a gross sales value basis in relation to any minerals extracted.

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Metals and minerals production

			2001 Production (a)		2002 Production (a)		**2003 Production (a)**	
		Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
ALUMINA (000 tonnes)								
Eurallumina (Italy)		56.2	993	557	1,010	567	**1,021**	**573**
Queensland Alumina (Australia) (c)		38.6	3,624	1,204	3,574	1,380	**3,731**	**1,440**
Rio Tinto total				1,761		1,947		**2,014**
ALUMINIUM (refined) (000 tonnes)								
Anglesey (UK)		51.0	139.3	71.0	139.3	71.1	**144.8**	**73.9**
Bell Bay (Australia)		100.0	160.8	160.8	163.9	163.9	**166.6**	**166.6**
Boyne Island (Australia) (d)		59.4	508.9	277.5	520.2	294.6	**520.9**	**311.1**
Tiwai Point (New Zealand)		79.4	322.3	256.2	333.9	265.9	**334.4**	**266.5**
Rio Tinto total				765.6		795.4		**818.1**
BAUXITE (000 tonnes)								
Boké (Guinea)		4.0	11,987	469	12,041	482	**12,060**	**418**
Weipa (Australia)		100.0	11,326	11,326	11,241	11,241	**11,898**	**11,898**
Rio Tinto total				11,795		11,724		**12,316**
BORATES (000 tonnes) (e)								
Boron mine (US)		100.0	549	549	514	514	**541**	**541**
Borax Argentina (Argentina)		100.0	14	14	15	15	**17**	**17**
Rio Tinto total				564		528		**559**
COAL (000 tonnes)								
Coal & Allied Industries (f)								
Bengalla (Australia) (g)	SC	30.3	4,894	1,418	5,385	1,587	**6,203**	**1,879**
Hunter Valley Operations (Australia)	SC	75.7	8,209	5,945	9,183	6,756	**9,146**	**6,925**
	MC	75.7	4,034	2,913	3,442	2,531	**2,862**	**2,167**
Mount Thorley Operations (Australia)	SC	60.6	2,376	1,373	2,465	1,451	**1,720**	**1,042**
	MC	60.6	2,171	1,255	1,827	1,073	**1,432**	**868**
Moura (Australia) (g)	SC		2,175	867	1,018	407		
	MC		2,713	1,080	1,381	552		
Narama (Australia) (g)	SC		2,177	789	370	135		
Ravensworth East (Australia) (g)	SC		1,511	1,096	387	281		
Warkworth (Australia) (g)	SC	42.1	5,141	2,070	6,314	2,586	**5,369**	**2,259**
	MC	42.1	550	221	568	231	**500**	**210**
Total Coal & Allied Industries				19,026		17,590		**15,348**
Rio Tinto Coal Australia (h)								

Blair Athol (Australia)	SC	71.2	10,592	7,546	11,809	8,412	**12,480**	**8,890**
Hail Creek Coal (Australia)	MC	92.0					**883**	**812**
Kestrel Coal (Australia)	SC	80.0	1,202	962	1,685	1,348	**1,449**	**1,159**
	MC	80.0	2,068	1,654	2,406	1,925	**1,873**	**1,499**
Tarong Coal (Australia)	SC	100.0	5,276	5,276	5,685	5,685	**6,538**	**6,538**
Total Rio Tinto Coal Australia				15,437		17,370		**18,898**
Total Australian coal				34,464		34,960		**34,246**
Kaltim Prima Coal (Indonesia) (i)	SC	0.0	15,611	7,806	17,740	8,870	**12,655**	**6,327**
Kennecott Energy								
Antelope (US)	SC	100.0	22,344	22,344	24,319	24,319	**26,806**	**26,806**
Colowyo (US)	SC	(j)	5,231	5,231	4,889	4,889	**4,535**	**4,535**
Cordero Rojo (US)	SC	100.0	39,452	39,452	34,724	34,724	**32,671**	**32,671**
Decker (US)	SC	50.0	8,510	4,255	9,021	4,511	**7,358**	**3,679**
Jacobs Ranch (US)	SC	100.0	26,612	26,612	28,784	28,784	**32,418**	**32,418**
Spring Creek (US)	SC	100.0	8,767	8,767	8,093	8,093	**8,069**	**8,069**
Total US coal				106,661		105,320		**108,177**
Rio Tinto total				148,930		149,149		**148,750**

Coal type: SC steam/thermal coal, MC metallurgical/coking coal.

See notes on page 16.

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Metals and minerals production continued

		2001 Production (a)		2002 Production (a)		**2003 Production (a)**	
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
COPPER (mined) (000 tonnes)							
Alumbrera (Argentina) (k)	0.0	191.6	47.9	203.7	50.9	**34.9**	**8.7**
Bingham Canyon (US)	100.0	312.7	312.7	260.2	260.2	**281.8**	**281.8**
Escondida (Chile)	30.0	774.8	232.4	754.5	226.3	**992.7**	**297.8**
Grasberg FCX (Indonesia) (l)	11.8	513.5	93.5	494.4	107.5	**444.1**	**84.5**
Grasberg Joint Venture (Indonesia) (l)	40.0	235.9	94.4	370.0	148.0	**271.7**	**108.7**
Neves Corvo (Portugal)	49.0	82.9	40.6	77.2	37.8	**77.5**	**38.0**
Northparkes (Australia)	80.0	55.1	44.1	38.4	30.7	**27.1**	**21.7**
Palabora (South Africa) (m)	49.2	78.4	38.4	52.2	25.7	**52.4**	**25.8**
Rio Tinto total			904.1		887.1		**867.0**
COPPER (refined) (000 tonnes)							
Atlantic Copper (Spain) (l)	13.1	235.3	39.1	250.5	41.5	**247.1**	**38.1**
Escondida (Chile)	30.0	151.0	45.3	138.7	41.6	**147.6**	**44.3**
Kennecott Utah Copper (US)	100.0	234.3	234.3	293.7	293.7	**230.6**	**230.6**
Palabora (South Africa) (m)	49.2	86.9	42.5	81.6	40.2	**73.4**	**36.1**
Rio Tinto total			361.2		416.9		**349.1**
DIAMONDS (000 carats)							
Argyle (Australia) (n)	100.0	26,097	26,045	33,519	33,503	**30,910**	**30,910**
Diavik (Canada)	60.0					**3,833**	**2,300**
Merlin (Australia)	100.0	55	55	117	117	**62**	**62**
Rio Tinto total			26,100		33,620		**33,272**
GOLD (mined) (000 ounces)							
Alumbrera (Argentina) (k)	0.0	672	168	754	188	**124**	**31**
Barneys Canyon (US)	100.0	140	140	75	75	**35**	**35**
Bingham Canyon (US)	100.0	592	592	412	412	**305**	**305**
Cortez/ Pipeline (US)	40.0	1,188	475	1,082	433	**1,085**	**434**
Escondida (Chile)	30.0	101	30	126	38	**184**	**55**
Grasberg FCX (Indonesia) (l)	11.8	1,397	388	1,375	355	**1,456**	**354**
Grasberg Joint Venture (Indonesia) (l)	40.0	2,199	880	1,655	662	**1,806**	**722**
Greens Creek (US)	70.3	88	62	103	72	**99**	**70**
Kelian (Indonesia)	90.0	453	408	539	485	**469**	**422**
Lihir (Papua New Guinea) (o)	14.5	648	105	607	99	**551**	**88**
Morro do Ouro (Brazil)	51.0	187	95	225	115	**201**	**103**
Northparkes (Australia)	80.0	41	33	41	33	**49**	**39**
Peak (Australia) (k)	0.0	101	101	97	97	**20**	**20**
Rawhide (US)	51.0	101	52	82	42	**64**	**32**
Rio Tinto Zimbabwe (Zimbabwe)	56.0	67	38	38	21	**25**	**14**
Others		20	10	17	8	**14**	**7**
Rio Tinto total			3,577		3,135		**2,731**

GOLD (refined) (000 ounces)							
Kennecott Utah Copper (US)	100.0	389	389	488	488	**308**	**308**
IRON ORE (000 tonnes)							
Channar (Australia)	60.0	11,088	6,653	10,594	6,356	**10,347**	**6,208**
Corumbá (Brazil)	100.0	642	642	858	858	**1,074**	**1,074**
Hamersley (Australia)	100.0	58,828	58,828	57,563	57,563	**63,056**	**63,056**
Iron Ore Company of Canada (Canada) (p)	58.7	14,562	8,169	12,758	7,168	**14,225**	**8,353**
Robe River (Australia)	53.0	30,706	16,274	35,860	19,006	**45,136**	**23,922**
Rio Tinto total			90,566		90,951		**102,613**

See notes on page 16.

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			2001 Production (a)		2002 Production (a)		**2003 Production (a)**
	Rio Tinto % share (b)	Total	Rio Tinto share	Total	Rio Tinto share	**Total**	**Rio Tinto share**
LEAD (000 tonnes)							
Greens Creek (US)	70.3	20.3	14.3	22.3	15.7	**22.5**	**15.8**
Zinkgruvan (Sweden)	100.0	24.5	24.5	24.7	24.7	**31.8**	**31.8**
Rio Tinto total			38.8		40.4		**47.6**
MOLYBDENUM (000 tonnes)							
Bingham Canyon (US)	100.0	8.1	8.1	6.1	6.1	**4.6**	**4.6**
NICKEL (mined) (000 tonnes)							
Fortaleza (Brazil) (q)	100.0	10.2	10.2	6.3	6.3	**6.0**	**6.0**
NICKEL (refined) (000 tonnes)							
Empress (Zimbabwe)	56.0	6.6	3.7	6.4	3.6	**6.2**	**3.5**
SALT (000 tonnes)							
Dampier Salt (Australia) (r)	64.9	6,541	4,248	7,186	4,667	**7,135**	**4,633**
SILVER (mined) (000 ounces)							
Bingham Canyon (US)	100.0	4,475	4,475	3,663	3,663	**3,548**	**3,548**
Escondida (Chile)	30.0	3,198	959	2,981	894	**4,728**	**1,418**
Grasberg FCX (Indonesia) (l)	11.8	3,943	700	3,795	804	**3,659**	**745**
Grasberg Joint Venture (Indonesia) (l)	40.0	1,602	641	2,607	1,043	**2,815**	**1,126**
Greens Creek (US)	70.3	10,964	7,703	10,912	7,668	**11,707**	**8,226**
Zinkgruvan (Sweden)	100.0	1,496	1,496	1,554	1,554	**1,841**	**1,841**
Others		3,378	1,729	3,231	1,582	**2,511**	**1,407**
Rio Tinto total			17,703		17,207		**18,311**
SILVER (refined) (000 ounces)							
Kennecott Utah Copper (US)	100.0	2,882	2,882	4,037	4,037	**2,963**	**2,963**
TALC (000 tonnes)							
Luzenac Group (Australia/Europe/N. America) (s)	99.9	1,268	1,267	1,328	1,327	**1,358**	**1,357**
TIN (tonnes)							
Neves Corvo (Portugal)	49.0	1,201	588	345	169	**203**	**100**
TITANIUM DIOXIDE FEEDSTOCK (000 tonnes)							
Rio Tinto Iron & Titanium (Canada/South Africa) (t)	100.0	1,427	1,427	1,274	1,274	**1,192**	**1,192**
URANIUM (tonnes U_3O_8)							
Energy Resources of Australia (Australia)	68.4	4,211	2,880	4,486	3,068	**5,134**	**3,512**
Palabora (South Africa) (m) (u)	49.2	31	15				

Rössing (Namibia)	68.6	2,640	1,811	2,751	1,887	**2,401**	**1,647**
Rio Tinto total			4,705		4,955		**5,158**
ZINC (mined) (000 tonnes)							
Greens Creek (US)	70.3	58.0	40.7	66.5	46.7	**69.1**	**48.5**
Zinkgruvan (Sweden)	100.0	61.8	61.8	48.0	48.0	**64.5**	**64.5**
Rio Tinto total			102.5		94.7		**113.0**
ZINC (refined) (000 tonnes)							
Norzink (Norway) (v)	0.0	40.9	20.4				

See notes on page 16.

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Metals and minerals production continued

Production data notes

(a) Mine production figures for metals refer to the total quantity of metal produced in concentrates or doré bullion irrespective of whether these products are then refined onsite, except for the data for iron ore and bauxite which represent production of saleable quantities of ore.

(b) Rio Tinto percentage share, shown above, is as at the end of 2003 and has applied over the period 2001 2003 except for those operations where the share has varied during the year and the weighted average for them is shown below. The Rio Tinto share varies at individual mines and refineries in the others category and thus no value is shown.

Rio Tinto share %

Operation	See note	2001	2002	**2003**
Atlantic Copper	(l)	16.6	16.5	**15.4**
Argyle	(n)	99.8	99.9	**100.0**
Bengalla	(f) (g)	29.0	29.4	**30.3**
Boyne Island	(d)	54.2	56.6	**59.4**
Grasberg	(l)	14.3	15.0	**13.9**
Hunter Valley Operations	(f)	72.4	73.6	**75.7**
Iron Ore Company of Canada	(p)	56.1	56.2	**58.7**
Lihir	(o)	16.3	16.3	**16.0**
Mount Thorley Operations	(f)	57.8	58.9	**60.6**
Moura	(f) (g)	39.9	40.0	
Narama	(f) (g)	36.2	36.4	
Palabora	(m)	49.0	49.2	**49.2**
Queensland Alumina	(c)	33.2	38.6	**38.6**
Ravensworth East	(f) (g)	72.5	72.7	
Warkworth	(f) (g)	40.3	41.2	**42.1**

(c) Rio Tinto increased its holding in Queensland Alumina Limited from 30.3 per cent to 38.6 per cent, with effect from September 2001.

(d) Rio Tinto acquired an approximately five per cent additional interest in production from the Boyne Island smelter with effect from August 2002.

(e) Borate quantities are expressed as B_2O_3.

(f) Rio Tinto increased its stake in Coal & Allied Industries from 70.9 per cent to 72.7 per cent during March 2001 and to 75.7 per cent during September 2002.

(g) Production data are shown from 29 January 2001, the effective date of Coal & Allied s acquisition of the Australian coal businesses of the Peabody Group. Effective on the same date, Coal & Allied acquired an additional 11.8 per cent interest in the Warkworth mine.
On 14 March 2002, Coal & Allied completed the sale of its interests in Narama and Ravensworth. Coal & Allied sold its interest in the Moura coal mine with effect from 24 May 2002. Production data are shown up to the dates of sale.

(h) Rio Tinto Coal Australia was previously known as Pacific Coal.

(i) Rio Tinto had a 50 per cent share in Kaltim Prima Coal and, under the terms of its Coal Agreement, the Indonesian Government was entitled to a 13.5 per cent share of Kaltim Prima s production. Rio Tinto s share of production shown is before deduction of the Government share. Rio Tinto completed the sale of its interest in Kaltim Prima Coal on 10 October 2003. Production data are shown up to the date of sale.

(j) Kennecott Energy has a partnership interest in the Colowyo mine but, as it is responsible under a management agreement for the operation of the mine, all of Colowyo s output is included in Rio Tinto s share of production.

(k) Rio Tinto completed the sale of its 25 per cent interest in Minera Alumbrera together with its wholly owned Peak Gold Mine on 17 March 2003. Production data are shown up to the date of sale.

(l) Through its interest in Freeport-McMoRan-Copper & Gold (FCX), Rio Tinto had, as of 31 December 2003, an 11.8 per cent share in the Grasberg mine and a 13.1 per cent share in Atlantic Copper. Through a joint venture agreement with FCX, Rio Tinto is entitled, as shown separately in the above tables, to 40 per cent of additional material mined as a consequence of the expansion of the Grasberg facilities since 1998.

(m) Rio Tinto increased its interest in Palabora Mining Company from 48.6 per cent to 49.2 per cent in July 2001.

(n) Rio Tinto acquired control of Ashton Mining Limited in late 2000 and as a result of this purchase, Rio Tinto s effective interest in Argyle Diamonds became 99.8 per cent. Rio Tinto s interest in Argyle Diamonds subsequently increased from 99.8 per cent to 100 per cent on 29 April 2002, following the purchase of the outstanding units in the Western Australian Diamond Trust.

(o) Following a placement of shares on the 13 November 2003, Rio Tinto s interest in Lihir moved from 16.3 per cent to 14.5 per cent.
(p) Rio Tinto increased its shareholding in Iron Ore Company of Canada from 56.1 per cent to 58.7 per cent on 20 December 2002.
(q) Rio Tinto completed the sale of its 100 per cent interest in the Fortaleza nickel mine on 16 January 2004.
(r) Production from the Port Hedland operation (Dampier Salt 100 per cent) is included from 17 August 2001.
(s) Talc production includes some products derived from purchased ores. The Three Springs talc mine in Western Australia was acquired in September 2001 and is included in the data from that date.
(t) Quantities comprise 100 per cent of QIT and 50 per cent of Richards Bay Minerals production.
(u) Uranium production at Palabora ceased with the closure of the heavy minerals plant in August 2001.
(v) Rio Tinto completed the sale of its interest in Norzink on 17 April 2001.

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Ore reserves

Ore Reserves and Mineral Resources in this report (for Rio Tinto managed operations) are reported in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code) as required by the Australian Stock Exchange (ASX). Codes or Guidelines similar to JORC with only minor regional variations have been adopted in South Africa, Canada, US, UK, Ireland and Europe and together these represent current best practice for reporting Ore Reserves and Mineral Resources.

The JORC Code envisages the use of reasonable investment assumptions, including the use of projected long term commodity prices, in calculating reserve estimates. However, during 2003 the US Securities and Exchange Commission indicated that for US reporting, historical price data should be used. Only certain operations are affected by this guidance and resulting changes to reserves are shown on page 147.

Ore Reserve and Mineral Resource information in the tables below is based on information compiled by Competent Persons (as defined by JORC), or recognised overseas mining professionals as defined by the ASX, most of whom are full time employees of Rio Tinto or related companies. Each has had a minimum of five years relevant estimation experience and is a member of a recognised professional body whose members are bound by a professional code of ethics. Each Competent Person consents to the inclusion in this report of information they have provided in the form and context in which it appears. A register of the names of the Competent Persons who are responsible for the estimates is maintained by the company secretaries in London and Melbourne and is available on request.

The ore reserve figures in the following tables are as of 31 December 2003. Summary data for year end 2002 are shown for comparison. Metric units are used throughout. The figures used to calculate Rio Tinto's share of reserves are often more precise than the rounded numbers shown in the tables, hence small differences might result if the calculations are repeated using the tabulated figures.

	Type of mine (a)	Proved ore reserves at end 2003		Probable ore reserves at end 2003		Total ore reserves 2003 compared with 2002		
		Tonnage	Grade	Tonnage	Grade	Tonnage		Interest
						2003	2002	%
BAUXITE (b)		millions of tonnes		millions of tonnes		**millions of tonnes**	millions of tonnes	
Reserves at operating mine								
Weipa (Australia) (c)	O/P	138		1,074		**1,212**	730	100.0
BORATES (d)		millions of tonnes		millions of tonnes		**millions of tonnes**	millions of tonnes	
Reserves at operating mines								
Boron (US)	O/P	24.3		5.3		**29.6**	30.5	100.0
Tincalayu (Argentina) (e)	O/P	0.2		0.1		**0.3**	0.1	100.0
Total								

COAL (f)		Coal type (g)	Recoverable reserves total	% Yield to give marketable reserves	Proved	Probable	Marketable reserves Total 2003	Total 2002	Marketable coal quality (h)	(h)	
Reserves at operating mines			millions of tonnes		millions of tonnes	millions of tonnes	**millions of tonnes**	millions of tonnes	**Calorific value MJ/kg**	**Sulphur content %**	
Coal & Allied Industries											
Bengalla (Australia)	O/C	SC	204	81	104	62	**166**	185	**28.30**	**0.50**	30.3
Hunter Valley Operations (Australia)	O/C	SC+MC	465	70	249	77	**326**	352	**28.90**	**0.59**	75.7
Mount Thorley Operations (Australia)	O/C	SC+MC	42	64	27		**27**	30	**28.20**	**0.53**	60.6
Warkworth (Australia)	O/C	SC+MC	332	65	216		**216**	213	**29.35**	**0.53**	42.1
Sub-total											
Kaltim Prima											
Sangatta (Indonesia) (i)	O/C	SC						383			
Kennecott Energy											
Antelope (US)	O/C	SC	260	100	260		**260**	297	**20.59**	**0.23**	100.0
Colowyo (US) (j)	O/C	SC	28	100	28		**28**	106	**24.42**	**0.41**	100.0
Cordero Rojo (US)	O/C	SC	402	100	402		**402**	444	**19.59**	**0.30**	100.0
Decker (US)	O/C	SC	45	100	45		**45**	55	**22.11**	**0.42**	50.0
Jacobs Ranch (US)	O/C	SC	531	100	531		**531**	581	**20.31**	**0.47**	100.0
Spring Creek (US)	O/C	SC	250	100	250		**250**	258	**21.75**	**0.33**	100.0
Sub-total											
Rio Tinto Coal Australia (k)											
Blair Athol (Australia)	O/C	SC	65	100	66		**66**	78	**27.95**	**0.32**	71.2
Hail Creek (Australia) (l)	O/C	MC	310	63	116	80	**196**	148	**32.20**	**0.35**	92.0
Kestrel (Australia)	U/G	SC+MC	153	80	47	76	**123**	127	**32.20**	**0.65**	80.0
Tarong-Meandu (Australia)	O/C	SC	146	69	93	7	**100**	115	**21.05**	**0.30**	100.0
Sub-total											

Total reserves at operating mines

See notes on page 21.

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Ore reserves continued

COAL CONTINUED (f)	Type of mine (a)	Coal type (g)	Recoverable reserves total	%Yield to give marketable reserves	Marketable reserves Proved	Marketable reserves Probable	Marketable reserves Total 2003	Marketable reserves Total 2002	Marketable coal quality (h)	Marketable coal quality (h)	Rio Tinto share Interest %	Rio Tinto share Marketable reserves
			millions of tonnes		millions of tonnes	millions of tonnes	**millions of tonnes**	millions of tonnes	**Calorific value**	**Sulphur content**		**millions of tonnes**
Other undeveloped reserves	(m)								**MJ/kg**	**%**		
Coal & Allied Industries												
Maules Creek (Australia)	O/C	SC+MC	160	73		117	**117**	117	**29.90**	**0.40**	75.7	**89**
Mount Pleasant (Australia) (n)	O/C	SC	459	76	306	44	**350**	285	**26.73**	**0.51**	75.7	**265**
Oaklands (Australia)	O/C	SC	400	100		400	**400**	400	**20.90**	**0.25**	75.7	**303**
Sub-total												**656**
Kaltim Prima												
Bengalon (Indonesia) (i)	O/C	SC						169				
Rio Tinto Coal Australia (k)												
Clermont (Australia)	O/C	SC	192	97	186		**186**	186	**27.90**	**0.33**	50.1	**93**
SW Yarraman (Australia)	O/C	SC	54	76		41	**41**	41	**21.05**	**0.30**	100.0	**41**
Tarong-Kunioon (Australia)	O/C	SC	257	63		163	**163**	163	**21.05**	**0.30**	100.0	**163**
Valeria (Australia) (o)	O/C	SC						88				
Sub-total												**297**
Total undeveloped reserves												**954**

	Proved ore reserves at end 2003 Tonnage	Proved ore reserves at end 2003 Grade	Probable ore reserves at end 2003 Tonnage	Probable ore reserves at end 2003 Grade	Total ore reserves 2003 compared with 2002 Tonnage **2003**	Tonnage 2002	Grade **2003**	Grade 2002	Average mill recovery %	Rio Tinto share Interest %	Rio Tinto share **Recoverable metal**
COPPER	millions of tonnes	%Cu	millions	%Cu	**millions**	millions	**%Cu**	%Cu			**millions of tonnes**

				of tonnes		**of tonnes**	of tonnes					
Reserves at operating mines and mines under construction												
Alumbrera (Argentina) (p)	O/P						368		0.51			
Bingham Canyon (US) (dd)												
open pit	O/P	28.2	0.56	529	0.51	**557**	624	**0.51**	0.53	89	100.0	**2.542**
underground block cave	U/G			321	0.70	**321**	321	**0.70**	0.70	91	100.0	**2.022**
underground skarn ores	U/G			13.5	1.89	**13.5**	13.5	**1.89**	1.89	93	100.0	**0.236**
Escondida (Chile) (dd)												
sulphide	O/P	644	1.46	839	1.02	**1,482**	1,545	**1.21**	1.21	86	30.0	**4.615**
low grade float	O/P	148	0.60	417	0.60	**565**	575	**0.60**	0.60	81	30.0	**0.827**
oxide	O/P	132	0.76	52.4	0.51	**185**	198	**0.69**	0.70	88	30.0	**0.334**
mixed	O/P			50.0	1.04	**50.0**	49.7	**1.04**	1.03	39	30.0	**0.061**
Escondida Norte (Chile) (q)												
sulphide	O/P	84	1.84	417	1.35	**502**		**1.44**		87	30.0	**1.880**
low grade float	O/P			95	0.61	**95**		**0.61**		80	30.0	**0.139**
oxide	O/P			117	0.77	**117**		**0.77**		85	30.0	**0.229**
Fortaleza (Brazil) (r)	U/G	0.2	0.03	0.9	0.25	**1.1**	1.4	**0.21**	0.26	78	100.0	**0.002**
Grasberg (Indonesia) (s)	O/P+U/G	765	1.13	1,931	1.07	**2,696**	2,584	**1.08**	1.12	88		*of which:*
FCX											11.8	**2.206**
Joint Venture											40.0	**6.914**
Neves Corvo (Portugal) (t)												
copper ore	U/G	17.1	5.32	0.8	3.59	**17.9**	23.5	**5.24**	5.10	86	49.0	**0.396**
tin-copper ores	U/G	1.1	6.81	0.1	4.48	**1.2**	1.7	**6.68**	9.11	81	49.0	**0.031**
Northparkes (Australia)												
open pit and stockpiles (u)	O/P	7.3	0.66			**7.3**	9.9	**0.66**	0.68	69	80.0	**0.026**
underground	U/G			46.7	1.20	**46.7**	48.0	**1.20**	1.20	88	80.0	**0.392**
Palabora (South Africa) (v)												
open pit	O/P						3.0		0.50			
underground block cave	U/G	210	0.69	16.0	0.49	**226**	232	**0.68**	0.67	88	49.2	**0.662**
surface stockpiles							12		0.14			
Total												**23.514**
												Recoverable diamonds
DIAMONDS (b)		millions of tonnes	carats per tonne	millions of tonnes	carats per tonne	**millions of tonnes**	millions of tonnes	**carats per tonne**	carats per tonne			**millions of carats**
Reserves at operating mines and mines under construction												

Argyle (Australia)											
AK1 pipe (w)	O/P+U/G	44.8	2.3	17.5	2.4	**62.3**	42.9	**2.3**	3.2	100.0	**146.4**
Diavik (Canada)	O/P+U/G	15.2	3.9	10.4	3.6	**25.6**	27.1	**3.8**	3.9	60.0	**58.7**
Murowa (Zimbabwe)	O/P			23.1	0.7	**23.1**	23.1	**0.7**	0.7	78.0	**12.4**
Total											**217.5**

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	Type of mine (a)	Proved ore reserves at end 2003		Probable ore reserves at end 2003		Total ore reserves 2003 compared with 2002					Rio Tinto share	
		Tonnage	Grade	Tonnage	Grade	Tonnage		Grade		Average mill recovery	Interest	Recoverable
						2003	2002	**2003**	2002	%	%	**metal**
GOLD		millions of tonnes	grammes per tonne	millions of tonnes	grammes per tonne	**millions of tonnes**	millions of tonnes	**grammes per tonne**	grammes per tonne			**millions of ounces**
Reserves at operating mines												
Alumbrera (Argentina) (p)	O/P						368		0.51			
Bingham Canyon (US) (dd)												
open pit	O/P	28.2	0.35	529	0.33	**557**	624	**0.33**	0.33	66	100.0	**3.834**
underground block cave	U/G			321	0.27	**321**	321	**0.27**	0.27	68	100.0	**1.856**
underground skarn ores	U/G			13.5	1.22	**13.5**	13.5	**1.22**	1.22	66	100.0	**0.351**
Cortez/Pipeline (US) (x)	O/P	149	1.88	84.0	1.39	**233**	170	**1.70**	1.18	87	40.0	**4.408**
Grasberg (Indonesia) (s)	O/P+U/G	765	1.11	1,931	0.92	**2,696**	2,584	**0.98**	1.02	73		*of which:*
FCX											11.8	**5.677**
Joint Venture											40.0	**14.252**
Greens Creek (US) (dd)	U/G			6.8	3.95	**6.8**	6.4	**3.95**	4.40	72	70.3	**0.435**
Kelian (Indonesia) (y)	O/P	9.9	1.74			**9.9**	15.5	**1.74**	2.23	72	90.0	**0.361**
Lihir (PNG) (y)	O/P	36.5	2.86	127	4.18	**164**	143	**3.88**	3.63	90	14.5	**2.663**
Morro do Ouro (Brazil) (dd)	O/P	305	0.42	56.6	0.38	**361**	369	**0.42**	0.43	81	51.0	**1.999**
Northparkes (Australia)												
open pit and stockpiles (u)	O/P	7.3	0.60			**7.3**	9.9	**0.60**	0.55	54	80.0	**0.061**
underground	U/G			46.7	0.48	**46.7**	48.0	**0.48**	0.50	74	80.0	**0.423**
Peak (Australia) (p)	U/G						2.4		7.26			
Rawhide (US) (z)	O/P						2.1		0.46			
Rio Tinto Zimbabwe	U/G	0.2	6.56			**0.2**	0.3	**6.56**	6.93	89	56.0	**0.026**
Total												**36.347**

												Marketable product
IRON ORE (b)		millions of tonnes	%Fe	millions of tonnes	%Fe	**millions of tonnes**	millions of tonnes	**%Fe**	%Fe			**millions of tonnes**

Reserves at operating mines and mines under construction											
Channar (Australia)											
Brockman Ore	O/P	115	63.5	13	64.7	**127**	130	**63.6**	63.6	60.0	**76**
Corumbá (Brazil)	O/P	112	67.2	106	67.2	**218**	218	**67.2**	67.2	100.0	**218**
Eastern Range (Australia)											
Brockman Ore	O/P	89	62.7	23	62.9	**112**	112	**62.8**	62.7	54.0	**61**
Hamersley (Australia)											
Brockman 2 (Brockman Ore)	O/P	23	62.9	7	62.8	**30**	35	**62.9**	62.9	100.0	**30**
Marandoo (Marra Mamba Ore)	O/P	84	62.4	3	62.6	**86**	96	**62.4**	62.4	100.0	**86**
Mt Tom Price (Brockman Ore)	O/P	131	64.4	58	64.6	**189**	199	**64.4**	64.5	100.0	**189**
Mt Tom Price (Marra Mamba Ore)	O/P			23	60.7	**23**	23	**60.7**	60.7	100.0	**23**
Paraburdoo (Brockman Ore)	O/P	15	64.1	8	63.5	**23**	23	**63.9**	64.5	100.0	**23**
Paraburdoo (Marra Mamba Ore)	O/P			1	63.0	**1**	1	**63.0**	63.4	100.0	**1**
Nammuldi (Marra Mamba Ore)	O/P	10	62.0	0	61.6	**10**	10	**62.0**	62.0	100.0	**10**
Yandicoogina (Pisolite Ore 1.4% Al^2O^3)	O/P	219	58.6			**219**	240	**58.6**	58.6	100.0	**219**
Yandicoogina (Pisolite Ore 1.9% Al^2O^3)				82	58.0	**82**	71	**58.0**	57.8	100.0	**82**
Iron Ore Company of Canada (Canada)	O/P	473	66.4	152	66.4	**625**	685	**66.4**	65.0	58.7	**367**
Robe River (Australia)											
Pannawonica (Pisolite Ore)	O/P	125	57.0	75	57.0	**200**	230	**57.0**	57.0	53.0	**106**
West Angelas (Marra Mamba Ore)	O/P	125	62.5	315	62.0	**440**	455	**62.2**	62.2	53.0	**233**
Total											**1,726**

											Recoverable metal
LEAD		millions of tonnes	%Pb	millions of tonnes	%Pb	**millions of tonnes**	millions of tonnes	**%Pb**	%Pb		**millions of tonnes**

Reserves at operating mines												
Greens Creek (US) (dd)	U/G			6.8	4.02	**6.8**	6.4	**4.02**	4.57	76	70.3	**0.146**
Zinkgruvan (Sweden)	U/G	7.9	5.20	1.6	2.80	**9.5**	10.5	**4.79**	4.50	90	100.0	**0.410**
Total												**0.556**

MOLYBDENUM		millions of tonnes	%Mo	millions of tonnes	%Mo	**millions of tonnes**	millions of tonnes	**%Mo**	%Mo			**millions of tonnes**
Reserves at operating mine												
Bingham Canyon (US) (dd)												
open pit	O/P	28.2	0.035	529	0.037	**557**	624	**0.037**	0.033	55	100.0	**0.114**
underground block cave	U/G			321	0.035	**321**	321	**0.035**	0.035	48	100.0	**0.054**
Total												**0.168**

See notes on page 21.

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Ore reserves continued

	Type of mine (a)	Proved ore reserves at end 2003		Probable ore reserves at end 2003		Total ore reserves 2003 compared with 2002					Rio Tinto share	
		Tonnage	Grade	Tonnage	Grade	Tonnage		Grade		Average mill recovery	Interest	Recoverable metal
						2003	2002	**2003**	2002	%	%	**metal**
NICKEL		millions of tonnes	%Ni	millions of tonnes	%Ni	**millions of tonnes**	millions of tonnes	**%Ni**	%Ni			**millions of tonnes**
Reserves at operating mine												
Fortaleza (Brazil) (r)	U/G	0.2	2.94	0.9	1.95	**1.1**	1.4	**2.12**	2.14	84	100.0	**0.019**
SILVER		millions of tonnes	grammes per tonne	millions of tonnes	grammes per tonne	**millions of tonnes**	millions of tonnes	**grammes per tonne**	grammes per tonne			**millions of ounces**
Reserves at operating mines												
Bingham Canyon (US) (dd)												
open pit	O/P	28.2	3.16	529	2.69	**557**	624	**2.72**	2.83	80	100.0	**38.908**
underground block cave	U/G			321	2.69	**321**	321	**2.69**	2.69	71	100.0	**19.682**
underground skarn ores	U/G			13.5	13.4	**13.5**	13.5	**13.4**	13.4	71	100.0	**4.114**
Grasberg (Indonesia) (s)	O/P+U/G	765	3.72	1,931	3.71	**2,696**	2,584	**3.72**	3.73	64		*of which:*
FCX											11.8	**17.883**
Joint Venture											40.0	**56.167**
Greens Creek (US) (dd)	U/G			6.8	483	**6.8**	6.4	**483**	511	75	70.3	**55.556**
Neves Corvo (Portugal) (t)												
copper ore	U/G	17.1	50.0	0.8	50.0	**17.9**	23.5	**50.0**	50.0	31	49.0	**4.402**
tin-copper ore	U/G	1.1	37.9	0.1	38.5	**1.2**	1.7	**37.9**	38.4	36	49.0	**0.249**
Rawhide (US) (z)	O/P						2.1		8.5			
Zinkgruvan (Sweden)	U/G	7.9	103.0	1.6	68.0	**9.5**	10.5	**97.0**	94.1	74	100.0	**21.923**
Total												**218.884**
												Marketable product
TALC (d)		millions of tonnes		millions of tonnes		**millions of tonnes**	millions of tonnes					**millions of tonnes**
Reserves at operating mines												
Luzenac Group (aa) (Europe/North America/Australia)	O/P+U/G	37.0		21.1		**58.1**	81.6				99.9	**58.1**

												Recoverable metal
TIN		millions of tonnes	%Sn	millions of tonnes	%Sn	**millions of tonnes**	millions of tonnes	**%Sn**	%Sn			**millions of tonnes**
Reserves at operating mine												
Neves Corvo (Portugal) (t)												
tin-copper ores	U/G	0.3	3.47	0.02	1.39	**0.3**	0.4	**3.36**	4.20	44	49.0	**0.002**
												Marketable product
TITANIUM DIOXIDE FEEDSTOCK (d)		millions of tonnes		millions of tonnes		**millions of tonnes**	millions of tonnes					**millions of tonnes**
Reserves at operating mines												
Rio Tinto Iron & Titanium (bb) (Canada/South Africa)	O/P+D/O	46.0		34.1		**80.1**	79.6					**80.1**
												Recoverable metal
URANIUM		millions of tonnes	$\%U_3O_8$	millions of tonnes	$\%U_3O_8$	**millions of tonnes**	millions of tonnes	**$\%U_3O_8$**	$\%U_3O_8$			**millions of tonnes**
Reserves at operating mines												
Energy Resources of Australia (Australia)												
Jabiluka	U/G	6.8	0.57	7.0	0.45	**13.8**	13.8	**0.51**	0.51	94	68.4	**0.045**
Ranger #3 (y)	O/P	10.2	0.24	7.8	0.25	**18.0**	19.9	**0.24**	0.25	89	68.4	**0.027**
Rössing (Namibia)												
open pit (cc)	O/P	3.9	0.052	21.8	0.038	**25.8**	135	**0.040**	0.041	85	68.6	**0.006**
stockpiled ore		2.6	0.040			**2.6**	2.6	**0.040**	0.041	85	68.6	**0.001**
Total												**0.079**
ZINC		millions of tonnes	%Zn	millions of tonnes	%Zn	**millions of tonnes**	millions of tonnes	**%Zn**	%Zn			**millions of tonnes**
Reserves at operating mines												
Greens Creek (US) (dd)	U/G			6.8	10.7	**6.8**	6.4	**10.7**	11.4	87	70.3	**0.444**
Zinkgruvan (Sweden)	U/G	7.9	9.9	1.6	9.3	**9.5**	10.5	**9.8**	9.6	93	100.0	**0.867**
Total												**1.310**

See notes on page 21.

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Notes

(a) Type of mine: O/P = open pit, O/C = open cut, U/G = underground, D/O = dredging operation.
(b) Reserves of iron ore, bauxite and diamonds are shown as recoverable reserves of saleable product after accounting for all mining and processing losses. Mill recoveries are therefore not shown. Al_2O_3 grades are not shown for commercial reasons.
(c) Reserves at Weipa have increased as a result of the application of revised economic parameters permitting development of a new resource model and the subsequent transfer of resources to reserves.
(d) Reserves of industrial minerals are expressed in terms of marketable product, ie after all mining and processing losses. In the case of borates, the saleable product is B_2O_3.
(e) Reserves at Tincalayu have increased following development of a new geological model and a new life of mine plan.
(f) Coal reserves are shown as both recoverable and marketable. The yield factors shown reflect the impact of further processing, where necessary, to provide marketable coal.
(g) Coal type: SC = steam/thermal coal; MC = metallurgical/coking coal.
(h) Analyses of coal from the US were undertaken according to American Standard Testing Methods (ASTM) on an As Received moisture basis whereas the coals from Australia have been analysed on an Air Dried moisture basis according to Australian Standards (AS). MJ/kg = megajoules per kilogramme.
(i) Rio Tinto completed the sale of its 50 per cent interest in Kaltim Prima Coal on 10 October 2003.
(j) Kennecott Energy has a partnership interest in the Colowyo mine, but, as it is responsible under a management agreement for the operation of the mine, all of Colowyo s reserves are included in Rio Tinto s share shown above. Reserves at Colowyo have decreased following the reclassification of all material outside the current production area as measured resources.
(k) Rio Tinto Coal Australia was previously known as Pacific Coal.
(l) Production at Hail Creek commenced in July 2003; reserves are now reported in the operating mines section rather than in the other undeveloped reserves section. Reserves have increased as a result of a major strategic review and the development of a new life of mine plan.
(m) The term other undeveloped reserves is used here to describe material that is economically viable on the basis of technical and economic studies but for which mining and processing permits have yet to be requested or obtained. There is a reasonable, but not absolute, certainty that the necessary permits will be issued and that mining can proceed when required.
(n) Marketable reserves at Mount Pleasant have increased as a consequence of additional project studies which led to the development of a new resource model, and indicated higher yields as a result of improved processing methods and the planned mining of higher quality seams.
(o) Marketable reserves at Valeria have been reclassified as measured resources following a revision of economic parameters.
(p) Rio Tinto completed the sale of its 25 per cent interest in Minera Alumbrera together with its wholly owned Peak Gold Mine on 17 March 2003.
(q) Reserves at Escondida Norte are declared for the first time.
(r) Rio Tinto completed the sale of its 100 per cent interest in the Fortaleza nickel mine on 16 January 2004.
(s) Rio Tinto is entitled to a share in metal production from Freeport s Grasberg operations due to its direct shareholding in Freeport-McMoRan Copper & Gold (FCX). In addition, under the terms of a joint venture agreement between Rio Tinto and FCX, Rio Tinto is entitled to a direct 40 per cent share in reserves discovered after 31 December 1994. Rio Tinto s share of reserves due to these two entitlements are shown separately.
(t) Reserves at Neves Corvo have decreased following development of a new resource model and revised mine plan that takes into account revised cutoff grades for different mining methods and the exclusion of additional safety pillars.
(u) The depletion in ore reserves at Northparkes is mainly due to the reclamation of material from stockpiles.
(v) Open pit mining at Palabora was completed in November 2003. In addition stockpile reserves at Palabora have been reclassified as measured resources in order to meet more accurately the requirements of the JORC code.
(w) Reserves at Argyle have increased as a result of the development of a new resource model and revised mine plan which includes additional open pittable material and underground reserves for the first time.
(x) The increase in reserves at Cortez reflects the inclusion of the Cortez Hills deposit for the first time, and the transfer of material from mineral resources.
(y) Proved reserves at Kelian, Lihir and Ranger #3 include 9.95, 33.3 and 6.9 million tonnes respectively stockpiled at the end of December 2003 for future treatment. At Kelian, open pit mining ceased in April 2003, stockpiled ore is now being processed. At Lihir, additional drilling led to remodelling of the Kapit and Lienitz deposits; this together with a review of the life of mine plan has led to an increase in reserves.
(z) At Rawhide, mining operations have ceased and processing of stockpiled ore was completed in May 2003. Reclamation activities are now underway.
(aa) Reserves of talc have decreased as a result of a decision to close several of the North American mines.
(bb) Comprises reserves at QIT-Fer et Titane (Rio Tinto 100 per cent) and Richards Bay Minerals (RBM) (Rio Tinto 50 per cent).
(cc) At Rössing the significant reduction in reserves has resulted from a major change in the planned mining strategy which may result in mine closure when the current pit is mined out. Material outside of the current final pit has been transferred back to resources.
(dd) These operations have different reported reserves when SEC reporting guidelines are applied (see page 147).

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Mineral resources

As required by the Australian Stock Exchange additional data in relation to mineral resources has been disclosed on pages 22 to 24 of the 2003 Annual report and financial statements but these pages have been intentionally omitted from the 2003 Form 20-F because they conflict with the SEC Industry Guide 7.

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Information on Group mines

(Rio Tinto s interest 100 per cent unless otherwise shown)

Mine	Location	Access	Title/lease	History	Type of mine	Power source
ALUMINIUM						
Comalco	Weipa, Queensland, Australia	Road, air, and port	Queensland Government lease expires in 2041 with 21 year extension, then two years notice of termination	Bauxite mining commenced in 1961; Major upgrade completed in 1998 to incorporate Alcans adjacent Ely reserve in overall mining plan; Rio Tinto interest increased from 72.4% to 100% in 2000; Project NeWeipa announced in 2003 to lift annual capacity to 16.5 million tonnes	Open cut	On site generation
COPPER						
Escondida (30%)	Atacama Desert, Chile	Pipeline and road to deep sea port at Coloso	Rights conferred by Government under Chilean Mining Code	Production started in 1990 and expanded in phases to 2002 when new concentrator was completed	Open pit	Supplied from SING grid under two contracts with Norgener to 2008 and Nopel (Gas Atacama) to 2009
Grasberg (12% and 40% of joint venture)	Papua, Indonesia	Pipeline, road and port	Indonesian Government Contracts of Work expire in 2021 with two ten year extensions	Interest acquired 1995; capacity expanded to over 200,000 tonnes of ore per day in 1998	Open pit and underground	Long term contract with US-Indonesian consortium operated purpose built coal fired generating station
Kennecott Minerals Cortez/Pipeline	Nevada, US	Road	Patented and unpatented mining claims	Gold production started at Cortez in 1969.	Open pit	Public utility

(40%)				Pipeline in 1997		
Kennecott Minerals Greens Creek (70%)	Alaska, US	Port	Patented and unpatented mining claims	Redeveloped in 1997	Underground/drift and fill	On site diesel generators
Kennecott Utah Copper Bingham Canyon	Near Salt Lake City, Utah, US	Pipeline, road and rail	Owned	Interest acquired in 1989; modernisation includes smelter complex and expanded tailings dam	Open pit	On site generation supplemented by long term contracts with Utah Power and Light
Neves Corvo (49%)	Castro Verde, Portugal	Rail and road	Mining rights granted by Portuguese State for 90 years from 1989	Interest acquired 1985; production started in 1989	Underground	Supplied by EdP via grid network
Northparkes (80%)	Goonumbla, New South Wales, Australia	Road and rail	State Government mining lease issued in 1991 for 21 years	Interest acquired in 2000; production started in 1995	Open pit and underground	Supplied from State grid
Palabora (49%)	Phalaborwa, Northern Province, South Africa	Rail and road	Lease from South African Government until deposits exhausted and base metal claims owned by Palabora	Development of 20 year underground mine commenced 1996 with full production timed to coincide with open pit closure in 2003	Open pit/ underground	Supplied by ESKOM via grid network
Rio Tinto Brasil Corumbá	Matto Grosso do Sul, Brazil	Road, air and river	Government licence for undeterminedperiod	Iron ore production started 1978; interest acquired in 1991	Open pit	Supplied by ENERSUL
Rio Tinto Brasil Fortaleza	Minas Gerais, Brazil	Road	Government licence for undetermined period	Nickel matte production from underground mine	Underground open stoping	Supplied by CEMIG
Rio Tinto Brasil Morro do Ouro (51%)	Minas Gerais, Brazil	Road and air	Government licence for undetermined period	Gold production started in 1987	Open pit	Supplied by CEMIG
Zinkgruvan	Sweden	Road	Exploration concession with	Mining began in 1857 and	Underground	Supplied by State owned

			Swedish Government to 2024	production progressively expanded; acquired by North in 1995 prior to Rio Tinto in 2000		power company (Valtenfall) via grid
DIAMONDS						
Diavik (60%)	Northwest Territories, Canada	Air, ice road in winter	Mining leases from Canadian federal government	Deposits discovered 19941995; construction approved 2000; diamond production started 2003	Open pit to underground in future	On site diesel generators; installed capacity 27MW
Argyle Diamonds	Kimberley Ranges, Western Australia	Road and air	Mining tenement held under Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981 83 with right to extend for 21 years from 2004	Studies into further development options, including underground mining, continue; interest increased from 59.7% following purchase of Ashton Mining in 2000	Open pit	Long term contract with Ord Hydro Consortium and on site generation back up
Rio Tinto Zimbabwe Renco (56%)	Zimbabwe	Road and air	Claims and mining leases	Renco redevelopment completed in 1982	Underground/reef mining	Supplied by ZESA
ENERGY						
Coal & Allied Industries (76%) Bengalla (30%) Hunter Valley Operations (76%) Mount Thorley (61%) Warkworth (42%)	New South Wales, Australia	Road, rail and port	Leases granted by State	Lemington acquired late 2000 and integrated with Hunter Valley Operations. Peabody Australian interests acquired in 2001. Moura, Narama and Ravensworth interests divested in 2002	Open cut	State owned grid
Energy Resources of	Northern Territory,	Road	Leases granted by State	Mining commenced	Open pit	On site diesel/steam

Australia (68%) Ranger	Australia	1981; interest acquired through North in 2000	power generation

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Information on Group mines continued

Mine	Location	Access	Title/lease	History	Type of mine	Power source
ENERGY CONTINUED						
Kennecott Energy Antelope Colowyo (20%) Cordero Rojo Decker (50%) Jacobs Ranch Spring Creek	Wyoming, Montana and Colorado, US	Rail and road	Leases from US and State Governments and private parties, with minimum coal production levels, and adherence to permit requirements and statutes	Antelope, Spring Creek, Decker and Cordero acquired in 1993, Colowyo in 1995, Caballo Rojo and Fort Union in 1997 and Jacobs Ranch in 1998	Open cut	Supplied by IPPs and Cooperatives through national grid service
Rio Tinto Coal Australia Blair Athol (71%) Hail Creek (92%) Kestrel (80%) Tarong	Queensland, Australia	Conveyor, road, rail and port	Leases granted by State	Production started for export at Blair Athol and adjacent power station at Tarong in 1984. Kestrel acquired and recommissioned 1999	Open cut (Blair Athol, Hail Creek and Tarong) and underground (Kestrel)	State owned grid
Rössing Uranium (69%)	Namib Desert, Namibia	Rail, road and port	Federal lease	Production began in 1978	Open pit	Namibian National Power
INDUSTRIAL MINERALS						
Boron	California, US	Road, rail and port	Owned	Mine redesign project completed on budget and schedule in 2000	Open pit	On site co-generation units
Dampier Salt (65%)	Dampier, Lake MacLeod andPort Hedland, Western Australia	Road and port	Mining leases expiring in 2013 at Dampier, 2018 at Port Hedland and 2021 at Lake MacLeod with options to renew in each case	Construction of the Dampier field started in 1969; first shipment in 1972. Lake MacLeod was acquired in 1978 as an operating field	Solar evaporation of seawater (Dampier and Port Hedland) and underground brine (Lake MacLeod); dredging of gypsum from surface of Lake MacLeod	Dampier supply from Hamersley Iron Power; Lake MacLeod from Western Power and on site generation units; Port Hedland from Western Power

Luzenac	Trimouns, France (other smaller operations in Australia, Europe and North America)	Road and rail	Owner of ground (orebody) and long term lease agreement to 2012	Production started in 1885; acquired in 1988. (Australian mine acquired in 2001)	Open pit	Supplied by EdF and on site generation units
QIT-Fer et Titane	Saguenay County, Quebec, Canada	Rail and port (St Lawrence River)	Mining covered by two Concessions granted by State in 1949 and 1951 which, subject to certain Mining Act restrictions, confer rights and obligations of an owner	Production started 1950; interest acquired in 1989	Open pit	Long term contract with Quebec Hydro
Richards Bay Minerals (50%)	Richards Bay, KwaZulu-Natal, South Africa	Rail, road and port	Long term renewable leases; State lease for Reserve 4 initially runs to end 2022; Ingonyama Trust lease for Reserve 10 runs to 2010	Production started 1977; interest acquired 1989; fifth dredge commissioned 2000	Beach sand dredging	Contract with ESCOM
IRON ORE						
Hamersley Iron Brockman Marandoo Mount Tom Price Paraburdoo Yandicoogina Channar (60%)	Hamersley Ranges, Western Australia	Railway (owned by Hamersley Iron and operated by Pilbara Rail Company) and port (owned and operated by Hamersley Iron)	Agreements for life of mine with Government of Western Australia	Annual capacity increased to 68 million tonnes during 1990s; Yandicoogina first ore shipped in 1999 and port capacity increased	Open pits	Supplied by Hamersley Iron Power
Iron Ore Company of Canada (59%) (Rio Tinto also holds a 20% interestin the Labrador Iron Ore RoyaltyIncome Fund which owns 15.1%of IOC)	Labrador City, Province ofLabrador and Newfoundland	Railway and port facilities in Sept-Iles, Quebec (owned and operated by IOC)	Sublease with the Labrador Iron Ore Royalty Income Fund which has lease agreements with the Government of Newfoundland and Labrador that are due to be renewed in	Current operation began in 1962 and has processed over 1 billion tonnes of crude ore since; annual capacity now 17.5 million tonnes of concentrate of which 12.5 million tonnes	Open pit	Supplied by Newfoundland Hydro under long term contract

			2020 and 2022	can be pelletised. Interest acquired in 2000 through North		
Robe River Iron Associates (53%) Mesa J West Angelas	Pilbara region, Western Australia	Railway (owned by Robe River Iron Associates and operated by Pilbara Rail Company) and port (owned and operated by Robe	Agreements for life of mine with Government of Western Australia	First shipment in 1972; annual sales reached 30 million tonnes in late 1990s; interest acquired in 2000 through North; West Angelas first ore shipped and port capacity increased	Open pit	Supplied by Robe River Iron Associates; West Angelas supplied by Hamersley Iron Power (commercial arrangement)
OTHER						
Kelian (90%)	Kalimantan, Indonesia	Road, river and port	Contract of Work with Indonesian Government for 30 years	Gold production started in 1992 and is scheduled to cease in 2004	Open pit	Kelian s own 29MW generating station with six identical 4.9MW rated units
Lihir Gold (14%)	Lihir Island, Papua New Guinea	Own road, airstrip and port	Special Mining Lease with Papua New Guinea Government expires in 2035	Production started in 1997; refinancing in 1999 and merger with Niugini Mining in 2000	Open pit	12 diesel unit power plant, four steam wells producing ten per cent of requirements

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Information on Group smelters, refineries and processing plants

Smelter, refinery or plant (Rio Tinto interest 100% unless otherwise shown)	**Location**	**Title/lease**	**Plant type/product**	**Capacity**
ALUMINIUM Comalco				
Anglesey Aluminium (51%)	Holyhead, Anglesey, Wales	100% Freehold	Aluminium smelter producing aluminium billet, block, sow	145,000 tonnes per year aluminium
Bell Bay	Bell Bay, Northern Tasmania, Australia	100% Freehold	Aluminium smelter producing aluminium ingot, block, t-bar	167,000 tonnes per year aluminium
Boyne Smelters (59%)	Boyne Island, Queensland, Australia	100% Freehold	Aluminium smelter producing aluminium ingot, billet, t-bar	521,000 tonnes per year aluminium
Comalco Alumina Refinery (under construction)	Gladstone, Queensland, Australia	97% Freehold 3% Leasehold	Refinery: alumina production to start late 2004	1,400,000 tonnes per year alumina
Eurallumina (56%)	Portoscuso, Sardinia, Italy	39% Freehold 61% Leasehold	Refinery producing alumina	1,020,000 tonnes per year alumina
Gladstone Power Station (42%)	Gladstone, Queensland, Australia	100% Freehold	Thermal power station	1,680 megawatts
New Zealand Aluminium Smelters (NZAS) (79%)	Tiwai Point, Southland, New Zealand	19.6% Freehold 80.4% Leasehold	Aluminium smelter producing aluminium ingot, billet, t-bar	334,000 tonnes per year aluminium
Queensland Alumina (39%)	Gladstone, Queensland, Australia	73.3% Freehold 26.7% Leasehold	Refinery producing alumina	3,731,000 tonnes per year alumina
COPPER GROUP				
Atlantic Copper Smelter (13%)	Huelva, Spain	100% Freehold	Flash smelting furnace/Pierce Smith convertor copper refinery	300,000 tonnes per year refined copper
Kennecott Utah Copper	Magna, Salt Lake City, Utah, US	100% Freehold	Flash smelting furnace/Flash convertor furnace copper refinery	335,000 tonnes per year refined copper
Palabora (49%)	Phalaborwa, South Africa	100% Freehold	Reverberatory Pierce Smith copper refinery	130,000 tonnes per year refined copper
INDUSTRIAL MINERALS				

Boron	California, US	100% Freehold	Borates refinery	584,000 tonnes per year boric oxide
QIT-Fer et Titane Sorel Plant	Sorel-Tracy, Quebec, Canada	100% Freehold	Ilmenite smelter	1,100,000 tonnes per year titanium dioxide slag, 900,000 tonnes per year iron
Richards Bay Minerals (50%)	Richards Bay, South Africa	100% Freehold	Ilmenite smelter	1,060,000 tonnes per year titanium dioxide slag
IRON ORE				
HIsmelt® (60%)	Kwinana, Western Australia	100% Leasehold	HIsmelt® ironmaking plant producing pig iron	800,000 tonnes per year pig iron
IOC Pellet Plant (59%)	Labrador City, Newfoundland, Canada	100% Subleased land	Pellet induration furnaces producing multiple iron ore pellet types	12,500,000 tonnes per year pellet

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Financial review

Financial risk management

The Group s policies with regard to risk management are clearly defined and consistently applied. They are a fundamental tenet of the Group s long term strategy.

The Group s business is mining and not trading. The Group only sells commodities it has produced. In the long term, natural hedges operate in a number of ways to help protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. Such hedging is therefore undertaken to a strictly limited degree, as described below.

The Group has a diverse portfolio of commodities and markets, which have varying responses to the economic cycle. The relationship between commodity prices and the currencies of most of the countries in which the Group operates provides further natural protection. In addition, the Group s policy of borrowing at floating US dollar interest rates helps to counteract the effect of economic and commodity price cycles.

The Group s financial statements and disclosures show the full extent of its financial commitments including debt and similar exposures. The Group s share of the net debt of joint ventures and associates is also disclosed. It is not the Group s practice to engineer financial structures as a way of avoiding disclosure.

The risk factors to which the Group is subject that are thought to be of particular importance are summarised on page 7.

The effectiveness of internal control procedures continues to be a high priority in the Rio Tinto Group. A statement on this is included in Corporate governance on pages 71 and 72.

The Group s policies with regard to currencies, commodities, interest rates and treasury management are discussed below.

Adjusted earnings

UK Financial Reporting Standard 3 allows presentation of an adjusted measure of earnings. As presented by Rio Tinto, this excludes the effect of exceptional items of such magnitude that their exclusion is necessary in order that adjusted earnings fulfil their purpose of reflecting the Group s underlying performance. Except where otherwise indicated, earnings contributions from business units and business segments exclude the effect of these exceptional items. Adjusted earnings is reconciled with net earnings on page 82.

Group operating performance

2003 compared with 2002

Adjusted earnings of US$1,382 million were US$148 million below 2002. Including the exceptional items described below, net earnings at US$1,508 million compared with US$651 million reported for 2002.

The weakening of the US dollar against the currencies in which most of the Group s costs are denominated reduced earnings by US$412 million. The average levels of the

Australian dollar, Canadian dollar and South African rand were respectively 20 per cent, 11 per cent and 39 per cent stronger in 2003 than in 2002. The effect of these and other currency movements on operating costs was to reduce earnings by US$352 million. The effect of the shift in exchange rates on balance sheet values expressed in the functional currencies of the relevant units further reduced earnings and this charge was US$100 million more than the corresponding charge in 2002. Gains on currency hedges initiated by North, Ashton and Comalco, before they became wholly-owned subsidiaries in 2000, increased earnings by US$40 million relative to 2002.

The prices of many products were stronger, increasing earnings by US$442 million. Copper prices averaged 13 per cent higher; gold 17 per cent and aluminium seven per cent. The copper price was 51 per cent higher at the end of the year than at the beginning and this led to a favourable effect from provisional pricing of US$39 million. Benchmark iron ore prices increased by nine per cent.

Over the full year, seaborne thermal coal prices were on average seven per cent lower and realised uranium prices were lower due to some higher priced contracts expiring at Rössing.

Overall, volume changes increased earnings by US$38 million. Lower gold and molybdenum volumes at Kennecott Utah Copper, as a result of reduced by product grades, partly offset volume growth from new mines at Diavik (diamonds) and West Angelas (iron ore) and capacity expansions at Escondida (copper) and Hamersley (iron ore). The benefit of higher gold grades at Grasberg, particularly in the first half of the year, was negated by lower production following a slippage in the mine in the fourth quarter of the year. Robust demand for diamonds enabled Argyle to reduce inventories. Volumes of titanium dioxide feedstock were affected by weak markets.

Turning to costs, higher oil, power and gas prices reduced earnings by US$54 million. Average oil prices were US$3.50 per barrel or 14 per cent higher than in 2002. Gas prices in the US market were also higher and there were also increases in electricity prices, principally in New Zealand.

Excluding the effects of energy prices and the US$106 million impact of inflation, cost increases reduced earnings by US$82 million. Two significant events adversely affected cost performance in the period. In the first half of the year, there was a three week smelter shut down at Kennecott Utah Copper as a result of the acid plant failure. The slippage at the Grasberg mine in the fourth quarter impacted both production volumes and costs.

Costs at Coal & Allied were affected by higher demurrage caused by a shortage of rail capacity in the Hunter Valley. Lower earnings at Rio Tinto Iron & Titanium included

a charge associated with the partial write down of a customer receivable.

Excluding exceptional items, the effective tax rate at 28.8 per cent compares with 31.2 per cent for 2002. The lower charge in 2003 reflects reduced tax payments in the US and a number of one off benefits including a credit of US$8 million resulting from the proposed entry into the Australian tax consolidation regime, with effect from 1 January 2003.

The Group continues to benefit from low interest rates thanks to its policy of having predominantly floating rate debt. The after tax net interest charge was US$36 million less than in 2002, due both to lower interest paid and higher capitalised interest. The net central cost of the Group s pension schemes was about US$60 million higher than in 2002.

The sale of the Fortaleza nickel mine was completed on 16 January 2004 and the profit on sale will, therefore, be taken up in 2004. However, the net earnings of Rio Tinto Brasil include a credit of US$32 million resulting from the reversal of part of an impairment provision relating to Fortaleza recorded in a previous year.

The 2003 exceptional items of US$126 million relate to gains on the disposal of Kaltim Prima Coal, Peak and Alumbrera. No tax was payable on these gains.

2002 compared with 2001

Adjusted earnings of US$1,530 million for 2002 were US$132 million below 2001. After the exceptional charges described below, net earnings at US$651 million compared with US$1,079 million reported for 2001.

Changes in selling prices and exchange rates reduced earnings by US$74 million. Average gold prices were 14 per cent higher than in 2001, but aluminium prices averaged eight per cent lower. Average copper prices were slightly down but there was a benefit from provisionally priced copper. Benchmark prices for iron ore and seaborne thermal coal fell. North American domestic coal prices improved with market fundamentals, as the effects of the California energy crisis in early 2001 flowed into contract prices. The negative variance due to exchange rate movements was principally a result of the Australian dollar being stronger relative to the US dollar.

Higher volumes increased earnings by US$85 million. Demand for iron ore was extremely strong with Hamersley Iron achieving record production and shipments from the West Angelas mine beginning to ramp up. Diamond sales volumes were also higher than in 2001. There were lower gold volumes from the Group s interest in Grasberg as a result of lower grades, particularly in the first half of the year.

Excluding the effect of inflation, changes in costs benefited earnings by US$54 million. However, cost inflation more than offset this benefit, reducing earnings by US$76 million.

The interest charge on the Group s debt in 2002 was US$72 million lower than in 2001 although the level of debt did not

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change significantly.

Other variances reduced earnings by US$193 million compared with 2001. Of this, US$54 million resulted from the gain that was included in 2001 earnings as a result of the disposal of Norzink. There were also adverse variances on other corporate items, including pension costs. Earnings in 2002 suffered from the reduced value of pension fund assets associated with falling stock markets and from a reduction in the expected return on pension fund equity investments compared with that applied in previous years.

Excluding exceptional items, the effective tax rate at 31.2 per cent was broadly in line with the previous year.

Exceptional charges in 2002 of US$879 million, net of tax and outside shareholder interests, comprised provisions for the write down of asset carrying values of US$763 million and a charge relating to environmental remediation works at Kennecott Utah Copper (KUC) of US$116 million. US$480 million of the asset write downs related to KUC and US$235 million related to the Iron Ore Company of Canada.

The increase in the expected cost of environmental remediation resulted from a significant change in the planned methodology for treatment of contaminated groundwater in the vicinity of the Bingham Canyon mine. The 2001 exceptional charge comprised provisions for the write down of asset carrying values.

Cash flow

2003 compared with 2002

The Group s operating cash flow remained strong. Total cash flow from operations of US$3,486 million, including dividends from associates and joint ventures, was only seven per cent below 2002 despite ten per cent lower adjusted earnings.

Tax paid includes an amount of US$106 million relating to the disputed tax assessments from the Australian Tax Office described in note 29 of the financial statements. The amount paid has been recorded as a receivable in these accounts because the directors believe that the relevant tax assessments are not sustainable.

Investment in the business continued at a high level. Capital expenditure and financial investment of US$1,673 million was US$197 million less than 2002. Purchases of plant and equipment included the expansion of iron ore capacity and the construction of the Comalco Alumina Refinery. Purchases less sales of investments in 2002 of US$323 million mainly related to US Treasury bonds held as security for the deferred consideration on the North Jacobs Ranch acquisition, of which US$76 million were sold in 2003.

Rio Tinto continues to explore opportunities to dispose of non core assets but only when such disposals are value creating. The sale of assets, principally Peak, Alumbrera and Kaltim Prima Coal generated a cash inflow of US$405 million.

2002 compared with 2001

Cash from operating activities together with dividends from joint ventures and associates totalled US$3,743 million in 2002, an increase of ten per cent compared with 2001. Tight control of working capital was reflected in reductions in accounts receivable and inventories totalling US$243 million, which largely reversed increases reported in 2001.

Net investment in property, plant and equipment of US$1,417 million was at a similar level to that in 2001. The major areas of expansionary investment in 2002 were the Diavik diamond mine, the West Angelas iron ore mine, the Hail Creek coking coal development, Comalco s alumina refinery and the first instalment on the purchase of additional coal reserves at North Jacobs Ranch.

Disposals of businesses net of acquisitions generated US$127 million. This largely related to units acquired with Peabody s Australian coal business in 2001, which the Group sold on as planned.

Purchases of other investments absorbed a further US$323 million of cash. These investments included US$304 million of US Treasury bonds held as security for the deferred consideration on the North Jacobs Ranch reserves acquired during the period, which is payable over the next four years. Dividends paid were US$145 million higher than 2001 as a result of the change in policy for weighting of interim and final dividends announced in 2001.

Balance sheet

Shareholders funds increased by US$2,575 million to US$10,037 million mainly due to profits exceeding dividends by US$626 million and due to exchange rate movements of US$1,924 million. The most significant of these was the strengthening of the Australian dollar by 32 per cent against the US dollar. Net debt reduced by US$101 million to US$5,646 million. The ratio of net debt to total capital improved from 41 per cent, at 31 December 2002, to 34 per cent at 31 December 2003. Interest was covered 11 times.

As detailed in note 18 to the Financial statements, US$2,194 million (36 per cent) of the Group s borrowings at the end of 2003 will mature in 2004. Of this, US$1,687 million was commercial paper, mainly raised through markets in the US. Although US$1,100 million of this is backed by bank standby facilities expiring after one year, it is regarded as short term debt under UK accounting rules. Under Australian and US accounting practices, commercial paper backed in this way would be grouped with non current borrowings, and the Group regards it as such in managing the maturity profile of its debt.

At the year end, medium and long term borrowings (excluding the above commercial paper), totalled US$3,849 million. The amount issued under the US$3 billion European Medium Term Notes Programme was US$1,618 million of which US$70 million is repayable within one year. In addition to the above, the Group s share of the third party net debt of joint ventures and associates totalled US$1,004 million at 31 December 2003, as detailed in note 14 to the Financial statements. Save for US$6 million, this debt is without recourse to Rio Tinto.

Liquidity and capital resources

Rio Tinto plc and Rio Tinto Limited continue to enjoy the strong long and short term credit ratings from Moody s and Standard and Poor s shown below.

	Long Term	Short Term	Outlook
Standard & Poor s	A+	A-1	Stable
Moody s	Aa3	P-1	Negative

The unified credit status of the Group is maintained through cross guarantees whereby contractual obligations of Rio Tinto plc and Rio Tinto Limited are automatically guaranteed by the other. These ratings continue to provide financial flexibility and consistent access to debt via money or capital markets and enable very competitive terms to be obtained.

The Group has access to the following markets for its financing requirements:

- US and Canadian commercial paper markets
- European Medium Term Note (EMTN) private placement
- US, euro and sterling bond markets.

During 2003, the Group raised US$462 million in maturities of one to five years via its EMTN programme. In June 2003, the Group issued a US$600 million Global bond. Proceeds of these issues were employed to repay maturing term debt and commercial paper.

The Group s commercial paper programmes are fully backed by bank standby facilities which totalled US$2.75 billion at 31 December 2003, of which US$1.1 billion was on terms exceeding one year. These facilities can be drawn upon at any time in the unlikely event of disruption in the commercial paper market. These standby facilities are provided by strongly rated banking counterparties.

As at 31 December 2003, the Group had contractual obligations other than short term debt in the form of commercial paper and bank borrowings repayable on demand arising in the ordinary course of business as follows:

US$m	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years
Contractual cash obligations					
Debt (a)	4,208	359	1,638	1,764	447
Operating leases	131	38	34	12	47
Unconditional purchase obligations	3,010	268	553	477	1,712
Other (b)	679	665	14		
Total	**8,028**	**1,330**	**2,239**	**2,253**	**2,206**

(a) Debt obligations exclude commercial paper and bank borrowings repayable on demand
(b) Other relates to long term obligations including capital commitments

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Financial review continued

On the basis of the levels of obligations described above, the unused capacity under the Group s commercial paper programmes, the Group s anticipated ability to access debt and equity capital markets in the future and the level of anticipated internal cash generation, the directors believe that the Group has sufficient short and long term sources of funding available to meet its liquidity requirements.

The Group s committed bank standby facilities contain a financial undertaking that the Group s consolidated income before interest and taxes for any annual accounting period shall not be less than three times consolidated interest payable for such period. The ratio for 2003 is well above this minimum. The Group does not have any financial agreements that would be affected to any material extent by a reduction in the Group s credit rating.

The Group s policy is to centralise and minimise surplus cash balances whenever possible. The majority of cash balances are held in jurisdictions without exchange controls.

Exchange rates, reporting currencies and currency exposure

Rio Tinto s assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s sales and the countries in which it operates. The US dollar, however, is the currency in which the great majority of the Group s sales are denominated. Operating costs are influenced by the currencies of those countries where the Group s mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian and US dollars are the most important currencies influencing costs.

In any particular year, currency fluctuations may have a significant impact on Rio Tinto s financial results. A weakening of the US dollar against the currencies in which the Group s costs are determined has an adverse effect on Rio Tinto s net earnings. The approximate effects on the Group s net earnings of ten per cent movements from the 2003 full year average exchange rates of the currencies having most impact on costs are as follows:

	Average exchange rate for 2003 in US cents	Effect of 10% change in full year average US$m
Australian $	65	141±
Canadian $	71	26±
Rand	13	22±

These sensitivities are based on 2003 prices, costs and volumes and assume that all other variables remain constant. They take into account the effect of hedges maturing in 2004, as disclosed in note 28 to the Financial statements. These exchange rate sensitivities include the effect on operating costs of movements in exchange rates but exclude

the impact through revaluation of foreign currency working capital. They should therefore be used with care.

In the case of the Australian dollar, there is a significant degree of natural protection against cyclical fluctuations, in that the currency tends to be weak, reducing costs in US dollar terms, when commodity prices are low, and vice versa.

Given the dominant role of the US currency in the Group s affairs, the US dollar is the currency in which financial performance is measured and in which financial results are presented both internally and externally. It is also the natural currency for borrowing and holding surplus cash. Modest amounts of cash are held in other currencies for short term operational reasons.

The Group finances its operations primarily in US dollars, either directly or using currency swaps, and a significant proportion of the Group s US dollar debt is located in subsidiaries having functional currencies other than the US dollar. Exchange gains and losses relating to US dollar debt impact on the profit and loss accounts of such subsidiaries. However, such exchange gains and losses are excluded from the Group s profit and loss account on consolidation with a corresponding adjustment directly to reserves. This means that financing in US dollars impacts in a consistent manner on the Group s consolidated accounts irrespective of the functional currency of the particular subsidiary where the debt is located.

Under US generally accepted accounting principles (GAAP), the above exchange differences must be charged against the profit for the year except to the extent that the US dollar debt is effective as a hedge of assets accounted for in US dollars in the particular companies in which the debt resides. This gives rise to an adjustment in the US GAAP reconciliation for 2003, increasing US GAAP earnings by US$623 million net of tax and outside shareholders interests; but no adjustment to US GAAP shareholders funds is required.

The Group does not generally believe that active currency hedging would provide long term benefits to shareholders. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Rio Tinto board. As set out in note 28 to the Financial statements, as at 31 December 2003 there were forward contracts, including synthetic forwards, to purchase A$1,459 million, C$18 million and NZ$875 million in respect of future trading transactions. From the Group s perspective, these forward contracts offset the impact of exchange rate variations on a portion of the local currency costs incurred by various subsidiaries. Much of the above hedge book was acquired with North Limited. North held a substantial hedge book on acquisition, which has been retained but is not being renewed as maturities occur.

The Group has also entered into forward

currency contracts in respect of certain capital commitments. As at 31 December 2003, it held contracts to purchase A$393 million in respect of future committed capital expenditure.

Interest rates

Rio Tinto s interest rate management policy is generally to borrow and invest cash at floating rates. Short term US dollar rates are normally lower than long term rates, resulting in lower interest costs to the Group.

Furthermore, cyclical movements of interest rates tend to compensate, to an extent, for those of commodity prices. In some circumstances, an element of fixed rate funding may be considered appropriate. At the end of 2003, only 13 per cent of the Group s net debt was fixed rate. Based on the Group s net debt at 31 December 2003, and with other variables unchanged, the approximate effect on the Group s net earnings of a one percentage point increase in US dollar LIBOR interest rates would be a reduction of US$30 million.

Commodity prices

The Group s normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Rio Tinto board and to rigid internal controls. Rio Tinto s exposure to commodity prices is diversified by virtue of its broad commodity spread and the Group does not generally believe commodity price hedging would provide long term benefit to shareholders.

Metals such as copper and aluminium are generally sold under contract, often long term, at prices determined by reference to prevailing market prices on terminal markets, such as the London Metal Exchange and COMEX in New York, usually at the time of delivery. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply. Gold is also priced in an active market in which prices respond to daily changes in quantities offered and sought. Newly mined gold is only one source of supply; investment and disinvestment can be important elements of supply and demand. Contract prices for many other natural resource products are generally agreed annually or for longer periods with customers, although volume commitments vary by product.

Approximately 40 per cent of Rio Tinto s 2003 net earnings from operating businesses came from products whose prices were terminal market related and the remainder came from products priced by direct negotiation.

The approximate effect on the Group s net earnings of a ten per cent change from the full year average market price in 2003 for the following metals would be:

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	Average market price for 2003	Effect of 10% change in full year average US$m
Copper	80 c/lb	109 ±
Aluminium	65 c/lb	95 ±
Gold	US$363/oz	52 ±

The above sensitivities are based on 2003 volumes and give the estimated impact on net earnings of changes in prices, assuming that all other variables remain constant. The relationships between currencies and commodity prices is a complex one and movements in exchange rates can cause movements in commodity prices and vice versa. The sensitivities allow for the effect of the commodity hedges maturing in 2004, as disclosed in note 28 to the Financial statements.

Treasury management and financial instruments

Treasury activities operate as a service to the business of the Rio Tinto Group and not as a profit centre. Strict limits on the size and type of transaction permitted are laid down by the Rio Tinto board and are subject to rigorous internal controls. Corporate funding and overall strategic management of Rio Tinto s balance sheet is handled by the London based Group Treasury.

Rio Tinto does not acquire or issue derivative financial instruments for trading or speculative purposes; and does not believe that it has exposure to such trading or speculative holdings through its investments in joint ventures and associates. Derivatives are used to separate funding and cash management decisions from currency exposure and interest rate management. The Group uses interest rate swaps in conjunction with longer term funds raised in the capital markets to achieve a floating rate obligation which is consistent with the Group s interest rate policy. Currency swaps are used to convert debt or investments into currencies, primarily the US dollar, which are consistent with the Group s policy on currency exposure management. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments held by the Group.

The derivative contracts in which the Group is involved are valued for the purposes of the Financial instrument disclosures in the Financial statements by reference to quoted market prices, quotations from independent financial institutions or by discounting expected cash flows.

Dividends

Dividends paid on Rio Tinto plc and Rio Tinto Limited shares are equalised on a net cash basis; that is without taking into account any associated tax credits. Dividends are determined in US dollars.

Rio Tinto s progressive dividend policy aims to increase the US dollar value of dividends over time, without cutting them in economic downturns. Rio Tinto plc shareholders receive dividends in pounds sterling and Rio Tinto Limited shareholders receive dividends in Australian dollars, which are determined by reference to the exchange rates applicable to the US dollar two days prior to the announcement of dividends. Changes in exchange rates could result in a reduced sterling or Australian dollar dividend in a year in which the US dollar value is maintained or increased. For 2002 and subsequently, the policy is that the interim dividend for each year in US dollar terms will be equivalent to 50 per cent of the previous year s total US dollar dividends.

Critical accounting policies & estimates

Dual listed company reporting

As explained in detail, in the Outline of dual listed companies structure and basis of financial statements , the consolidated financial statements of the Rio Tinto Group deal with the results and assets and liabilities of both of the dual listed companies, Rio Tinto plc and Rio Tinto Limited and their subsidiaries. They are prepared under UK GAAP and satisfy the obligations of Rio Tinto Limited, as laid down by the Australian Securities and Investments Commission. This annual report also includes reconciliation statements setting out the effect of the adjustments to net earnings and to shareholders funds for the Group that would be required, under Australian and under US GAAP. The US dollar is the presentation currency used in these financial statements, as it most reliably reflects the Group s global business performance.

The treatment of gains and losses on US dollar debt is described above in the section dealing with Exchange rates, reporting currencies and currency exposure.

Ore reserve estimates

Rio Tinto estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of September 1999 (the JORC code). There are numerous uncertainties inherent in estimating ore reserves; and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation rates, asset carrying values and provisions for close down, restoration and environmental costs.

The SEC has indicated that, for US reporting, historical price data should be used as a basis for ore reserve estimation. The application of such historical prices has led to reduced ore reserve quantities for US reporting purposes for certain of the Group s

operations. This increased the present value of the provision for close down costs, which increased the cumulative effect of the change in accounting principle recorded on implementation of FAS 143 in the US GAAP reconciliation for 2003. It also reduced US GAAP earnings for 2003 by a further US$82 million, largely as a result of higher depreciation charges.

Asset carrying values

Exceptional charges of US$583m in 2001 and US$879m in 2002, net of tax and minority interests, related largely to impairment of the balance sheet carrying values of certain of the Group s businesses. No significant impairment charges occurred in 2003 but it will be necessary to keep under review in each future accounting period whether events or changes in circumstances may necessitate further adjustments to asset carrying values.

The carrying values are assessed by reference to the net present values of forecast future cash flows. The cash flows are particularly sensitive to the long term values of two particular parameters: exchange rates and commodity selling prices. Management considers that over time there is a tendency for increases in prices to compensate to some extent for a reduction in the value of the US dollar (and vice versa). But such compensating changes are not synchronised and do not fully offset each other. The great majority of the Group s sales are based on prices denominated in US dollars. To the extent that the US dollar weakens without commodity price offset, cash flows and therefore net present values are reduced.

During 2003, the US dollar weakened by 32 per cent against the Australian dollar, by 22 per cent against the Canadian dollar, and 30 per cent against the South African rand. Towards the end of 2003, there were substantial increases in commodity prices, which have continued to rise in early 2004.

Rio Tinto s cash flow forecasts are based on assessments of expected long term commodity prices derived from analysis of supply and demand for particular products. These assessments often differ from current price levels and are updated periodically. For the majority of Rio Tinto s businesses, by both number and by value, the net present value of the expected cash flows, using the most recent assessments, is substantially in excess of the carrying value in the balance sheet. For a minority of the businesses the carrying value is close to the net present value of the cash flows, using the most recent assessments. The effects of exchange rates and commodity price changes on the values of these units relative to their book values are monitored closely.

Environmental obligations

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future

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Financial review continued

costs. Where the ultimate cost of environmental disturbance is uncertain, there may be variances from these cost estimates, which could affect future financial results.

Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, subsidiary companies have estimated their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Post retirements benefits

Post retirement benefits are accounted for in accordance with Statement of Standard Accounting Practice 24, which requires gradual recognition of the surpluses and deficits that emerge as a result of variances from actuarial assumptions. The Accounting Standards Board has extended the transitional period before FRS 17 is required to be implemented. Under FRS 17, all deficits would be recognised in full and surpluses would be recognised to the extent that they are considered recoverable. FRS 17 transitional disclosures are included on pages 125 to 128. If FRS 17 had been applied in drawing up the 2003 financial statements, shareholders funds would have been US$650 million lower, including the impact of the level of stock markets at 31 December 2003, and net earnings would have been US$17 million higher.

Overburden removal costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, it is generally accepted that stripping costs are capitalised as part of the investment in construction of the mine.

Stripping of waste materials continues during the production stage of the mine. Some mining companies expense these production stage stripping costs as incurred, while others defer such stripping costs. Those mining companies that expense stripping costs as incurred will report greater volatility in the results of their operations from period to period.

Rio Tinto defers stripping costs for those operations where this is the most appropriate basis for matching costs with the related economic benefits, and the effect is material.

The relationship between the stripping ratio in the period and that planned for the life of the particular mine is important in determining the amount, if any, of stripping costs that are deferred. The stripping ratio is generally calculated by dividing the tonnage of waste mined by the tonnage of ore mined during the relevant period. In these cases, deferral of stripping costs is not impacted by the reported ore grade. The costs to be

deferred (or accrued) are those relating to the excess (or shortfall) of the current period stripping ratio compared with that projected for the life of the mine. The life of mine stripping ratio is based on the proven and probable reserves of the operation.

In operations that experience material fluctuations in the stripping ratio on a year by year basis over the life of the mine, deferral of stripping costs is designed to smooth the cost of stripping allocated to individual reporting periods, generally in relation to the tonnage of ore mined. Stripping costs incurred in the period are deferred to the extent that the stripping ratio exceeds the life of mine stripping ratio. Such deferred costs are then charged against reported profits to the extent that, in subsequent periods, the stripping ratio falls short of the life of mine stripping ratio.

In some operations, there are distinct periods of new development during the production stage of the mine. These may, for example, relate to a separate ore body or discrete section of the ore body. The new development will be characterised by a major departure from the life of mine stripping ratio. Excess stripping costs during such periods are deferred and subsequently amortised pro rata, generally to the tonnage of ore mined in the remaining life of the operation.

Deferred stripping costs form part of the total investment in the relevant income generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

During 2003, production stage stripping costs incurred by subsidiaries and equity accounted operations exceeded the amounts charged against pre tax profit by US$109 million. The net book value carried forward in property, plant and equipment and in investments in joint ventures and associated companies at 31 December 2003 was US$671 million.

Amortisation of deferred stripping costs is included in depreciation of property, plant and equipment or in the Group s share of the results of its equity accounted operations, as appropriate.

Contingencies

Disclosure is made of material contingent liabilities unless the possibility of any loss arising is considered remote. Disclosure of material contingent assets is made where the inflow of economic benefits is probable. Contingencies are disclosed in note 29 on page 117. These include tax assessments of approximately A$500 million, which, based on Counsels opinion, the Group expects to be successful in challenging.

International financial reporting standards

To satisfy its reporting obligations in the UK and in Australia, the Group will be drawing up its financial statements for 2005 and subsequent years in accordance with

International Financial Reporting Standards.

Comparative figures

In the Operational review section, comparative figures have been restated to reflect the composition of each product group in 2003, as well as a change in the basis of attribution of post retirement costs to business units. These changes are explained in more detail on pages 132 and 133.

Forward looking statements

Forward looking statements are contained in this financial review and attention is drawn to the Cautionary statement on pages 7 and 8.

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Operational review

Iron Ore group

Iron Ore
(Rio Tinto share)
million tonnes
MINED

Iron Ore
(Rio Tinto share)
million tonnes
RESERVES

Iron Ore
Earnings contribution
US$m

Note: 2002 excludes
exceptional charges

Rio Tinto s Iron Ore group wholly owns Hamersley Iron in Western Australia. Hamersley Iron wholly owns five mines and also operates the 60 per cent owned Channar mine, a joint venture with an Australian subsidiary of the China Iron & Steel Industry & Trade Group Corporation.

The Iron Ore group also includes Rio Tinto s effective 53 per cent interest in Robe River Iron Associates two mines in Western Australia and Rio Tinto s 59 per cent interest in the Iron Ore Company of Canada. The Iron Ore group operates both enterprises, which were acquired in 2000.

In addition, the Iron Ore group includes the HIsmelt® direct smelting technology developed in Western Australia.

At 31 December 2003, the group accounted for 25 per cent of Rio Tinto s operating assets, an increase of four per cent over the year. In 2003, the group contributed approximately 18 per cent of the Group s turnover and 36 per cent of adjusted earnings, up two and six per cent respectively on 2002. Adjusted earnings are explained on page 32.

Late in the year, Rio Tinto reached agreement with its joint venture partners in Robe River to allow closer cooperation between the Pilbara operations of Hamersley Iron and Robe.

Under the agreement, the two companies existing separate structures will continue, with no change to the ownership of Robe or Hamersley Iron or to the ownership of their respective assets. While preserving these structural elements, the agreement allows for continued cooperation and common usage of rail infrastructure; for closer cooperation and common usage of infrastructure areas such as port and power; and for closer cooperation in relation to the management of non infrastructure assets, including mobile and other mining equipment and site and corporate services.

New entities will be formed to facilitate the implementation of the agreement. The entities will collectively be referred to as Pilbara Iron.

Rio Tinto and the Robe River Joint Venture participants are working towards final documentation of the agreement, and implementation will be subject to obtaining any necessary Government approvals.

In January 2004, Hamersley Iron announced iron ore price settlements that increased prices by 18.62 per cent for the contract commencing 1 April 2004.

Chris Renwick, chief executive Iron Ore, is based in Perth, Western Australia.

FINANCIAL PERFORMANCE

2003 compared with 2002

The Iron Ore group s contribution to 2003 earnings was US$499 million, US$47 million higher than in 2002.

Demand for iron ore continued to be extremely strong throughout 2003, particularly from China, where imports of iron ore were 30 per cent higher than 2002. Strong demand for iron and steel in China bolstered demand for iron ore in other markets, with Japan, Korea and Taiwan all at record levels.

Price increases reflected the strong market, with a nine per cent increase for 2003 achieved in May.

In September Hamersley became aware that China Iron & Steel Industry Trade Group Corporation had entered into a conditional heads of agreement with Lynas Corporation Ltd to dispose of its 40 per cent interest in the Channar Joint Venture in return for cash and shares in Lynas under a transaction which remains incomplete. Hamersley subsequently issued proceedings in the Western Australia Supreme Court to protect confidential joint venture information. Those proceedings are continuing.

2002 compared with 2001

The Iron Ore group s contribution to 2002 earnings was US$452 million, US$50 million lower than in 2001.

After a relatively slow start, and with considerable uncertainty surrounding the future outlook, the performance of the world iron and steel industry improved markedly throughout 2002.

Reflecting the early uncertainty, global iron ore prices declined in 2002 by 2.4 per cent for fines, 5.0 per cent for lump and 5.5 per cent for pellets. However, as demand grew through the year, especially from China, shipments increased quarter by quarter, leading to some delays in loading vessels and consequent demurrage costs towards the end of the year.

An exceptional charge of US$235 million relating to the impairment of asset carrying values at IOC was recorded in the fourth quarter of 2002.

Hamersley Iron (Rio Tinto: 100 per cent)

Hamersley Iron s six mines in Western Australia, 630 kilometre dedicated railway, and port and infrastructure facilities at Dampier are run as one operation. Hamersley Iron employs approximately 2,100 people.

In 2003, Hamersley Iron completed option analysis studies to increase its system capacity to ensure its ability to meet the needs of customers and the strong growth in demand for iron ore, particularly in China.

As a consequence, in December, Rio Tinto approved projects to expand the Dampier port and the Yandicoogina mine worth a total of US$920 million, with US$200 million of this committed to long lead time capital items.

The port expansion will increase Dampier s export capacity from 74 million tonnes per annum to 116 million tonnes per annum. The Yandicoogina mine expansion will increase output to 36 million tonnes per annum from the 24 million tonne per annum capacity it will achieve in 2004.

Construction on both projects began in December 2003. Commissioning of the

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Operational review continued

36 million tonne Yandicoogina mine expansion is expected in early 2005. Completion of the port expansion is scheduled for late 2005, with progressive commissioning from early 2006.

Studies are continuing into providing additional rail, power and other infrastructure to complement the new port and mine requirements. Studies into further new mine capacity to meet future growth in demand are also being advanced.

Construction of the US$64 million Eastern Range mine continued on target for a production start in early 2004. Located ten kilometres east of Paraburdoo, the mine will service an unincorporated joint venture between Hamersley Iron and Shanghai Baosteel Group Corporation, China s largest iron and steel maker. The joint venture, in which Hamersley Iron holds a 54 per cent equity share, will supply about ten million tonnes of standard Hamersley Iron ore products per year over 20 years.

2003 operating performance

Hamersley Iron s total production in 2003 was a record 73.4 million tonnes, 5.2 million tonnes more than in 2002. Rio Tinto s share of this production was 69.3 million tonnes.

Shipments by Hamersley Iron totalled a record 74.3 million tonnes, including sales through joint ventures. Hamersley Iron s shipments to China also reached a record level at 33.9 million tonnes, making China by far the single largest destination for Hamersley Iron ore.

Production from all mines was stretched to achieve these levels, placing cost and other operating stresses on the Hamersley Iron system. Maintenance programmes were maintained to ensure continued ability to service growing market demand, including the first changeout of the Channar mine s 20 kilometre conveyor belt since the mine began production in 1990.

The Brockman mine reopened in February 2003, following a major refit to lift capacity to approximately eight million tonnes per year, allowing it to service the adjacent Nammuldi mine.

The Pilbara Rail Company, formed in 2002, which effectively integrates the rail networks of Hamersley Iron and Robe River into a single operation, continued to deliver operating savings through rolling stock, track maintenance and operational efficiencies. Further new track was built in 2003 to duplicate a 50 kilometre section of the main line, and additional locomotives and ore cars were commissioned to enhance the overall system capacity.

In the spirit of closer cooperation with Robe, Hamersley Iron for the first time shipped product from its Yandicoogina mine through Robe s Cape Lambert port facilities in October, increasing operational flexibility and helping to relieve congestion at Dampier.

The US$55 million structured cost saving programme begun in 2001 was completed in 2003, but was offset by higher costs incurred

to stretch output. Key sustainable savings achieved included: ongoing operational improvements including benefits realised from Pilbara Rail; continued improvement in labour productivity, including benefits flowing from the consolidation of information technology and accounting resources into a shared services group for Rio Tinto in Western Australia; and savings accrued from a large number of targeted projects including rescheduling of operations, procurement benefits and capital investment. Additional costs arose from the need to ensure competitive remuneration in the Pilbara.

Hamersley Iron continued to work sustainable development principles into its daily operations throughout the year, using a modified version of its decision making methodology to enhance stakeholder engagement in the port and Yandicoogina expansion projects. In November 2003, Hamersley Iron also achieved certification under ISO 14001 for its environmental management system.

Ore reserves changed in line with delineation drilling to improve confidence, annual extraction and updated mine planning. Ore reserves are now expressed by material type to clarify their likely use.

Hamersley Iron s total sales of iron ore to major markets in 2003

	Million tonnes
China	33.9
Japan	19.0
Other Asia	16.0
Europe	5.4
Total	74.3

Note: This table includes 100 per cent of all sales through joint ventures.

Robe River Iron Associates (Rio Tinto: 53 per cent)

Robe River Iron Associates (Robe) is an unincorporated joint venture in which Mitsui (33 per cent), Nippon Steel (10.5 per cent) and Sumitomo Metal Industries (3.5 per cent) also have interests. Robe is the world s fourth largest seaborne trader in iron ore, employing approximately 735 people.

The company operates two open pit mining operations in Western Australia. Mesa J is located in the Robe Valley, north of the town of Pannawonica. The mine produces Robe River fines and lump, which are pisolitic iron ore products. The West Angelas mine, opened in 2002, is located approximately 100 kilometres west of the town of Newman. The mine produces West Angelas fines and lump, which are Marra Mamba iron ore products.

The mine schedule for West Angelas production capacity is being accelerated. Mine production reached an annualised rate of 18 million tonnes per year in December 2003, and West Angelas is on schedule to reach its original design rate of 20 million tonnes per year by the end of the first quarter of 2004, two years earlier than planned. This

will increase Robe s production capacity to a nominal 50 million tonnes per year. In 2003, Robe obtained approval to expand West Angelas to 25 million tonnes per year. Work is scheduled to begin on the US$105 million expansion in early 2004 and is expected to be complete by mid 2005.

Robe uses a dedicated rail system, operated by Pilbara Rail, to transport ore from its mines to the company s deepwater port facilities at Cape Lambert for export.

Robe exports under medium and long term supply contracts with major integrated steel mill customers in Japan, Europe, South Korea and China.

2003 operating performance

Robe s total production in 2003 was a record 45.1 million tonnes, comprising 32 million tonnes from Pannawonica, and 13.1 million tonnes from West Angelas.

Total sales were 43.9 million tonnes, with strong demand for Robe products in all major markets. Sales included 31.1 million tonnes from Pannawonica and 12.8 million tonnes of West Angelas. Sales growth was based on increased West Angelas tonnage availability, and focused primarily on Japan, where all customers exercised their tonnage options. Further penetration of the Chinese market was also achieved. Increased marketing effort in China resulted in the signing of long term agreements with large steel mill customers. The mine development schedule for West Angelas has been accelerated in response to high customer demand.

The business met the challenges presented by the accelerated West Angelas production schedule, along with the introduction of new processes at the port and business improvement activities occurring at all sites. At both Pannawonica and West Angelas increased focus was placed on waste stripping and improved equipment availability. This year improved business planning processes were introduced to ensure effective communication and coordination between the sites.

Robe s safety performance continued to improve, with sustained use of behaviour based safety tools such as peer observations and hazard identifications. Increased priority has been placed on prompt reporting and investigation of near misses.

Robe s total sales of iron ore to major markets in 2003

	Million tonnes
Japan	26.2
Europe	9.4
Other Asia	3.1
China	5.2
Total	43.9

Iron Ore Company of Canada (Rio Tinto: 58.7 per cent) Following a capital restructuring, Rio Tinto s interest in Iron Ore Company of Canada (IOC) increased from 56.1 per cent to 58.7 per

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cent in December 2002. Mitsubishi (26.2 per cent) and the Labrador Iron Ore Royalty Income Fund (15.1 per cent) are also shareholders in IOC, Canada s largest iron ore pellet producer. IOC operates an open pit mine, concentrator and pellet plant at Labrador City, Newfoundland, together with a 420 kilometre railway to port facilities and the partially refurbished pellet plant at Sept-Iles, Quebec.

Products are transported on IOC s Quebec North Shore and Labrador Railway to Sept-Iles. The port is open all year and handles ore carriers of up to 255,000 tonnes. IOC exports its concentrate and pellet products to major North American, European and Asia Pacific steel makers.

The Sept-Iles pellet plant remains closed, following the suspension in September 2001 of the US$240 million refurbishment project. IOC employs approximately 1,900 people and in April 1999, signed a five year agreement with the United Steelworkers of America. This is due for renegotiation at the end of February 2004.

2003 operating performance

The year was another challenging one for IOC. Difficult market conditions continued in North America as the steel industry there continued to restructure. Despite this, pellet sales volumes reached a record high through increased sales to existing customers in Europe and the Asia/Pacific.

Pellet production returned to 2001 levels, well above 2002. However, IOC experienced operational difficulties, particularly with the commissioning of the control system on its ATO (Automatic Train Operation) system in the first half. This lead to a shortfall in planned concentrate production for the year.

During 2003, IOC maintained its focus on the cost reduction programme that commenced in 2002 and workforce reductions continued as planned under the accelerated retirement programme. IOC also made gains in improving the reliability of key production systems, positioning it for 2004. Emphasis on improved safety performance continues.

IOC s total sales of iron ore to major markets in 2003

	Million tonnes
North America	4.7
Europe	6.5
Asia Pacific	3.7
Total	14.9

IRON ORE GROUP PROJECTS

HIsmelt® (Rio Tinto: 60 per cent)

Construction began in January 2003 on a HIsmelt® plant at Kwinana in Western Australia. The HIsmelt® process is a revolutionary direct iron smelting technology developed largely by Rio Tinto that will convert iron ore fines into high quality pig iron (96 per cent iron content) without the use of coke ovens and sinter plants. Notably, the

technology allows efficient processing of ore fines with higher levels of impurities, the current market for which is limited using standard blast furnace technology and operating techniques.

The HIsmelt® project at Kwinana is a joint venture between Rio Tinto (60 per cent interest through its subsidiary, HIsmelt® Corporation), US steelmaker Nucor Corporation (25 per cent), Mitsubishi Corporation (ten per cent), and Chinese steel maker Shougang Corporation (five per cent).

The plant will have a production capability of 800,000 tonnes per year and the project is on budget and on schedule to commence production at the end of 2004.

In 2003, HIsmelt® signed a process licence agreement with the Laiwu Steel Group Ltd. of China to allow for the development of an iron making facility using HIsmelt® technology.

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Operational review continued

Energy group

Coal
(Rio Tinto share)
million tonnes
MINED

Coal
(Rio Tinto share)
million tonnes
RESERVES

Energy

Earnings contribution
US$m

Note: 2003 and 2002
exclude exceptional items

Rio Tinto Energy group s coal interests are in Australia and the US. They supply internationally traded and domestic US and Australian markets. Following the disposal of Rio Tinto s coal interest in Colombia in early 2000, acquisitions in late 2000 and early 2001 enhanced the existing interests in New South Wales, Australia. During 2003, Rio Tinto s 50 per cent interest in Kaltim Prima Coal was sold to an Indonesian company. The group also includes Rössing in Namibia and Energy Resources of Australia. Both companies supply uranium oxide for use in electricity generation.

In 2003, Rio Tinto formed a single management organisation to manage the Energy group s coal assets in Australia. Rio Tinto and Coal & Allied Industries (Rio Tinto 75.7 per cent) agreed to combine Coal & Allied corporate and service functions with those of Pacific Coal to increase efficiencies and lower costs. Pacific Coal (Rio Tinto 100 per cent) was renamed Rio Tinto Coal Australia (RTCA). Effective 1 February 2004, RTCA will manage both Pacific Coal s existing assets and Coal & Allied s assets in the Hunter Valley in a centralised management structure which provides for shared costs.

At 31 December 2003, the Energy group accounted for 14 per cent of Group operating assets and, in 2003, contributed 20 per cent of Rio Tinto s turnover and 11 per cent of adjusted earnings. Adjusted earnings are explained on page 32.

Preston Chiaro, chief executive Energy, is based in London.

FINANCIAL PERFORMANCE 2003

compared with 2002

The Energy group s 2003 contribution to earnings was US$157 million, US$196 million lower than in 2002.

In Indonesia, earnings from Kaltim Prima Coal up to the time of its sale to Indonesian interests in October were US$31 million.

2002 compared with 2001

The Energy group s earnings contribution in 2002 at US$353 million was US$20 million lower than in 2001A strengthening Australian dollar and higher costs associated with flooding and high wall instability at Cordero Rojo were the main components of the lower result.

Kennecott Energy (Rio Tinto: 100 per cent) Kennecott Energy (KEC) wholly owns and operates four open cut coal mines in the Powder River Basin of Montana and Wyoming, US and has a 50 per cent interest in, but does not operate, the Decker mine in Montana. KEC also manages the Group s interest in Colowyo Coal LP in Colorado, US and in total employs approximately 1,700 people.

One of the largest US producers, KEC sells to electricity generators predominantly in mid-western and southern states. Sales are made under multiple year contracts and on a spot basis for one year or less.

The domestic US market for low sulphur coal continues to grow due to its competitive

cost per delivered energy unit and restrictions on sulphur emissions by utilities. In the longer term, continued strong demand for low sulphur coal is projected following the announcement of construction of new coal fired generating capacity in the US.

2003 operating performance

KEC s attributable production of 108 million tonnes of coal was three per cent higher than in 2002 as a result of higher demand for Antelope and Jacobs Ranch coals, partially offset by lower production at Cordero Rojo and Colowyo. Geotechnical instability at Cordero Rojo resulted in a change in mining methods that reduced production whilst Colowyo reduced production in line with market demand. Earnings of US$88 million were slightly lower than 2002 earnings of US$90 million. This decrease represents higher volumes that were offset by higher costs to mine at Cordero Rojo and higher fuel prices.

In November 2003, KEC streamlined administrative staffing among its five operating mines and its headquarters office to improve the efficiency of operations.

KEC demonstrated a considerably better safety performance in 2003, with a 39 per cent improvement in the lost time injury frequency rate.

Rio Tinto Coal Australia (RTCA)

(Rio Tinto: 100 per cent)

RTCA, formerly Pacific Coal, manages the Group s Australian coal interests. These comprise Blair Athol (Rio Tinto 71 per cent), Kestrel (Rio Tinto 80 per cent), Tarong (Rio Tinto 100 per cent) and Hail Creek coal mines (Rio Tinto 92 per cent) and the Clermont deposit (Rio Tinto 50 per cent). Effective 1 February 2004, RTCA will also provide management services to Coal & Allied for day to day operation of its four mines.

Around 60 per cent of Blair Athol thermal coal is sold under contracts extending to 2010 to its two Japanese joint venture partners. The rest is sold by long term and annual agreements to European and Southeast Asian customers.

Production from the wholly owned Tarong mine is sold to Tarong Energy Corporation, an adjacent State owned power utility. A ten year contract for up to seven million tonnes annually expires in 2011.

Kestrel is an underground mine where thermal and metallurgical coal production recommenced in June 1999. Sales to customers in Japan, south east Asia, Europe and Central America are generally on annual agreements.

Construction of the 5.5 million tonnes per annum Hail Creek metallurgical coal project is essentially complete. Development of the project in central Queensland commenced in 2001 and the mine was officially opened on 5 November 2003. Production of high quality metallurgical coal commenced in July 2003 with commercial shipments beginning in October. Market acceptance has been strong in all markets, particularly China.

RTCA employs some 1,052 people (including regular contractors).

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2003 operating performance

RTCA s earnings of US$70 million were 48 per cent lower than in 2002 due to the unfavourable exchange rate movement and lower thermal coal prices. Export prices were down seven per cent and domestic prices down 25 per cent. There were also increased costs at Kestrel and Tarong.

Production at Blair Athol increased from 11.8 million tonnes to 12.5 million tonnes while sales were 12.6 million. Kestrel s production decreased by 19 per cent to 3.3 million tonnes while shipments of 3.7 million tonnes of coking and thermal coal were in line with 2002. Production in 2003 was impacted by poorer mining conditions in the last longwall panels in the 200 series mining area. Mining from the new Ti Tree area, predominantly coking quality coal, commenced in January 2004. At Tarong, production increased to 6.5 million tonnes in line with increased demand at Tarong Energy Corporation. Hail Creek production commenced in July 2003. Production and sales were 0.9 million tonnes of which 0.7 million tonnes were shipped.

In late 2002, Hail Creek commenced the recruitment of its operating employees. The 16 former employees retrenched from Blair Athol in 1997 applied but were unsuccessful in gaining employment at Hail Creek. The Construction, Forestry, Mining and Energy Union (CFMEU) successfully applied to the Australian Industrial Relations Commission for an Exceptional Matters Order that requires Hail Creek to grant preferential employment to the former employees unless the company is able to satisfy the Commission that the employees are not suitable.

The company has challenged the order before the Federal Court of Australia. The hearing is scheduled for February 2004. Until this challenge is determined, Hail Creek must comply with the order.

The improved safety performance of 2002 was not sustained. Safety performance during 2003 returned to the levels of 2001.

Coal & Allied Industries

(Rio Tinto: 75.7 per cent)

Coal & Allied Industries (Coal & Allied) is publicly listed on the Australian Stock Exchange and had a market capitalisation of A$2.0 billion (US$1.5 billion) at 31 December 2003. In 2003, Coal & Allied, through a committee of independent directors, negotiated an agreement with Rio Tinto to combine Coal & Allied s corporate and management functions with those of Rio Tinto Coal Australia. The combined management organisation reduces costs, achieves economies of scale and removes duplicated functions for both Coal & Allied and Rio Tinto.

Coal & Allied s assets are all located within the Hunter Valley in New South Wales, Australia. It wholly owns Hunter Valley Operations, has an 80 per cent interest in Mount Thorley Operations and a 55.57 per cent interest in the contiguous Warkworth mine, and a 40 per cent interest in the Bengalla mine which abuts its wholly owned Mount Pleasant development project. Coal & Allied also has a 37 per cent interest in Port Waratah Coal Services.

Coal & Allied produces thermal and semi soft coal. Most of its thermal coal is sold under contracts to electrical or industrial customers in Japan, Korea and elsewhere in Asia. The balance is sold in Europe and in Australia. Coal & Allied s semi soft coal is exported to steel producing customers in Asia and Europe under a combination of long term contracts and spot business.

2003 operating performance

A loss of US$24 million was incurred as a result of the stronger Australian dollar, lower coal prices and increased demurrage costs, compared with earnings of US$68 million in 2002. Good progress was made in implementing operational cost reductions including the agreement to combine corporate and management functions with those of RTCA in order to improve performance in 2004 and beyond.

Rio Tinto s share of coal production was 15.4 million tonnes, a reduction of 13 per cent on 2002, principally resulting from divestments in 2002 and operational changes in 2003 to reduce saleable production to align with market conditions.

Abnormal vessel queues at the port of Newcastle and rail congestion in the Hunter Valley rail system increased demurrage costs. Coal & Allied is working with the other parties to increase the productivity of the logistical chains in the Hunter Valley. However, congestion remains an issue for 2004.

Agreement was reached with the joint venture partners at Mount Thorley and Warkworth to integrate operations to improve efficiencies and reduce costs. Workforce agreements were agreed at Warkworth, Mount Thorley and Hunter Valley operations in late 2003.

Rössing Uranium (Rio Tinto: 68.6 per cent)

Rössing produces and exports uranium oxide from Namibia to European, US and Asia Pacific electricity producers. Production has been lower than the 4,500 tonnes per year capacity for some years due to market conditions. Rössing employs approximately 800 people.

2003 operating performance

Total production of 2,401 tonnes of uranium oxide was lower than 2002 as a result of a shutdown at the start of the year to install a new tailings conveyor system. Expiring long term higher priced sales contracts were replaced by contracts in line with 2003 market prices. These lower realised prices combined with the strengthening of the Namibian dollar against the US dollar resulted in a loss of US$19 million compared with a US$23 million profit in 2002. Initiatives to deliver cost savings continued. Plans to extend the current open pit for production beyond 2007 were suspended.

In 2003, Rössing s safety performance continued to improve with a 41 per cent reduction in the lost time injury frequency rate.

Energy Resources of Australia

(Rio Tinto: 68.4 per cent)

Energy Resources of Australia Ltd (ERA) is publicly listed and had a market capitalisation of A$0.6 billion (US$0.5 billion) at 31 December 2003. ERA employs approximately 240 people with 12 per cent of the operational workforce represented by Aboriginal people.

ERA produces uranium oxide at the Ranger open pit mine, 260 kilometres east of Darwin in the Northern Territory. ERA also has title to the nearby Jabiluka mineral lease, which in 2003 was put on long term care and maintenance. Ranger has a 5,500 tonnes per year capacity and began production in 1981. Estimated ore reserves are sufficient for more than eight years at current mining rates. ERA s operations including Jabiluka have been progressively surrounded by, but remain separate from, the World Heritage listed Kakadu National Park and especially stringent environmental requirements and governmental oversight apply. ERA in 2003 was certified under ISO 14001 for its environment management system. Uranium oxide from Ranger is sold to base load electricity utilities in Japan, Korea, Europe and North America.

2003 operating performance

Uranium oxide production totalling 5,134 tonnes was higher than the previous year in response to greater sales commitments. Stronger prices were offset by the strengthening Australian dollar and resulted in earnings of US$11 million, a reduction of US$1 million from 2002.

Safety performance for 2003 deteriorated against 2002 in terms of lost time injuries.

ENERGY GROUP PROJECTS

Clermont Coal (Rio Tinto: 50 per cent)

The Clermont deposit is near RTCA s Blair Athol mine. It is suited to open cut development. A prefeasibility study of the project was completed in 2003. A feasibility study is planned to commence in 2004. Integration options with Blair Athol are available following the signing of a strategic alliance agreement by the Blair Athol and Clermont Joint Ventures. JPower (EPDC) joined the Clermont Joint Venture after acquiring a 15 per cent interest from Rio Tinto and Mitsubishi.

Mount Pleasant (Rio Tinto: 75.7 per cent) Development of the Mount Pleasant project continued with a prefeasibility study being undertaken in 2002 and further optimisation work in 2003.

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Operational review continued

Industrial Minerals group

Borates
(Rio Tinto share)
000 tonnes B_2O_3 content
PRODUCTION

Borates
(Rio Tinto share)
000 tonnes B_2O_3 content
RESERVES

Titanium dioxide
(Rio Tinto share)
000 tonnes
PRODUCTION

Titanium dioxide
(Rio Tinto share)
000 tonnes
RESERVES

Industrial Minerals
Earnings contribution
US$m

Rio Tinto s Industrial Minerals group produces borates, industrial salt, talc and titanium dioxide feedstock. Rio Tinto Borax, Rio Tinto Iron & Titanium, Luzenac s talc operations and Dampier Salt, its principal businesses, are leading suppliers of their products.

The Industrial Minerals group employed approximately 7,000 people in 2003.

At 31 December 2003, the Industrial Minerals group accounted for 13 per cent of the Group s operating assets and contributed approximately 15 per cent of Rio Tinto s turnover and 11 per cent of adjusted earnings in 2003. Adjusted earnings are explained on page 32.

Tom Albanese, chief executive Industrial Minerals, is based in London.

FINANCIAL PERFORMANCE

2003 compared with 2002

Industrial Minerals contribution to 2003 earnings was US$154 million, 46 per cent lower than in 2002, reflecting the significant weakening of the US dollar against both the Canadian dollar and South African rand and continued weakness across North American and European markets.

Rio Tinto Borax earnings were eight per cent lower at US$80 million. The cost base was negatively impacted by higher natural gas and diesel prices, rising employee benefit costs in California and net one off charges.

Rio Tinto Iron & Titanium earnings at US$47 million were 71 per cent lower than in 2002 due to the effect of the weak US dollar, soft market conditions and a charge associated with the writedown of a customer receivable in 2003.

2002 compared with 2001

Industrial Minerals contribution to earnings in 2002 was US$286 million, 11 per cent lower than in 2001, reflecting weaker market conditions and reduced pension credits.

Rio Tinto Borax s 2002 earnings were 15 per cent lower at US$87 million. Cost improvements were more than offset by reduced pension credits on lower market returns and a higher effective tax rate.

Rio Tinto Iron & Titanium (RIT) earnings at US$161 million in 2002 were 11 per cent lower than in 2001 due both to market conditions and the effect of reduced pigment demand in 2001.

Rio Tinto Borax (Rio Tinto: 100 per cent)

Rio Tinto Borax s Boron mine in California s Mojave Desert is the world s largest borate mine. Borates are used in the US for vitreous applications, such as fibreglass, glass wool, high temperature glasses and enamels. The perborate industry, a major market in Europe, uses borates as bleach in detergents. Other uses include ceramics, fertilisers, flame retardants, wood preservatives and corrosion inhibitors.

Rio Tinto Borax s US and UK research laboratories provide technical support and participate in collaborative projects with customers.

2003 operating performance

Net earnings from Rio Tinto Borax at US$80 million were eight per cent below the previous year. Production of borates was six per cent higher than 2002 at 559,000 tonnes. Sales were four per cent higher than 2002, due to the combined impact of euro denominated sales and volume growth in the North American and Asian markets. The cost base was affected by higher natural gas and diesel prices, rising employee benefit costs in California and net one off charges.

An expansion of boric acid capacity at Boron was announced in 2003 and is scheduled to come on stream in 2005 to meet rising global demand for boric acid.

Rio Tinto Iron & Titanium

(Rio Tinto: 100 per cent)

Rio Tinto Iron & Titanium (RIT) comprises the wholly owned QIT-Fer et Titane (QIT) in Quebec, Canada and the 50 per cent interest in Richards Bay Minerals (RBM) in KwaZulu-Natal, South Africa. Both produce titanium dioxide feedstock used by customers to manufacture pigments for paints and surface coatings, plastics and paper, as well as iron and zircon co-products.

QIT s proprietary process technology enables it to supply both the sulphate and chloride pigment manufacturing methods. Its upgraded slag (UGS) plant supplies the growing chloride sector and is designed for expansion in line with demand up to a capacity of 600,000 tonnes per year from its current level of 250,000 tonnes. During 2003, RIT announced an expansion of its UGS plant to 325,000 tonnes per annum, with new production scheduled to commence by early 2005.

RBM s ilmenite has a low alkali content which makes its feedstock suitable for the chloride pigment process. RBM can sustain one million tonnes of feedstock production annually.

2003 operating performance

Earnings from Rio Tinto Iron & Titanium (RIT) of US$47 million were 71 per cent lower than in 2002. The weakening US dollar had a significant adverse effect on the result, as did the combined impact of the absence of a one off benefit in 2002 and a charge associated with the write down of a customer receivable in 2003.

Titanium dioxide pigment demand decreased slightly in 2003. The titanium dioxide feedstock side of the industry continued to be affected by the oversupply of conventional grade chloride feedstocks and persistent high feedstock inventory levels at some pigment producers. In contrast, demand for very high grade feedstock products, such as UGS, remains strong. Overall, RIT shipments of titanium dioxide feedstocks were lower in 2003, reflecting both market conditions and the effect of new capacity in the market. Production at both QIT and RBM was curtailed accordingly.

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Demand for iron and steel co-products improved during 2003, with increased demand and higher prices. Zircon markets continued to tighten, with demand from China being particularly strong.

Dampier Salt (Rio Tinto: 64.9 per cent)
Dampier Salt (DSL), now the world s largest salt exporter, produces industrial salt by solar evaporation at Dampier, Port Hedland and Lake MacLeod, and also mines gypsum at Lake MacLeod, in Western Australia.

The chemical industry in Asia is the principal customer for DSL s salt whilst gypsum s main use is in wallboard and cement manufacture.

2003 operating performance

Dampier Salt s earnings were US$10 million in 2003, 58 per cent lower than 2002. While shipments of salt and gypsum increased by four and 13 per cent respectively, margins were severely eroded by the rise of the Australian dollar, the extremely tight freight market and excess salt supply capacity. Salt production was in line with 2002, at 7.1 million tonnes (Rio Tinto share: 4.6 million tonnes).

A new process plant at Dampier was approved to reduce costs and improve product quality. Construction should be complete by the end of 2004.

Luzenac Group (Rio Tinto: 99.9 per cent)
The Luzenac Group operates talc mines, including the world s largest in south west France, and processing facilities in Australia, Austria, Belgium, Canada, France, Italy, Japan, Mexico, Spain, the UK and the US.

Luzenac products are used internationally. Principal uses are in paper, paints, cosmetics, ceramics, agricultural and plastics industries.

2003 operating performance

Earnings in 2003 at US$17 million were 21 per cent higher than the previous year. Luzenac s production in 2003 was two per cent higher than 2002 at 1.36 million tonnes.

Sales volumes were maintained from 2002, while improvements in pricing were partially offset by the effect of the sales mix.

The key paper and polymer markets remained weak in 2003 on both sides of the Atlantic, while Asia continued to demonstrate strong volume growth.

There was continued rationalisation of operating and service sites, which contributed a number of one off redundancy and restructuring charges.

INDUSTRIAL MINERALS GROUP PROJECTS

QIT Madagascar Minerals

(Rio Tinto: 80 per cent)

RIT manages QIT Madagascar Minerals (QMM), in which an agency of the Government of Madagascar has a 20 per cent interest. QMM was formed to evaluate and, if appropriate, develop large mineral sand deposits in the south east of Madagascar.

In November 2001, QMM was granted an environmental permit by the Government for the proposed minerals sands project. The permit requires QMM to comply with a full range of social and environmental obligations throughout the life of a project.

A feasibility study is progressing and RIT is working with the Government, as well as all other interested and affected parties, with a view to developing the project.

Rio Colorado Potash (Rio Tinto: Option to acquire 100 per cent)
In 2003, Rio Tinto entered into an option agreement to acquire 100 per cent of Potasio Rio Colorado SA, an Argentine company holding the mineral rights and other assets of the Rio Colorado potash project. The project is located 1,000 kilometres south west of Buenos Aires, in the provinces of Mendoza and Neuquen. The option runs until late 2005, during which time Rio Tinto will evaluate the commercial potential for developing the project.

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Operational review continued

Aluminium group

Weipa bauxite
(Rio Tinto share)
million tonnes
MINED

Weipa bauxite
(Rio Tinto share)
million tonnes
RESERVES

Alumina
(Rio Tinto share)
000 tonnes
PRODUCTION

Aluminium
(Rio Tinto share)
000 tonnes
PRODUCTION

Rio Tinto Aluminium
Earnings contribution
US$m

Rio Tinto s Aluminium group encompasses its wholly owned, integrated aluminium subsidiary, Comalco and its 51 per cent share in Anglesey Aluminium. Rio Tinto acquired the publicly held 27.6 per cent of Comalco in 2000. Management responsibility for Anglesey Aluminium was transferred from the Copper group to Aluminium in June 2003.

At 31 December 2003, the Aluminium group accounted for 21 per cent of Rio Tinto s operating assets and in 2003 contributed 16 per cent of Group turnover and 14 per cent of adjusted earnings. Adjusted earnings are explained on page 32.

Sam Walsh, chief executive Aluminium, is based in Brisbane, Queensland.

FINANCIAL PERFORMANCE

2003 compared with 2002

Rio Tinto Aluminium s contribution to 2003 earnings was US$200 million, a decrease of 22 per cent.

Stronger aluminium prices increased earnings by US$51 million with the average three month price in 2003 at 65 US cents per pound compared with 61 US cents per pound in 2002. The effect of the weakening US currency reduced Rio Tinto Aluminium s earnings by US$111 million.

2002 compared with 2001

Rio Tinto Aluminium s contribution to 2002 earnings was US$256 million, a decrease of 22 per cent from 2001.

Lower prices reduced earnings by US$44 million with the average three month aluminium price in 2002 at 61 US cents per pound compared with 66 US cents in 2001. The strengthening Australian and New Zealand currencies reduced Rio Tinto Aluminium s earnings by US$13 million.

Rio Tinto Aluminium

(Rio Tinto: 100 per cent)

Rio Tinto Aluminium is a major supplier of bauxite, alumina and primary aluminium to world markets. It employs some 4,200 people.

Rio Tinto Aluminium has a large, wholly owned bauxite mine on Cape York Peninsula, Queensland. Approximately 90 per cent of the bauxite from Weipa is shipped to alumina refineries at Gladstone, Queensland and Sardinia, Italy. It is also entitled to four per cent of bauxite output from the Boké mine, Guinea, West Africa.

Rio Tinto Aluminium has a 56.2 per cent consortium interest in Eurallumina and increased its interest in Queensland Alumina Limited (QAL) from 30.3 to 38.6 per cent for US$189 million in September 2001.

In January 2002, construction of a wholly owned, US$750 million alumina refinery commenced. The Comalco Alumina Refinery will produce 1.4 million tonnes of alumina annually at Gladstone, Queensland.

In 2003, Comalco signed a long term alumina supply agreement with Norsk Hydro, the Norwegian industrial group, to initially supply 300,000 tonnes of alumina in 2005

and then 500,000 tonnes of alumina per year for more than 20 years to Hydro Aluminium s smelters in Australia and elsewhere. The alumina will be sourced from QAL and the new Comalco Alumina Refinery at Gladstone.

In July 2002, Comalco completed the acquisition of an additional 9.5 per cent of lines 1 & 2 at Boyne Island smelter for US$78.5 million. This increased Comalco s overall ownership of the Boyne Island smelter from 54.2 per cent to 59.4 per cent.

In addition to the Boyne Island smelter, smelters at Bell Bay (100 per cent) in Tasmania, Tiwai Point (79.4 per cent) in New Zealand and Anglesey Aluminium (51 per cent) in Wales, produce Rio Tinto Aluminium s primary aluminium.

2003 operating performance

Bauxite production at Weipa was 11.9 million tonnes, six per cent higher than in 2002. This was due to improved performance and to facilitate a build in inventory in advance of the requirement to supply the Comalco Alumina Refinery which will be commissioned during the second half of 2004. Weipa bauxite shipments at 11.4 million tonnes increased slightly compared with 2002 levels.

QAL production was four per cent above 2002 due largely to record process flows notwithstanding the adverse impacts of external power outages in both years. Eurallumina production increased marginally over 2002 levels.

At Gladstone in Australia, drought conditions continued into 2003 with all operations continuing to achieve the required 25 per cent cutback in water use with no interruption to production. All operations have voluntarily retained these reduced water levels despite restrictions being lifted due to abundant rainfall in the local catchment.

Rio Tinto Aluminium s share of aluminium production from its four smelters at 818,000 tonnes was 23,000 tonnes above 2002 production. This includes the first full year of the additional share of the Boyne Island smelter that was purchased in 2002. These figures also take into account production at the Anglesey Aluminium smelter for both years.

Production at the Tiwai Point smelter was constrained by high spot electricity prices in New Zealand in the first half of 2003. This was more than offset by record production in the second half of the year following the resumption of spot electricity purchases in June 2003. Production at Bell Bay and Anglesey Aluminium was marginally higher than in 2002.

Attributable metal shipments of 820,000 tonnes went to similar destinations as 2002, being primarily Japan, Australia, Europe and Korea.

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ALUMINIUM GROUP PROJECTS

Comalco Alumina Refinery

(Rio Tinto: 100 per cent)
Following approval in October 2001 and ground work preparation in December, large scale construction of the US$750 million first stage of a new greenfield alumina refinery at Gladstone began in January 2002. The refinery will enable Rio Tinto Aluminium to add further value to the Weipa bauxite deposit and strengthen both Rio Tinto Aluminium s and Australia s positions in the world alumina market.

The majority of the refinery s output will go into Rio Tinto Aluminium smelters. The balance will be placed in the traded alumina market. Rio Tinto Aluminium will, however, become a more significant player in the traded alumina market after the 1.4 million tonnes per year refinery comes into production.

During 2003, work continued on schedule and within budget with engineering design work concluded and construction 58 per cent complete by year end. First production is due in the fourth quarter of 2004, with initial shipments in the first quarter of 2005 and full capacity by the end of 2006. There is potential for the refinery capacity to increase to over four million tonnes per year when market conditions allow.

Weipa mine expansion

(Rio Tinto: 100 per cent)
A US$150 million expansion of the Weipa bauxite operation was started in 2003 to increase output of beneficiated bauxite to 16.5 million tonnes per year. The increase in production will help meet the demands of the new Comalco Alumina Refinery. The majority of the expenditure is on a 9.5 million tonne beneficiation plant to allow mining of lower grade fine ores. The NeWeipa expansion project is due for completion in 2004.

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Operational review continued

Copper group

Copper
(Rio Tinto share)
000 tonnes
MINED

Copper
(Rio Tinto share)
000 tonnes
RESERVES

Copper
(Rio Tinto share)
000 tonnes
REFINED

Copper
Earnings contribution
US$m

Note: 2003, 2002 and 2001 exclude exceptional items

Gold
(Rio Tinto share)
000 tonnes
MINED

Gold
(Rio Tinto share)
000 ounces
RESERVES

Rio Tinto s Copper group comprises Kennecott Utah Copper in the US and interests in the copper mines of Escondida in Chile, Grasberg in Indonesia, Neves Corvo in Portugal, Northparkes in Australia and Palabora in South Africa. The group also includes the Zinkgruvan zinc mine in Sweden, Kennecott Minerals in the US and Rio Tinto Brasil as well as Kennecott Land.

In 2003, Rio Tinto divested its interests in the Alumbrera and Peak Gold mines for US$210 million.

At 31 December 2003, the Copper group, which produces gold as a significant co-product, accounted for 21 per cent of the Group s operating assets and, in 2003, contributed approximately 23 per cent of Rio Tinto s turnover, of which 55 per cent was from copper and the remainder mostly from gold. It accounted for 32 per cent of adjusted earnings in 2003. Adjusted earnings are explained on page 32.

Oscar Groeneveld, chief executive Copper, is based in London.

FINANCIAL PERFORMANCE

2003 compared with 2002

The Copper group s contribution to earnings was US$440 million, US$99 million higher than in 2002. The average price of copper was 80 US cents per pound compared to 71 US cents in 2002. The average gold price of US$363 per ounce increased by 17 per cent.

Kennecott Utah Copper s contribution to earnings of US$88 million was broadly in line with 2002.

Earnings at Escondida increased to US$122 million despite constrained output in response to weak market demand. Mined production of copper was up 32 per cent (Rio Tinto share) due to the commissioning of the new Laguna Seca concentrator.

Freeport s earnings contribution decreased by US$5 million to US$127 million chiefly as a result of the slippage in October. This had an adverse effect on both volumes and costs. In the fourth quarter, lower grade material was mined from the open pit and near term mine operations are being directed to accelerating the removal of waste material to ensure the restoration of safe access to the higher grade areas. Despite full production from the underground mine, mill throughput was significantly below capacity.

Earnings at Palabora decreased to US$1 million in 2003 due to the negative effect of the stronger rand in relation to the US dollar combined with lower volumes and higher costs resulting from delays in reaching capacity in the underground mine.

2002 compared with 2001

The Copper group s contribution to earnings in 2002 was US$341 million, US$35 million higher than in 2001. The average price of copper was 71 US cents per pound compared to 72 US cents in 2001. The average gold price of US$309 per ounce increased by 14 per cent.

Kennecott Utah Copper s contribution to earnings of US$86 million in 2002 was broadly in line with 2001. Adjusted earnings exclude the effect of exceptional charges relating to asset write downs and a provision for environmental remediation. A downward revision to the Group s long term copper price assumption resulted in an exceptional charge of US$480 million relating to the impairment of asset carrying values. KUC has been investigating the treatment of contaminated groundwater in the vicinity of Bingham Canyon since before 1989, when Rio Tinto acquired the business. As a result of changes to the treatment plan, an additional provision of US$116 million was raised during 2002. This provision relates to costs to be incurred over a number of years.

Earnings at Escondida in 2002 decreased 22 per cent to US$32 million as output was constrained in response to weak market demand. Freeport s earnings contribution in 2002 increased by US$40 million to US$132 million as a result of higher copper grades and recoveries and higher gold prices, partly offset by lower gold volumes.

Earnings at Palabora decreased marginally to US$12 million in 2002. The positive effect of the weaker rand was more than offset by lower volumes and higher costs as the operation moved from the open pit to the underground.

Kennecott Utah Copper

(Rio Tinto: 100 per cent)

Kennecott Utah Copper (KUC) operates the Bingham Canyon mine, Copperton concentrator and Garfield smelter complex, near Salt Lake City, US.

KUC supplies more than ten per cent of annual US refined copper requirements and employs approximately 1,400 people. Negotiation of a new labour agreement, to last until September 2009, was concluded in June. The new agreement provides for greater flexibility in deployment of personnel and assignment of work.

Options for the extension of open pit mining beyond the current pit plan of 2013 are under active investigation.

Mining and milling at Barneys Canyon ended in 2001 but gold production continues until 2005. The operation employs about 20 people.

KUC, as the owner of 53 per cent of the undeveloped land in the Salt Lake Valley of Utah, has formed Kennecott Land to develop about 16,000 hectares of the 37,200 hectares owned. The initial 1,800 hectare Daybreak project site lies in the path of expanding residential areas. Kennecott Land has the right to build roads, make utility connections and prepare the land for sale to builders who will construct houses for 30,000 people. Rio Tinto is initially investing US$50 million with revenues expected to start in 2004.

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2003 operating performance

Earnings of US$88 million were US$2 million above 2002. Higher copper, gold and molybdenum prices more than offset lower by product grades even though these resulted in lower gold and molybdenum volumes. By product grades will return to life of mine averages in 2005.

Refined copper production was 21 per cent lower than in 2002. Production in the first half of the year was adversely affected by a failure in the final absorption tower of the acid plant which stopped smelter production for three weeks. Smelter efficiency was affected throughout the year by the processing of lower grade concentrate with lower copper to sulphur ratios.

The negotiation of a new labour agreement was concluded in June 2003. The new agreement has increased flexibility for personnel and work assignments. Work practice changes at the mine, together with the implementation of 12 hour shifts has resulted in 12 haul trucks being stood down and a 20 per cent improvement in truck productivity. The new agreement will enable changes to further increase the efficiency of operations.

Principal operating statistics at KUC 2001-2003

	2001	2002	**2003**
Rock mined (000 tonnes)	159,908	150,331	**135,204**
Ore milled (000 tonnes)	48,566	40,720	**46,105**
Head grades:			
Copper (%)	0.73	0.69	**0.67**
Gold (g/t)	0.54	0.44	**0.29**
Silver (g/t)	3.67	3.42	**3.02**
Molybdenum (%)	0.042	0.034	**0.027**
Copper concentrates produced (000 tonnes)	1,108	992	**1,147**
Production of metals in copper concentrates			
Copper (000 tonnes)	312.7	260.2	**281.8**
Gold (000 ounces)*	592	412	**305**
Silver (000 ounces)	4,475	3,663	**3,548**
Molybdenum concentrates produced (000 tonnes)	14.5	11.2	**8.8**
Contained molybdenum (000 tonnes)	8.1	6.1	**4.6**
Concentrate smelted on site (000 tonnes)	975	1,096	**1,060**
Production of refined metals			
Copper (000 tonnes)	234.3	293.7	**230.6**
Gold (000 ounces)	389	488	**308**
Silver (000 ounces)	2,882	4,037	**2,963**

* excludes Barneys Canyon.

Grasberg (Rio Tinto: 40 per cent of joint venture plus 12 per cent of the balance through its interest in FCX)

Grasberg, in Papua, Indonesia, is one of the world s largest copper and gold mines in terms of reserves and production. It is owned and operated by Freeport Indonesia (PTFI), the principal and 91 per cent owned subsidiary of the US based Freeport-McMoRan Copper & Gold (FCX). Rio Tinto has a 13 per cent direct interest in FCX.

At least one per cent of Grasberg s net sales revenues has been committed to support village based programmes. In addition, two new trust funds were

established in 2001 in recognition of the traditional land rights of the local Amungme and Komoro tribes. In 2003, PTFI contributed US$18 million (net of Rio Tinto portion) and Rio Tinto US$4 million in total to the funds.

As a result of training and educational programmes, Papuans represented more than a quarter of PTFI s approximately 9,000 workforce by the end of 2003.

2003 operating performance

In October a slippage of approximately two million tonnes of saturated partially consolidated rock occurred in the Grasberg open pit, tragically killing eight employees. This was followed by a debris flow of 200,000 tonnes of similar material in December. These occurrences resulted in disruption of ore production and the deferral into late 2004 and 2005 of a portion of metal previously forecast to be produced in the fourth quarter of 2003 and the first quarter of 2004. Detailed planning is in progress to resume full production as soon as it is safe to do so.

The disruptions resulted in lower copper production than 2002 but due to significantly higher gold grades, gold production exceeded 2002 by eight per cent. Rio Tinto s overall share of copper production decreased by 24 per cent to 193,000 tonnes, but for gold increased by six per cent to 1,076,000 ounces.

Production from the DOZ (deep ore zone) achieved design capacity of 25,000 tonnes per day in the third quarter of 2002, one year earlier than anticipated, and has exceeded capacity since then. Expansion of production to more than 35,000 tonnes per day was achieved in the first quarter of 2003, and during the year exceeded 40,000 tonnes per day. A further expansion is under study.

Principal operating statistics for PTFI 2001-2003

	2001	2002	**2003**
Ore milled (000 tonnes)	86,787	86,001	**74,103**
Head grades:			
Copper (%)	1.00	1.14	**1.09**
Gold (g/t)	1.41	1.24	**1.54**
Silver (g/t)	3.20	3.60	**4.03**
Production of metals in concentrates			
Copper (000 tonnes)	749.4	864.4	**715.8**
Gold (000 ounces)	3,596	3,030	**3,262**
Silver (000 ounces)	5,545	6,402	**6,474**

Escondida (Rio Tinto: 30 per cent)

The Escondida copper mine in Chile is the largest copper mine in the world, with a mine life expected to exceed 30 years at current rates of production. The mine is 57.5 per cent owned and managed by BHP Billiton.

Work on the US$1.0 billion Phase 4 expansion project was completed in 2002, increasing annual production capacity by an average of 400,000 tonnes. Production in 2003 was projected to be 1.2 million tonnes of copper, of which 1.05 million tonnes would have been in concentrate.

In response to market conditions, however, a decision to process lower grade ore from November 2001 until the third quarter of 2002 curtailed copper output by approximately ten per cent. A further curtailment of 200,000 tonnes of copper in 2003 was announced in late 2002. Full production was resumed from the beginning of 2004. The Escondida oxide plant was expanded by eight per cent to 150,000 tonnes of copper per year capacity from March 2001.

Approval was given in 2003 for the US$400 million Escondida Norte project. The satellite deposit will provide mill feed to maintain capacity at Escondida above 1.2 million tonnes per annum of copper. First production from Norte is expected in the fourth quarter of 2005. Rio Tinto's share of the project cost is US$120 million.

Escondida employs approximately 2,400 people.

2003 Operating performance

Mobile equipment performance improved in the latter part of the year. Slow settling of sediment in water in the tailings dam caused production restrictions in the Phase 4 project but this is being progressively resolved. The Phase 4 project achieved an average throughput of 85,200 tonnes of ore per day in 2003.

Copper production in 2003 was 36 per cent higher than in 2002 due to Phase 4.

Principal operating statistics at Escondida 2000-2002

	2001	2002	**2003**
Rock mined (000 tonnes)	321,968	306,620	**300,386**
Ore milled (000 tonnes)	43,042	46,536	**70,347**
Head grade:			
Copper (%)	1.81	1.58	**1.43**
Production of metals in concentrates			
Copper (000 tonnes)	643.1	622.6	**847.0**
Gold (000 ounces)	101	126	**184**
Silver (000 ounces)	3,198	2,981	**4,728**
Copper cathode (000 tonnes)	151.0	138.7	**147.6**

Palabora (Rio Tinto: 49.2 per cent)

Palabora Mining Company (Palabora) is publicly quoted with a market capitalisation of two billion rand (US$299 million) at 31 December 2003. Rio Tinto acquired an additional 0.7 per cent interest in Palabora through the market in July 2001.

Palabora has developed a US$460 million underground mine with a planned production rate of 30,000 tonnes per day of ore. Approximately 1.6 million tonnes of copper are expected to be produced over its 20 year life.

In July, Palabora proceeded with a rights offer of debentures which successfully raised approximately US$115 million to service existing debt commitments and allow for completion of the underground project.

Palabora supplies most of South Africa s copper needs and exports the balance. It employs approximately 2,000 people and labour agreements are negotiated annually.

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Operational review continued

2003 operating performance

Mining of the open pit ceased in 2002 apart from recovery of ore from the ramps that continued until November 2003. This supplemented concentrator feed as the underground mine ramped up production. The ramp up was hindered by poor performance of remote rock breaking equipment. The target production rate of 30,000 tonnes per day was achieved on several occasions during the fourth quarter and there is confidence of achieving design capacity on an ongoing basis.

The aggregate impact of the limited production from the underground mine, the strength of the rand against the US dollar, partly offset by cost saving actions, reduced earnings and led to additional borrowing requirements.

Principal operating statistics at Palabora
2001-2003

	2001	2002	**2003**
Ore milled (000 tonnes)	14,522	9,933	**11,415**
Head grade:			
Copper (%)	0.66	0.63	**0.59**
Copper concentrates produced (000 tonnes)	233.5	167.9	**163.3**
Contained copper (000 tonnes)	78.4	52.2	**52.4**
New concentrates smelted on site (000 tonnes)	310.4	258.6	**267.6**
Refined copper produced (000 tonnes)	86.9	81.6	**73.4**

Northparkes (Rio Tinto: 80 per cent)

Rio Tinto s interest in the Northparkes copper gold mine resulted from the acquisition of North. Northparkes is a joint venture with the Sumitomo Group (20 per cent).

Following an initial open pit operation at Northparkes in central New South Wales, Australia, underground block cave mining began in 1997. With present and future developments, the operation has a life of about 14 years at current production rates.

The copper concentrate produced is shipped to smelters in Japan (67 per cent), Australia (14 per cent) and other countries (19 per cent).

Northparkes employs approximately 160 people.

2003 operating performance

Production from the Lift 1 block cave ceased in early 2003 and is being replaced by the Lift 2 block cave which is scheduled to commence production in 2004. Progress with mine development for Lift 2 has been hampered by high rock stresses which adversely affected mine development but will assist in the caving of the orebody with good fragmentation. Costs were higher than projected.

Principal operating statistics at Northparkes
2001-2003

	2001	2002	**2003**
Ore milled (000 tonnes)	5,425	5,364	**5,168**
Head grade:			
Copper (%)	1.16	0.86	**0.67**
Gold (g/t)	0.32	0.35	**0.44**
Production of contained metals			
Copper (000 tonnes)	55.1	38.4	**27.1**
Gold (000 ounces)	41.5	40.8	**48.6**

Neves Corvo (Rio Tinto: 49 per cent) Sociedade Minera de Neves-Corvo (Somincor) owns and operates the high grade Neves Corvo copper and tin mine in Portugal. The process begun, in 2002, to sell Rio Tinto s interest continued in 2003.

2003 operating performance

Programmes to improve operational efficiency continued to reduce costs. Employee numbers have decreased from 1,000 at the beginning of 2002 to 830 at the end of the year. Copper production was similar to last year.

Principal operating statistics at Neves Corvo 2001-2003

	2001	2002	**2003**
Ore milled (000 tonnes):			
Copper*	2,021	1,756	**1,700**
Tin	190	16	**22**
Head grades:			
Copper (%)	4.8	5.1	**5.3**
Tin (% tin ores only)	1.6	3.3	**2.2**
Copper concentrates produced (000 tonnes)	344.3	319.4	**329.6**
Contained copper (000 tonnes)	82.9	77.2	**77.5**
Tin concentrates produced (000 tonnes)	2.1	0.6	**0.3**
Contained tin (000 tonnes)	1.2	0.3	**0.2**

* Total ore treated for both copper and tin production.

OTHER MINERALS

Zinkgruvan (Rio Tinto: 100 per cent)

Rio Tinto s ownership of the Zinkgruvan underground zinc, lead and silver mine resulted from the acquisition of North. Zinkgruvan is located in south central Sweden and employs approximately 300 people. The mine has been in continuous production for 140 years. It produces a high quality zinc concentrate as well as a lead and silver concentrate which are sold to European smelters.

2003 operating performance

The difficulties experienced with introducing paste backfill into the mine in 2002 were overcome and the backlog of stope filling was steadily reduced. Production of zinc and lead in 2003 were 34 per cent and 29 per cent higher than in 2002 due to increased mill throughput and head grades.

Kennecott Minerals

(Rio Tinto: 100 per cent)

Kennecott Minerals, in the US, manages the Greens Creek mine (Rio Tinto: 70 per cent) in Alaska and the Rawhide mine (Rio Tinto:

51 per cent) in Nevada. It also holds the Group s interest in Cortez/Pipeline (Rio Tinto: 40 per cent), also in Nevada. At Cortez Hills a significant new gold discovery in 2003 will add several million ounces of new reserves to the mine life.

Ore extraction from Rawhide was completed in October 2002 and reclamation work has started. Processing of stockpiles will continue.

At the former Flambeau, Wisconsin, copper mine, monitoring continues following the 1999 rehabilitation and replanting programme. In 2002, an agreement was reached for the reclaimed Ridgeway, South Carolina, gold mine to be used for environmental education and research.

Kennecott Minerals employs approximately 300 people.

2003 operating performance

Overall gold production decreased by one per cent due to declining grades at the Cortez/Pipeline gold mine and reduced throughput at Rawhide. Net earnings of US$60 million were US$22 million above 2002, benefiting from higher gold prices.

Greens Creek (Rio Tinto: 70 per cent)

In addition to gold, the Kennecott Greens Creek mine on Admiralty Island in Alaska, produces silver, zinc and lead.

2003 operating performance

Mill throughput was seven per cent higher than in 2002, but due to lower grades, silver and zinc production was approximately the same as in 2002.

Rio Tinto Brasil (Rio Tinto: 100 per cent)

Rio Tinto Brasil manages the Morro do Ouro gold mine (Rio Tinto 51 per cent) and the Corumbá iron ore operation. The wholly owned Fortaleza nickel complex was sold at the end of the year.

Morro do Ouro (Rio Tinto: 51 per cent)

At the Morro do Ouro mine in the state of Minas Gerais, a feasibility study is under way to expand gold production to 320,000 ounces per year in 2007 by increasing mill throughput.

Morro do Ouro employs approximately 570 people, most of them from the nearby town of Paracatu.

2003 operating performance

Gold production was 11 per cent lower due to lower head grades while throughput was similar.

Fortaleza (Rio Tinto: 100 per cent)

Rio Tinto Brasil agreed the sale of Fortaleza nickel mine and smelter in the State of Minas Gerais to a Brazilian mining company at the end of the year. The final consideration, which is dependent on the forward nickel price, is expected to be at least US$90 million.

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Corumbá (Rio Tinto: 100 per cent)
Rio Tinto Brasil owns the Group s interest in Mineração Corumbaense Reunida (Corumbá). Corumbá s iron ore is barged along the Paraguay River to South American and European customers.

2003 operating performance

Production of lump ore was 25 per cent higher than in 2002.

COPPER GROUP PROJECTS

Resolution (Rio Tinto: 55 per cent earn-in)
The Resolution project is situated in Arizona, US, in the area of the depleted Magma copper mine. In 2001, an agreement was signed with BHP Billiton Base Metals which allows Rio Tinto to earn a 55 per cent interest in the Resolution project by spending US$25 million over six years. In 2003, five deep exploration drillholes intersected significant copper mineralisation, indicating a large deposit at depth. Rio Tinto anticipates earning its 55 per cent interest in the project in early 2004. The project is currently in the preliminary stages of a pre-feasibility study. It is anticipated that studies will take some considerable time.

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Operational review continued

Diamonds group

Diamonds
(Rio Tinto share)
000 carats
MINED

Diamonds
(Rio Tinto share)
000 carats
RESERVES

Diamonds
Earnings contribution
US$m

With diamonds growing into a major product for Rio Tinto, the Diamonds group was formed in 2003 from the former Diamonds & Gold group. It comprises Rio Tinto s diamond interests in Australia, Canada and Zimbabwe, and diamond sales offices in Belgium and India.

Rio Tinto is a leading proponent of the Kimberley Process which seeks to ensure that only legitimately mined and traded rough diamonds are introduced into the world market.

At 31 December 2003, Diamonds accounted for eight per cent of the Group s operating assets and, in 2003, contributed five per cent of Rio Tinto s turnover and eight per cent of adjusted earnings. Adjusted earnings are explained on page 32.

Keith Johnson, Group executive, Diamonds, is based in London.

FINANCIAL PERFORMANCE

2003 compared with 2002

Diamonds contributed US$113 million to earnings, up US$50 million from 2002, assisted by the start of production from the Diavik mine. The comparative figures are restated to reflect the reorganisation in 2003 of product group responsibilities, with gold and other metal production accounted for under the Copper, Exploration and Technology groups.

Demand for rough diamonds was strong throughout the year with the rough market outperforming the market for polished stones.

2002 compared with 2001

Diamonds in 2002 contributed US$63 million to earnings, up US$5 million from 2001.

Diavik Diamonds (Rio Tinto: 60 per cent)
Diavik Diamond Mines Inc. (DDMI) owns Rio Tinto s interest in and manages the unincorporated Diavik Diamonds joint venture in the Northwest Territories of Canada.

The project was completed well ahead of schedule and within budget. Initial production of gem quality diamonds commenced in January 2003 with commissioning of the process plant.

DDMI s commitment to work with aboriginal communities was formally concluded in five participation agreements, providing training, employment and business opportunities. Procurement contracts for the operating phase were negotiated with Aboriginal businesses.

An agency relationship between DDMI and Rio Tinto Diamonds for marketing DDMI s share of diamond production was concluded in 2002.

2003 operating performance

Net earnings were US$41 million. Initial sales of diamonds attracted a high level of interest with prices being achieved at a significantly higher level than originally projected.

The mine was completed in January 2003 ahead of schedule and within budget. By year end, the process plant was operating at design throughput of 1.5 million tonnes of ore per year, six months ahead of schedule. Grades increased as mining progressed through the transition zone where lake bed material meets the orebody proper. Results from bulk sampling of the second kimberlite in the mining sequence, the A154North, showed the quality of these diamonds to be much higher than originally assumed.

A strategic planning team separate from mine operations has been set up to look at how best to capture the upside of higher than expected grades in both the A154South and A154North kimberlites. Timing options are being studied for going underground at these pipes and for construction of the A418 dike required to mine the third kimberlite in the mine sequence. This work will be completed over the next 12 months. Diavik includes some of the most valuable kimberlites known in the western world.

Argyle Diamonds (Rio Tinto: 100 per cent)

Rio Tinto owns and operates the Argyle diamond mine in Western Australia.

Production from Argyle s major resource, the AK1 open pit mine, is expected to continue until 2007. Approval has been given for a feasibility study into underground mining. This will lead to a decision, expected in 2005, relating to mine closure or further mine development. Development of an exploration decline commenced in 2003 to assist in confirming design criteria. The range of statutory approvals required for underground operation includes environmental and social impact assessments. Argyle employs approximately 725 people.

A decision was taken at the Merlin diamond mine in Australia to cease operations due to the depletion of economic resources. Rehabilitation work was completed at the end of 2003.

2003 operating performance

Net earnings of US$72 million were US$9 million above 2002. Argyle s results benefited from accumulated inventory sales. Diamond production for 2003 was down eight per cent on 2002 with 30.9 million carats produced. Performance was marred by a fatality in May. Significant production in 2003 was from the lower grade Northern domain of the AK1 pit. Alluvial mining was suspended in 2002.

Rio Tinto Zimbabwe (Rio Tinto: 56 per cent)

Rio Tinto Zimbabwe is a publicly quoted company having a significant local shareholding.

Its interests include the Renco gold mine and the Empress Nickel refinery and a 50 per cent interest in the Murowa project. The Patchway gold mine was sold in July 2003. In total, Rio Tinto Zimbabwe employs approximately 1,600 people.

2003 operating performance

Gold production was down at Renco due to lower throughput and poor head grades.

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Operating in Zimbabwe became much more of a challenge during 2003 with multiple factors affecting the operations, the most serious of which were acute food and fuel shortages, and the incidence of HIV. An uncertain fiscal exchange policy also created a very difficult operating environment.

DIAMOND PROJECT

Murowa (Rio Tinto: 78 per cent)

Rio Tinto and Rio Tinto Zimbabwe propose to approve expenditure of US$10 million on a small scale plant to start diamond production at Murowa near Zvishavane in southern Zimbabwe in 2004. An updated feasibility study confirmed the existence of three kimberlite pipes representing a mining reserve of 18.7 million tonnes of ore at a grade of 0.9 carats per tonne.

Initial operations will focus on 1.3 million tonnes of weathered material containing 140,000 tonnes of enriched ore which will be mined first. The small scale approach reduces the initial investment required and will allow confirmation of marketing and regulatory arrangements prior to expansion, which could be considered within three years. Diamonds from Murowa will be marketed through Rio Tinto Diamonds in Antwerp. Safeguards are in place regarding chain of custody of the product. Zimbabwe is a signatory of the Kimberley Process. The development affirms a long standing commitment to Zimbabwe and will make a small contribution towards the economic development of the country.

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Operational review continued

Exploration group

Rio Tinto Exploration seeks to discover or identify mineral resources that will contribute to the growth of the Rio Tinto Group. The discovery of new resources is essential to replace deposits as they are mined and to help meet the increasing global demand for minerals and metals.

The Exploration group is opportunistic in approach and its resources are deployed on projects that show the best chance of delivering a world class deposit to Rio Tinto. Mineral exploration is a high risk activity. Rio Tinto s statistics show that an average of only one in 350 mineral prospects that are drill tested result in a mine for the Group. Rio Tinto believes in having a critical mass of projects, selected through a rigorous process of prioritisation.

The Exploration group is organised into four geographically based teams and a fifth team that looks for industrial minerals on a global basis. Additionally, a small focused project generation team covers the world for new opportunities.

At the end of 2003, Rio Tinto was exploring in 30 countries for a broad range of commodities including copper, diamonds, nickel, industrial minerals, gold, bauxite, iron ore and coal. Exploration employs 189 geologists and geophysicists around the world and has a total staff of 670 people.

David Klingner, head of Exploration, is based in London.

2003 operating performance

Exploration in 2003 focused on advancing the most promising targets across the spectrum of grassroots, generative, drill test stage, and near mine programmes. Good results were obtained from a number of locations.

In the US, a resource of greater than one billion tonnes of about 1.5 per cent copper was outlined at the Resolution project in Arizona. The project was turned over to the Copper group for further evaluation at the start of 2003.

Work continued on the delineation of the sizeable body of gold mineralisation discovered at Dashkasan, near Hamadan in Iran. Drilling continued to outline additional resource and to increase confidence in existing resources. Metallurgical test work continued and community and environmental baseline studies were initiated.

The potential of the high grade haematite resources at Simandou in Guinea were confirmed at more than one billion tonnes. A convention was signed with the Government of Guinea, which covers the conditions attached to the future possible development of the deposit. Environmental baseline studies continued in partnership with Conservation International. An order of magnitude study will be completed in 2004.

Closely spaced drilling was undertaken at the La Sampala nickel laterite resource in Indonesia to test continuity and confirm grade. Metallurgical work and environmental and community baseline studies commenced

with the intention of commencing an order of magnitude study in 2004.

Exploration for nickel in the Upper Peninsular of Michigan in the US resulted in the discovery of a small high grade nickel copper deposit at Eagle. A resource of five million tonnes grading 3.6 per cent nickel, three per cent copper with platinum group metal and gold credits is inferred. Studies are underway to assess mining and processing options, environmental impacts and community benefits.

In Mozambique, more detailed evaluation work in 2003 has led to a 30 per cent increase in the resource base to some 160 million tonnes of ilmenite. The deposits occur near to the coast, are amenable to conventional dredging methods and have a low slimes content.

Although extensions to the previously discovered gold mineralisation at Çöpler in Turkey and to the copper mineralisation at Marcona in Peru were intersected, neither resource is likely to meet Rio Tinto criteria for size and mine life. Çöpler was divested and Marcona is for sale.

Diamond exploration continued in Canada, southern Africa, Brazil and India. New diamond bearing kimberlite pipes were discovered in a number of locations and follow up test work is in progress to gauge economic potential.

Copper exploration continued in Turkey, Peru, Chile, Argentina and the southwest US. Significant copper mineralisation was encountered in drilling in projects in Turkey, Peru and Argentina, which warrant further follow up drill testing.

The Exploration group was active in the search for industrial mineral deposits in various parts of the world including North and South America, Europe and Turkey.

The Exploration group continued to support brownfield work at a number of Rio Tinto operations. Exploration in the vicinity of the Argyle diamond deposit continued. In the US and Argentina, active programmes were conducted in the orbit of the Boron and Tincalayu mines. In Indonesia, exploration in and around the Grasberg mine led to the addition of further copper reserves.

Safety performance declined in 2003, with 18 injuries compared with 15 in 2002. Lost time injuries, however, decreased from six in 2002 to five in 2003. There were no significant environmental or community incidents during 2003.

FINANCIAL PERFORMANCE

2003 compared with 2002

Cash expenditure on exploration in 2003 was US$130 million and the pre tax charge to earnings was US$127 million, similar to the corresponding figures for 2002.

2002 compared with 2001

Cash expenditure on exploration in 2002 was US$124 million and the pre tax charge to earnings was US$130 million.

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OTHER OPERATIONS

Kelian (Rio Tinto: 90 per cent)

Kelian Equatorial Mining (Kelian) operates an open pit gold mine in East Kalimantan, Indonesia. It is the largest of Rio Tinto s primary gold mines. Kelian is required to offer for sale up to 51 per cent of its equity to Indonesian interests according to a specific schedule under the terms of its Contract of Work with the Indonesian Government. Kelian s offer to sell 41 per cent in 2003 was again not taken up.

Mining at Kelian ceased in 2003 with production from stockpiled ore planned to be completed in early 2005. A mine closure consultative process was completed in 2003 with stakeholders agreeing on the key mine closure directions. Major decisions have been made regarding classification of the mining area as protected forest after closure, the upgrade of the Namuk Tailings dam, environmental criteria, alluvial mining to sterilise the future wetlands area and the use of site assets.

Kelian employs approximately 1,800 people including 45 expatriates and 1,300 contractors. A two year collective agreement, was renegotiated in July 2003 and will cover activities through to completion of operations.

2003 operating performance

Rio Tinto s share of Kelian s production was 422,000 ounces in 2003, 13 per cent below 2002 with lower grades more than offsetting the seven per cent increase in throughput.

Bougainville Copper

(Rio Tinto: 53.6 per cent)

Bougainville Copper (BCL) is a Papua New Guinea company listed on the Australian Stock Exchange with a market capitalisation of A$96 million (US$72 million) at 31 December 2003.

Operations at BCL s Panguna mine on Bougainville Island were suspended in 1989 following periods of disruption resulting from civil unrest. At 31 December 1991, a full provision of US$195 million was made in Rio Tinto s financial statements for its investment in BCL.

Peace has been restored on most of Bougainville Island. However, the mine site is still under the control of elements that deny access to the area. An agreement has been signed between the National Government and Bougainville leaders providing for increased autonomy for Bougainville.

Towards the end of 2000, two class actions , since consolidated, were filed in the US District Court in California claiming unspecified damages against Rio Tinto arising out of the mining operation at Panguna and the civil unrest leading to and following mine closure. The Court dismissed the claims. An appeal was heard during 2003 but the decision has been postponed until another case which does not involve Rio Tinto, involving some common legal issues, is heard by the Supreme Court.

The appeal decision is not expected before mid 2004. BCL is not a party to this action. Rio Tinto believes the claims are wholly without merit and the action is being contested vigorously.

The Papua New Guinea Internal Revenue Commission has issued assessments claiming additional tax and penalties of approximately US$10 million arising from an audit of BCL s accounts covering the years 1990 to 2001. BCL s tax returns for those and all other years were prepared on BCL s considered view of the appropriate tax law. BCL believes its view is correct and has lodged objections to the assessments.

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Operational review continued

Technology group

The Technology group provides technical assistance to Rio Tinto s product groups and their businesses, and advises executive management. In support of the drive towards operational excellence a key focus is to identify and implement best practices, to improve safety and environmental performance, maximise operating efficiency and add value across Rio Tinto.

Technology staff includes experienced professionals covering all the main industry related disciplines, while the Office of the Chief Technologist manages the Group s involvement in external and collaborative research.

The total staff in the Technology group at year end was 350 compared with some 260 in 2002. The increase was mainly to provide information technology (IT) services to Western Australia business units through Rio Tinto Shared Business Services and provided the basis for reduction of business unit IT staff.

John O Reilly, head of Technology, is based in London.

2003 operating performance

Technical Services

Technical Services increased its involvement with Rio Tinto operations and also continued to provide significant contributions at non managed operations. Activity over the year was again at record levels, with Group wide initiatives launched in 2002, particularly water management, having increasing effect. An initiative aimed at improving metallurgical performance is focussing initially on copper ore processing operations.

With a number of projects in the commissioning phase and others under study that involve large scale underground mining, resources in this area have been strengthened, as has expertise in risk management.

A number of the current development projects are linked with external research programmes in order to leverage value for Rio Tinto. Others are focussed on innovation and best practice in key areas to add value in a shorter time frame.

Office of the Chief Technologist

The Office of the Chief Technologist is responsible for the identification and the transfer of technology based opportunities for the Group.

The external research portfolio continues to support a broad range of industry related initiatives. The project on in situ barrier technology included some site trials during 2003 which gave encouraging results. Work is continuing in areas such as the use of microwaves in ore comminution and in bulk underground mining technologies.

The Rio Tinto Foundation for a Sustainable Minerals Industry approved 32 projects for funding.

Technical Evaluation and Project Management

Technical Evaluation continued in its principal role of providing independent review of all major investment proposals being considered by the Group. The unit also continued with the programme of post investment reviews, and has established a database system to consolidate the findings so that lessons learned from completed projects can be shared within the Group.

The Project Management unit provides ongoing support to major project teams across Rio Tinto, both for projects in execution and those still in the feasibility stage. There was also continued involvement with some major projects at non managed operations. In addition, the scope of the unit was expanded during the year to include the secondment of resources into project teams, earlier involvement in major project studies, and support to more modest capital projects of high value. A shared role with Technical Services during the year focused on improving the performance of current and future Rio Tinto underground bulk mining projects.

Asset Utilisation

This unit is now well established and its workload continued to expand, adding value across all product groups. Current areas of focus include process control, operational readiness, warranty management, and the formulation and implementation of maintenance standards and audits.

There is an emphasis on ensuring that safety, operability and maintainability issues are fully addressed and incorporated into any new designs or retrofits.

FINANCIAL PERFORMANCE

The charge for the Technology group against net earnings was US$16 million. The comparable figure for 2002 was US$12 million. The increase was mainly due to the weaker US dollar, sponsored research, and activities of the Foundation for a Sustainable Minerals Industry.

OTHER OPERATIONS

Lihir (Rio Tinto: 14.5 per cent)

Lihir Gold is a publicly quoted company formed to finance and develop the Lihir mine in Papua New Guinea. Rio Tinto did not participate in an equity placement in November in which 140 million shares were issued to raise US$150 million, resulting in Rio Tinto s interest being reduced to 14.5 per cent from 16.3 per cent. Lihir Gold at 31 December 2003, had a market capitalisation of A$1.9 billion (US$1.4 million).

Lihir directly employs approximately 1,000 people, of whom 91 per cent are Papua New Guineans including 38 per cent Lihirians. Some 1,200 are also employed as contractors of whom a large proportion is Lihirian.

2003 operating performance

Gold production at Lihir was nine per cent lower than in 2002 due to lower head grades and below budget mine and plant performance.

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Society and environment

Group employees

(average for year)

Principal employee locations 2003

The way we work

Rio Tinto is in business to create shareholder value by finding and developing world class mineral deposits and operating and eventually closing the Group s operations safely, responsibly and efficiently. To do so, the Group takes a disciplined and integrated approach to the economic, social and environmental aspects of all its activities.

The approach is through implementation of the policies described in *The way we work* the Group s statement of business practice, at all levels of the business.

The statement, redistributed in 2003 in 18 languages, is the result of many months wide internal and external consultation and discussion and represents shared values from around the Group. The document was published initially in January 1998 and revised in light of experience in 2002, following further review and consultation, external benchmarking of policies against the best practice of other organisations and approval by the Rio Tinto board.

The way we work commits the Group to transparency consistent with normal commercial confidentiality, corporate accountability and the application of appropriate standards and internal controls. It sets the basis for how Group employees work and also provides guidance for joint venture partners and others. Every employee is responsible for implementing the policies in the document.

Rio Tinto has adopted the Association of British Insurers 2003 disclosure guidelines on social responsibility in preparing this report. Details of the Group s overall and individual businesses social and environmental performance continue to be published on the Rio Tinto website: www.riotinto.com

Board responsibilities

The directors of Rio Tinto, and of Group companies, are responsible for monitoring adherence to the Group policies outlined in *The way we work*. Assurance for performance in these areas involves checking, reviewing and reporting each business s implementation of the policies, their compliance with regulations and voluntary commitments, and the effectiveness of management and control systems, while also providing mechanisms for improvement.

As discussed in the section on Corporate governance on page 70, the board established a process for identifying, evaluating and managing the significant risks faced by the Group. Directors meet regularly, have regular scheduled discussions on aspects of the Group s strategy and full and timely access to the information required to discharge their responsibilities fully and effectively.

Rio Tinto s *Compliance guidance* requires that the identification of risk be systematic and ongoing. It recommends that each Group company should undertake a structured risk profiling exercise to identify, categorise and weigh the risks it faces in the conduct of its business unless its board is confident that all relevant and material risks have already been identified in a similar exercise. Each Group company should put systems in place to ensure that risks are reviewed at an appropriate frequency and that its board and management are made aware of changes in the risk profile.

Total remuneration is related to performance through the use of annual bonuses, long term incentives and stretching targets for personal, financial and safety performance. Environmental performance parameters are also included.

The board s *Committee on social and environmental accountability* reviews the effectiveness of policies and procedures. The committee comprises four non executive directors and is chaired by the chairman of the main board. It meets three times annually with the chief executive and heads of Technology, Health, Safety and Environment and Communication and Sustainable Development.

Reports for the committee summarise significant matters identified through

Rio Tinto s assurance activities. These include reviews every four years of each business to identify and manage strategic risks in relation to health, safety, the environment and community; audits against Rio Tinto standards; annual risk management audits; risk reviews for specific concerns, such as cyanide management and smelter operations; procedures and systems for reporting critical and significant issues and incidents; completion of annual internal control questionnaires by all Group business unit leaders covering financial, social, health and safety and environment matters; and findings and recommendations of the independent external assurance and data verification programme.

Policies, programmes and performance

Implementation of the policies in *The way we work* is discussed in the following sections. Known risks arising from social and environmental matters and their management in Group businesses are described in the relevant Group operations section.

Safety

Safety is a core value and a major priority. Rio Tinto believes that all injuries are preventable and its goal is zero injuries. To achieve this, full and consistent implementation of and accountability for Rio Tinto s comprehensive standards, guidelines, systems and procedures is required across the world. The Group is also building a supportive safety culture that requires visible leadership, ongoing education and training and a high level of participation by everyone in the workplace.

However, there is still some way to go in achieving the goal. In 2003, regrettably, there were six deaths at Rio Tinto operations; three were Group employees and three were contractors. There were 468 lost time injuries during the year. This equates to a rate of 0.81 lost time injuries per 200,000 hours worked (2002: 0.85). Fines for infringement of safety and occupational health regulations involved 12 operations and totalled US$162,000 (2002: 12 operations and US$80,000). This includes a fine of $A206,250 paid by Northparkes in relation to an underground collapse that resulted in four fatalities in November 1999. This event occurred under the previous owner and prior to any Rio Tinto involvement in Northparkes.

Occupational health

Rio Tinto strives to protect physical health and wellbeing in the workplace. This requires clear standards, consistent implementation, transfer of best practice and improvement through Group wide reporting and tracking of remedial actions. During 2003, business units worked to implement the occupational health standards and full implementation is targeted for the end of 2004.

Setting quantitative occupational health targets to drive performance improvement

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Operational review continued

has also been a focus during 2003. Business units are developing and implementing action plans to achieve the targets, consistent with implementation of the standards.

In 2003, there were 341 new cases of occupational disease, equating to a rate of 107 new cases per 10,000 employees (2002: 120).

Environment

Wherever possible, Rio Tinto prevents, or otherwise minimises, mitigates and remediates, harmful effects of the Group s operations on the environment.

To do this, the Group seeks to understand the environmental aspects and impacts of what it does, build what is learned into systems to manage and minimise those impacts, and set targets for improvement.

After significant Group wide consultation, Rio Tinto s environment standards were finalised and approved for implementation in 2003. During the year significant work was undertaken to set five year targets to improve efficiency of greenhouse gas emissions, energy use and water withdrawn from the environment.

By the end of 2003, 80 per cent of operations had implemented ISO 14001 or an equivalent environmental management system (EMS). All Rio Tinto operations are required to have a certified EMS by the end of June 2005: by the end of 2003, 64 per cent of operations had already achieved this.

Fines for infringement of environmental regulations involved four operations and totalled US$126,000 (2002: two operations and US$2,000). No environmental incidents were classified as critical in 2003.

Land access

Rio Tinto seeks to ensure the widest possible support for its proposals throughout the life cycle of the Group s activities by coordinating economic, technical, environmental and social factors in an integrated process.

This involves negotiation of mining access agreements with indigenous landowners; responsible land management and rehabilitation; planning for closure; developing and implementing a biodiversity strategy; and forming strategic partnerships with external organisations.

Political involvement

Rio Tinto does not directly or indirectly participate in party politics nor make payments to political parties or individual politicians.

A *Business integrity guidance* addressing bribery, corruption and political involvement was issued in 2003 to assist managers in implementing this policy. The guidance covers questions relating to compliance and implementation; gifts and entertainment; the use of agents and intermediaries; and facilitation payments.

Rio Tinto avoids making facilitation payments anywhere in the world. Bribery in any form is prohibited. Gifts and

entertainment are only offered or accepted for conventional social and business purposes and then only at a level appropriate to the circumstances.

Communities

Rio Tinto sets out to build enduring relationships with neighbours. This is characterised by mutual respect, active partnership, and long term commitment.

Every business unit is required to have rolling five year community plans which are updated annually. In 2003, the Group completed a series of pilot studies aimed at achieving a deeper level of understanding of the linkages between mining activities and the economies in which they take place.

All business units produce their own social and environment reports for local communities, and community assurance of the quality and content of these reports is increasing. This provides an opportunity for engagement with the community on their views of programmes sponsored by Group operations.

Business units managed by Rio Tinto contributed US$70 million to community programmes in 2003 (2002: US$48 million). Part of the increase from 2002 (about US$7 million) was due to exchange rate movements against the US dollar. Of the total contributions, US$21 million were direct payments made under legislation or an agreement with a local community.

Human rights

Rio Tinto supports human rights consistent with the Universal Declaration of Human Rights and Rio Tinto respects those rights in conducting the Group s operations throughout the world.

Rio Tinto also supports the UN Secretary General s Global Compact, the US/UK Voluntary Principles on Security and Human Rights and the Global Sullivan Principles.

The Group s *Human rights guidance* is designed to assist managers in implementing the human rights policy in complex local situations. It was revised and republished in 2003 and a case study was provided to the Global Compact on how the guidance was developed and promoted around the Group.

Employment

Rio Tinto requires safe and effective working relationships at all levels. Whilst respecting different cultures, traditions and employment practices, common goals are shared, in particular the elimination of workplace injuries, and commitment to good corporate values and ethical behaviour.

In 2003, Group companies employed 29,000 people (2002: 29,000) and together with Rio Tinto s proportionate share of those employed by joint ventures and associates, the total was 36,000 (2002: 37,000).

Australia and New Zealand (10,000), North America (10,000) and Africa (6,000) remained the principal locations.

Wages and salaries paid in 2003 totalled

US$1.5 billion (2002: US$1.3 billion). Retirement payments and benefits to dependants are provided in accordance with local conditions and good practice. The total pension and other benefits paid in 2003 was US$278 million (2002: US$211 million).

Sustainable development

Rio Tinto believes that its businesses, projects, operations and products should contribute constructively to the global transition to sustainable development.

All businesses are required to assess the sustainable development case for their activities. Rio Tinto has committed itself to integrating the results of the Mining, Minerals and Sustainable Development (MMSD) analysis of 2002 into the Group s policy and objectives, and developing measures to assess their implementation. As a founding member of the International Council on Mining and Metals, Rio Tinto is participating in dialogue and programmes to advance industry wide progress on key sustainable development priorities.

Openness and accountability

Rio Tinto conducts its affairs in an accountable and transparent manner, reflecting the interests of Rio Tinto shareholders, employees, host communities and customers as well as others affected by the Group s activities.

Policies on transparency, business integrity, corporate governance and internal controls and reporting procedures are outlined in *The way we work*. In 2003, a *Compliance guidance* was issued to provide a framework to enable each Group business to implement and maintain a best practice compliance programme which should identify and manage risks associated with non compliance with laws, regulations, codes, standards and Rio Tinto policies.

Assurance and verification

To be accountable and transparent, assurance is provided to the Group and others that Rio Tinto policies are being implemented fully and consistently across our businesses and operations.

The overall objective of external assurance and data verification is to provide assurance that the material in the *Social and environment review* is relevant, complete and accurate and, in particular, that Rio Tinto s policies and programmes are reflected in implementation activities at operations. In 2003, Environmental Resources Management (ERM) undertook the external assurance and data verification programme and the results are available in the *Social and environment review*.

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Executive committee members

01 Tom Albanese (age 46)
Mr Albanese joined Rio Tinto in 1993 on Rio Tinto s acquisition of Nerco. He holds a BS in mineral economics and an MS in mining engineering. He held a series of management positions before being appointed chief executive of the Industrial Minerals group in 2000.

02 Preston Chiaro (age 50)
Mr Chiaro was appointed chief executive of the Energy group in September 2003. He is an environmental engineer with Bachelor of Science, Environmental Engineering and Master of Engineering degrees. He joined the Group in 1991 at Kennecott Utah Copper s Bingham Canyon mine as vice president, technical services. In 1995 he became vice president and general manager of Boron operations in California. He was chief executive of Rio Tinto Borax from 1999 to 2003.

03 Keith Johnson (age 42)
Mr Johnson was appointed Group executive diamonds in 2003. He holds degrees in mathematics and management and is a fellow of the Royal Statistical Society. He joined Rio Tinto in 1991 and has held a series of management positions, most recently as managing director of Comalco Mining and Refining.

04 David Klingner (age 59)
Dr Klingner became head of Exploration in 1997. He joined the Group as a geologist in 1966 and has had a wide variety of roles both in exploration and elsewhere during his 38 years service, including managing director of Kaltim Prima Coal. Later he was a Group executive with Rio Tinto Limited, responsible for coal and gold businesses located in Australia, Indonesia and Papua New Guinea.

05 Karen McLeod (age 57)
Ms McLeod was appointed head of Human Resources for Rio Tinto in 1999. She joined the Group in 1974 at Comalco, working in Aboriginal affairs. She holds degrees in the social sciences and business management and has held senior positions in human resources, business analysis, marketing and organisation development.

06 John O Reilly(age 58)
Mr O Reilly joined Rio Tinto in 1987, following 20 years operations experience in Africa and the Middle East. A metallurgical engineer by profession, he has held a series of management positions, including director of Rio Tinto Technical Services, chief executive officer, Lihir Gold, and head of the former Gold & Other Minerals group, before being appointed head of Technology in 1999.

07 Christopher Renwick (age 61) Mr Renwick has been with Rio Tinto for 34 years and is currently chief executive of the Iron Ore group. He is a lawyer and has held several management positions within the Group, including commercial director of Hamersley Iron, managing director of Comalco Minerals and Alumina and a Group executive with Rio Tinto Limited. He was appointed to his current position in 1997.

08 Andrew Vickerman (age 49)
Mr Vickerman, previously head of External Affairs, became head of Communication and Sustainable Development in January 2003, with responsibility for both External Affairs and HSE. Prior to 1998 he was a director of Lihir Gold and was responsible for the financial and administrative aspects of the company. He has a BA, MA and PhD from Cambridge University. He joined Rio Tinto in 1991.

09 Sam Walsh (age 54)
Mr Walsh was appointed chief executive of the Aluminium group in 2001. He holds a commerce degree and joined Rio Tinto in 1991, following 20 years working in the automotive industry. He has held a number of management positions within the Group, including managing director of Comalco Foundry Products, CRA Industrial Products, Hamersley Sales and Marketing, Hamersley Operations and vice president of Rio Tinto Iron Ore.

Brian Horwood will retire from the position of managing director of Rio Tinto Australia in early March 2004 after 34 years with the Group. He is succeeded by **Charlie Lenegan**, previously president director of PT Kelian Equatorial Mining, who joined the Group in

1981.

Employees

Information on the Group s employees including their costs, is on pages 56, 90, 117 and 133.

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Chairman

01 Paul Skinner (age 59)
Mr Skinner was appointed chairman in November 2003. A director of Rio Tinto since 2001, he is chairman of the *Nominations committee* and the *Committee on social and environmental accountability*. He was previously a Managing Director of The Shell Transport and Trading Company plc and Group Managing Director of The Royal Dutch/Shell Group of Companies, for whom he had worked since 1966. He is a director of Standard Chartered PLC and a member of the board of INSEAD business school. (notes b and d)

Non executive directors

06 Sir Richard Giordano (age 69)
Sir Richard is the senior non executive director and a deputy chairman. He is also chairman of the *Audit committee*. He has been a director of Rio Tinto plc since 1992 and of Rio Tinto Limited since 1995. A lawyer by training, he spent 12 years at BOC Group, first as chief executive, then chairman. In 1993, Sir Richard became a director of British Gas, assuming the role of chairman in 1994. A former chairman of BG Group plc, he is a director of Georgia Pacific Corporation in the US and a trustee of Carnegie Endowment for International Peace. (notes a, b, and d)

08 Sir David Clementi (age 55)
Sir David was appointed a director of Rio Tinto in January 2003. He is chairman of Prudential plc, and prior to that appointment was deputy governor of the Bank of England. Sir David s earlier career was with Kleinwort Benson where he spent 22 years, holding various positions including chief executive and vice chairman. A graduate of Oxford University and a qualified chartered accountant, Sir David also holds an MBA from Harvard Business School. (notes a and c)

Executive directors
also executive committee members

02 Leigh Clifford (age 56)
Mr Clifford became chief executive in 2000, having been a director of Rio Tinto plc since 1994 and Rio Tinto Limited since 1995. A mining engineer, he has held various roles in the Group s coal and metalliferous operations since joining in 1970, including managing director of Rio Tinto Limited and chief executive of the Energy group. Mr Clifford is also a director of Freeport-McMoRan Copper & Gold Inc.

03 Robert Adams (age 58)
Mr Adams was appointed a director of Rio Tinto plc in 1991 with responsibility for planning and development, and a director of Rio Tinto Limited in 1995. He joined the Group in 1970 after reading natural sciences and economics and subsequently gaining an MSc from the London Business School. Mr Adams is a non executive director of Foreign & Colonial Investment Trust plc.

04 Guy Elliott (age 48)
Mr Elliott became finance director of Rio Tinto in 2002. He joined the Group in 1980 after gaining an MBA from INSEAD business school. He has subsequently held a variety of marketing, planning and development positions, most recently as head of Business Evaluation. From 1996 to 1999 he was president of Rio Tinto Brasil.

05 Oscar Groeneveld (age 50)
Mr Groeneveld became a director of Rio Tinto in 1998. A mining engineer with qualifications in engineering, science and management, he joined the Group in 1975 and has since held a series of management positions, including head of Technology, before being appointed chief executive of the Copper group in 1999. Mr Groeneveld is also a director of Freeport-McMoRan Copper & Gold Inc.

07 Leon Davis (age 64)
Mr Davis is the Group s Australia based non executive deputy chairman. He became a director of Rio Tinto Limited in 1994 and of Rio Tinto plc in 1995. He is a metallurgist and during more than 40 years with the Group has held a number of managerial posts around the world, ultimately as chief executive from 1997 to 2000. He is chairman of Westpac Banking Corporation and a director of Codan Limited, Huysmans Pty Limited and Trouin Pty Limited, and is also president of the board of The Walter and Eliza Hall Institute of Medical Research. (note d)

09 Andrew Gould (age 57)
Mr Gould was appointed a director of Rio Tinto in December 2002. He is chairman and chief executive officer of Schlumberger Limited. Prior to this appointment, Mr Gould, who joined Schlumberger in 1975 from Ernst & Young, has held a succession of financial and operational management positions within the Schlumberger group, including that of executive vice president of Schlumberger Oilfield Services and president and chief operating officer of Schlumberger Limited. (notes a and c)

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Company secretaries

10 Sir John Kerr (age 62)

Sir John was appointed a director of Rio Tinto in October 2003. He was a member of the UK Diplomatic Service for 36 years, and its head from 1997 to 2002. During his career he was seconded to the UK Treasury where he was principal private secretary to two Chancellors of the Exchequer. His service abroad included spells as ambassador to the European Union from 1990 to 1995, and to the US from 1995 to 1997. He is also a director of The "Shell" Transport and Trading Company plc and Scottish American Investment Trust plc.

12 John Morschel (age 60)

Mr Morschel was appointed to the boards of Rio Tinto in 1998. Educated in Australia and the US, he spent most of his career with Lend Lease Corporation Limited in Australia, culminating as managing director, followed by two years as an executive director of the Westpac Banking Corporation. He is chairman of Leighton Holdings Limited, and of Rinker Group Limited and is a director of Tenix Pty Limited, Gifford Communications Pty Limited and Singapore Telecommunications Limited. He is also a patron of the Property Industry Foundation. (notes b, c and d)

14 Lord Tugendhat (age 67)

Lord Tugendhat, who became a director of Rio Tinto in 1997 will retire from the boards at the conclusion of the 2004 annual general meetings. A former vice president of the Commission of the European Communities, and chairman of the Civil Aviation Authority, he was chairman of Abbey National plc from 1991 to 2002 when he was appointed chairman of Lehman Brothers Europe Limited. (notes a and d)

15 Anette Lawless (age 47)

Mrs Lawless joined Rio Tinto in 1998 and became company secretary of Rio Tinto plc in 2000. A chartered secretary and a fellow of the ICSA, she also holds an MA from the Copenhagen Business School.

11 David Mayhew (age 63)

Mr Mayhew was appointed a director of Rio Tinto in 2000. He is chairman of Cazenove Group plc, which he joined in 1969. Cazenove is a stockbroker to Rio Tinto plc. (notes a and b)

13 Sir Richard Sykes (age 61)

Sir Richard was appointed to the boards of Rio Tinto in 1997. He is chairman of the *Remuneration committee*. After reading microbiology, he obtained doctorates in microbial chemistry and in science. A former chairman of GlaxoSmithKline plc, Sir Richard is a director of Lonza Group Limited and is rector of the Imperial College of Science, Technology and Medicine. He is a fellow of the Royal Society and a trustee of the Natural History Museum in London and of the Royal Botanical Gardens, Kew. (note c)

Sir Robert Wilson served as chairman until his retirement on 31 October 2003.

Jonathan Leslie and
The Hon. Raymond Seitz served as directors until 31 March 2003 and 1 May 2003 respectively.

Notes

a) Audit committee
b) Nominations committee
c) Remuneration committee
d) Committee on social and environmental accountability

16 Stephen Consedine (age 42)
Mr Consedine joined Rio Tinto in 1983 and became company secretary of Rio Tinto Limited in 2002. He holds a Bachelor of Business and is a Certified Practising Accountant.

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Directors report for the year ended 31 December 2003

Dual listed companies

Rio Tinto plc and Rio Tinto Limited were unified under a dual listed companies structure in 1995, and the Directors report has been prepared as a joint report of both Companies and their respective subsidiaries. For a full description of the structure, please see page 77 to 79.

Activities and review of operations

A detailed review of the Group s operations, results from those operations and principal activities during 2003, details of any significant changes in the Group s state of affairs during the year, post balance sheet events and likely future developments are given in the Chairman s letter on page 2 and the Chief executive s report on pages 3 to 5 and the Operational review on pages 37 to 56.

No matter or circumstance has arisen since the end of the 2003 financial year that has significantly affected or may significantly affect the operations, the results of the operations or state of affairs of the Group in future financial years.

In accordance with section 299(3) of the Australian Corporations Act, further information regarding likely future developments in, and the expected results of, the operations of the Group have not been included.

Corporate governance

A report on corporate governance and compliance with the Combined Code appended to The Listing Rules of the UK Financial Services Authority, as well as the best practice guidelines of the Australian Stock Exchange, is set out on pages 70 to 72.

Directors

Details of each person who was a director at any time during or since the end of the year and their qualifications, experience and responsibilities are set out on pages 58 and 59.

Sir Robert Wilson retired on 31 October 2003 with Paul Skinner succeeding him as chairman on 1 November 2003.

Jonathan Leslie resigned with effect from 31 March 2003 and The Hon. Raymond Seitz retired with effect from the conclusion of the Rio Tinto Limited annual general meeting held on 1 May 2003.

Sir John Kerr was appointed a non executive director on 14 October 2003. Sir John, who does not have a service contract, will retire and offers himself for election at the 2004 annual general meetings.

Under the articles of association of Rio Tinto plc and the Rio Tinto Limited constitution, directors are required to retire from the board and offer themselves for re-election at least every three years.

The following directors retire by rotation and being eligible, offer themselves for re-election: Leigh Clifford and Guy Elliott, who each have a service contract with Rio Tinto Limited and a subsidiary of Rio Tinto plc respectively which are terminable on one year s notice by either party, and Sir Richard

Sykes, who does not have a service contract. Lord Tugendhat also retires by rotation, but does not offer himself for re-election. In addition, Sir Richard Giordano will have attained the age of 70 before the annual general meetings and in accordance with the Companies Act 1985, retires and offers himself for re-election at the annual general meetings. Special notice has been received by the Group of the intention to propose his re-election at the Rio Tinto plc annual general meeting.

The beneficial interests of the directors and their families in shares and other securities of Group companies are shown on pages 66 and 67.

The table on page 61 shows the number of meetings of the board and its committees held during the 2003 financial year, as well as each director s attendance at those meetings.

A statement on the directors independence is set out on page 70.

Dividends

Details of dividends are set out on page 74.

Share capital

There were no changes to the authorised share capital of Rio Tinto plc during the year. Details of the changes to the issued share capital of both Companies, the number of shares reserved for issue and the number of options outstanding at the year end, are given in note 24 to the Financial statements.

Since the year end, 689,976 Rio Tinto plc shares and 1,736 Rio Tinto Limited shares have been issued as a result of the exercise of employee options. As at 6 February 2004, there were 9,110,266 options outstanding over Rio Tinto plc ordinary shares and 5,976,777 options outstanding over Rio Tinto Limited shares in connection with employee share plans.

At the annual general meeting of Rio Tinto plc held in April 2003, the authorities for Rio Tinto plc to buy its own shares and for Rio Tinto Limited to buy shares in Rio Tinto plc were renewed and extended until October 2004. These authorities enable Rio Tinto plc to buy back up to ten per cent of its publicly held shares in any 12 month period. Under the Australian Corporations Act 2001, Rio Tinto Limited is currently permitted to buy back up to ten per cent of its shares on market in any 12 month period without seeking shareholder approval. However, at its annual general meeting held in May 2003 Rio Tinto Limited renewed shareholder approvals to buy back up to all the Rio Tinto Limited shares held by Tinto Holdings Australia Pty Limited (a wholly owned subsidiary of Rio Tinto plc) plus up to ten per cent of the publicly held share capital in any 12 month period on market. During 2003, neither Company purchased shares under the relevant authorities given to them.

Remuneration of directors and executives

A discussion of the Group s policy for determining the nature and amount of remuneration of directors and senior executives, and of the relationship between that policy and the Group s performance appears in the Remuneration report on pages 62 to 69.

The Remuneration report includes details of the nature and amount of each element of the remuneration of each director and of the five executives of the Group receiving the highest remuneration.

Environmental regulation

Details of the Group s environmental performance are set out on pages 55 and 56.

Indemnities and insurance

Under the Rio Tinto plc articles of association and the Rio Tinto Limited constitution, each Company is required to indemnify each officer of the respective Company and each officer of each wholly-owned subsidiary, to the extent permitted by law, against liability incurred in, or arising out of the conduct of the business of the company or the discharge of the duties of the officer.

During 2003, the Group paid premiums for directors and officers insurance. The policy indemnifies all directors and some Group employees against certain liabilities they may incur in carrying out their duties for the Group.

The directors have not included details of the nature and of the liabilities covered or the amount of the premium paid in respect of directors and officers insurance as, in accordance with commercial practice, such disclosure is prohibited under the policy.

Employment policies

Group companies, together with the Group s share of joint ventures and associates, employed approximately 36,000 (2002: 37,000) people worldwide, with around 10,000 in Australia and New Zealand and 1,000 in the United Kingdom. Rio Tinto s employment policy is set out in the statement of business practice, *The way we work*. Rio Tinto is committed to equality of opportunity and encourages each operating company to develop its own policies and practices to suit individual circumstances. Management development and succession planning are regularly reviewed.

Group companies employ disabled people and accept the need to maintain and develop careers for them. If an employee becomes disabled whilst in employment and, as a result, is unable to perform his or her duties, every effort is made to offer suitable alternative employment and to assist with retraining.

Rio Tinto respects the right of employees worldwide to choose for themselves whether or not they wish to be represented collectively.

Group companies recognise their obligations to comply with health and safety legislation and, through training and communication, encourage employee awareness of the need to create and secure a safe and healthy working environment. For further information about Group staff and health and safety initiatives, please see pages 55 and 56.

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Retirement payments and benefits to dependants are provided by Rio Tinto and its major subsidiaries in accordance with local conditions and practice in the countries concerned.

Policy regarding payment of trade creditors

It is the policy of both Companies to abide by terms of payment agreed with suppliers. In many cases, the terms of payment are as stated in the suppliers own literature. In other cases, the terms of payment are determined by specific written or oral agreement. Neither Company follows any published code or standard on payment practice.

At 31 December 2003, there were 20 days purchases outstanding in respect of Rio Tinto Limited costs and 15 days purchases outstanding in respect of Rio Tinto plc costs, based on the total invoiced by suppliers during the year.

Donations

Worldwide expenditure on community programmes by Rio Tinto managed businesses amounted to US$70 million (2002: US$48 million).

Donations in the UK during 2003 amounted to £3.6 million of which £0.4 million was for charitable purposes as defined by the Companies Act 1985 and £3.2 million for other community purposes. As in previous years, no donations were made in the EU or elsewhere during 2003 for political purposes as defined by the UK Companies Act 1985 as amended by the Political Parties, Elections and Referendums Act 2000.

Total community spending in Australia amounted to A$56.5 million. Again, no donations were made for political purposes.

Value of land

Group companies interests in land consist mainly of leases and other rights which permit the working of such land and the erection of buildings and equipment thereon for the purpose of extracting and treating minerals. Such land is mainly carried in the financial statements at cost. It is not practicable to estimate the market value since this depends on product prices over the next 20 years or longer, which will vary with market conditions.

Exploration, research and development

Companies within the Group carry out exploration, research and development necessary to support their activities. Grants are also made to universities and other institutions which undertake research on subjects relevant to the activities of Group companies. A description of some aspects of the work currently being undertaken and expenditure involved is provided in the Operational review. Cash expenditure during the year was US$130 million for exploration and evaluation and US$23 million for research and development.

Auditors

Following the conversion of the UK firm of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditor of Rio Tinto plc on 27 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditor. A resolution to re-appoint PricewaterhouseCoopers LLP as auditor of Rio Tinto plc was passed at the 2003 annual general meetings of Rio Tinto plc and Rio Tinto Limited. The Australian arm of PricewaterhouseCoopers continued in office as auditor of Rio Tinto Limited.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditor of Rio Tinto plc. A resolution to re-appoint PricewaterhouseCoopers LLP as auditor of Rio Tinto plc will be proposed at the 2004 annual general meetings. PricewaterhouseCoopers will continue in office as auditor of Rio Tinto Limited.

Annual general meetings

The notices of the 2004 annual general meetings are set out in separate letters to shareholders of each Company. At the Rio Tinto plc annual general meeting these include a resolution for the renewal of the authority for Rio Tinto plc and Rio Tinto Limited to purchase Rio Tinto plc shares and for the approval of the Mining Companies Comparative Plan and the Share Option Plan. At the Rio Tinto Limited annual general meeting resolutions include the renewal of the authorities for Rio Tinto Limited to buy back its shares, the approval of the Mining Companies Comparative Plan and the Share Option Plan, and the approval of share awards and share option grants to certain executive directors.

Income and Corporation Taxes Act 1988

The close company provisions of the UK Income and Corporation Taxes Act 1988 do not apply to Rio Tinto plc.

The Directors report is made in accordance with a resolution of the board.

Paul Skinner
Chairman
20 February 2004

Leigh Clifford
Chief executive
20 February 2004

Guy Elliott
Finance director
20 February 2004

Directors attendance at board and committee meetings during 2003

	Board		Audit committee		Remuneration committee		Committee on social and environmental accountability		Nominations committee	
	A	B	A	B	A	B	A	B	A	B
Robert Adams	8	8								
Sir David Clementi[1]	7	4	6	5	4	3				
Leigh Clifford	8	8								
Leon Davis	8	8					3	3		
Guy Elliott	8	8								
Sir Richard Giordano	8	7	8	8			3	3	2	2
Andrew Gould	8	7	8	6	5	5				
Oscar Groeneveld	8	8								
Sir John Kerr[2]	1									
Jonathan Leslie[3]	2	2								
David Mayhew	8	8	8	8					2	2
John Morschel	8	6			5	5	3	3	2	2
The Hon. Raymond Seitz[4]	4	3					1			
Paul Skinner	8	8	7	7			3	3	2	2
Sir Richard Sykes	8	7			5	5				
Lord Tugendhat	8	8	8	8			3	3		
Sir Robert Wilson[5]	7	7							1	1

A Maximum number of meetings the director could have attended
=
B Number of meetings attended
=
1 Sir David Clementi was appointed on 28 January 2003
2 Sir John Kerr was appointed on 14 October 2003
3 Jonathan Leslie resigned on 31 March 2003
4 The Hon. Raymond Seitz retired on 1 May 2003
5 Sir Robert Wilson retired on 31 October 2003

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Remuneration report

Remuneration committee

The *Remuneration committee* is appointed by the board and all its members are independent. They are Sir Richard Sykes (chairman), Sir David Clementi, Andrew Gould and John Morschel.

The committee met five times during 2003. Members attendance is set out on page 61. The committee s responsibilities include:

- recommending remuneration policy relating to executive directors and product group chief executives to the board;
- reviewing and determining the remuneration of executive directors, product group chief executives and the company secretary of Rio Tinto plc; and
- reviewing and agreeing management s strategy for remuneration and conditions of employment for senior managers.

The committee may invite non committee members to attend meetings in an advisory capacity as appropriate. Executives are not present at meetings when their own remuneration is discussed.

During 2003, Paul Skinner, the present chairman, attended three meetings of the committee as an observer and adviser. The then chairman of the Group, Sir Robert Wilson, the chief executive, Leigh Clifford, and the Group adviser, remuneration, Jeffery Kortum also attended meetings in an advisory capacity. Anette Lawless, the company secretary of Rio Tinto plc, acts as secretary to the committee.

The committee obtained advice from Kepler Associates, an independent consultancy with no other links to the Group.

The committee monitors global remuneration trends and developments in order to fulfil the functions set out in its terms of reference and draws on a range of external sources of data, including publications by remuneration consultants Towers Perrin, Hewitt Associates, Hay Group, Watson Wyatt and Monks Partnership.

The Group s Remuneration report for 2002 was approved by shareholders at the 2003 annual general meetings.

Towards the end of 2002, the committee decided that it would undertake a detailed review of the design of the Group s executive remuneration programme during 2003 to ensure it complies with contemporary best practice. Consequently, shareholders will be asked to consider and approve new share based incentive plans at the 2004 annual general meetings.

Corporate governance

At its meeting in December 2003, the committee reviewed its terms of reference in the light of the publication in the UK of the new Combined Code (the new Code) and the ASX Best Practice Corporate Governance Guidelines. Although the new Code was not in force during 2003, the committee nevertheless concluded that, in the course of its business, it had covered the main duties

as set out in the Higgs guidance, and was constituted in accordance with the requirements of the new Code. Both Companies comply with the remuneration guidelines in Principle 9 of the ASX Best Practice Corporate Governance Guidelines.

Remuneration policy

Achieving the Group s business objectives is to a large extent dependent on the quality, application and commitment of its people.

Rio Tinto competes for a limited resource of talented, internationally mobile managers. The Group s executive remuneration policy is therefore designed to support its business goals by enabling it to attract, retain and appropriately reward executives of the calibre necessary to consistently achieve very high levels of performance.

Specifically, Rio Tinto s executive remuneration policy is based upon the following principles:

- to provide total remuneration which is competitive in structure and quantum with comparator company practice in the regions and markets within which the Group operates;
- to achieve clear alignment between total remuneration and delivered personal and business performance, including shareholder value creation;
- to tie variable elements of remuneration to the achievement of challenging performance criteria that are consistent with the best interests of the Group and shareholders over the short, medium and long term;
- to provide an appropriate balance of fixed and variable remuneration; and
- to provide appropriate relativities between executives globally and to support executive placements to meet the needs of the Group.

The *Remuneration committee* monitors the effectiveness and appropriateness of executive remuneration policy and practice.

During the past year, the committee, assisted by Kepler Associates, reviewed the executive incentive plans to ensure that they:

- reflect best practice while meeting Rio Tinto s business needs;
- further strengthen the alignment between executive remuneration and delivery of value to shareholders; and
- continue to enable the Group to attract, motivate and retain key talent.

Following this review it is proposed that new plans be introduced in 2004. They are outlined on pages 63 and 64 of this report as well as in the notices of the 2004 annual general meetings.

The new plans will maintain the expected value of the total remuneration for executive directors and product group chief executives at approximately their current levels.

Executive directors remuneration

Total remuneration for Rio Tinto executive directors and product group chief executives comprises:

- base salary
- short term incentive plan (STIP)
- long term incentives
    - share option plan (SOP)
    - performance shares (MCCP)
    - other share plans
- Pension/superannuation
- Other benefits.

The short term and long term incentive plans are variable components of the total remuneration package as they are tied to achievement of specific measures of personal and/or business performance and are therefore at risk. The other components of the package are referred to as fixed as they are not at risk, although some, eg base salary, are also related to performance.

The composition of the total remuneration package is designed to provide an appropriate balance between the fixed and variable components, in line with Rio Tinto s policy objective of aligning total remuneration with delivered personal and business performance.

Excluding allowances and pension or superannuation arrangements, the proportion of total direct remuneration provided by way of variable components (annual short term incentive, SOP and MCCP), assuming target levels of performance, is currently approximately 68 per cent for the chief executive and 62 per cent for the other executive directors.

Base salary

Base salary for executive directors and product group chief executives is set at a level consistent with market practice for companies with a similar geographical spread and complexity of businesses. Base salaries are reviewed annually by the *Remuneration committee*, taking account of the nature of the role, external market trends and personal and business performance.

Short term incentive plan (STIP)

STIP provides a cash bonus opportunity for participants and is designed to support overall remuneration policy by:

- focusing participants on achieving goals which contribute to sustainable shareholder value, and
- providing significant bonus differential based on delivered performance against challenging personal, business, and other targets, including safety.

Performance targets for executive directors and product group chief executives are approved by the *Remuneration committee*. The target level of bonus for these participants for 2004 is 60 per cent of salary, (the same as 2003), with bonus potential capped at 120 per cent of salary. The format

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for the STIP award calculation for 2004 and future years has been varied from that applying previously to provide greater performance related variation above and below target. The award cap was previously 100 per cent of salary. Awards above this level are expected to be rare and will only be achieved with outstanding performance against all personal and business performance criteria.

Awards in respect of 2003, payable in 2004, are included as annual bonus in Tables 1 and 6 on page 65 and 69.

Long term incentives

As indicated elsewhere in this report, the *Remuneration committee* reviewed the Rio Tinto long term incentive plans during 2003 and the plans outlined below are proposed for introduction in 2004.

The proposed plans aim to enhance the alignment of the interests of the executive directors and other senior executives with those of the shareholders, by linking rewards to Group performance. The proposed plans will maintain the expected value of total remuneration for executive directors and product group chief executives at approximately their current levels.

A key feature of the proposals for Rio Tinto s long term incentive plan arrangements for 2004 and beyond involves a change in the relative proportions in which share options and performance shares are provided. Performance shares will become the primary long term incentive vehicle whereas previously, the executive remuneration package has been heavily biased towards share options.

Share Option Plan (SOP)

An annual grant of options to purchase shares in the future at current market prices is made to executive directors and eligible senior executives. The committee decides the level of grants each year, taking into consideration local market practice and personal performance.

The exercise of options is conditional on the Group meeting stretching performance conditions set by the committee. For grants made prior to 2004:

- Two thirds of options vest when the Group s adjusted earnings per share (EPS) growth for a three year performance period is at least nine percentage points higher than US inflation over the same period, as measured by the US Consumer Price Index.
- The balance of the grant vests when growth of at least 12 percentage points above US inflation has been achieved.
- Rio Tinto performance is tested against the performance condition after three years.
- There is an annual retest on a three year rolling basis until options fully vest or lapse at the end of the option period.

The choice of the US Consumer Price Index as a measure of performance was consistent with the presentation of financial data in US dollars and reflected the importance of the US economy to the Group.

Subject to shareholder approval at the 2004 annual general meetings, vesting of options granted under the new SOP in 2004 and in subsequent years will be subject to Rio Tinto s three year Total Shareholder Return (TSR) equalling or outperforming the HSBC Global Mining Index. If Rio Tinto s three year TSR performance equals the index, then the higher of one third of the original grant or 20,000 options will vest (subject to the actual grant level not being exceeded). The full grant vests if Rio Tinto s three year TSR performance is equal to or greater than the HSBC Global Mining Index plus five per cent per annum. Vesting is based on a sliding scale between these points and there is zero vesting for three year TSR performance less than the index.

The committee proposes changing from the EPS performance measure that applied previously, to the new relative TSR condition as it considers that relative TSR provides better alignment with shareholder interests and reflects Rio Tinto s performance relative to comparator companies across the resources sector.

The committee also proposes to reduce the number of retests available under the SOP from seven rolling retests to a single fixed base retest five years after grant. Although the committee understands the preference of investors to eliminate retesting altogether, the committee feels it is important to maintain a single retest at this time. Due to the cyclical nature of our industry and our focus on long term decision making, the committee believes a five year retest will help extend participants time horizons and strengthen retention. Additionally, we operate in a sector where the reliance of certain competitors on a single commodity means that price swings can have effects on relative TSR unrelated to management performance. However, the committee acknowledges the changing practice regarding retesting and has determined that options granted after 31 December 2006 will not be subject to retest and will therefore lapse if they do not vest at the conclusion of the three year performance period.

Prior to any options being released to participants for exercise, the Group s performance against the criteria relevant to the SOP is examined and verified by the external auditors.

The *Remuneration committee* retains discretion in satisfying itself that the TSR performance is a genuine reflection of underlying financial performance.

The maximum grant size under the SOP will be reduced from five times salary to three times salary for 2004 and future years, calculated as the average share price over the previous financial year.

Share options granted to directors are included in Table 5 on page 68.

Mining Companies Comparative Plan (MCCP)

Under this plan, a conditional right to receive shares is granted annually to participants. These conditional awards only vest if performance conditions approved by the committee are satisfied. Awards are not pensionable.

The performance condition compares Rio Tinto s Total Shareholder Return (TSR) with the TSR of a comparator group of 15 other international mining companies over the same four year period. Rio Tinto s TSR is calculated as a weighted average of the TSR of Rio Tinto plc and Rio Tinto Limited (previously of Rio Tinto plc alone). The composition of this comparator group is reviewed regularly by the committee to provide continued relevance in a consolidating industry. The current members of this group are listed at the bottom of the table below.

The committee continues to regard TSR as the most appropriate measure of a company s performance for the purpose of share based long term incentive plans.

The maximum award size under the MCCP will be increased from 70 per cent of salary to two times salary for 2004 and future years calculated on the average Share price over the previous financial year. This increase is balanced by the reduction in SOP maximum grant size referred to above.

The following table shows the percentage of each conditional award which will be received by directors and product group chief executives based on Rio Tinto four year TSR performance relative to the comparator group (for grants after 1 January 2004).

Ranking in comparator group

	1st-2nd	3rd	4th	5th	6th	7th	8th	9th-16th
%	150	125	100	83.75	67.5	51.25	35	0

The historical ranking of Rio Tinto in relation to the comparator group is shown in the following table:

Ranking of Rio Tinto versus comparator companies

Period	Ranking
1992-96	8th
1993-97	4th
1994-98	4th
1995-99	2nd
1996-00	2nd
1997-01	2nd
1998-02	3rd
1999-03	7th

Current comparator companies:
Alcan, Alcoa, Anglo American, Barrick Gold, BHP Billiton, Freeport, Grupo Mexico, INCO, MIM, Newmont, Noranda, Phelps Dodge, Placer Dome, Teck Cominco and Xstrata

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Remuneration report continued

Going forward, following the acquisition of MIM Holdings Limited by Xstrata Limited, MIM Holdings Limited will be replaced by WMC Resources Limited.

Prior to awards being released to participants, the Group s performance relative to the comparator companies is reviewed by the external auditors. The *Remuneration committee* retains discretion to satisfy itself that the TSR performance is a genuine reflection of underlying financial performance.

Awards will be released to participants in the form of Rio Tinto plc or Rio Tinto Limited shares or an equivalent amount in cash, as appropriate. In addition, a cash payment will be made to participants equivalent to the dividends that would have accrued on that vested number of shares over the four year period. Such shares may be acquired by purchase in the market, by subscription or, in the case of Rio Tinto Limited, by procuring that Tinto Holdings Australia Pty Limited transfers existing shares to participants.

Other share plans

UK executive directors may participate in:

- the Rio Tinto plc Share Savings Plan, an Inland Revenue approved savings related plan which is open to all employees and under which employees may buy shares on potentially favourable terms; and
- the Rio Tinto Share Ownership Plan, an Inland Revenue approved share incentive plan which was approved by shareholders at the 2001 annual general meeting and introduced in 2002. Under this plan, eligible employees may save up to £125 per month which the plan administrator invests in Rio Tinto plc shares. Rio Tinto matches these purchases on a one for one basis. In addition, eligible employees may receive an annual award of Rio Tinto plc shares up to a maximum of five per cent of salary, subject to a cap of £3,000.

Australian executive directors may participate in the Rio Tinto Limited Share Savings Plan introduced in 2001, which is similar to the Rio Tinto plc Share Savings Plan.

Pension and superannuation arrangements

UK executive directors are, like all UK staff, eligible to participate in the non contributory Rio Tinto Pension Fund, a funded, Inland Revenue approved, final salary occupational pension scheme.

The Fund provides a pension from normal retirement age at 60 of two thirds final pensionable salary, subject to completion of 20 years service. Spouse and dependants pensions are also provided.

Proportionally lower benefits are payable for shorter service. Members retiring early may draw a pension reduced by approximately four per cent a year for each year of early payment from age 50 onwards.

Under the rules of the Rio Tinto Pension Fund, all pensions are guaranteed to increase annually in line with increases in the UK Retail Price Index subject to a maximum of ten per cent per annum. Increases above this level are discretionary.

When pensionable salary is limited by the UK Inland Revenue earnings cap , benefits are provided from unfunded supplementary arrangements.

Cash contributions were not paid in 2003 as the Rio Tinto Pension Fund remained fully funded.

In June 2003, the Government announced that the implementation of the proposals in the Green Paper Simplicity, Security and Choice: working and saving for retirement was delayed until April 2005. The review of Rio Tinto plc s UK pension arrangements envisaged in last year s report has therefore been correspondingly delayed to 2004 to take account of changes in the Government s proposals and timetable.

Australian executive directors are eligible for membership of the Rio Tinto Staff Superannuation Fund, a funded superannuation fund regulated by Australian legislation, that provides both defined benefit and defined contribution benefits. In 2003, cash contributions were paid into the Rio Tinto Staff Superannuation Fund to fund members defined benefit and defined contribution benefits. The Australian executive directors are not required to pay contributions. They are defined benefit members, accruing lump sums payable on retirement after age 57 of 20 per cent of final basic salary for each year of service.

Retirement benefits are limited to a lump sum multiple of seven times final basic salary at age 62. For retirement after 62, the benefit increases to 7.6 times average salary at age 65. In January 2004, Leigh Clifford s contractual retirement age was reduced from 62 to 60. A corresponding change has been made to his retirement arrangements. Death in service and disablement benefits are provided as lump sums and are equal to the prospective age 65 retirement benefit. Proportionate benefits are also payable on termination of employment for ill health or resignation.

Annual awards under the STIP are pensionable up to a maximum value of 20 per cent of basic salary. The percentage of total remuneration which is dependent on performance is substantial and has risen over recent years. In view of this, the committee considers it appropriate that a proportion of such pay should be pensionable.

Details of directors pension and superannuation entitlements are set out in Table 2 on page 66.

Other benefits

Other remuneration items include health benefits and a car allowance. Housing and children s education assistance are also provided for executive directors and product group chief executives living outside their home country.

Full details of the directors annual remuneration before tax and excluding pension contributions are set out in Table 1 on page 65. Details of long term incentive plans and option plans are set out on page 67.

Chairman s letter of appointment

Paul Skinner s letter of appointment summarises his duties as chairman of the Group and was agreed by the *Remuneration committee*. It stipulates that he is expected to dedicate at least three days per week on average to carry out these duties. The letter envisages that Mr Skinner will continue in the role of chairman until he reaches the age of 65 in 2009, subject to re-election as a director by shareholders. Details of Mr Skinner s fees can be found in Table 1 on page 65.

Service contracts and compensation payments

All executive directors have service contracts with a one year notice period. Under current pension arrangements, directors are normally expected to retire at the age of 60, except Oscar Groeneveld, whose agreed retirement age is 62. In the event of early termination, the Group s policy is to act fairly in all circumstances and the duty to mitigate would be taken into account. Compensation would not reward poor performance.

Of the directors proposed for election or re-election at the forthcoming annual general meetings, Leigh Clifford and Guy Elliott have service contracts which are terminable by one year s noticeSir Richard Giordano, Sir John Kerr and Sir Richard Sykes do not have service contracts. Sir Richard Giordano will be aged 70 at the time of the 2004 annual general meetings. Special notice for his re-election has been received by Rio Tinto plc.

Non executive directors fees and letters of appointment

The boards as a whole determine non executive directors fees. They are set to reflect the responsibilities and time spent by the directors on the affairs of Rio Tinto. Non executive directors are not eligible to vote on any increases of their fees. The boards reviewed these fees in October 2003 and, in the light of the increased volume of committee work following regulatory developments in the UK, US and Australia, it was decided to introduce additional fees for membership of the *Audit committee*, increase the *Audit committee* chairman s fees and introduce a fee for chairing the *Remuneration committee*. In recognition of exchange rate movements, Australian directors basic fees were increased to bring them into line with the directors who are paid in pounds sterling. Non executive directors do not participate in the Group s incentive plans, pension or superannuation arrangements or any other elements of remuneration provided to executive directors.

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Non executive directors do not have service contracts, but have a formal letter of appointment setting out their duties and responsibilities.

Directors share interests

The beneficial interests of directors in the share capital of Rio Tinto plc and Rio Tinto Limited are set out in Table 3 on page 66.

In 2002, the committee informed executive directors and product group chief executives that they would be expected to build up a shareholding equal in value to two times salary over five years. New appointees to executive director or product group chief executive roles have five years from the date of appointment to achieve the required shareholding.

External appointments

Rio Tinto recognises that executive directors are likely to be invited to become non executive directors of other companies and that such appointments can broaden their experience and knowledge, to the benefit of the Group. It is, however, Group policy to limit such directorships to one FTSE 100 company or equivalent. No executive director is allowed to take on the chairmanship of another FTSE 100 company. Where such directorships are unlikely to give rise to conflicts of interests, the boards will normally give consent to the appointment, with the director permitted to retain the fees earned. Details of fees earned are set out in the notes to Table 1 below.

Performance of Rio Tinto

To illustrate the performance of the companies relative to their markets, graphs showing the performance of Rio Tinto plc compared to the FTSE 100 Index and Rio Tinto Limited compared to the ASX All Ordinaries Index are reproduced in this report. A comparative graph showing Rio Tinto performance relative to the HSBC Global Mining Index is also included to illustrate the performance of the companies relative to other mining companies.

Shareholders will be asked to vote on this Remuneration report at the Companies forthcoming annual general meetings.

By order of the board

Anette Lawless Secretary

Remuneration committee 20 February 2004

TSR Rio Tinto plc vs FTSE 100

Total return basis Index 1998 = 100

TSR Rio Tinto Limited vs ASX All Share

Total return basis Index 1998 = 100

TSR Rio Tinto plc vs HSBC Global Mining Index

Total return basis Index 1998 = 100

Table 1 Directors remuneration Remuneration of the directors of the parent Companies before tax and excluding pension contributions for the year ended 31 December

£ 000 except where stated in A$ 000	2003 Salary/fees	2003 Annual bonus[2]	2003 Other emoluments[3]	**2003 Total**	2002 Total

Chairman					
Paul Skinner[4]	169		4	**173**	53
Non executive directors					
Sir David Clementi[8]	49			**49**	
Leon Davis	150			**150**	150
Sir Richard Giordano	96			**96**	93
Andrew Gould	56			**56**	4
Sir John Kerr[8]	11			**11**	
David Mayhew[4]	56			**56**	53
John Morschel	A$191			**A$191**	A$123
The Hon. Raymond Seitz[7]	21			**21**	56
Sir Richard Sykes	57			**57**	56
Lord Tugendhat	56			**56**	53
Executive directors					
Robert Adams[9]	474	287	30	**791**	763
Leigh Clifford chief executive	665	395	217	**1,277**	1,264
Guy Elliott finance director	402	255	21	**678**	619
Oscar Groeneveld	380	265	80	**725**	733
Jonathan Leslie[7]	90	51	53	**194**	597
Sir Robert Wilson retiring chairman[6]	745	443	20	**1,208**	1,441

Notes

1 Sterling amounts for salary and other emoluments may be converted to Australian dollars by using an exchange rate of £1=A$2.5204, being the average exchange rate during 2003.
2 The annual bonus is payable under the Short Term Incentive Plan and this may be converted to Australian dollars at the year end rate of £1=A$2.3785.
3 Other emoluments include benefits in kind including accommodation to Australian directors and share awards to UK executive directors under the Rio Tinto All Employee Share Ownership Plan at a value of up to a maximum of £3,000.
4 Mr Mayhew s fees are paid to Cazenove Group PLC. Mr Skinner s fees were paid to Shell International Limited until 30th September 2003, one month before his appointment as chairman, and thereafter directly to him. £125,000 of the fees and other emoluments relate to Mr Skinner s services as chairman.
5 Emoluments of £60,546 from subsidiary and associated companies were waived by two executive directors (2002: two directors waived £53,388). Executive directors have agreed to waive any further fees receivable from subsidiary and associated companies.
6 Sir Robert Wilson retired as a director from the boards of Rio Tinto plc and Rio Tinto Limited on 31 October 2003 and received gifts to the value of £24,424.
7 Mr Leslie resigned as a director on 31 March 2003 and received gifts to the value of £10,995. The Hon. Raymond Seitz retired on 1 May 2003.
8 Sir David Clementi was appointed a director on 28 January 2003 and Sir John Kerr appointed a director on 14 October 2003.
9 In the course of the year, Sir Robert Wilson received £135,000 and Mr Adams received £22,500 in respect of non Rio Tinto related directorships.
10 Awards made under the long term incentive schemes are set out in Tables 4 and 5.

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Remuneration report continued

Table 2 Directors pension entitlements (as at 31 December 2003)

	Age	Years of service completed	Accrued benefits: At 31 December 2002	Accrued benefits: At 31 December 2003	Accrued benefits: Increase in accrued benefits during the year ended 31 December 2003	Accrued benefits: Increase In accrued benefit net of inflation	Transfer values[3]: At 31 December 2002	Transfer values[3]: At 31 December 2003	Transfer values[3]: Change, net of personal contributions
UK directors			£ 000 pa pension	£ 000 pa pension	£ 000 pa pension	£ 000 pa pension	£ 000	£ 000	£ 000
Robert Adams	58	33	325	360	35	26	6,767	6,1594	(608)
Guy Elliott	48	23	173	212	39	34	2,630	2,0664	(564)
Jonathan Leslie[5]	52	25	211	2166	5	3	3,745	2,780	(965)
Sir Robert Wilson[6]	60	33	656	7105	54	40	14,620	10,261	(4,359)
Australian directors			A$ 000 Lump sum	A$ 000 Lump sum	A$ 000 Lump sum	A$ 000 Lump sum	A$ 000	A$ 000	A$ 000
Leigh Clifford[2]	56	33	9,700	12,099	2,399	2,132	9,700	12,099	2,399
Oscar Groeneveld[2]	50	28	4,165	4,661	496	287	4,165	4,661	496

Notes

1 A$68,309 and A$40,314 were credited to the respective accounts belonging to Mr Clifford and Mr Groeneveld in the Rio Tinto Staff Superannuation Fund in relation to the superannuable element of their 2003 performance bonus.
2 The increases in accrued lump sums for Australian directors are before contributions tax and exclude interest.
3 Transfer values are calculated in a manner consistent with Retirement Benefit Schemes Transfer Values (GN 11) published by the Institute of Actuaries and the Faculty of Actuaries and dated 4 August 2003.
4 During 2003, the basis of calculation of transfer values was reviewed by the UK Fund Trustee as part of a periodic review of all calculation bases following the triennial valuation. The figures shown at 31 December 2003 are calculated using the new basis.
5 Mr Leslie left service on 2 April 2003. The accrued entitlement shown above represent the value at the date of leaving.
6 Sir Robert Wilson retired at his normal retirement age on 31 October 2003. On retirement he exchanged part of his pension for a cash lump sum, as permitted under the rules of the Fund. The accrued benefit figure as at 31 December 2003 shows the pension accrued at retirement prior to the exchange of pension for cash. The transfer value as at 31 December 2003 reflects the value on the new basis of the residual pension following this exchange.

Table 3 Directors beneficial interests in shares

	1 Jan 2003[2]	31 Dec 2003[8]	6 Feb 2004
Robert Adams[3]	56,599	71,764	71,782
Sir David Clementi[4]			
Leigh Clifford	2,100	2,100	2,100
	56,300	*76,428*	*76,428*
Leon Davis	6,100	6,100	6,100

	133,838	*187,293*	*187,293*
Guy Elliott[3]	28,897	40,847	40,863
Sir Richard Giordano	1,065	1,065	1,065
Andrew Gould			
Oscar Groeneveld	19,010	19,010	19,010
	6,909	*23,515*	*23,515*
Sir John Kerr[4]			
Jonathan Leslie[5]	44,886	55,396	n/a
David Mayhew	2,500	2,500	2,500
John Morschel			
The Hon. Raymond Seitz[5]	500	500	n/a
Paul Skinner	1,000	5,140	5,140
Sir Richard Sykes	2,294	2,359	2,359
Lord Tugendhat	1,135	1,135	1,135
Sir Robert Wilson[5]	114,124	138,609	n/a

Notes

1 Rio Tinto plc ordinary shares of 10p each; *Rio Tinto Limited shares stated in italics.*
2 Or date of appointment if later.
3 These directors, together with other Rio Tinto plc Group employees, also have an interest in a trust fund containing 21,849 Rio Tinto plc shares at 31 December 2003 (1 January 2003: 102,136 Rio Tinto plc shares) as potential beneficiaries, of The Rio Tinto Share Ownership Trust. At 6 February 2004 this trust fund contained 22,442 Rio Tinto plc shares.
4 Sir David Clementi and Sir John Kerr were appointed directors on 28 January 2003 and 14 October 2003 respectively.
5 Mr Leslie, The Hon. Raymond Seitz and Sir Robert Wilson retired or resigned as directors on 31 March 2003, 1 May 2003 and 31 October 2003 respectively.
6 The above includes the beneficial interests obtained through the Rio Tinto Share Ownership Plan, details of which are set out on page 64 under the heading Other share plans .
7 The total beneficial interest of the directors in the Group amounts to less than one per cent.
8 Or date of retirement or resignation if earlier.

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Table 4 Awards to directors under long term incentive plans

							Plan terms and conditions					
	Plan	1 Jan 2003	Awarded	Lapsed	Vested[1]	31 Dec 2003[2]	Conditional award granted	Performance period concludes	Market price at award	Date award vests	Market price at vesting[3]	Monetary value of vested award £ 000
Robert Adams	MCCP 2000	27,830		10,437	17,393		7/03/2000	31/12/2003	953p	27/02/2004	1,386p	241
	MCCP 2001	27,330				27,330	6/03/2001	31/12/2004	1,310p			
	MCCP 2002	25,064				25,064	13/03/2002	31/12/2005	1,424p			
	MCCP 2003		26,837			26,837	7/03/2003	31/12/2006	1,198p			
		80,224	26,837	10,437	17,393	79,231						241
Leigh Clifford[5]	MCCP 2000	*37,609*		*14,104*	*23,505*		7/03/2000	31/12/2003	A$24.156	27/02/2004	A$35.24	3483
	MCCP 2001	*37,474*				*37,474*	6/03/2001	31/12/2004	A$34.406			
	MCCP 2002	*34,435*				*34,435*	13/03/2002	31/12/2005	A$39.600			
	MCCP 2003		*36,341*			*36,341*	7/03/2003	31/12/2006	A$30.690			
		109,518	*36,341*	*14,104*	*23,505*	*108,250*						348
Guy Elliott	MCCP 2000	4,307		1,616	2,691		7/03/2000	31/12/2003	953p	27/02/2004	1,386p	37
	MCCP 2001	7,845				7,845	6/03/2001	31/12/2004	1,310p			
	MCCP 2002	16,935				16,935	13/03/2002	31/12/2005	1,424p			
	MCCP 2003		22,923			22,923	7/03/2003	31/12/2006	1,198p			
		29,087	22,923	1,616	2,691	47,703						37
Oscar Groeneveld[5]	MCCP 2000	*21,266*		*7,975*	*13,291*		7/03/2000	31/12/2003	A$24.156	27/02/2004	A$35.24	1973
	MCCP 2001	*20,934*				*20,934*	6/03/2001	31/12/2004	A$34.406			
	MCCP 2002	*20,322*				*20,322*	13/03/2002	31/12/2005	A$39.600			
	MCCP 2003		*21,469*			*21,469*	7/03/2003	31/12/2006	A$30.690			
		62,522	*21,469*	*7,975*	*13,291*	*62,725*						197
Jonathan Leslie[6]	MCCP 2000	21,574		8,091	13,483		7/03/2000	31/12/2003	953p	27/02/2004	1,386p	187

	MCCP 2001	21,192				21,192	6/03/2001	31/12/2004	1,310p			
	MCCP 2002	19,758		19,758			13/03/2002	31/12/2005	1,424p			
		62,524		27,849	13,483	21,192						187
Sir Robert Wilson	MCCP 2000	50,191		18,822	31,369		7/03/2000	31/12/2003	953p	27/02/2004	1,386p	435
	MCCP 2001	49,796				49,796	6/03/2001	31/12/2004	1,310p			
	MCCP 2002	47,983				47,983	13/03/2002	31/12/2005	1,424p			
	MCCP 2003		50,599	8,456		42,143	7/03/2003	31/12/2006	1,198p			
		147,970	50,599	27,278	31,369	139,922						435

Notes

1 The Rio Tinto Group s 7th place ranking against the comparator group for the MCCP 2000 award will generate a 62.5 per cent vesting based on the scales applied to conditional awards made prior to 2004.

2 Rio Tinto plc ordinary shares of 10p each; *Rio Tinto Limited shares stated in italics.*

3 The shares awarded under the MCCP 2000 vest on 27 February 2004 but, as the performance cycle ended on 31 December 2003, they have been dealt with in this table as if they had vested on that date. The values of these awards have been based on share prices of 1,386p and A$35.24, being the closing share prices on 6 February 2004, the latest practicable date prior to the publication of this annual report. Amounts in Australian dollars have been translated into sterling at the year end exchange rate of £1=A$2.3785.

4 The shares awarded under the FTSE 1997 and MCCP 1999 last year vested on 28 February 2003 but, as the performance cycles ended on 31 December 2002, they were dealt with in the 2002 *Annual report and financial statements* as if they had vested on that date. The values of the awards in the 2002 *Annual report and financial statements* were based on share prices of 1,169p and A$32.52, being the closing share prices on 14 February 2003, the latest practicable date prior to the publication of the 2002 *Annual report and financial statements*. Amounts in Australian dollars were translated into sterling at the year end exchange rate of £1=A$2.829.The actual share prices on 28 February 2003, when the awards vested, were 1,268.5p and A$33.3518, with the result that the values of the awards had been understated in respect of Sir Robert Wilson by £105,773, Mr Adams by £61,321, Mr Leslie by £36,304, Mr Davis by £183,279, Mr Clifford by £12,143 and Mr Groeneveld by £36,319 and overstated in respect of Mr Elliott by £4,308.

5 Mr Clifford was given a conditional award over 36,341 Rio Tinto Limited shares and Mr Groeneveld was given a conditional award over 21,469 Rio Tinto Limited shares during the year. These awards were approved by the shareholders under ASX Listing Rule 10.14 at the 2002 annual general meeting.

6 Following Mr Leslie s resignation from the boards of Rio Tinto plc and Rio Tinto Limited on 31 March 2003, the *Remuneration committee* agreed that his MCCP awards in 2000 and 2001 should continue to the end of their respective performance periods. The 2002 MCCP award was forfeited.

7 A full explanation of the MCCP together with the proposed changes under the plan can be found on pages 63 and 64.

8 Or as at date of resignation or retirement if earlier.

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Remuneration report continued

Table 5 Directors options to acquire Rio Tinto plc and Rio Tinto Limited shares

		Holding at 1 Jan 2003	Granted[5]	Exercised/ cancelled	Holding at 31 Dec 2003[7]	Weighted average option price	Options exercised/cancelled during the year: Number	Option price	Market price	Gain on exercise £ 000	Holding at 6 Feb 2004
Robert Adams	A	398,615	114,014		*512,629*	1,136p					*512,629*
Leigh Clifford	A	*384,050*	*254,132*		*638,182*	*A$31.10*					*638,182*
	B	*208,882*			*208,882*	*A$39.87*					*208,882*
Leon Davis	A	*93,978*			*93,978*	*A$23.44*					*93,978*
Guy Elliott	A	106,183	98,818	27,241	*177,760*	1,323p	8,292	820.0p	1,273p	38	*177,760*
							8,645	808.8p	1,273p	40	
							7,613	965.4p	1,273p	23	
							2,691	641.0p	1,299p	18	
							27,241				
Oscar Groeneveld	A	*175,084*	*91,511*		*266,595*	*A$29.83*					*266,595*
	B	*73,965*			*73,965*	*A$39.87*					*73,965*
Jonathan Leslie[6]	A	309,775		277,095	32,680	965p	55,730	808.8p	1,270p	257	n/a
							53,414	820.0p	1,270p	240	
							16,341	965.4p			
							77,749	1,265.6p			
							71,986	1,458.6p			
							1,875	876.0p			
							277,095				
Sir Robert Wilson[6]	A	841,076	358,273	253,954	945,395	1,288p	129,636	808.8p	1,292p	626	n/a
							124,318	1,263.0p			
							253,954				

A is where the options are in respect of shares whose market price at the end of the financial year is equal to, or exceeds, the option price.
B is where the options are in respect of shares whose market price at the end of the financial year is below the option exercise price.

Notes

1 Rio Tinto plc ordinary shares of 10p each; *Rio Tinto Limited shares stated in italics*.
2 Options have been granted under the Share Option Plan, the Rio Tinto plc Share Savings Plan and the Rio Tinto Limited Share Savings Plan.
3 The options granted to each director have been aggregated, except that any out of the money options as at 31 December 2003 have been separately aggregated and disclosed. The closing price of Rio Tinto plc ordinary shares at 31 December 2003 was 1,543p (2002: 1,240p) and the closing price of Rio Tinto Limited shares at 31 December 2003 was A$37.54 (2002:A$33.95).
4 Two directors were granted share options under the Rio Tinto Share Savings Plan that are exercisable between 1 January 2009 and 30 June 2009. One was granted options over 1,431 Rio Tinto plc ordinary shares at 1,107p per share and the other was granted options over 1,431 Rio Tinto Limited shares at A$27.48 per share.
5 All other share options were granted under the Share Option Plan and, subject to the performance criteria explained on page 63, are exercisable between 7 March 2006 and 7 March 2013. Options were granted over 569,674 Rio Tinto plc ordinary shares at 1,263p per share and over 344,212 Rio Tinto Limited shares

at A$33.336 per share.

6 No directors   options lapsed during the year. Following Mr Leslie s resignation 167,951 of his options were cancelled with immediate effect. Following Sir Robert Wilson s retirement 124,318 of his options were also cancelled.

7 Or at date of retirement or resignation if earlier.

Rio Tinto s register of directors   interests, which is open to inspection, contains full details of directors   shareholdings and options to subscribe for Rio Tinto shares.

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Table 6 Total remuneration as required under the Australian Corporations Act 2001

Stated in US$ 000	Base salary/ fees	Annual cash bonus	Other benefits[2]	Subtotal	Pension contributions[3]	Value of long term incentive shares[4]	Adjusted for the term of the Performance Period[5]	2003 Total[1] US$
Chairman								
Paul Skinner	275		7	282				**282**
Non executive directors								
Sir David Clementi	80			80				**80**
Leon Davis	245			245				**245**
Sir Richard Giordano	156			156				**156**
Andrew Gould	91			91				**91**
Sir John Kerr	18			18				**18**
David Mayhew	91			91				**91**
John Morschel	123			123				**123**
The Hon. Raymond Seitz	34			34				**34**
Sir Richard Sykes	92			92				**92**
Lord Tugendhat	91			91				**91**
Executive directors								
Robert Adams	774	511	49	1,334		2,834	(1,964)	**2,204**
Leigh Clifford	1,086	703	354	2,143	268	5,630	(3,859)	**4,182**
Guy Elliott	656	455	35	1,146		1,456	(1,011)	**1,591**
Oscar Groeneveld	621	471	131	1,223	156	2,284	(1,586)	**2,077**
Jonathan Leslie	147	92	104	343		331	(248)	**426**
Sir Robert Wilson	1,217	790	72	2,079		6,961	(4,775)	**4,265**
Five highest paid executives in the Group (other than directors)[6]								
Tom Albanese	549	313	649	1,511		2,726	(1,858)	**2,379**
Preston Chiaro	419	217	234	870		987	(679)	**1,178**
David Klingner	434	210	250	894	109	754	(533)	**1,224**
Christopher Renwick	681	606	98	1,385	156	2,106	(1,461)	**2,186**
Sam Walsh	542	443	123	1,108	124	1,590	(1,100)	**1,722**

Notes

1 The total remuneration is reported in US dollars. The amounts, with the exception of the annual cash bonus, can be converted into sterling at the rate of £1=US$1.633 or alternatively, into Australian dollars at the rate of US$1=A$1.5434, each being the average exchange rate for the year. The annual cash bonus can be converted at the year end exchange rates of £1=US$1.78 to ascertain the sterling equivalent or alternatively, US$1=A$1.3355 to find the Australian dollar value. Director s remuneration included in the first three columns are as reported in Table 1, converted into US dollars.

2 Includes provision of medical cover, car, fuel, 401K contributions in the US, educational assistance, leaving gifts, company paid tax, professional advice, accomodation and costs associated with secondment.

3 Includes actual contributions payable to both defined contribution and defined benefit arrangements that are required to secure the pension benefits earned in the year.

4 The amount of long term share based compensation represents the estimated value of awards granted under the Rio Tinto Share Option Plan (the SOP), the Share Savings Plan (the SSP) and the Mining Companies Comparative Plan (the MCCP). The estimated value has been calculated using an independent binomial model provided by external consultants Lane, Clark and Peacock LLP. The value of long term share based compensation has been valued in accordance with the guidelines as detailed in the Australian Securities & Investments Commission media release dated 30 June 2003.

5 Under Australian GAAP the value of unvested share grants should be spread equally over the term of each scheme's performance period. This adjustment averages the value of the long term incentive shares over a three year period in respect of the SOP, a four year period in respect of the MCCP and the length of the relevant contract period under the SSP.

6 The number of share options granted under the Share Option Plan to the five highest paid senior executives in the twelve month period up to 31 December 2003 are as follows: Mr Albanese 139,165 and Mr Chiaro 37,160 over Rio Tinto plc ordinary shares, Mr Renwick 95,392, Mr Walsh 75,863 and Mr Klingner 20,956 over Rio Tinto Limited ordinary shares. The options are subject to the performance criteria explained on page 63 and are exercisable between 7 March 2006 and 6 March 2013. Options were granted at 1,263p per ordinary Rio Tinto plc share and at A$33.336

per ordinary Rio Tinto Limited share.

The number of conditional shares awarded under the Mining Companies Comparative Plan in respect of the same five senior executives and the same twelve month period to 31 December 2003 are as follows: Mr Albanese 19,274 and Mr Chiaro 7,352 over Rio Tinto plc ordinary shares and Mr Renwick 21,230, Mr Walsh 16,884 and Mr Klingner 10,961 over Rio Tinto Limited ordinary shares. The market prices of the Rio Tinto plc and Rio Tinto Limited ordinary shares were 1,198p and A$30.69 respectively.

Mr Albanese was granted 530 share options over Rio Tinto ordinary shares under the Rio Tinto Share Savings Plan at an option price of £11.50. These may be exercised between 1 January 2006 and 7 January 2006.

The number of share options and conditional shares awarded to the executive directors are shown in Tables 4 and 5 of this report. The non executive directors do not participate in the long term incentive share schemes.

Auditable part

Tables 1, 2, 4 and 5 comprise the auditable part of the Remuneration report, being the information required by Part 3 of schedule 7a to the Companies Act 1985.

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Corporate governance

Rio Tinto is committed to high standards of corporate governance, for which the directors are accountable to shareholders. Over the last several years, corporate governance discussions have taken centre stage in the UK, Australia and the US, where Rio Tinto has its three main listings. In setting out the Group s corporate governance statement, the boards have therefore referred to the Combined Code as attached to the UK Listing Authority s Listing Rules (the current Code), the new Combined Code (the new Code), the ASX Best Practice Corporate Governance Guidelines and the NYSE Corporate Governance Listing Standards, as well as the Sarbanes-Oxley Act of 2002.

Rio Tinto plc and Rio Tinto Limited have adopted a common approach to corporate governance. Both Companies have, for the period under review, applied the principles contained in Part 1 of the current Code. The detailed provisions of Section 1 of the current Code have been complied with as described below. As at the date of the Directors report both Companies also complied with the ASX Best Practice Corporate Governance Guidelines. In addition, Rio Tinto has voluntarily adopted the recommendations of the US Blue Ribbon Committee in respect of disclosures to shareholders, as detailed in the *Audit committee s* statement on page 72. Rio Tinto intends to include on its website a brief summary of significant differences, if any, in the way its corporate governance practices differ from those followed by US companies under NYSE listing standards.

The boards will continue to monitor developments in the corporate governance area in Rio Tinto s three principal share markets.

A statement relating to directors responsibilities for going concern and preparation of the financial statements is on pages 71 and 72.

The board

The Companies have common boards of directors, which are collectively responsible for the success of the Group.

Board composition

On 1 November 2003, Paul Skinner, until then an independent non executive director, became chairman, succeeding Sir Robert Wilson, who retired after 33 years with Rio Tinto. The boards currently comprise 14 directors, four executive and nine non executive directors and the chairman.

The boards have reviewed the independence of all non executive directors and determined that, of the nine non executive directors, seven are independent. Notwithstanding that Sir Richard Giordano has served as a director since 1992, the strength, objectivity and nature of his contribution to board and committee discussions were fully consistent with those of an independent director. Two have connections with the Group: Leon Davis

is a former chief executive of the Group and David Mayhew is chairman of one of Rio Tinto plc s stockbrokers. The directors biographies are set out on pages 58 and 59.

Chairman and chief executive

The roles of the chairman and chief executive are separate and the division of their responsibilities has been formally approved by the boards.

The role of the board

Collectively, the non executive directors bring broadly based knowledge and experience to the boards deliberations and their contribution is vital to corporate accountability. As recommended in the new Code, they have agreed performance targets for management against the Group s 2004 financial plan.

The boards had eight scheduled and one special meeting in 2003. Details of directors attendances at board and committee meetings are set out in the Directors report on page 61.

In line with best practice, the boards have regular scheduled discussions on various aspects of the Group s strategy. In addition, one meeting was a two day meeting, the main purpose of which was an in depth discussion of Group strategy. Management of the business is the responsibility of executive management. The board approves strategy, major investments and acquisitions and is ultimately accountable to the shareholders for the performance of the business.

All directors have full and timely access to the information required to discharge their responsibilities fully and effectively.

There is a formal schedule of matters specifically reserved for decision by the boards, a copy of which is posted on the Group s website. This schedule is reviewed regularly to ensure continued relevance.

Going forward, the chairman will be holding meetings with non executive directors without the executive directors present. Furthermore the non executive directors will meet annually in a meeting chaired by the senior non executive director to appraise the chairman s performance.

Communication with the investor community

The main channels of communication with the investor community are through the chief executive, the finance director and the chairman. The Group also organises regular investor seminars, which provide a two way communication with investors and analysts, with valuable feedback which is communicated to the boards. In addition, the Group s external investor relations advisors carry out a survey of major shareholders opinion and perception of the Group. The ensuing report is distributed and a formal annual presentation is made to the boards on the subject.

Independent advice

A procedure has been established for

directors to obtain independent professional advice at the Group s expense in furtherance of their duties as directors. They also have access to the advice and services of both company secretaries.

Election and re-election

All directors are elected by shareholders at the annual general meetings following their appointment and, thereafter, are subject to re-election at least once every three years. Non executive directors are normally expected to serve at least two terms of three years and, except where special circumstances justify it, would not normally serve more than three such terms.

Board performance

In compliance with Clause A.6 of the new Code and Principle 8 of the ASX Best Practice Corporate Governance Guidelines, the performance of Rio Tinto s board, its committees and individual directors have been evaluated. The assessment has been carried out by external advisers and has covered the following areas: board dynamics; board capability; board process; corporate governance, strategic clarity and alignment; board structure; and the performance of individual directors. In the opinion of the boards they comply with the requirements of the new Code and the ASX Best Practice Corporate Governance Guidelines. It is the intention of the boards to continue to review both board and director performance on an annual basis.

Board committees

The directors have established four committees, all of which are fundamental to good corporate governance in the Group. All committee terms of reference are reviewed annually by the boards and the committees themselves, and appear on the Group s website. Regular reports of committee business and activities are given to the boards and minutes are circulated to all directors. Committee members, shown on pages 58 and 59, are all non executive directors.

The *Audit committee s* main responsibilities include the review of accounting principles, policies and practices adopted in the preparation of public financial information; the review with management of procedures relating to financial and capital expenditure controls, including internal audit plans and reports; the review with external auditors of the scope and results of their audit; the nomination of auditors for appointment by shareholders; and the review of and recommendation to the board for approval of Rio Tinto s risk management policy. Its responsibilities also include the review of corporate governance practices of Group sponsored pension funds.

A number of training sessions, which may cover new legislation and other relevant information, have been incorporated into the committee s normal schedule of business.

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The external auditors, the finance director, the Group controller and Group internal auditor attend meetings. A copy of the *Audit committee* charter is reproduced on page 73 and can also be found on the Group website.

The *Remuneration committee* is responsible for determining the policy for executive remuneration and for the remuneration and benefits of individual executive directors. Full disclosure of all elements of directors and certain senior executives remuneration can be found in the *Remuneration report* on pages 62 to 69, together with details of the Group s remuneration policies.

The *Nominations committee* is chaired by the chairman of Rio Tinto. It is the committee s responsibility to ensure that there is a clear, appropriate and transparent process in place to source and appoint new directors. Its responsibilities also include evaluating the balance of skills, knowledge and experience on the boards and identifying and nominating, for the approval by the boards, candidates to fill board vacancies as and when they arise. The committee reviews the structure, size and composition of the boards and make recommendations with regard to any changes it considers appropriate. Finally, the committee reviews the time required to be committed to Group business by non executive directors and assess whether non executive directors are spending enough time to carry out their duties.

The *Committee on social and environmental accountability* is responsible for reviewing the effectiveness of management policies and procedures in delivering the standards set out in *The way we work*, Rio Tinto s statement of business practice, which do not fall within the remit of other board committees and, in particular, those relating to health, safety, the environment and social issues. The overall objective of the committee is to promote the development of business practices throughout the Group, consistent with the high standards expected of a responsibly managed company and to develop the necessary clear accountability on these practices.

Directors dealings in shares

Rio Tinto has a Group policy in place to govern the dealing in Rio Tinto securities. The policy, which can be viewed on the Rio Tinto website, is no less stringent than the Model Code set out in the UK Listing Rules.

Directors and employees are prohibited from dealing when in possession of price sensitive information. Directors and certain employees are prohibited from dealing during the close periods which are the periods of up to two months before a profit announcement. Directors and designated employees are also prohibited from dealing in Rio Tinto securities at any time on considerations of a short term nature.

Statement of business practice

The way we work provides the directors and

all Group employees with a summary of the principal policies and procedures in place to help ensure that high standards are met.

Policies are adopted by the directors after wide consultation, both externally and within the Group. Once adopted they are communicated to business units worldwide, together with guidance and support on implementation. Business units are then required to devote the necessary effort by management to implement and report on these policies.

The way we work was reviewed and updated in 2003 to reflect best practice and procedures were introduced to meet changed requirements. The following policies are currently in place: health, safety and the environment; communities; human rights; access to land; employees; business integrity; bribery and corruption; corporate governance; compliance; external disclosures, including continuous disclosure and code of ethics covering the preparation of financial statements and political involvement. These policies apply to all Rio Tinto managed businesses.

In line with best practice, the Group has in place a Group wide whistle blowing programme entitled *Speak-OUT*. Under this programme, employees are encouraged to report any concerns, including any suspicion of a violation of the Group s financial reporting and environmental procedures, through an independent third party and without fear of recrimination.

In the case of business partners, such as joint ventures and associated companies, where the Group does not have operating responsibility, Rio Tinto s policies are communicated to them and they are encouraged to adopt similar policies of their own. Practical advice is offered wherever appropriate.

In 2001, the Association of British Insurers issued its guidelines relating to socially responsible investment. Rio Tinto s report on social and environmental matters follows these guidelines and can be found on pages 55 and 56 of 2003 *Annual report and financial statements* and on pages 22 to 25 of the 2003 *Annual review*. Details of the Group s overall and individual businesses social and environmental performance continue to be published on Rio Tinto s website: www.riotinto.com

Responsibilities of the directors

The directors are required by UK and Australian company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss and cash flows for that period. To ensure that this requirement is satisfied the directors are responsible for establishing and maintaining adequate internal controls and procedures for financial reporting throughout the Group.

The directors consider that the financial statements have been prepared in

accordance with applicable accounting standards, using the most appropriate accounting policies for Rio Tinto s business and supported by reasonable and prudent judgments. The accounting policies have been consistently applied.

The directors, senior management, senior financial managers and other members of staff who are required to exercise judgment in the course of the preparation of the financial statements are required to conduct themselves with integrity and honesty and in accordance with the ethical standards of their profession and/or business.

The directors are responsible for maintaining proper accounting records, in accordance with the UK Companies Act 1985 and the Australian Corporations Act 2001 as modified by the Australian Securities and Investment Commission order dated 21 July 2003, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Group s website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially loaded on the website.

Going concern

The financial statements have been prepared on the going concern basis. As required by the current Code, the directors report that they have satisfied themselves that the Group is a going concern since it has adequate financial resources to continue in operational existence for the foreseeable future.

Boards statement on internal control

Rio Tinto s overriding corporate objective is to maximise long term shareholder value through responsibly and sustainably investing in mining and related assets. The directors recognise that creating shareholder value is the reward for taking and accepting risk.

The directors are responsible for the Group s system of internal control and for reviewing its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls, and risk management procedures. Because of the limitations inherent in any such system, this is designed to manage rather than eliminate risk. Accordingly, it provides reasonable, but not absolute assurance, against material misstatement or loss.

The directors have established a process for identifying, evaluating and managing the significant risks faced by the Group. This process was in place during 2003 and up to and including the date of approval of the 2003 *Annual report and financial*

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Corporate governance continued

statements. The process is reviewed annually by the directors and accords with the guidance set out in Internal Control: Guidance for Directors on the Combined Code.

The Group s management committees review information on the Group s significant risks, with relevant control and monitoring procedures, for completeness and accuracy. This information is presented to the directors to enable them to assess the effectiveness of the internal controls. In addition, the boards and their committees monitor the Group s significant risks on an ongoing basis.

Assurance functions, including internal auditors and health, safety and environmental auditors, perform reviews of control activities and provide regular written and oral reports to directors and management committees. The directors receive and review minutes of the meetings of each board committee, in addition to oral reports from the respective chairmen at the first board meeting following the relevant committee meeting.

Certain risks, for example natural disasters, cannot be mitigated to an acceptable degree using internal controls. Such major risks are transferred to third parties in the international insurance markets, to the extent considered appropriate.

Each year, the leaders of Group businesses and administrative offices complete an internal control questionnaire that seeks to confirm that adequate internal controls are in place and operating effectively. The results of this process are reviewed by the *Executive committee* it is then presented to the board as a further part of their review of the Group s internal controls. This process is continually reviewed and strengthened as appropriate.

In 2002, the Group also established a *Disclosure and procedures committee* which was tasked with reviewing the adequacy and effectiveness of Group controls over and procedures for the public disclosure of financial and related information. The committee has been presenting the results of this process to senior management and directors and will continue to do so.

The Group has material investments in a number of joint ventures and associated companies. Rio Tinto cannot guarantee that local management of mining assets, where it does not have managerial control, will comply with the Group s standards or objectives.

Accordingly, the review of their internal controls is less comprehensive than that for the Group s managed operations.

Communications

Communications with shareholders are given high priority. The boards have responsibility to ensure that a satisfactory dialogue with shareholders takes place. In addition to statutory documents, such as the *Annual report and financial statements, Annual review* and *Half year report*, Rio Tinto produces documents on a wide range of subjects, including corporate social responsibility, which are available on request.

Further details are set out in the Shareholder information on page 79.

Rio Tinto maintains a comprehensive website, www.riotinto.com, from which its reports and other publications can be freely downloaded and through which shareholders can gain secure online access to their shareholding details. It is also linked to websites maintained by Group operations, thus offering easy access to a wealth of detailed information about the Group. Results presentations and other significant events are also available as they happen and as an archive on the website.

Full use is made of the annual general meetings to inform shareholders of current developments through appropriate presentations and to provide opportunities for questions. Significant matters affecting both Companies are dealt with under the joint voting procedure, detailed on page 78. Votes, which are cast on a poll, are announced after the close of the later of the two annual general meetings. In addition the Companies respond to individual queries on many issues.

Audit committee: US Blue Ribbon
Compliance statement

The *Audit committee* meets the membership requirements of the Combined Code in the UK and the Blue Ribbon Report in the US. The Group also meets the disclosure requirements in respect of audit committees required by the Australian Stock Exchange. The *Audit committee* is governed by a written charter approved by the boards, which the *Audit committee* reviews and reassesses each year for adequacy. A copy of this charter is reproduced on page 73.

The *Audit committee* comprises the five members set out below. The members, with the exception of David Mayhew, are independent and are free of any relationship that would interfere with impartial judgment in carrying out their responsibilities. Mr Mayhew is technically not deemed to be independent by virtue of his professional association with the Group in his capacity as chairman of Cazenove Group plc, a stockbroker and financial adviser to Rio Tinto plc. However, the boards have determined that, in their business judgment, the relationship does not interfere with Mr Mayhew s exercise of independent judgment and they believe that his appointment is in the best interests of the Group because of the substantial financial knowledge and expertise he brings to the committee.

Report of the Audit committee

The *Audit committee* met eight times in 2003. We monitor developments in corporate governance in the US, Australia and the UK. We do so to ensure the Group continues to apply high and appropriate standards relevant to the jurisdictions in which we operate.

Many of the new US requirements have long been best practice and are incorporated into the committee s Charter, reproduced on

page 73. The Charter is subject to regular discussion and has been reviewed in the light of new requirements and emerging best practice.

There is in place a set of procedures, including budgetary guidelines, for the appointment of the external auditor to undertake non audit work, which aims to provide the best possible goods and services for the Group at the most advantageous price. We review the independence of the external auditors on an annual basis and a process is also in place to review their effectiveness to ensure that the Group continues to receive an efficient and unbiased service.

Financial expert

In January 2003, the *Audit committee* reviewed the SEC requirements for audit committee s financial experts, and, following an indepth assessment, recommended that the boards consider indentifying Sir Richard Giordano, Sir David Clementi, and Andrew Gould as the *Audit committee s* financial experts, to be identified as such in the 2003 *Annual report and financial statements*, subject to the board satisfying itself that they fulfilled the SEC criteria. At their subsequent meeting, the boards considered each of the above and resolved that they each possessed the requisite experience, appropriately required, to qualify as financial experts.

2003 financial statements

We have reviewed and discussed with management the Group s audited financial statements for the year ended 31 December 2003.

We have discussed with the external auditors the matters described in the American Institute of Certified Public Accountants Auditing Standard No. 90, Audit Committee Communications, and in the UK Statement of Auditing Standard No 610, Reporting to those charged with Governance (SAS 610), including their judgments regarding the quality of the Group s accounting principles and underlying estimates.

We have discussed with the external auditors their independence, and received and reviewed their written disclosures, as required by the US Independence Standards Board s Standard No. 1, Independence Discussions with Audit Committees and SAS 610.

Based on the reviews and discussions referred to above, we have recommended to the boards of directors that the financial statements referred to above be included in the annual report.

Sir Richard Giordano (Chairman)
Sir David Clementi
Andrew Gould
David Mayhew
Lord Tugendhat

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Audit committee charter

Scope and authority

The primary function of the *Audit committee* is to assist the boards of directors in fulfilling their responsibilities by reviewing

- the financial information that will be provided to shareholders and the public;
- the systems of internal financial controls that the boards and management have established; and
- the Groups auditing, accounting and financial reporting processes.

In carrying out its responsibilities the committee has full authority to investigate all matters that fall within the terms of reference of this Charter. Accordingly, the committee may:

- obtain independent professional advice in the satisfaction of its duties at the cost of the Group; and
- have such direct access to the resources of the Group as it may reasonably require including the external and internal auditors.

Composition

The *Audit committee* shall comprise three or more non executive directors, at least three of whom shall be independent. The boards will determine each directors independence having regard to any past and present relationships with the Group which, in the opinion of the boards, could influence the directors judgment.

All members of the committee shall have a working knowledge of basic finance and accounting practices. At least one member of the committee will have accounting or related financial management expertise, as determined by the boards.

A quorum will comprise any two independent directors.

The committee may invite members of the management team to attend the meetings and to provide information as necessary.

Meetings

The committee shall meet not less than four times a year or more frequently as circumstances require. *Audit committee* minutes will be confirmed at the following meeting of the committee and tabled as soon as practicable at a meeting of the boards.

The Groups senior financial management, external auditors and internal auditor shall be available to attend all meetings.

As part of its responsibility to foster open communication, the committee should meet with management, the external auditors and the internal auditor, at least annually, to discuss any matters that are best dealt with privately.

Responsibilities

The boards and the external auditors are accountable to shareholders. The *Audit committee* is accountable to the boards. The internal auditor is accountable to the *Audit committee* and the finance director.

To fulfil its responsibilities the committee shall:

Charter

- Review and, if appropriate, update this Charter at least annually.

Financial reporting and internal financial controls

- Review with management and the external auditors the Groups financial statements, stock exchange and media releases in respect of each half year and full year.
- Review with management and the external auditors the accounting policies and practices adopted by the Companies and their compliance with accounting standards, stock exchange listing rules and relevant legislation.
- Discuss with management and the external auditors managements choice of accounting principles and material judgments, including whether they are aggressive or conservative and whether they are common or minority practices.
- Recommend to the boards that the annual financial statements reviewed by the committee (or the chairman representing the committee for this purpose) be included in the Groups annual report.
-

Review the regular reports prepared by the internal auditor including the effectiveness of the Group's internal financial controls.

External auditors

- Recommend to the boards the external auditors to be proposed to shareholders.
- Review with the external auditors the planned scope of their audit and subsequently their audit findings including any internal control recommendations.
- Periodically consult with the external auditors out of the presence of management about the quality of the Group's accounting principles, material judgments and any other matters that the committee deems appropriate.
- Review the performance of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- Review and approve the fees and other compensation to be paid to the external auditors.
- Ensure that the external auditors submit a written statement outlining all of its professional relationships with the Group including the provision of services that may affect their objectivity or independence. Review and discuss with the external auditors all significant relationships they have with the Group to determine their independence.

Internal auditor

- Review the qualifications, organisation, strategic focus and resourcing of internal audit.
- Review the internal audit plans.
- Periodically consult privately with the internal auditor about any significant difficulties encountered including restrictions on scope of work, access to required information or any other matters that the committee deems appropriate.

Risk management

- Review and evaluate the internal processes for determining and managing key risk areas.
- Ensure the Group has an effective risk management system and that macro risks are reported at least annually to the boards.
- Require periodic reports from nominated senior managers:
  - confirming the operation of the risk management system including advice that accountable management have confirmed the proper operation of agreed risk mitigation strategies and controls, and
  - detailing material risks.
- Address the effectiveness of the Group's internal control system with management and the internal and external auditors.
- Evaluate the process the Companies has in place for assessing and continuously improving internal controls, particularly those related to areas of material risk.

Other matters

The committee shall also perform any other activities consistent with this Charter that the committee or boards deem appropriate. This will include, but not be limited to:

- Review of the Group's insurance cover.
- Review of the corporate governance practices of Group sponsored pension funds.

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Shareholder information

DIVIDENDS

Both Companies have paid dividends on their shares every year since incorporation in 1962. The rights of Rio Tinto shareholders to receive dividends are explained under the description of the dual listed companies structure on page 77.

Dividend policy

The aim of Rio Tinto s progressive dividend policy is to increase the US dollar value of dividends over time, without cutting them during economic downturns.

The rate of the total annual dividend, in US dollars, is determined taking into account the results for the past year and the outlook for the current year. The interim dividend is set at one half of the total dividend for the previous year. Under Rio Tinto s dividend policy, the final dividend for each year is expected to be at least equal to the interim dividend.

Dividend determination

As the majority of the Group s sales are transacted in US dollars, it is the most reliable currency in which to measure the Group s financial performance and is its main reporting currency. So the US dollar is the natural currency for dividend determination. Dividends determined in US dollars are translated at exchange rates prevailing two days prior to announcement and are then declared payable in sterling by Rio Tinto plc and in Australian dollars by Rio Tinto Limited.

Australian shareholders of Rio Tinto plc can elect to receive dividends in Australian dollars and UK shareholders of Rio Tinto Limited can elect to receive dividends in sterling. If you would like further information contact Computershare.

2003 dividends

The 2003 interim and final dividends were determined at 30.0 US cents and at 34.0 US cents per share respectively and the applicable translation rates were US$1.6256 and US$1.8202 to the pound sterling and US$0.6664 and US$0.7610 to the Australian dollar.

Final dividends of 18.68 pence per share and of 44.68 Australian cents per share will be paid on 6 April 2004. A final dividend of 136 US cents per ADR (each representing four shares) will be paid by The Bank of New York to the ADR holders of both Companies on 7 April 2004.

The tables below set out the amounts of interim, final and total cash dividends paid or payable on each share or ADS in respect of each financial year, but before deduction of any withholding tax.

Rio Tinto Group US cents per share

	2003	2002	2001	2000	1999
Interim	**30.0**	29.5	20.0	19.0	16.5
Final	**34.0**	30.5	39.0	38.5	38.5
Total	**64.0**	60.0	59.0	57.5	55.0

Rio Tinto plc UK pence per share

	2003	2002	2001	2000	1999
Interim	**18.45**	18.87	14.03	12.66	10.39
Final	**18.68**	18.60	27.65	26.21	23.84
Total	**37.13**	37.47	41.68	38.87	34.23

Rio Tinto Limited