Palabora Mining Company Limited

and its Subsidiaries

(a member of the Rio Tinto Group)

(Incorporated in the Republic of South Africa)
(Registration Number: 1956/002134/06)
JSE Code: PAM ISIN: ZAE000005245
(“Group” or “Palabora” or “Company”)

UNAUDITED INTERIM REPORT AND DIVIDEND ANOUNCEMENT

for the six months ended 30 June 2010

COMMENTARY

Group financial highlights	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Net profit for the period	**R306 million**	R141 million
Basic earnings per share	**632 cents**	291 cents
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**R668 million**	R585 million
Headline earnings	**R304 million**	R141 million
Headline earnings per share	**630 cents**	291 cents
Net cash (excluding hedge)	**R986 million**	R783 million
Dividends per share (declared)	**207 cents**	165 cents

Overview
Mr. Tony Lennox, Managing Director remarked, "I am pleased to report Palabora is continuing to improve its performance in a challenging economic environment and we remain cautiously optimistic about the outlook for the second half of 2010 as we watch China, the United States and Europe address economic issues that will impact the demand and pricing for resources in the near term."

The Company earned a net profit of R306 million or 632 cents per share for the period ending 30 June 2010 as compared to R141 million or 291 cents per share for the period ending 30 June 2009. This increase of 117% in net profit was directly related to firming copper and magnetite prices as compared to the same period in 2009. While magnetite sales volumes increased by 17% from 1.2 million in 2009 to 1.4 million tonnes in 2010, sales were impacted by a rail workers' strike in June.

Reflecting on the recent Transnet Limited strike, Mr. Lennox said, "Palabora experienced an impact to our magnetite shipments and sales in June as a result of the Transnet rail workers' strike which reduced shipments by approximately 120 000 tonnes or half of our usual monthly deliveries".

Mr. Lennox also commented "I am pleased to report that Palabora signed Broad Based Black Economic Empowerment ("BBBEE") agreements with our new partners and the agreements were lodged with the Department of Mineral Resources ("DMR") on 2 July 2010. In addition, the Company signed an agreement with Iron Mineral Beneficiation Services (Proprietary) Limited ("IMBS") and Industrial Development Corporation of South Africa Limited ("IDC") for the study of a low cost iron-making facility in the Ba-Phalaborwa area to manufacture 500 000 tonnes of iron annually. Finally, the Board of Directors ("the Board") approved funding for the construction of a return airway ventilation system, an initial step in the development of a second underground phase."

Safety
Consistent with our well established culture, safety is a core value and we strive for an injury free workplace which remains our highest priority. The 12-month progressive lost time injury frequency rate ("LTIFR") increased slightly from 0.32% to 0.34%. We will continue to work with every employee and contractor to improve the Company's overall safety performance

Production
Dry ore hoisted declined 6% to 5.5 million tonnes for the period ending 30 June 2010 from 5.9 million tonnes for the period ending 30 June 2009 as a result of winder breakdowns and low availability of load-haul-dump units ("LHDs"). Both the north and south winder drums are scheduled for replacement in early 2011. Preventative maintenance is ongoing to minimise disruptions on production.

These production challenges and an increase in concentrate in process combined to cause a 17% decrease in concentrate production with 120 kilo tonnes ("kt") produced for the period ending 30 June 2010 compared with 143kt for the period ending 30 June 2009. The increase in concentrate in process was in the form of thickener inventory as a result of processing increased slag tonnage and an increase in the fineness and moisture in the feed which reduced filter plant throughput. The copper concentrate from toll milling declined 90% and thus contributed further to reduced concentrate production.

The smelter experienced operational challenges resulting in a decline in anode production of 31% to 27kt for the period ending 30 June 2010 from 39kt for the period ending 30 June 2009. Consequently, cathode produced declined to 26kt from 41kt and copper rod production declined 44% to 14kt from 25kt for the period ending 30 June 2010 and 2009 respectively. The smelter suffered from low feed rates at the reverbratory furnace as a result of downtime at the furnace bath and maintenance and replacement of overhead cranes. The furnace and cranes returned to full operations during the second quarter following the engagement the of Rio Tinto Group engineers and external consultants and a reorganisation of the smelter management team. Smelter operations are projected to return to normal levels by the last quarter of 2010.

Tonnage sales

Sales were broadly in line with production for the period ending 30 June 2010 compared to the same period in 2009, as summarised in the table below. Higher concentrate, reverts and cropped bar sales for the period ending 30 June 2010 as compared to the period ending 30 June 2009 are due to the production challenges experienced in the smelter and rod mill plant.

	Six months ended 30 June 2010 (kt)	Six months ended 30 June 2009 (kt)	% change
Copper rod	18.8[1]	25.8	(27)
Cathode	6.2	13.1	(53)
Copper in concentrate	5.1	2.0	155
Reverts and cropped bars	4.1	1.1	273
Total copper	**34.2**	**42.0**	**(19)**
Magnetite	**1 366**	**1 164**	**17**

1 – Includes 4.9kt of purchased rod to meet contractual commitments.

Turnover

Gross revenue increased 30% to R3.3 billion for the period ending 30 June 2010 from R2.6 billion for the comparative period in 2009. Net revenue, which includes the impact of the copper hedging programme, increased 24% to R2.9 billion for the period ending 30 June 2010 from R2.4 billion for the comparative period in 2009. Increases in revenue were a direct result of firming commodity prices and increased magnetite sales volumes. Magnetite sales totalled R1.2 billion on 1.4 million tonnes for the period ending 30 June 2010 and R640 million on 1.2 million tonnes for the comparative period in 2009. Income from copper rod purchases to meet contracted sales contributed R290 million to total turnover.

The hedge loss realised increased to R420 million for the period ending 30 June 2010 from R213 million for the comparative period in 2009 due to higher copper prices. The copper price averaged 324 USc/lb for the period ending 30 June 2010 compared to 184 USc/lb for the comparative period in 2009. Magnetite prices (Fe 65%) averaged US$114 per tonne for the period ending 30 June 2010 compared to US$73 per tonne for the period ending 30 June 2009.

Cost of sales

Cost of sales increased by 6% to R1.5 billion for the period ending 30 June 2010 from R1.4 billion for the comparative period in 2009 due to supplementary product purchases and operational issues at the smelter. In total 9.7kt of copper (mainly blister, rod and cathode) totalling R536 million was purchased compared to 5.3kt of copper concentrate purchases totalling R153 million in 2009. Remedial measures were implemented at the smelter during the second quarter and it is anticipated that normal operational capacity will be restored later in 2010.

Selling and administration expenses
Selling expenses increased by 46% to R718 million in the period ending 30 June 2010 from R491 million during the comparative period in 2009 due to the increase in magnetite sales volume. Selling expenses for rail, shipping and port increased by R258 million to R643 million for the period ending 30 June 2010 from R385 million for the period ending 30 June 2009.

Administration expenses increased by R39 million from R177 million for the comparative period in 2009 to R216 million for the period ending 30 June 2010 mainly due to BBBEE transaction and smelter turnaround related costs.

Working capital
Higher magnetite prices saw trade debtors and other receivables increase by 32% to R829 million at 30 June 2010 compared to R626 million at 31 December 2009. Product inventories increased by 45% to R894 million at 30 June 2010 compared to R619 million at 31 December 2009 mainly due to higher cathode stocks (R122 million) which have since been converted to rod, sold and delivered to customers and copper in process (R134 million).

The Company paid a dividend of R300 million in respect of the year ended 31 December 2009. Income tax paid for the six months ended 30 June 2010 amounted to R301 million compared to R71 million for the comparative period in 2009 and the first royalty payment to the amount of R51 million, as per the requirements of Mineral and Petroleum Resources Royalty Act (No. 28 of 2008), was paid during the period ending 30 June 2010. These payments contributed to the decrease in the cash and cash equivalents from R1.4 billion as at 31 December 2009 to R1.1 billion as at 30 June 2010.

Broad Based Black Economic Empowerment
Palabora concluded a BBBEE transaction with its new Black Economic Empowerment ("BEE") partners on 10 June 2010. The Company worked closely with the partners to create a new company, Palabora Copper (Proprietary) Limited, which will acquire and own the assets of Palabora of which 26% will be owned by our BEE partners. The agreements were lodged with the Department of Mineral Resources on 2 July 2010, for final approval.

Declaration of Dividend
An interim cash dividend of R2.07 cents per share has been declared in respect of the half-year ended 30 June 2010.

Payment in South African Rand will be made on Monday, 6 September 2010 to shareholders recorded in the register of Palabora Mining Company as at 3 September 2010. The last day to trade to qualify for the dividend will be Friday, 27 August 2010 and the shares will trade ex-dividend from Monday, 30 August 2010. Share certificates may not be dematerialised or rematerialised between Monday, 30 August 2010 and Friday, 3 September 2010, both days inclusive.

This interim financial report does not reflect this dividend payable, which will be recognised in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2010.

The final dividend relating to the 2009 financial year of R300 million was paid during the period ending 30 June 2010. (30 June 2009: R40 million relating to the 2008 financial year).

Corporate Governance
Ms. Kay S. Priestly resigned as a non-executive director of the Board, with effect from 31 May 2010. With effect from 1 June 2010, Ms. Jo-Ann Yuen was appointed as non-executive director of the Board.

Ms. Shelly Thomas and Mr. Charles Asubonten retired as directors of the Company at the annual general meeting held on 8 June 2010, with effect from 9 June 2010.

On 1 July 2010, Mr. Matthew Gili resigned as the Managing Director at Palabora after five and a half successful and productive years with the Company, including three as Managing Director. Mr. Gili has accepted a new role at the Rio Tinto managed Oyu Tolgoi project in Mongolia.

Mr. Anthony (Tony) W. Lennox was appointed the Managing Director at Palabora, with effect from 12 July 2010. Mr. Lennox was General Manager of Rio Tinto Energy's Kestrel coal in Queensland, Australia. Prior to joining Rio Tinto four years ago, he held senior management roles with BHP Billiton, including Corporate Vice President Health Safety & Environmental and President of the Cannington mining operation. Mr. Lennox has extensive experience in the mining industry. He is a mining engineer and holds a Bachelor of Engineering (Hons) Degree from the University of New South Wales.

Appreciation
We extend our sincere gratitude to our valued customers, the Board , staff and the Ba-Phalaborwa community for their continued support and dedication.

Mr. Clifford Zungu added, "We want to thank Matt Gili for his leadership of Palabora during turbulent economic times over the past three years and for leading the transformation and empowerment efforts. During his time as Managing Director he restructured the senior management team and positioned Palabora for continued growth and expansion. The Board thanks Matt and wishes him well in his new role."

CN Zungu	**AW Lennox**	**MB Snyder**
Chairman	***Managing Director***	***Interim Chief Financial Officer***

5 August 2010

Interim consolidated income statement

	Note	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Sale of products		**3 332 464**	2 569 469
Hedge loss realised		**(419 618)**	(212 928)
Revenue		**2 912 846**	2 356 541
Cost of sales		**(1 504 403)**	(1 425 097)
Gross profit		**1 408 443**	931 444
Selling and distribution costs		**(718 443)**	(490 664)
Administration expenses		**(216 008)**	(177 478)
Other operating costs	4	**(55 473)**	-
Other income		**16 181**	41 391
Exploration costs		**-**	(20)
Impairment loss		**-**	-
Other expenses		**(1 793)**	(3 965)
Profit before net finance cost and tax	5	**432 907**	300 708
Net finance income/(cost)	6	**5 704**	(100 240)
Finance cost	6	**(30 249)**	(139 839)
Finance income	6	**35 953**	39 599
Profit before tax		**438 611**	200 468
Income tax expense	7	**(133 104)**	(59 874)
Profit for the period		**305 507**	140 594
Profit attributable to:			
Equity holders of the parent		**305 507**	140 594
Earnings per share attributable to the equity holders of the parent (expressed in cents per share):			
- Basic and diluted earnings per share (cents)	8	**632c**	291c
- Headline earnings per share (cents)	9	**630c**	291c

Interim consolidated statement of comprehensive income

	Note	**Six months ended 30 June 2010 R'000**	Six months ended 30 June 2009 R'000
Profit for the period		**305 507**	140 594
Other comprehensive income/(loss):			
Available-for-sale investments:			
- Valuation gains/(losses) arising during the period		**4 355**	(21 809)
Exchange differences on translation of foreign operations		**293**	(19 665)
Cash flow hedges:			
- Profit/(loss) taken to equity		**342 023**	(758 433)
- Transferred to profit or loss for the period		**419 618**	212 928
- Hedge ineffectiveness		**1 852**	1 311
Income tax relating to components of other comprehensive income	10	**(215 595)**	123 087
Other comprehensive income/(loss) for the period, net of income tax		**552 546**	(462 581)
Total comprehensive income/(loss) for the period		**858 053**	(321 987)
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		**858 053**	(321 987)

Interim consolidated statement of financial position

	Note	As at 30 June 2010 R'000	As at 31 December 2009 R'000
Assets			
Non-current assets		**3 860 696**	4 252 699
Property, plant and equipment		**2 806 372**	2 990 083
Intangible assets		**4 026**	4 871
Other financial assets		**367 933**	360 383
Deferred income tax assets	10	**682 365**	897 362
Current assets		**2 925 266**	2 755 215
Stores inventories		**110 715**	115 226
Product inventories		**894 373**	618 713
Trade and other receivables		**829 442**	626 286
Cash and cash equivalents		**1 090 736**	1 394 990
Total assets		**6 785 962**	7 007 914
Equity			
Equity attributable to owners of parent			
Share capital and premium		**629 551**	629 551
Other reserves		**(1 597 496)**	(2 150 042)
Retained earnings		**3 205 913**	3 200 071
Total equity		**2 237 968**	1 679 580
Liabilities			
Non-current liabilities		**2 974 582**	3 684 367
Other financial liabilities	11	**1 667 464**	2 334 899
Close down and restoration obligation		**452 029**	432 526
Retirement benefits obligation		**154 903**	149 490
Deferred income tax liabilities	10	**700 186**	767 452
Current liabilities		**1 573 412**	1 643 967
Other financial liabilities	11	**775 938**	877 403
Retirement benefits obligation		**7 844**	7 844
Borrowings	12	**104 692**	102 871
Trade and other payables		**481 654**	426 833
Related party payables		**181 223**	162 226
Current income tax liabilities		**22 061**	66 790
Total liabilities		**4 547 994**	5 328 334
Total equity and liabilities		**6 785 962**	7 007 914

Interim consolidated statement of changes in equity

	Share Capital R'000	Share premium R'000	Other Reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2009	48 337	581 214	(923 910)	2 966 385	2 672 026
Total comprehensive loss for the period	-	-	(1 160 249)	287 110	(873 139)
Profit for the period	-	-	-	283 837	283 837
Available-for-sale investments:					
– Valuation profit taken to equity	-	-	16 348	-	16 348
Exchange differences on translation of foreign operations	-	-	(35 749)	-	(35 749)
Cash flow hedges:					
– Losses arising during the period	-	-	(2 100 197)	-	(2 100 197)
– Transferred to profit or loss for the period	-	-	546 677	-	546 677
– Hedge ineffectiveness	-	-	2 840	-	2 840
Actuarial loss on defined benefit plans	-	-	-	4 546	4 546
Income tax relating to components of other comprehensive income	-	-	409 832	(1 273)	408 559
Dividends paid	-	-		(119 394)	(119 394)
Unclaimed dividends and other	-	-	(1 248)	1 335	87
Transfer of deferred tax on items included in other reserves	-	-	(64 635)	64 635	-
Balance at 31 December 2009	**48 337**	**581 214**	**(2 150 042)**	**3 200 071**	**1 679 580**
Total comprehensive income for the period	**-**	**-**	**552 546**	**305 507**	**858 053**
Profit for the period				**305 507**	**305 507**
Available-for-sale investments:					
– Valuation profit taken to equity	-	-	**4 355**	**-**	**4 355**
Exchange differences on translation of foreign operations	-	-	**293**	**-**	**293**
Cash flow hedges:					
– Profit arising during the period	-	-	**342 023**	**-**	**342 023**
– Transferred to profit or loss for the period	-	-	**419 618**	**-**	**419 618**
– Hedge ineffectiveness	**-**	**-**	**1 852**	**-**	**1 852**
Income tax relating to components of other comprehensive income	**-**	**-**	**(215 595)**	**-**	**(215 595)**
Dividends paid	**-**	**-**	**-**	**(299 693)**	**(299 693)**
Unclaimed dividends	**-**	**-**	**-**	**28**	**28**
Balance at 30 June 2010	**48 337**	**581 214**	**(1 597 496)**	**3 205 913**	**2 237 968**

Interim consolidated cash flow statement

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Cash flows from operating activities	**(279 800)**	345 797
Cash generated from operations	**310 387**	462 115
Pension fund surplus received	**-**	-
Interest paid	**(2 928)**	(27 193)
Interest received	**13 604**	21 423
Dividend paid	**(299 693)**	(39 602)
Income tax paid	**(301 170)**	(70 946)
Cash flows from investing activities	**(51 202)**	(51 211)
Acquisition of property, plant and equipment	**(53 308)**	(58 874)
Acquisition to intangible assets	**-**	(1 609)
Proceeds on disposal of property, plant and equipment	**2 900**	35
Amounts invested in available-for-sale investment	**(3 193)**	(23 590)
Interest received	**-**	11 794
Dividends received	**2 399**	21 033
Cash flows from financing activities	**-**	(79 969)
Borrowings repaid	**-**	(79 969)
Net (decrease)/increase in cash and cash equivalents	**(331 002)**	214 617
Cash and cash equivalents at beginning of year	**1 394 990**	747 014
Effects of exchange rate changes on the balance of cash held in foreign currencies	**26 748**	(73 319)
Cash and cash equivalents at end of year	**1 090 736**	888 312

Notes to the interim condensed group results

1. CORPORATE INFORMATION

Palabora extracts and beneficiates copper, magnetite and vermiculite from its mines in the Limpopo Province, South Africa. It is the primary aim of the Group, a member of the worldwide Rio Tinto Group, to achieve excellence in all aspects of its activities and to develop the Group's resources and assets in a socially and environmentally responsible way for the maximum benefit of its shareholders, employees, customers and the community in which it operates. It is the Group's firm belief that efficient and profitable operations go hand-in-hand with high quality products and comprehensive and effective safety, health and environmental protection programmes.

The Group is incorporated and domiciled in South Africa and has its primary listing on the JSE Limited ("JSE"). The address of its registered office is 1 Copper Road, Phalaborwa 1389.

This condensed consolidated interim financial information of the Group for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board passed on 5 August 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard ("IAS") 34 (Interim Reporting), as well as with Schedule 4 of the South African Companies Act, no. 61 of 1973 and the disclosure requirements of the JSE's Listing Requirements.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ending 31 December 2009.

Except as described below, the accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- **International Financial Reporting Standards ("IFRS") 1 (Amendment), First time adoption of IFRS** (effective for financial periods beginning on or after 1 January 2010) – Amendment relating to oil and gas assets and determining whether an arrangement contains a lease;
- **IFRS 2 (Amendment), Share based payments** (effective for financial periods beginning on or after 1 January 2010) – Amendment relating to group cash-settled share based payment transactions – clarity of the definition of the term "Group" and where in a group share based payments must be accounted for;
- **IFRS 3, Business combinations** (effective for financial periods beginning on or after 1 July 2009) – This comprehensive revision in IFRS 3 will have an impact on future acquisitions, for example transaction costs cannot be seen as part of the purchase consideration;
- **IAS 27 (Amendment), Consolidated and separate financial statements** (effective for financial periods beginning on or after 1 July 2009) – Consequential amendments from changes to IFRS 3, Business combinations and measurements of subsidiaries held for sale in separate financial statements;
- **IAS 39 (Amendment), Eligible hedged items** (effective for financial periods beginning on or after 1 July 2009) – Clarifies the principles relating to hedged risk of portions of cash flows;
- **Improvements to IFRSs 2009** – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project;
- **AC 504, IAS 19 (AC 116) The Limit On A Defined Benefit Asset, Minimum Funding Requirements And Their Interaction In The South African Pension Fund Environment** (effective

for financial periods beginning on or after 1 April 2009) – The South African Interpretation has been issued to provide guidance on the application of IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956 (the Act)) within the scope of IAS 19 (AC 116) – Employee Benefits;

- **IFRIC 18, Transfers of assets from customers** (effective for financial periods beginning on or after 1 July 2009) – This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets;
- **Improvements to IFRSs 2008 – IFRS 5 Non Current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary** (effective for financial periods beginning on or after 1 July 2009) – This improvement clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale; and
- **'Additional exemptions for first-time adopters'** (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group:

- **IFRS 1 (Amendment), First time adoption of IFRS, and IAS 27, Consolidated and separate financial statements** (effective for financial periods beginning on or after 1 July 2009) – The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor;
- **IFRS 1 (Amendment), First time adoption of IFRS** (effective for financial periods beginning on or after 1 January 2010) – Amendment relating to oil and gas assets and determining whether an arrangement contains a lease;
- **IFRIC 16, Hedges of a net investment in a foreign operation** (effective for financial periods beginning on or after 1 July 2009) –This interpretation clarifies the accounting treatment in respect of net investment hedging; and
- **IFRIC 17, Distribution of non-cash assets to owners** (effective for financial periods beginning on or after 1 July 2009) – This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

3. PRESENTATION CHANGES

The following presentational changes were made for improved classification purposes:

3.1 Provisions – Statement of financial position
The retirement benefits obligation has been separated between the current and the non-current portion as per the requirements of *IAS 37, Provisions, contingent liabilities and contingent assets*.

3.2 Income statement
Dividends received on the available-for-sale asset of R21 million rand, which was presented as part of "Finance income" in the period ended 30 June 2009 was reclassified and reflected as part of "Other income" on the income statement in line with *IAS 18, Revenue recognition*. This resulted in a change in previous reported amounts on the face of the income statement as follows:

	As currently reported R'000	As previously reported R'000
For the period ended 30 June 2009		
Other income	**41 391**	20 358
Profit before tax and net finance costs	**300 708**	279 675
Net finance income/(cost)	**(100 240)**	(79 207)
Finance income	**39 599**	60 632

3.3 Statement of cash flows

The effects of the exchange rate changes on the balance of cash flow held in foreign currencies is now separately disclosed from the net increase/(decrease) in cash and cash equivalents as per *IAS7, Statement of cash flows* requirement.

The presentation change only affects the statement of cash flows for the previous six months ended, as follows:

	Six months ended 30 June 2009 R'000
Cash generated from operations – as previously reported	388 796
Effects of exchange rate change on the balance of cash held in foreign currencies	73 319
Cash generated from operations – restated	462 115
Net cash generated from operating activities – as previously reported	272 478
Effects of exchange rate change on the balance of cash held in foreign currencies	73 319
Net cash generated from operating activities - restated	345 797
Net increase/(decrease) in cash and cash equivalents – as previously reported	141 298
Effects of exchange rate change on the balance of cash held in foreign currencies	73 319
Net increase/(decrease) in cash and cash equivalents – restated	214 617

4. OTHER OPERATING COST

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Mineral and petroleum resources royalty	**(55 473)**	-

5. PROFIT BEFORE TAX AND NET FINANCE COSTS

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Profit before tax and net finance costs is stated after charging:		
Depreciation of property, plant and equipment	**(234 171)**	(283 625)
Amortisation of intangible assets	**(846)**	(678)
Employee benefit expense	**(405 911)**	(376 139)

6. NET FINANCE INCOME/(COST)

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Finance cost	**(30 249)**	(139 839)
Interest expense on borrowings	**(2 928)**	(27 193)
Unwinding of discount on close down and restoration obligation	**(19 504)**	(19 088)
Net foreign exchange loss on operating activities	**(7 817)**	(93 558)
Finance income	**35 953**	39 599
Interest income on short-term bank deposits	**11 447**	18 697
Interest income on pension surplus fund	**-**	11 794
Interest income on available-for-sale asset	**2 023**	2 557
Interest income on account receivable balances	**134**	169
Net foreign exchange gain on financing activities	**22 349**	6 382
Net finance income/(cost)	**5 704**	(100 240)

7. INCOME TAX EXPENSE

The major components of income tax expense are:

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Normal income tax	**(171 619)**	(125 304)
- South African		
- Mining tax: current period	**(166 039)**	(116 047)
- Mining tax: prior period	**1 285**	-
- Non-mining tax: current period	**(566)**	(4 066)
- Non-mining tax: prior period	**-**	356
- Foreign		
- Current period	**(6 299)**	(5 547)
Secondary tax on companies	**(29 349)**	-
Deferred income tax	**67 864**	65 430
- South African	**67 849**	65 562
- Foreign	**15**	(132)
Income tax expense reported in the income statement	**(133 104)**	(59 874)

The tax rate reconciliation is as follows:

	%	%
Current standard rate	**28.0**	28.0
Adjusted for:		
- Estimated state share (after tax) rate	**-**	3.6
- Actual state share and state share deduction on mining tax	**0.6**	(3.1)
- Dividend income	**(0.1)**	(3.5)
- Disallowable expenditure	**0.5**	1.6
- Secondary tax on companies	**7.0**	-
- Deferred tax on unutilised STC credits	**-**	2.2
- Tax rate differential of foreign subsidiaries	**-**	(0.5)
- Prior year over provision	**(1.8)**	-
- Other	**(3.9)**	1.6
Effective tax rate	**30.3**	29.9

8. EARNINGS PER SHARE

Basic and diluted:
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year. The basic and diluted earnings per share values are the same as the Group has no outstanding dilutive potential ordinary shares.

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Reconciliation of net profit for earnings per share		
Net profit attributable to equity holders of parent	**305 507**	140 594
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares of basic and diluted earnings per share	**48 337**	48 337
Earnings per share (cents)	**632c**	291c

9. HEADLINE EARNINGS PER SHARE

	Profit before tax R'000	**Tax expense R'000**	**Profit after tax R'000**
Six months ended 30 June 2010			
Profit per income statement	**438 611**	**(133 104)**	**305 507**
Profit on disposal of property, plant and equipment	**(1 735)**	**527**	**(1 208)**
Headline profit for six months ended 30 June 2010	**436 876**	**(132 577)**	**304 299**
Six months ended 30 June 2009			
Profit per income statement	200 468	(59 874)	140 594
Profit on disposal of property, plant and equipment	(35)	10	(25)
Headline profit for six months ended 30 June 2009	200 433	(59 864)	140 569

	Six months ended 30 June 2010	Six months ended 30 June 2009
Headline earnings per share (cents)	**630c**	291c

10. DEFERRED INCOME TAX

	Six months ended 30 June 2010 R'000	Year ended 31 December 2009 R'000
At beginning of period	**129 910**	(371 786)
Tax charged to income statement	**67 864**	93 136
Tax charged to statement of other comprehensive income	**(215 595)**	408 560
At end of period	**(17 821)**	129 910
Deferred income tax assets arising from:		
Provisions	**90 206**	77 625
Other financial liabilities	**682 365**	896 740
STC credits	**-**	622
Other temporary differences	**514**	-
	773 085	974 987
Deferred income tax liabilities arising from:		
Property, plant and equipment	**(779 989)**	(834 203)
Change in tax legislation	**-**	-
Available-for-sale investment	**(5 797)**	(4 578)
Other	**(5 120)**	(6 296)
	(790 906)	(845 077)
Net deferred income tax (liability)/asset	**(17 821)**	129 910
Comprising:		
Deferred income tax asset	**682 365**	897 362
Deferred income tax liability	**(700 186)**	(767 452)
	(17 821)	129 910

11. OTHER FINANCIAL LIABILITIES

Derivative financial instruments – Cash flow hedges

At 30 June 2010, the Group held a commodity swap contract designated as hedges of expected future sales to local customers under which the Group receives a fixed price in rand in relation to a monthly notional quantity of copper sales as detailed below and pays a floating price based on the arithmetic average (mean) of US$ LME Cash Settlement Price, converted to rand at the average SA rand/US dollar exchange rate for the calculation period. The cash flows paid under the terms of the hedging instrument are designed to reduce variability in the rand proceeds of the copper sales as set out in the table below.

As at 30 June 2010 the cash flow hedges of the expected future sales were assessed to be highly effective and the ineffective portion of R2 million was recognised directly under "Other income" in the income statement.

Table of terms: 30 June 2010

Maturity Year	Quantity (t)	Average hedged price ZAR/t	Hedged value R'000	Mark to market loss/(gain) R'000
2010	11 153	15 739	175 537	**380 006**
2011	21 825	15 739	343 504	**762 600**
2012	21 137	15 739	332 675	**735 798**
2013	16 330	15 739	257 018	**550 511**
	70 445		1 108 734	**2 428 915**
Unamortised component of non-observable inception gain				**14 487**
Total of derivative financial instrument				**2 443 402**
Non-current				
Derivative financial instrument				**1 667 464**
Unamortised component of non-observable inception gains				**-**
Total non-current portion				**1 667 464**
Current				
Derivative financial instrument				**761 451**
Unamortised component of non-observable inception gain				**14 487**
Total current portion				**775 938**
Total of derivative financial instrument				**2 443 402**

Table of terms: 31 December 2009

Maturity Year	Quantity (t)	Average hedged price ZAR/t	Hedged value R'000	Mark to market loss/(gain) R'000
2010	22 188	15 739	349 217	862 803
2011	21 825	15 739	343 504	867 077
2012	21 137	15 739	332 675	832 824
2013	16 330	15 739	257 018	627 851
	81 480		1 282 414	3 190 555
Unamortised component of non-observable inception gain				21 747
Total of derivative financial instrument				3 212 302
Non-current				
Derivative financial instrument				2 327 751
Unamortised component of non-observable inception gains				7 148
Total non-current portion				2 334 899
Current				
Derivative financial instrument				862 804
Unamortised component of non-observable inception gain				14 599
Total current portion				877 403
Total of derivative financial instrument				3 212 302

12. BORROWINGS AND NET (CASH)/DEBT

Description of loan	Currency	Effective interest rate %	**Six months ended 30 June 2010 R'000**	Year ended 31 December 2009 R'000
Current				
Revolving credit facility – Tranche A	ZAR	Jibar+2.35%	**47 500**	47 500
Revolving credit facility – Tranche B	USD	Libor+2.0%	**57 192**	55 371
Total borrowings			**104 692**	102 871
Cash and cash equivalents			**(1 090 736)**	(1 394 990)
Net (cash)/debt			**(986 044)**	(1 292 119)
Total equity			**2 237 968**	1 679 580
Total capital employed			**1 251 924**	387 461
Gearing			**(0,79)**	(3,33)

Approximately 55% of the group's existing borrowings is denominated in US dollar for a total amount of US$7.5 million. The terms of repayments are consistent with the information disclosed in the December 2009 annual financial statements.

Net cash consists of borrowings and cash and cash equivalents. It is calculated consistently year on year.

No payment defaults were declared.

13. DIVIDENDS PAID

The following dividends were declared and paid:

	Six months ended 30 June 2010 R'000	Year ended 31 December 2009 R'000
Previous year final dividend:		
620 cents per qualifying ordinary share (2009: 82 cents)	**299 693**	39 637
Interim dividend:		
165 cents per qualifying ordinary share	**-**	79 757
Total dividends paid	**299 693**	119 394

After the respective reporting dates the following dividends were proposed by the directors. The dividends declared is recognised in the period that it is paid.

	Six months ended 30 June 2010 R'000	Year ended 31 December 2009 R'000
Dividends declared:		
207 cents per qualifying ordinary share (30 June 2009: 165 cents; 31 December 2009: 620 cents)	**100 058**	299 693
Secondary tax on companies due on closing date of dividend cycle	**100 058**	29 349

14. OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions. The committee considers the business from a product perspective. The products are divided in the following segments:

- Copper – produces and markets refined copper;
- Joint–product: Magnetite – markets processed current arisings and built–up stockpiles of magnetite, a joint–product from the copper mining process;
- By–products: Other – includes anode slimes, sulphuric acid and nickel sulphate; and
- Industrial minerals – produces and markets vermiculite.

The segment information provided to management for the reportable segments for the period ended 30 June 2010 is as follows:

	Copper R'000	Joint-product: Magnetite R'000	By-products: Other R'000	Industrial minerals R'000	Total R'000
Period ended 30 June 2010					
External customers revenue					
Sales from products	**1 874 053**	**1 170 428**	**102 381**	**185 602**	**3 332 464**
Hedge loss realised	**(419 618)**	**-**	**-**	**-**	**(419 618)**
Reportable segment revenue	**1 454 435**	**1 170 428**	**102 381**	**185 602**	**2 912 846**
Reportable segment operating profit before depreciation	**234 048**	**309 230**	**94 979**	**4 818**	**643 075**
Depreciation	**(213 953)**	**(216)**	**(2 880)**	**(4 853)**	**(221 902)**
Reportable segment operating profit	**20 095**	**309 014**	**92 099**	**(35)**	**421 173**
Period ended 30 June 2009					
External customers revenue					
Sales from products	1 570 532	639 914	126 604	232 419	2 569 469
Hedge loss realised	(212 928)	-	-	-	(212 928)
Reportable segment revenue	1 357 604	639 914	126 604	232 419	2 356 541
Reportable segment operating profit before depreciation	174 886	217 441	107 634	51 676	551 637
Depreciation	(261 616)	(265)	(3 520)	(4 958)	(270 359)
Reportable segment operating profit	(86 730)	217 176	104 114	46 718	281 278

Reconciliation of reportable segment operating profit to profit after tax:

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
Reportable segment operating profit	**421 173**	281 278
Unallocated amounts:		
- Administration income not allocated to segments	**24 849**	33 374
- Depreciation and amortisation of tangible and intangible assets	**(13 115)**	(13 944)
- Net finance income/(cost)	**5 704**	(100 240)
Profit from operations before tax	**438 611**	200 468
Income tax expense	**(133 104)**	(59 874)
Profit after tax	**305 507**	140 594

15. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2010 R'000	Six months ended 30 June 2009 R'000
The following transactions were carried out with related parties:		
Recovery of travel and staff costs	**1 775**	804
Purchases of goods and services	**315 670**	190 345
Key management compensation (executive directors)	**7 927**	3 041

The increase in purchased goods and services is due to the increased use of Rio Tinto Shipping to accommodate the increased magnetite tonnages shipped.

16. COMMITMENTS

Commitments contracted for at reporting date were R74 million (31 December 2009: R93 million). Capital expenditure that was approved by the board, but not contracted for at 30 June 2010 amounts to R307 million (31 December 2009: R135 million).

17. CONTINGENT LIABILITIES

Legal matters
Various legal matters, including labour cases before the CCMA, are in progress. The potential exposure is approximately R23 million.

Land claims
Presently four land claims have been filed regarding the government owned property that Palabora uses for its mining operations. The four tribes have joined together and are represented by one legal advisor. Clarifications of the claims and Palabora's defences are being pursued through legal channels.

18. EVENTS AFTER REPORTING DATE

Dividend declaration
The board resolved to declared a dividend of R2.07 per share on 5 August 2010. This financial report does not reflect this dividend payable, which will be recognised in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2010.

19. GROUP SELECTED STATISTICS

		Six months ended 30 June 2010	Six months ended 30 June 2009
Revenue			
Copper (net of hedge)	R' million	**1 454**	1 358
Industrial minerals	R' million	**186**	232
Magnetite	R' million	**1 170**	640
Other products	R' million	**102**	127
Net profit before tax	R' million	**439**	200
Copper			
Dry ore hoisted	millions of tonnes	**5.47**	5.85
Average copper grade	% Cu	**0.650**	0.661
Copper in concentrates produced	'000 of tonnes	**36.4**	37.8
Cathode produced	'000 of tonnes	**25.8**	40.5
Average copper price realised	USc/lb	**331.1**	182.7
LME Copper Price	USc/lb	**324.0**	183.5
Average sales rand/dollar exchange rate realised	R/US$	**7.52**	9.31
Spot rand/dollar exchange rate	R/US$	**7.64**	7.77
Average copper price realised (pre hedge)	R/tonne	**54 919**	36 991
Average copper price realised (post hedge)	R/tonne	**42 570**	31 729
Copper Rod			
Unit selling price pre hedge	USc/lb	**342**	182
Unit selling price post hedge	USc/lb	**265**	158
Sales	tonnes	**18 770**	25 809
Cathode			
Unit selling price pre hedge (local)	USc/lb	**316**	173
Unit selling price post hedge (local)	USc/lb	**253**	149
Sales (local)	tonnes	**6 213**	11 117
Unit selling price pre hedge (export)	USc/lb	**N/A**	218
Unit selling price post hedge (export)	USc/lb	**N/A**	189
Sales (export)	tonnes	**-**	3 106
Vermiculite			
Vermiculite sold	tonnes	**85 249**	92 042
Average vermiculite prices realised	R/tonne	**2 177**	2 521
Operational cash cost	R/tonne	**752**	674
Magnetite			
Magnetite sold	tonnes	**1 365 997**	1 163 912
Average magnetite prices realised	R/tonne	**857**	550
Anode slimes			
Anode slimes sold	tonnes	**43**	54
Average anode slimes prices realised	R/tonne	**2 260 510**	1 799 669
Nickel sulphate			
Nickel sulphate sold	tonnes	**127**	232
Average nickel sulphate prices realised	R/tonne	**28 815**	24 951

	Units	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Sulphuric acid			
Sulphuric acid sold	tonnes	**20 243**	56 651
Average sulphuric acid prices realised	R/tonne	**97**	404
Imported concentrate			
Volumes	Tonnes copper	**-**	3 209
Cost	R' million	**2**	93
Unit purchased price	R/tonne of copper	**-**	28 910
Marginal ore concentrate purchased			
Volumes	Tonnes copper	**800**	2 098
Cost	R' million	**30**	61
Unit purchased price	R/tonne of copper	**37 705**	28 848
Imported blister			
Volumes	Tonnes copper	**2 149**	-
Cost	R' million	**119**	-
Unit purchased price	R/tonne of copper	**55 248**	-
Imported cathode			
Volumes	Tonnes copper	**1 800**	-
Cost	R' million	**96**	-
Unit purchased price	R/tonne of copper	**53 353**	-
Imported rod			
Volumes	Tonnes copper	**4 913**	-
Cost	R' million	**289**	-
Unit purchased price	R/tonne of copper	**58 887**	-
Cash flow			
Cash from operating activities	R' million	**(280)**	346
Cash in bank	R' million	**1 091**	888
Costs			
Production cost (excluding concentrate purchases)	R' million	**1 040**	846
Cost of sales	R' million	**1 504**	1 425
Capital expenditure and commitments			
Capital expenditure	R' million	**53**	60
Approved expenditure at end of each period	R' million	**166**	174
Contracts placed at end of each period	R' million	**74**	60
Investments			
Fair value of unlisted investments	R' million	**368**	316
Share capital			
Authorised ordinary shares of R1 each	000's	**100 000**	100 000
Issued ordinary shares of R1 each	000's	**48 337**	48 337
Net asset value per ordinary share	R/share	**46.30**	47.80