Palabora Mining Company Limited

and its Subsidiaries

("Group" or "Palabora" or "Company")

Incorporated in the Republic of South Africa

Registration Number: 1956/002134/06

JSE Code: PAM ISIN: ZAE000005245

UNAUDITED INTERIM REPORT

for the six months ended 30 June 2013

Company Secretary:	KN Mathole
Registered address:	1 Copper Road, Phalaborwa, 1389 PO Box 65, Phalaborwa, 1390
Transfer Secretaries:	Computershare Investor Services (Pty) Limited 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107
Sponsor:	One Capital

The preparation of the condensed consolidated interim financial information was supervised by:

Dikeledi L Nakene (CA) SA
Chief Financial Officer

Key group financial statistics

For the period ended		**Six months ended 30 June 2013**	Six months ended 30 June 2012
Post hedge revenue	R'm	**4 845**	4 296
Net profit for the period	R'm	**778**	338
Basic earnings per share	Cents	**1 610**	699
Earnings before interest, tax, depreciation and amortisation (EBITDA)	R'm	**983**	747
Adjusted EBITDA (excluding insurance claim, exploration, development and growth costs)	R'm	**1 126**	1 110
Headline earnings	R'm	**779**	337
Headline earnings per share	Cents	**1 612**	697
Exploration, development and growth costs*	R'm	**387**	363
Insurance claim	R'm	**244**	-
Dividend per share (declared)	Cents	**-**	-

** Currently Lift II costs are being expensed until the project is approved.*

Overview

The year 2013 marks a number of key milestones in the history of Palabora. Firstly new investors are now on board following the Rio Tinto and Anglo American divestment process finalisation and secondly we are excited that the BBBEE transaction, effective 1 August, is in its implementation phase. The associated IFRS 2 charge in respect of the BBBEE transaction will be expensed in the second half of the year. Additionally the hedge facility expires at the end of September with the last hedge payment in October. This will bring much needed relief to the copper business given the declining head grade as we approach the end of life of mine for the current Lift I operations in 2015.

The magnetite business continues to do well and remains critical to the business during this copper contraction phase pending a Board decision on Lift II to extend the life of mine. The belt filter plant is anticipated to be commissioned in the third quarter to increase magnetite drying capacity to 6Mt per annum. The second phase of the magnetite growth phase is underway to align the capacity of the magnetite booster and magnetite separation plants with the belt filter plant capacity. These two projects are expected to be commissioned in the second half of 2014.

The insurance claim in respect of the guide rope failure in the third quarter of 2012 was finalised in June 2013. The settlement of R244 million goes some way in reducing the impact of the guide rope failure which resulted in the copper business incurring a loss of R711 million in 2012. In terms of the business interruption insurance policy the first 30 days were not covered and additionally the excess limit was US$10 million.

Magnetite sales volumes increased 26% to 2.7Mt on the back of increased trucking to Maputo as well as improved rail capacity. Railed tonnage increased 28% to 2.1Mt whilst sales from trucking increased 33% to 420kt.

There were a number of challenges which affected copper production during the first half of the year. During the first quarter the underground south hoisting winder bearing failed followed by an unfortunate illegal sit-in strike by underground employees. In the second quarter production was affected by the underground north hoisting winder tail rope tangle as well as two Section 54s served by the Department of Mineral Resources ('DMR') at both the underground and concentrator. There was also a second unprotected strike by smelter employees in the second quarter which compounded operational challenges at the same plant. Magnetite exports through Maputo port were negatively affected for two months by a rail bridge collapse due to a derailment in Mozambique.

Despite these challenges, Palabora's adjusted EBITDA, excluding Lift II costs and insurance claim was in line with the comparative period in 2012. Palabora also managed to maintain a healthy cash position of R3 billion as at 30 June 2013 compared to R1.98 billion as at 31 December 2012. This was mainly achieved through an increase in magnetite sales, part settlement of the insurance claim received during June 2013 and the weakening of the rand against the US dollar.

Safety

All injuries decreased to 13 for the six months ended 30 June 2013 from 15 injuries for the same period in 2012, with a year to date all injury frequency rate of 0.53 for the first half year of 2013 compared to 0.60 for the same period in 2012. The safety of our employees and contractors remain the foremost priority for Palabora. For this reason sustaining capital expenditure is largely restricted to safety and regulatory compliance during this copper contraction phase of the current Lift I operation.

On 7 May 2013 a Section 54 was served by the DMR due to uncontrolled access to trackless mobile machinery. All operations involving trackless mobile machinery were suspended until 9 May 2013. Another Section 54 was served on 22 May 2013 due to a safety incident at the concentrator. The concentrator operations were suspended until 29 May 2013 which affected all downstream operations. All concerns were addressed to the satisfaction of the DMR and measures have been put in place to avoid recurrence.

Copper production

Ore hoisted declined 19% to 4.4Mt for the six months ended 30 June 2013 from 5.5Mt for the same period in 2012 mainly due to the challenges explained above. The ore grade was also lower (0.57% vs 0.60%) and consistent with expectation as the current Lift I operations draw to an end in 2015.

Total ore treated declined 25% to 4.4Mt for half year 2013 compared to 5.8Mt for the comparative period in 2012 due to the underground challenges and Section 54s served by the DMR.

New concentrate smelted increased 4% to 111kt compared to the corresponding period in 2012 mainly due to supplementary concentrate imports (5t contained copper).

New copper anode production was 4% lower (27.3kt vs 28.5kt) mainly due to lower smelting rates at the reverb.

Refined copper production declined 6% to 25.8kt compared to 27.4kt for the comparative period in 2012.

Magnetite production

Total magnetite production, consisting course material (65% fe), iron oxide (56% fe) and dense medium separation (DMS), increased to 2.6Mt for the six months ended 30 June 2013 from 2.4Mt for the corresponding period in 2012. This increase is in line with increased logistical capacity from road trucking to Maputo port, partially offset by the impact of a rail bridge collapse following a derailment in Mozambique which affected production for two months.

Vermiculite production

Vermiculite production decreased 4% to 73kt compared to 76kt for the same period in 2012. Production will be monitored to ensure continued alignment with sales in line with market conditions.

Profit for the period

The 130% increase in profit after tax for the six month period to R778 million in 2013 from R338 million in 2012 is mainly due to:

- Post tax insurance claim of R176 million for the underground guide rope failure in 2012; and
- Net foreign exchange gains due to the weakening of rand against US dollar (R9.18/US$ vs R7.94/US$) as detailed below:

	R'm
Turnover	323
Cash held in foreign currencies	191
Working capital	78
Foreign currency denominated costs	(59)
Effect of after tax foreign exchange gains compared to 2012	**533**

Turnover variance analysis

Turnover variance analysis	(R'm)
Turnover for the six months ended 30 June 2012	**4 296**
Price variance	
- Copper	(66)
- Magnetite	(93)
- Vermiculite and by-products	(3)
Hedge variance	(22)
Foreign exchange	448
Flexed turnover	**4 560**
Volume variance	
- Copper	(354)
- Magnetite	648
- Vermiculite	10
- By-products	(19)
Turnover for the six months ended 30 June 2013	**4 845**

- Magnetite sales volumes increased 26% to 2.7Mt from 2.1Mt in 2012 and increased turnover by R648 million;
- Weaker rand on foreign currency denominated sales increased turnover by R448 million;
- Lower copper prices (USc344.6/lb vs USc373.7/lb) and magnetite prices (US$129/t vs US$142/t) reduced turnover by R159 million;
- Lower copper volumes (28kt vs 33kt) reduced turnover by R354 million.

	Six months ended 30 June 2013 kt	Six months ended 30 June 2012 kt	% change
Copper sales volume mix			
Copper rod	**26.1**	27.3	(4)
Cathode	**1.3**	2.7	(52)
Refined copper scrap	**0.1**	2.6	(96)
Total copper sold	**27.5**	32.6	(16)
Magnetite sales volumes			
Export	**2 544**	1 972	29
Rail: Maputo port	**1 364**	992	38
Rail: Richards Bay port	**760**	665	14
Trucking: Maputo port	**420**	315	33
Local sales	**109**	134	(19)
Total magnetite sold	**2 653**	2 106	26

Selling, distribution and administration costs

Selling and distribution costs increased by 25% to R1.7 billion for the first half of 2013 compared to R1.3 billion for the first half of 2012 mainly due to increased magnetite sales volumes and impact of weaker rand on freight as well as Maputo port charges.

Administration expenses increased by 11% to R426 million compared to R384 million in 2012 mainly due to contribution of R22 million towards enterprise development programmes in first half of 2013 and increased insurance costs of R10 million.

Cash flow and capital

Net cash generated from operating activities increased to R876 million for the six months ended 30 June 2013 compared to R178 million during the same period in 2012 mainly due to a decrease in tax and dividend payments of R340 million, part insurance claim received during June 2013 (R154 million) and higher foreign exchange gains realised. Tax payments are lower for 2013 due to the utilisation of a tax overpayment made in 2012 of R124 million.

Capital expenditure increased to R161 million from R123 million in 2012. Growth capital expenditure in respect of the belt filter press for magnetite was R29 million.

Broad Based Black Economic Empowerment (BBBEE)

The BBBEE Transaction was implemented on 1 August 2013.

As previously advised, Palabora's remaining old order mining right, which has not yet been converted, will be transferred to Palabora Copper Proprietary Limited ("Palabora Copper") once it has been converted and the requisite consent to its transfer to Palabora Copper has been obtained from the DMR. Palabora continues to engage with the DMR in order to achieve the conversion of this right and its transfer to Palabora Copper. Shareholders will be kept apprised of developments in this regard.

Rio Tinto and Anglo American Divestment

The Rio Tinto and Anglo American Divestment was implemented on 31 July 2013. This has resulted in the Consortium acquiring, directly and indirectly, 74.5% of the issued share capital of the Company.

As a result, and as previously advised, the Consortium is required to extend an offer to all remaining Shareholders to acquire their ordinary shares in Palabora ("Mandatory Offer"), which offer Shareholders may accept as to all or a portion of their Palabora ordinary shares ("Shares"). Pursuant to the Mandatory Offer, and subject to and in accordance with the requirements of the Companies Act, 71 of 2008, as amended, and the Fundamental Transactions and Takeover Regulations contained in Chapter 5 of the Companies Regulations, 2011, as amended ("Companies Regulations"), Palabora understands that Shareholders are to be offered a consideration of ZAR 110 per Share, plus an additional ZAR 5.95 per Share, being a non-compounding escalation amount of 5% per annum calculated over the period from 1 July 2012 up to, but excluding, the closing date of the Rio Tinto and Anglo American Divestment, being 31 July 2013.

Note that this announcement by Palabora does not constitute the firm intention announcement in respect of the Mandatory Offer required to be made by the Consortium in accordance with Regulation 101(1) of the Companies Regulations.

Directorship

At 30 June 2013 the Palabora Board was constituted as follows:

Directors	Alternate directors
1. Clifford N Zungu (Chairman)	
2. Anthony W Lennox (Managing Director)* (Australian)	
3. Dikeledi L Nakene (Chief Financial Officer)*	
4. Francine A du Plessis	
5. Moegamat R Abrahams	
6. Nhlanhla A Hlubi	
7. Craig Kinnell (British)	
8. Jean-Sebastien Jacques (British)	Eric Yan (British)
9. Hendrik J Faul	
10. Peter Ward	

**Executive director*

Appreciation

On behalf of the Board and Ba-Phalaborwa community I would like to thank the outgoing shareholders, Rio Tinto and Anglo American, for the support and commitment during their tenure and look forward to a new era under the new investors.

CN Zungu	**AW Lennox**	**DL Nakene**
Chairman	*Managing Director*	*Chief Financial Officer*

7 August 2013

Group selected statistics

		Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue			
Copper (post-hedge)	R'million	**1 393**	1 635
Magnetite	R'million	**3 144**	2 368
By-products	R'million	**98**	94
Industrial minerals	R'million	**210**	199
Profit before tax	R'million	**1 067**	485
Copper			
Dry ore hoisted	kilo tonnes	**4 419**	5 488
Underground ore treated	kilo tonnes	**4 360**	5 180
Average copper grade	% Cu	**0.57**	0.60
Copper in concentrate produced	kilo tonnes	**22.2**	31.3
Cathode produced	kilo tonnes	**25.8**	27.4
Average copper price realised	USc/lb	**344.6**	373.7
Average LME copper price	USc/lb	**341.9**	367.0
Average ZAR/US$ exchange rate	R/US$	**9.18**	7.94
Spot ZAR/US$ exchange rate	R/US$	**9.96**	8.49
Average copper price realised (pre-hedge)	R/tonne	**69 753**	65 624
Average copper price realised (post-hedge)	R/tonne	**50 572**	50 103
Magnetite			
Magnetite produced	kilo tonnes	**2 628**	2 377
Magnetite sold	kilo tonnes	**2 653**	2 106
Average magnetite price realised	R/tonne	**1 185**	1 124
Average magnetite price realised	US$/tonne	**129**	142
Vermiculite			
Vermiculite sold	tonnes	**59 246**	56 454
Average vermiculite price realised	R/tonne	**3 543**	3 523
Anode slimes			
Anode slimes sold	tonnes	**67**	81
Average anode slimes price realised	R/tonne	**1 283 823**	1 024 634
Nickel sulphate			
Nickel sulphate sold	tonnes	**66**	102
Average nickel sulphate price realised	R/tonne	**28 840**	28 376
Sulphuric acid			
Sulphuric acid sold	tonnes	**44 326**	45 406
Average sulphuric acid price realised	R/tonne	**223**	174
Imported concentrate purchased			
Volumes	tonnes	**4 999**	-
Cost	R'million	**376**	-
Average unit purchase price	R/tonne	***75 114**	-

** High in silver content*

		Six months ended 30 June 2013	Six months ended 30 June 2012
Imported cathode purchased			
Volumes	tonnes	**805**	4 498
Cost	R'million	**63**	310
Average unit purchase price	R/tonne	**77 956**	68 947
Imported rod purchased			
Volumes	tonnes	**-**	748
Cost	R'million	**-**	51
Average unit purchase price	R/tonne	**-**	68 224
Cash flow			
Net cash from operating activities	R'million	**876**	178
Cash and cash equivalents	R'million	**3 031**	2 245
Costs			
Production cost (excluding product purchases)	R'million	**1 233**	1 286
Cost of sales	R'million	**1 939**	1 791
Capital expenditure	R'million	**161**	123
Sustaining capital	R'million	**132**	111
Growth capital	R'million	**29**	12
Share capital			
Authorised ordinary shares of R1 each	R'000	**100 000**	100 000
Issued ordinary shares of R1 each	R'000	**48 337**	48 337
Net asset value per share	R/share	**111**	88

Palabora Mining Company Ltd and its subsidiaries
Unaudited condensed consolidated income statement

	Note	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm
Sale of products		**5 374**	4 803
Hedge loss realised		**(529)**	(507)
Revenue		**4 845**	4 296
Cost of sales		**(1 939)**	(1 791)
Gross profit		**2 906**	2 505
Selling and distribution costs	3	**(1 659)**	(1 327)
Administration expenses	4	**(426)**	(384)
Mineral and petroleum royalty		**(39)**	(26)
Exploration, development and growth costs	5	**(387)**	(363)
Other income	6	**252**	11
Other expenses		**(19)**	(3)
Profit before net finance income and tax	7	**628**	413
Net finance income	8	**439**	72
Finance income	8	**467**	96
Finance cost	8	**(28)**	(24)
Profit before tax		**1 067**	485
Income tax expense	9	**(289)**	(147)
Profit for the period		**778**	338
Profit for the period attributable to:			
Equity holders of the parent		**778**	338
Earnings per share attributable to the equity holders of the parent (expressed in cents per share)			
Basic and diluted earnings per share (cents)	10	**1 610**	699

Unaudited condensed consolidated statement of comprehensive income

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm
Profit for the period	**778**	338
Other comprehensive income:		
Available-for-sale investments		
- Valuation gains arising during the period	**58**	16
Exchange differences on translation of foreign operations	**27**	9
Cash flow hedges		
- Mark to market losses arising during the period	**(13)**	(52)
- Transferred to profit or loss for the period	**529**	507
- Hedge ineffectiveness	**4**	3
Income tax relating to components of other comprehensive income	**(160)**	(130)
Other comprehensive income for the period, net of tax	**445**	353
Total comprehensive income for the period	**1 223**	691
Total comprehensive income attributable to:		
Equity holders of the parent	**1 223**	691

Unaudited condensed consolidated statement of financial position

	Note	As at 30 June 2013 R'm	As at 31 December 2012 R'm
Assets			
Non-current assets		**2 967**	3 098
Property, plant and equipment		**2 279**	2 474
Intangible assets		**12**	12
Financial assets		**676**	612
Current assets		**5 279**	4 033
Stores inventories		**125**	167
Product inventories		**1 086**	871
Trade and other receivables		**1 037**	851
Cash and cash equivalents		**3 031**	1 980
Current income tax assets		**-**	164
Total assets		**8 246**	7 131
Equity			
Equity attributable to owners of parent			
Share capital and premium		**629**	629
Other reserves		**117**	(328)
Retained earnings		**4 620**	3 842
Total equity		**5 366**	4 143
Liabilities			
Non-current liabilities		**1 424**	1 305
Close down and restoration obligation		**800**	771
Retirement benefits obligation		**210**	205
Deferred income tax liabilities	12	**414**	329
Current liabilities		**1 456**	1 683
Financial liabilities	13	**331**	847
Retirement benefits obligation		**8**	8
Trade and other payables		**905**	641
Related party payables		**62**	187
Current income tax liabilities		**150**	-
Total liabilities		**2 880**	2 988
Total equity and liabilities		**8 246**	7 131

Unaudited condensed consolidated statement of changes in equity

	Attributable to owners of the parent				
	Share capital R'm	Share premium R'm	Other reserves R'm	Retained earnings R'm	Total R'm
Balance at 1 January 2012	48	581	(1 023)	4 053	3 659
Total comprehensive income for the year	-	-	695	(111)	584
Dividends paid	-	-	-	(100)	(100)
Balance at 31 December 2012	**48**	**581**	**(328)**	**3 842**	**4 143**
Total comprehensive income for the period	**-**	**-**	**445**	**778**	**1 223**
Balance at 30 June 2013	**48**	**581**	**117**	**4 620**	**5 366**

Unaudited condensed consolidated statement of cash flows

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm
Cash flows from operating activities		
Cash generated from operating activities	**912**	553
Interest received	**14**	15
Dividends paid	**-**	(100)
Income tax paid	**(50)**	(290)
Net cash generated from operating activities	**876**	178
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(161)**	(123)
Proceeds on disposal of property plant and equipment	**-**	1
Investment in available-for-sale financial asset	**(5)**	(103)
Net cash used in investing activities	**(166)**	(225)
Net increase/(decrease) in cash and cash equivalents	**710**	(47)
Cash and cash equivalents at beginning of period	**1 980**	2 210
Effects of exchange rate changes on the balance of cash held in foreign currencies	**341**	82
Cash and cash equivalents at end of period	**3 031**	2 245

Notes to the condensed consolidated interim financial information

1. Corporate Information

The Company and its subsidiaries extracts and beneficiates copper, magnetite and vermiculite from its mines in the Limpopo Province, South Africa. It is the primary aim of the Company, to achieve excellence in all aspects of its activities and to develop the Company'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 Company'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. The address of its registered office is 1 Copper Road, Phalaborwa, 1389. The Company is a public limited company which is listed on the stock exchange operated by the JSE Limited ("JSE").

The condensed consolidated interim financial statements of Palabora for the period ended 30 June 2013 were authorised for issue in accordance with a resolution of the Board of Directors passed on 7 August 2013.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim financial reporting'.

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements ("FRPs") as issued by Financial Reporting Standards Council ("FRSC"), requirements of the South African Companies Act and regulations of the JSE and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2012.

2.2 Significant accounting policies

The condensed consolidated financial report has been prepared in accordance with the historical cost convention except for certain financial instruments, which are stated at fair value, and is presented in rand, which is Palabora's functional and presentation currency.

The accounting policies applied in the preparation of the condensed consolidated interim financial information are in terms of IFRS and consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm

3. Selling and distribution costs

	2013 R'm	2012 R'm
Magnetite	**(1 602)**	(1 276)
Freight	**(508)**	(440)
Port charges	**(216)**	(171)
Sales commission	**(82)**	(63)
Rail costs	**(480)**	(386)
Trucking costs*	**(316)**	(216)
Vermiculite	**(56)**	(48)
Copper	**(1)**	(3)
	(1 659)	(1 327)

Includes trucking to Mica for onward railing

4. Administration expenses

	2013 R'm	2012 R'm
Employee related costs	**(172)**	(174)
General and administration costs	**(100)**	(66)
External / contractor services	**(91)**	(93)
Repairs and maintenance	**(11)**	(10)
Depreciation	**(52)**	(41)
	(426)	(384)

5. Exploration, development and growth costs

	2013 R'm	2012 R'm
Lift II exploration and development	**(387)**	(363)

Lift II exploration and development costs relate to pre-feasibility drilling and development of a copper mineralisation area under the current footprint.

6. Other income

Included in "other income" on the income statement, is the business interruption insurance claim amounting to R244 million in respect of the underground production shaft guide rope failure on 4 July 2012 which affected ore hoisting until 9 September 2012.

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm

7. Profit before net finance income and tax

Profit before net finance income and tax is stated after charging, amongst other items:		
Depreciation on property, plant and equipment	**(352)**	(331)
Amortisation of intangible assets	**(3)**	(3)
Employee benefit expense	**(593)**	(593)
Product purchases	**(438)**	(361)
Repairs and maintenance	**(641)**	(786)

8. Net finance income

Finance income	**467**	96
Interest income on short-term bank deposits	**11**	12
Interest income on available-for-sale financial asset	**3**	3
Net foreign exchange gain on operating activities	**107**	-
Net foreign exchange gain on financing activities	**346**	81
Finance cost	**(28)**	(24)
Unwinding of discount on close-down and restoration costs	**(28)**	(23)
Net foreign exchange loss on operating activities	**-**	(1)
	439	72

9. Income tax expense

Normal income tax	**(364)**	(185)
South African		
Mining tax: Current	**(342)**	(180)
Mining tax: Prior years	**(18)**	-
Foreign tax: Current	**(4)**	(5)
Secondary tax on companies	**-**	(10)
Deferred income tax	**75**	48
South African tax		
Current	**64**	48
Prior years	**11**	-
Income tax expense reported in the income statement	**(289)**	(147)
Tax rate reconciliation:		
	%	%
Current statutory rate	**28.0**	28.0
Adjusted for:		
Secondary tax on companies	**-**	0.6
Tax rate differential on foreign subsidiaries	**(0.9)**	1.2
Deferred tax prior year adjustment	**0.7**	0.4
Disallowable expenditure	**(0.7)**	0.1
Effective tax rate	**27.1**	30.3

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm
10. Earnings per share		
Basic and diluted		
Reconciliation of net profit to earnings per share		
Net profit attributable to equity holders of the parent (rand million)	**778**	338
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares of basic and diluted earnings per share (million shares)	**48**	48
Earnings per share (cents)	**1 610**	699

11. Headline earnings

	Profit before tax	Tax expense	Profit after tax
Six months ended 30 June 2013			
Profit per income statement (R million)	**1 067**	**(289)**	**778**
Loss on disposal of property, plant and equipment (R million)	**1**	**-**	**1**
Headline profit (R million)	**1 068**	**(289)**	**779**
Weighted average number of ordinary shares of basic and diluted headline earnings per share (million share)			**48**
Headline profit per share (cents)			**1 612**
Six months ended 30 June 2012			
Profit per income statement (R million)	485	(147)	338
Profit on disposal of property, plant and equipment (R million)	(1)	-	(1)
Headline earnings (R million)	484	(147)	337
Weighted average number of ordinary shares of basic and diluted headline earnings per share (million share)			48
Headline profit per share (cents)			697

12. Deferred income tax

	Six months ended 30 June 2013 R'm	For the year ended 31 December 2012 R'm
At beginning of period	**(329)**	(153)
Tax charged to the income statement	**75**	78
Tax charged to statement of other comprehensive income	**(160)**	(254)
At end of period	**(414)**	(329)
Deferred income tax assets arising from:		
Provisions	**299**	336
Derivative financial instruments	**93**	237
	392	573
Deferred income tax liabilities arising from:		
Accelerated capital allowances	**(641)**	(756)
Available-for-sale investment	**(183)**	(165)
Other	**18**	19
	(806)	(902)
Net deferred income tax liabilities	**(414)**	(329)

13. Financial liabilities

Derivative financial instrument – Cash flow hedge

The Group holds a commodity swap contract designated as hedge of expected future sales to customers. The Group receives a fixed price in rand in relation to a monthly notional quantity of copper sales as detailed below. It pays a floating price based on the arithmetic average (mean) of the US$ LME Cash Settlement Price, converted to rand at the average rand/US$ 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. The commodity swap contract expires on 30 September 2013.

Table of terms: 30 June 2013

Maturity year	**Quantity tonnes**	**Average hedged price R/t**	**Hedged value R'm**	**Derivative liability R'm**
2013 – Current portion	**6 356**	**15 739**	**100**	**331**

Table of terms: 31 December 2012

Maturity year	**Quantity tonnes**	**Average hedged price R/t**	**Hedged value R'm**	**Derivative liability R'm**
2013 – Current portion	16 330	15 739	257	847

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm

14. Dividends paid

The following dividends were declared and paid:

Previous year final dividend:		
Nil cents per qualifying ordinary share (2011: 207 cents)	**-**	100

15. Related party transactions

The following transactions were carried out with related parties:		
Purchase of goods and services (Rio Tinto Group)	**(774)**	(580)
Marketing fee (Rio Tinto Iron Ore Asia)	**(93)**	(72)

16. 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 arising and built–up stockpiles of magnetite, a joint–product from the copper mining process;
- By–products – includes anode slimes, sulphuric acid and nickel sulphate; and
- Industrial minerals – produces and markets vermiculite.

16. **Operating segments** - continued

Reportable segments are as follows:

	Copper R'm	Joint-product: Magnetite R'm	By-products R'm	Industrial minerals R'm	Total R'm
Period ended 30 June 2013					
External customers revenue					
Sales from products	**1 922**	**3 144**	**98**	**210**	**5 374**
Hedge loss realised	**(529)**	**-**	**-**	**-**	**(529)**
Reportable segment revenue	**1 393**	**3 144**	**98**	**210**	**4 845**
Reportable segment operating (loss) / profit before depreciation and insurance claim	**(141)**	**1 157**	**52**	**42**	**1 110**
Insurance claim (refer note 6)	**216**	**13**	**15**	**-**	**244**
Depreciation	**(258)**	**(35)**	**(5)**	**(5)**	**(303)**
Reportable segment operating (loss) / profit	**(183)**	**1 135**	**62**	**37**	**1 051**
Period ended 30 June 2012					
External customers revenue					
Sales from products	2 142	2 368	94	199	4 803
Hedge loss realised	(507)	-	-	-	(507)
Reportable segment revenue	1 635	2 368	94	199	4 296
Reportable segment operating profit before depreciation	240	790	41	-	1 071
Depreciation	(247)	(37)	(5)	(6)	(295)
Reportable segment operating profit	(7)	753	36	(6)	776

Reportable segment operating (loss) / profit before depreciation and insurance claim includes:

	Copper R'm	Joint-product: Magnetite R'm	By-products R'm	Industrial minerals R'm	Total R'm
Period ended 30 June 2013					
Joint product cost allocation	**89**	**(89)**	**-**	**-**	**-**
Overhead allocation costs	**(290)**	**(68)**	**(22)**	**(22)**	**(402)**
Selling and logistics costs	**(1)**	**(1 602)**	**-**	**(56)**	**(1 659)**
Period ended 30 June 2012					
Joint product cost allocation	97	(97)	-	-	-
Overhead allocation costs	(268)	(67)	(24)	(23)	(382)
Selling and logistics costs	(3)	(1 276)	-	(48)	(1 327)

16. **Operating segments** - continued

Reconciliation of reportable segment operating profit to profit after tax:

	Six months ended 30 June 2013 R'm	Six months ended 30 June 2012 R'm
Reportable segment operating profit	**1 051**	776
Unallocated amounts:		
Exploration, development and growth costs	**(387)**	(363)
Other	**16**	41
Unallocated depreciation and amortisation	**(52)**	(41)
Net finance income	**439**	72
Profit before tax	**1 067**	485
Income tax expense	**(289)**	(147)
Profit for the period	**778**	338

17. Commitments

Commitments contracted for at the reporting date was R85 million (31 December 2012: R117 million). Sustaining capital expenditure that was approved by the Board, but not contracted for at 30 June 2013 amounts to R100 million (31 December 2012: R238 million).

18. Contingent liabilities

Legal matters

Various legal matters, including labour cases before the CCMA, are in progress. The potential exposure is approximately R4 million (31 December 2012: R1 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. The legal exposure is uncertain.

18. Contingent liabilities - continued

Palabora Europe Limited (PEL) pension fund

Palabora Europe Limited (PEL) is a wholly-owned subsidiary of Palabora and participates in a group pension arrangement of Rio Tinto Pension Fund in the United Kingdom.

In terms of section 75 of the United Kingdom Pensions Act 1995, should one employer with defined benefit liabilities cease to have active employees whilst at least one other employer with defined benefit liabilities continues to do so in the same defined benefit plan, which would occur if PEL ceased to be a part of the Rio Tinto group, then PEL would cease to participate in the Fund.

Upon ceasing to participate in the Fund, a debt would be triggered under section 75 of the United Kingdom Pensions Act 1995, payable to the Fund. The debt can only be known after the date on which it is triggered and will depend on market conditions at that date. Based on professional advice is currently estimated to be £7.5 million (ZAR114 million). Accordingly, PEL (and, on a consolidated basis, Palabora) has a contingent liability for this potential future liability.

19. Ore Reserves

There have not been any material changes to the ore reserves as disclosed in the 2012 annual report.