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")

REVIEWED PROVISIONAL RESULTS AND DIVIDEND ANNOUNCEMENT
for the year ended 31 December 2010

COMMENTARY

Group financial highlights

For the year ended		Reviewed 31 December 2010	Audited 31 December 2009
Net profit for the year	R'million	**595**	284
Basic earnings per share	R'cents	**1 231**	587
Earnings before interest, tax, depreciation and amortisation (EBITDA)	R'million	**1 533**	1 128
Headline earnings	R'million	**594**	290
Headline earnings per share	R'cents	**1 228**	598
Net cash	R'million	**1 543**	1 292
Dividend per share (declared)	R'cents	**724**	620

Overview

Commenting on the full 2010 financial results, Anthony (Tony) Lennox, the Managing Director, said, "Palabora has delivered a good performance driven by firming copper and magnetite prices, posting profit after tax of R595 million, 110% above the R284 million for 2009". The emerging economies, particularly China, continue to dominate the demand for commodities and other base metals while the longer term sustainability of firmer commodity prices continues to depend on the economic recovery of European and North American economies.

Copper production volumes were impacted by operational challenges in the underground operations and smelter complex during 2010. Underground production was affected by winder related issues which were first experienced during the last quarter of 2009. Preventative maintenance has been ongoing pending the replacement of the two winder drums scheduled for the first quarter of 2011. The smelter and rod mill production challenges experienced in the first half of the year have been addressed with the focus turning to the implementation of process improvement initiatives which will improve product availability to our customers and decrease costs.

Magnetite sales remained strong due to increasing demand for iron ore throughout Asia. Palabora sales were impacted by the Transnet strike which resulted in lower sales of approximately 120 000 tonnes and volumes were also negatively impacted by the Brakspruit bridge rail incident in September 2010 which reduced volumes by a further 80 000 tonnes until the bridge's reopening in mid November. Intervening measures were implemented to transport 180 000 tonnes of magnetite to Gravelotte and Hoedspruit, the nearest rail loading stations. Tony said, "The incident tested the robustness of our risk and safety management strategies with over 5 000 trips made to transport Palabora material by road without incident. We are grateful to the Ba-Phalaborwa community for assisting us during this difficult period.''

The Board declared a final dividend of **R7.24** per share, which together with the interim dividend of R2.07 per share, brings the 2010 dividend to **R9.31** per share.

Safety

Modest improvements were recorded in the All Injury Frequency Rate (AIFR) to 0.48% from 0.50% in 2009. The Lost Time Injury Frequency Rate (LTIFR) improved to 0.28% in 2010 from 0.29% over the comparative period. Palabora remains steadfast in its pursuit of an injury free workplace and embedded zero harm culture throughout our operations.

Production

Refined copper produced declined 16% to 58kt from 69kt in 2009 on the back of lower upstream throughput, lower head grade at the underground as well as the operational challenges experienced at the smelter during the first half of the year. Dry ore hoisted declined 3% to 11.0mt compared to 11.3mt in 2009 mainly due to winder breakdowns and low availability of load-haul-dump units ("LHD's"). The headgrade averaged 0.64% compared to 0.67% in 2009 due to the effects of dilution from the west pit wall subsidence.

Concentrate production declined 9% to 246kt compared to 271kt in the previous year due to lower underground throughput, lower ore grades and substation fire damage at the concentrator during the first half of the year. The decline in production from reduced throughput was partially mitigated by the processing of record levels of high grade slag. A total of 870kt of high grade slag with contained copper of 20kt was milled during the year compared to 278kt with contained copper of 9kt in 2009.

Production volumes and capacity in the smelter complex were negatively impacted by the operational challenges experienced during the first half of the year. New anode production declined 15% to 56kt from 66kt in 2009. Smelter operations were negatively impacted by low Wolff cranes' availability, low feed rates at the reverbatory furnace arising from downtime at the furnace bath and the replacement of overhead cranes. Improvements in the smelter complex were implemented throughout the year and anode production continued to improve during the fourth quarter of this year.

Sales volumes

Copper sales volumes were 17% lower at 72.5kt from 87kt in 2009 due to reduced throughput arising from the issues mentioned above. Rod sales included supplementary purchases of 5kt with Palabora's copper rod sales declining 30% due to the production challenges experienced at the smelter and rod casting plant. Process improvement initiatives are underway to improve rod availability to our customers. Cathode sales were in line with production whilst more reverts and scrap were sold compared to 2009 due to the production constraints.

	For the year ended 31 December 2010 kt	For the year ended 31 December 2009 kt	**% change**
Copper rod	**42.8** [1]	48.4	**(12%)**
Cathode	**12.1**	23.8	**(49%)**
Reverts	**9.1**	10.4	**(13%)**
Refined copper scrap	**8.5**	4.4	**93%**
Total copper	**72.5**	87.0	**(17%)**

1 - Includes 4.9kt of purchased rod to meet contractual commitments

Magnetite volumes were 3% higher at 2 640kt compared to the previous year despite the Transnet strike and Brakspruit bridge collapse. Availability of Transnet trains continues to constrain magnetite sales volumes.

Magnetite	**2 640**	2 569	**3%**

Turnover

In line with firming copper and magnetite prices, gross turnover increased 20% to R7 billion from R5.8 billion in 2009. Post-hedge turnover increased 16% to R6.1 billion from R5.3 billion in 2009. The hedge loss increased 55% to R845 million from R547 million in 2009 due to increasing copper prices that prevailed during the year. The LME price closed the year at USc/Ib 401, up 28% from USc/Ib 313 in 2009 and averaged USc/Ib 340 compared to USc/Ib 234 in 2009. The positive impact of firming commodity prices was partially offset by the firming ZAR which reduced revenue on the vermiculite business. Realised magnetite prices inceased 50% to R886 per tonne compared to R589 per tonne in 2009.

Copper gross turnover increased 9% to R4.1 billion from R3.7 billion in 2009 from higher prices. Copper contributed 58% to gross revenue and 15% to the operating profit. The magnetite business maintained its increasing significance to the Group. Whilst volumes remained constant at 2.6 million tonnes, turnover increased 55% to R2.3 billion, accounting for 34% of gross revenue compared to R1.5 billion and accounting for 26% of gross revenue in 2009. Approximately 55% of magnetite revenue is from the historical stock piles with the balance from current arisings. Reclamations from historical stockpiles are only processed through the Magnetite Separation Plant (MSP) and consequently magnetite contributed 74% of the operating profit compared to 28% in 2009.

The supplementary rod imports to meet customer contractual commitments contributed R290 million to gross turnover. The company did not incur any losses on these imports.

Vermiculite turnover decreased 10% to R385 million from R428 million in 2009 as a result of a 2% decrease in volumes to 179kt from 183kt in 2009 and lower realised prices due to the firming ZAR.

Cost of sales

Cost of sales remained constant at R3.1 billion compared to 2009. Supplementary product purchases increased 6% to R614 million compared to R581 million in 2009 due to increased copper rod and cathode purchases. Higher margin copper in concentrate purchases accounted for 58% of the product purchases in 2009 compared to lower margin cathode and rod purchases which accounted for 76% of product purchases in 2010. Depreciation was 12% lower in 2010 at R481 million compared to R549 million in 2009 due to lower underground production.

Selling and administration expenses

Higher magnetite and crushed reverts sales volumes increased selling expenses by 17% to R1.4 billion compared to R1.2 billion in 2009. Selling expenses were also impacted by above inflation increase in rail costs on magnetite and vermiculite sales. The stronger ZAR helped mitigate the impact of the shipping costs. Overhead expenses increased 8% to R482 million from R448 million due to higher than inflation increase in employee costs, higher maintenance costs and costs relating to the BBBEE transaction. The implementation of the new Mineral and Petroleum Resources Royalty Act, enacted with effect from 1 March 2010, increased overheads by R88m.

Net finance costs

Net finance costs increased by 51% to R187 million from R124 million in 2009 mostly due to the effects of the firming ZAR on US dollar denominated cash and working capital balances.

Working capital

The company has maintained a stable net working capital position with product inventory levels being restricted to a 10% increase to R680 million from R619 million in 2009. Trade and other receivables increased by 38% to R864 million from R626 million over the comparative period in line with increase in commodity prices. Significant volumes of copper cathode were sold at the end of the year to take advantage of the prevailing high prices.

Cash flow from operating activities before interest, dividends and tax increased to R1.3 billion from R1.1 billion on the strength of higher prices. Net cash generated before financing activities decreased to R370 million from R746 million due to absence of pension fund surplus of R241million received in 2009, higher taxes paid in 2010, increased dividend paid to shareholders during 2010 and higher sustaining capital expenditure.

Broad Based Black Economic Empowerment ("BBBEE")

Palabora concluded a BBBEE transaction with its new Black Economic Empowerment ("BEE") partners on 10 June 2010. The agreements were lodged with the Department of Mineral Resources on 2 July 2010, for final approval. The BBBEE transaction was approved by Palabora's shareholders on 15 October 2010 with 99 percent of the shareholders present voting in favour. The transaction is not yet effective as the suspensive conditions in terms of the agreement have not yet been met. Palabora is awaiting for approval of its application for conversion of old order mining rights to new order mining rights from the DMR.

Declaration of dividend

A final cash dividend of 724 cents per share has been declared.

Payment in South African Rand will be made on Monday, 7 March 2011 to shareholders recorded in the register of Palabora Mining Company as at 4 March 2011. The last day to trade to qualify for the dividend will be Friday, 25 February 2011 and the shares will trade ex-dividend from Monday, 28 February 2011. Share certificates may not be dematerialised or rematerialised between Monday, 28 February 2011 and Friday, 4 March 2011, both days inclusive.

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 2011. The final dividend relating to the 2009 financial year of R300 million was paid during the year.

Corporate Governance

Mr. Johan Posthumus resigned as non-executive director of the Board, with effect from 5 February 2010. Following a re-organisation at Anglo American, Mr. Posthumus was appointed to the role of manager Corporate Services within Anglo American corporate offices. With effect from 5 February 2010, Mr. W J. Abel was appointed as non-executive director of the Board. Mr. Abel is currently a Group Head of Mining for Anglo American. He joins the company with extensive South African and International surface and underground mining and project management experience in a number of commodities.

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 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. With effect from 12 July 2010, Mr Anthony W. Lennox was appointed Managing Director at Palabora.

Directors	Alternate directors
1. Clifford N. Zungu (Chairman)	
2. Anthony W. Lennox (Managing Director)*^	
3. Francine A. du Plessis	
4. Ray Abrahams	
5. Willan J. Abel	
6. Jo-Ann S. Yuen^	
7. Lindsay W. Kirsner^	Coen H. Louwarts#

**Executive Director*
^Australian
#Dutch

Appreciation

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

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

07 February 2011

GROUP SELECTED STATISTICS

There have been no material changes to the information disclosed in the annual report in compliance with paragraph 8.63(m) of the JSE Limited Listing Requirements for the year ended 31 December 2009.

		31 December 2010	31 December 2009
Revenue			
Copper (net of hedge)	R' million	**3 213**	3 166
Magnetite	R' million	**2 339**	1 513
Other by-products	R' million	**194**	177
Industrial minerals	R' million	**385**	428
Net profit before tax	R' million	**863**	453
Copper			
Wet ore hoisted	million tonnes	**11.2**	11.54
Dry ore hoisted	million tonnes	**11.0**	11.30
Average copper grade	% Cu	**0.64**	0.67
Copper in concentrate produced	kilo tonnes	**75**	83
Cathode produced	kilo tonnes	**58**	69
Average copper price realised	USc/lb	**347**	231
Average LME copper price for the year	USc/lb	**340**	234
Average sales ZAR/US$ exchange rate realised	R/US$	**7.32**	8.33
Spot ZAR/US$ exchange rate	R/US$	**6.64**	7.40
Average copper price realised (pre hedge)	R/ton	**55 947**	47 373
Average copper price realised (post hedge)	R/ton	**44 273**	44 249
Vermiculite			
Vermiculite sold	tonnes	**178 599**	183 264
Magnetite			
Magnetite - Coarse	tonnes	**1 936 287**	1 763 693
Magnetite - Oxide	tonnes	**401 237**	503 023
Magnetite - DMS	tonnes	**302 965**	301 848
Anode Slimes			
Anode slimes sold	tonnes	**126**	89
Nickel sulphate			
Nickel sulphate sold	tonnes	**372**	370
Sulphuric acid			
Sulphuric acid sold	tonnes	**51 593**	85 464
Imported concentrate			
Volumes	tonnes	**-**	11 168
Cost	R' million	**2**	469
Marginal ore concentrate purchased			
Volumes	tonnes	**800**	3 632
Cost	R' million	**30**	112

		31 December 2010	31 December 2009
Imported blister			
Volumes	tonnes	**1 858**	**-**
Cost	R' million	**100**	**-**
Imported cathode			
Volumes	tonnes	**3 801**	6 231
Cost	R' million	**192**	318
Imported rod			
Volumes	tonnes	**4 913**	**-**
Cost	R' million	**290**	**-**
Cash flow			
Cash from operating activities	R' million	**592**	937
Cash and cash equivalents	R' million	**1 641**	1 395
Costs			
Direct cash production cost excluding purchases	R' million	**2 004**	2 181
Cost of sales	R' million	**3 104**	3 106
Capital expenditure and commitments			
Capital expenditure	R' million	**222**	133
Contracts placed at end of each period	R' million	**119**	93
Share capital			
Authorised ordinary shares of R1 each	R'000	**100 000**	**100 000**
Issued ordinary shares of R1 each	000	**48 337**	**48 337**
Net asset value per share	R/share	**45.89**	**34.75**

REVIEWED PROVISIONAL CONDENSED GROUP RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

	Note	Reviewed 2010 R'm	Audited 2009 R'm
Sale of products		**6 976**	5 831
Hedge loss realised		**(845)**	(547)
Revenue		**6 131**	5 284
Cost of sales		**(3 104)**	(3 106)
Gross profit		**3 027**	2 178
Selling and distribution costs		**(1 391)**	(1 185)
Administration expenses		**(482)**	(448)
Mineral and petroleum royalty		**(88)**	-
Other income		**30**	71
Exploration costs		**(40)**	(18)
Impairment loss	4	**-**	(9)
Other expenses		**(6)**	(12)
Profit before net finance cost and tax	5	**1 050**	577
Net finance cost	6	**(187)**	(124)
Finance cost	6	**(216)**	(190)
Finance income	6	**29**	66
Profit before tax		**863**	453
Income tax expense	7	**(268)**	(169)
Profit for the year		**595**	284
Profit attributable to:			
Equity holders of the parent		**595**	284
Earnings per share attributable to the equity holders of the parent (expressed in rand per share)			
- Basic and diluted earnings per share (cents)	8	**1 231**	587
- Headline earnings per share (cents)	9	**1 228**	598

The notes on pages 14 to 27 are an integral part of these provisional condensed Group results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Reviewed 2010 R'm	Audited 2009 R'm
Profit for the year	**595**	284
Other comprehensive income/(loss):		
Available-for-sale investments		
- Valuation gains arising during the year	**30**	16
Exchange differences on translation of foreign operations	**(20)**	(36)
Cash flow hedges		
- Mark to market losses arising during the year	**(365)**	(2 100)
- Transferred to profit or loss for the year	**845**	547
- Hedge ineffectiveness	**4**	3
Actuarial (loss)/gain on defined benefit plans	**(8)**	4
Income tax relating to components of other comprehensive income	**(142)**	409
Other comprehensive income/(loss) for the year, net of tax	**344**	(1 157)
Total comprensive income/(loss) for the year	**939**	(873)
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	**939**	(873)

The notes on pages 14 to 27 are an integral part of these provisional condensed Group results.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	**Reviewed 2010 R'm**	Audited 2009 R'm
Assets			
Non-current assets		**4 281**	4 252
Property, plant and equipment		**2 877**	2 990
Intangible assets		**8**	5
Other financial assets		**398**	360
Deferred income tax asset	10	**998**	897
Current assets		**3 298**	2 755
Stores		**113**	115
Product inventories		**680**	619
Trade and other receivables		**864**	626
Cash and cash equivalents		**1 641**	1 395
Total assets		**7 579**	7 007
Equity			
Equity attributable to owners of the parent			
Share capital and premium		**629**	629
Other reserves		**(1 801)**	(2 151)
Retained earnings		**3 390**	3 201
Total equity		**2 218**	1 679
Non-current liabilities		**3 385**	3 684
Other financial liabilities	11	**1 672**	2 335
Close-down and restoration obligation	3.2	**617**	433
Retirement benefit obligation		**168**	149
Deferred income tax liabilities	10	**928**	767
Current liabilities		**1 976**	1 644
Other financial liabilities	11	**1 049**	877
Retirement benefit obligation		**8**	8
Borrowings	12	**98**	103
Trade and other payables		**573**	427
Related party payables		**203**	162
Current income tax liabilities		**45**	67
Total liabilities		**5 361**	5 328
Total equity and liabilities		**7 579**	7 007

The notes on pages 14 to 27 are an integral part of these provisional condensed Group results.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Attributable to owners of parent				
	Share capital R'm	Share premium R'm	Other reserves R'm	Retained earnings R'm	Total R'm
Balance at 1 January 2009	48	581	(924)	2 966	2 671
Total comprehensive loss for the year	-	-	(1 161)	288	(873)
Dividends paid	-	-	-	(119)	(119)
Unclaimed dividends	-	-	(1)	1	-
Transfer of deferred tax on items included in other reserves	-	-	(65)	65	-
Balance at 31 December 2009	**48**	**581**	**(2 151)**	**3 201**	**1 679**
Total comprehensive income for the year	**-**	**-**	**350**	**589**	**939**
Dividends paid	**-**	**-**	**-**	**(400)**	**(400)**
Balance at 31 December 2010	**48**	**581**	**(1 801)**	**3 390**	**2 218**

The notes on pages 14 to 27 are an integral part of these provisional condensed Group results.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Reviewed 2010 R'm	Audited 2009 R'm
Cash flows from operating activities		
Cash generated from operating activities	**1 343**	1 073
Pension fund surplus received	**-**	241
Interest paid	**(5)**	(35)
Interest received	**29**	30
Dividends paid	**(400)**	(119)
Income tax paid	**(375)**	(253)
Net cash generated from operating activities	**592**	937
Cash utilised in investing activities		
Acquisition of property, plant and equipment	**(217)**	(131)
Acquisition of intangible assets	**(5)**	(2)
Proceeds from disposal of property, plant and equipment	**3**	-
Investment in available-for-sale financial asset	**(7)**	(30)
Interest received	**-**	27
Dividend income	**4**	25
Net cash used in investing activities	**(222)**	(111)
Cash flow from financing activities		
Repayment of borrowings	**-**	(80)
Net cash generated from financing activities	**-**	(80)
Net increase in cash and cash equivalents	**370**	746
Cash and cash equivalents at beginning of year	**1 395**	747
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(124)**	(98)
Cash and cash equivalents at end of year	**1 641**	1 395

The notes on pages 14 to 27 are an integral part of these provisional condensed Group results.

NOTES TO THE PROVISIONAL CONSOLIDATED GROUP RESULTS
for the year ended 31 December 2010

1. CORPORATE INFORMATION

Palabora extracts and beneficiates copper, magnetite and vermiculite from its mines in the Limpopo Province. 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 is listed on the JSE Limited ("JSE"). The address of its registered office is 1 Copper Road, Phalaborwa, 1389.

The condensed consolidated provisional financial statements of Palabora for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors passed on 3 February 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated provisional financial report for the year ended 31 December 2010 has been prepared in compliance with International Accounting Standard ("IAS") 34, Interim Reporting, as well as Schedule 4 of the South African Companies Act, No. 61 of 1973, IFRS and the AC 500 standards as issued by the Accounting Practices Board.

2.2 Audit review

The provisional financial statements have been reviewed by the company's auditors, PricewaterhouseCoopers Inc. Their unmodified review conclusion is available for inspection at the company's registered office.

2.3 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.

Except as described below, the accounting policies applied in the preparation of the provisional condensed consolidated Group results 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;

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

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;

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.

The following standards, amendments and interpretations to existing standards have been published but are not effective and the Group has not early adopted them:

IAS 12 (Amendment) Income Taxes – Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012).
IAS 24 (Revised): Related Party Disclosures (effective 1 January 2011).
IAS 32 (Amendment): Financial Instruments: Presentation – Classification of Rights Issues (effective 1 February 2010).
IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (effective 1 July 2010).
IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Removal of Fixed Dates for First-time Adopters (effective 1 July 2011).
IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Guidance on Severe Hyperinflation (effective 1 July 2011).
IFRS 7 (Amendment): Financial Instruments: Disclosures – Transfer of Financial Assets (effective 1 July 2011).
IFRS 9: Financial Instruments (effective 1 January 2013).
IFRS 9 (Amendment): Financial Instruments (effective 1 January 2013).
IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction- Prepayment of minimum funding requirements (effective 1 January 2011).
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010).
Improvements to IFRSs2010 - Each improvement has its own effective date. Generally 1 July 2010 or 1 January 2011.

3. CHANGES IN ESTIMATES

3.1 Retirement benefits obligation

The cost of post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and income at retirement. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2010 is valued at R176 million compared with R157 million at 31 December 2009. The main assumptions are summarised below:

	31 December 2010	31 December 2009
Discount rate	**8.25% p.a.**	9.50% p.a.
Health care cost inflation	**7.25% p.a.**	8.00% p.a.
CPI inflation	**5.25% p.a.**	6.00% p.a.
Expected retirement age	**58**	58
Membership discontinued at retirement	**-**	-

The valuation resulted in a pre-tax actuarial loss of R8 million (2009: R4.5 million gain) being recognised in the statement of comprehensive income.

3.2 Close down and restoration obligation

The provision for close-down and restoration costs was impacted by the following movements during the year ended 31 December 2010:

- R131 million increase due to increased closure costs estimates following a full closure review;
- A decrease in the long-term inflation rate from 7.1% to 5.3% resulted in a R13 million increase in the provision; and
- Finance charges (unwinding of discount) through the income statement resulted in an increase of R41 million in the provision.

3.3 Operating segments

The magnetite joint product cost and overhead allocation methods have been restated to align these with the manner the segments are monitored and reported by management. The revised allocation method reports operating results in a manner that is consistent with the operating and production profile of each segment. Costs allocated to the magnetite joint product relate to those costs incurred to mine the magnetite material from the underground operations and processed through the concentrator (new arisings material). No mining or concentrator costs are allocated to the historic magnetite stockpiles.

The change resulted in a restatement of previously reported operating segment profits.

	Copper R'm	Joint-product: Magnetite R'm	By-products: Other R'm	Industrial minerals R'm	Total R'm
Year ended 31 December 2009					
Reportable segment operating profit - as reported previously	301	90	129	41	561
Change in overhead allocation	(4)	-	(12)	16	-
Change in joint-product allocation	(134)	134	-	-	-
Change in depreciation allocation	65	(65)	-	-	-
Reportable segment operating profit - as reported currently	228	159	117	57	561

4 . IMPAIRMENT LOSS

	Reviewed 2010 R'm	Audited 2009 R'm
Impairment loss	**-**	(9)

The write off of unrecoverable costs relates to 2009 on the magnetite feasibility project relating to the pipeline study.

5 . PROFIT BEFORE TAX AND NET FINANCE COST

	Reviewed 2010 R'm	Audited 2009 R'm
Profit before tax and net finance cost is stated after charging, amongst other items:		
Depreciation on property, plant and equipment	**481**	549
Amortisation on intangible assets	**2**	2
Employee benefit expense	**819**	763

6 . NET FINANCE (COST)/INCOME

	Reviewed 2010 R'm	Audited 2009 R'm
Finance cost	**(216)**	(190)
Interest expense on borrowings	**(5)**	(36)
Unwinding of discount on close-down and restoration costs	**(41)**	(38)
Net foreign exchange loss on operating activities	**(50)**	(116)
Net foreign exchange loss on financing activities	**(120)**	-
Finance income	**29**	66
Interest income on short-term bank deposits	**19**	30
Interest income on pension surplus fund	**-**	22
Interest income on available-for-sale financial asset	**5**	5
Interest income on accounts receivable balances	**5**	-
Net foreign exchange gain on financing activities	**-**	9
	(187)	(124)

7 . INCOME TAX EXPENSE

The major components of income tax expense are:

	Reviewed 2010 R'm	Audited 2009 R'm
Normal income tax	**(311)**	(262)
South African		
- Mining tax: Current	**(315)**	(243)
- Mining tax: Prior year	**18**	-
- Non-mining tax: Current	**-**	(7)
Foreign		
- Current	**(14)**	(12)
Secondary tax on companies	**(39)**	-
Deferred income tax		
South African		
- Current	**84**	93
- Prior year	**(2)**	-
Income tax expense reported in the income statement	**(268)**	(169)

The tax rate reconciliation is as follows:

	%	%
Current statutory rate	**28.0**	28.0
Adjusted for:		
Estimated state share (after tax) rate	**3.6**	3.6
Actual state share and state share deduction on mining tax	**(3.8)**	0.5
Dividend income	**-**	(0.3)
Disallowable expenditure	**0.4**	1.4
Deferred tax on unutilised STC credits	**0.1**	2.9
Secondary tax on companies	**4.8**	(0.9)
Prior year under / (over) provision	**(2.0)**	-
Other	**0.1**	2.2
Effective tax rate	**31.2**	37.4

The state share tax on mining was replaced by the new royalty act with effect from 1 March 2010.

8 . EARNINGS PER SHARE

Basic and diluted

Basic earnings per share is 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. There are no potential or actual dilutive effects on the Group's share capital.

	Reviewed 2010 R'm	Audited 2009 R'm
Reconciliation of net profit for earnings per share		
Net profit attributable to equity holders of parent	**595**	284
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares of basic and diluted earnings per share	**48**	48
Earnings per share (cents)	**1 231**	587

9 . HEADLINE EARNINGS

	Profit before tax R'm	Tax expense R'm	Profit after tax R'm
Year ended 31 December 2010			
Profit per income statement	**863**	**(268)**	**595**
Profit on disposal of property, plant and equipment	**(2)**	**1**	**(1)**
Headline profit	**861**	**(267)**	**594**
Year ended 31 December 2009			
Profit per income statement	453	(169)	284
Impairment loss	9	(3)	6
Headline profit	462	(172)	290

	Reviewed 2010	Audited 2009
Headline earnings per share (cents)	**1 228**	598

10 . DEFERRED INCOME TAX

	Reviewed 2010 R'm	Audited 2009 R'm
At 1 January 2010	**130**	(372)
Tax charged to income statement	**82**	93
Tax charged to statement of other comprehensive income	**(142)**	409
At 31 December 2010	**70**	130
Deferred tax assets arising from:		
Provisions	**237**	77
Derivative financial instruments	**761**	897
STC credits	**-**	1
	998	975
Deferred tax liabilities arising from:		
Accelerated capital allowances	**(808)**	(834)
Available-for-sale investment	**(111)**	(5)
Other	**(9)**	(6)
	(928)	(845)
Net deferred tax (liabilities) / assets	**70**	130
Comprising:		
Deferred income tax assets	**998**	897
Deferred income tax liabilities	**(928)**	(767)
	70	130

11 . OTHER FINANCIAL LIABILITIES

Derivative financial instrument - Cash flow hedges

At 31 December 2010, the Group held a commodity swap contract designated as a cash flow hedge of expected future sales to local customers under which the Group receives a fixed price in Rand and 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 the 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 31 December 2010 the cash flow hedges of the expected future sales were assessed to be highly effective and the ineffective portion of R4 million was recognised directly under “Other income” in the income statement.

Table of terms: 2010

Maturity year	Quantity tonnes	Average hedged price ZAR/t	Hedged value R'm	Derivative liability R'm
2011	21 825	15 739	344	**1 038**
2012	21 137	15 739	333	**969**
2013	16 330	15 739	257	**703**
	59 292		934	**2 710**
Unamortised component of non-observable inception gains				**11**
Total of derivative financial instrument				**2 721**
Non-current				
Derivative financial instrument				**1 672**
Unamortised component of non-observable inception gains				**-**
Total non- current portion				**1 672**
Current				
Derivative financial instrument				**1 038**
Unamortised component of non-observable inception gains				**11**
Total current portion				**1 049**
Total of derivative financial instrument				**2 721**

Table of terms: 2009

Maturity year	Quantity tonnes	Average hedged price ZAR/t	Hedged value R'm	Derivative liability R'm
2010	22 188	15 739	349	863
2011	21 825	15 739	344	867
2012	21 137	15 739	333	833
2013	16 330	15 739	257	627
	81 480		1 283	3 190
Unamortised component of non-observable inception gain				22
Total of derivative financial instrument				3 212
Non-current				
Derivative financial instrument				2 327
Unamortised component of non-observable inception gains				8
Total non- current portion				2 335
Current				
Derivative financial instrument				863
Unamortised component of non-observable inception gains				14
Total current portion				877
Total of derivative financial instrument				3 212

12 . BORROWINGS AND NET (CASH)/DEBT

Description of loan	Currency	Effective interest rate %	Reviewed 2010 R'm	Audited 2009 R'm
Current				
Revolving credit facility - Tranche A	ZAR	Jibar + 2.35%	**(48)**	(48)
Revolving credit facility - Tranche B	USD	Libor + 2.00%	**(50)**	(55)
Total borrowings			**(98)**	(103)
Cash and cash equivalents			**1 641**	1 395
Net cash			**1 543**	**1 292**

Approximately 51% 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 consist 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:

	Reviewed 2010 R'm	Audited 2009 R'm
Previous year final dividend:		
620 cents per qualifying ordinary share (2008: 82 cents)	**300**	39
Interim dividend:		
207 cents per qualifying ordinary share (2009: 165 cents)	**100**	80
	400	119

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

Dividends declared:		
724 cents per qualifying ordinary share (2009: 620 cents)	**350**	300
Secondary tax on companies due on closing date of dividend cycle	**35**	29

14 . RELATED PARTY TRANSACTIONS

	Reviewed 2010 R'm	Audited 2009 R'm
The following transactions were carried out with related parties:		
Recovery of travel and staff costs	**23**	7
Purchases of goods and services	**683**	493
Management fee (Rio Tinto London)	**40**	29
Key management compensation (executive directors)	**8**	11

15 . 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: Includes anode slimes, sulphuric acid and nickel sulphate; and

Industrial minerals – produces and markets vermiculite.

Reportable segments are as follows:

	Copper R'm	Joint-product: Magnetite R'm	By-products: Other R'm	Industrial minerals R'm	Total R'm
Year ended 31 December 2010					
External customers revenue					
Sales from products	**4 058**	**2 339**	**194**	**385**	**6 976**
Hedge loss realised	**(845)**	**-**	**-**	**-**	**(845)**
Reportable segment revenue	**3 213**	**2 339**	**194**	**385**	**6 131**
Reportable segment operating profit before depreciation and amortisation	**522**	**823**	**104**	**27**	**1 476**
Depreciation	**(372)**	**(61)**	**(6)**	**(10)**	**(449)**
Reportable segment operating profit	**150**	**762**	**98**	**17**	**1 027**
Year ended 31 December 2009					
External customers revenue					
Sales from products	3 713	1 513	177	428	5 831
Hedge loss realised	(547)	-	-	-	(547)
Reportable segment revenue	3 166	1 513	177	428	5 284
Reportable segment operating profit before depreciation and amortisation	669	233	123	67	1 092
Depreciation	(441)	(65)	(6)	(10)	(522)
Impairment	-	(9)	-	-	(9)
Reportable segment operating profit	228	159	117	57	561

Reportable segment operating profit before depreciation and amortisation include:

	Copper R'm	Joint-product: Magnetite R'm	By-products: Other R'm	Industrial minerals R'm	Total R'm
Year ended 31 December 2010					
Joint product allocation	**149**	**(149)**	**-**	**-**	**-**
Overhead allocation costs	**(374)**	**(85)**	**(15)**	**(26)**	**(500)**
Selling and distribution costs	**(11)**	**(1 218)**	**(1)**	**(164)**	**(1 394)**
Year ended 31 December 2009					
Joint product allocation	165	(165)	-	-	-
Overhead allocation costs	(328)	(50)	(12)	(21)	(411)
Selling and distribution costs	(18)	(968)	-	(176)	(1 162)

Reconciliation of reportable segment operating profit to profit after tax:

	Reviewed 2010 R'm	Audited 2009 R'm
Reportable segment operating profit	**1 027**	561
Unallocated amounts:		
- Other	**57**	43
- Depreciation and amortisation of tangible and intangible assets	**(34)**	(27)
- Net finance income cost	**(187)**	(124)
Profit from operations before tax	**863**	453
Income tax expense	**(268)**	(169)
Profit after tax	**595**	284

16 . COMMITMENTS

Commitments contracted for at the balance sheet date were R119 million (2009: R93 million). Capital expenditure that was approved by the Board, but not contracted for at 31 December 2010 amounts to R245 million (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 R3 million (2009: R34 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 . EVENTS AFTER REPORTING DATE

Dividend declaration

The Board resolved to declare a dividend of R7.24 per share at a meeting held on 3 February 2011. 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 2011.