Palabora Mining

Company Limited and its Subsidiaries

(a member of the Rio Tinto Group)

(Incorporated in the Republic of South Africa)
(Reg. No. 1956/002134/06)
JSE Code: PAM ISIN: ZAE000005245
(“Group” or “Palabora” or “the Company”)

UNAUDITED INTERIM REPORT AND DIVIDEND ANOUNCEMENT

for the six months ended 30 June 2009

COMMENTARY

Overview

In this tough business environment where economic indicators have been trending downwards, Palabora ended the first half with net earnings of R141 million; 70% lower than net earnings for the same period a year ago. Cash reserves increased by R141 million during the period under review. A dividend of R1.65 per share was declared by the Board of Directors.

Palabora's copper production was in line with production in 2008. A record 1,163,912 tonnes of magnetite was sold; 47% more than in 2008.

On safety, the Company made significant improvements in its statistics year-on-year. Unfortunately, there was one fatality during this period. Efforts have been re-doubled to ensure that Palabora remains a safe operation.

While challenges abound on the operations and the economic fronts, the Company has enough cash reserves to weather this tough business climate.

Group financial results

For the period ended	**30 June 2009**	30 June 2008	31 December 2008
Net profit for the period	**R141 million**	R464 million	R720 million
Basic earnings per share	**291 cents**	961 cents	1 489 cents
Earnings before interest, tax depreciation and amortisation (EBITDA)	**R565 million**	R852 million	R1 305 million
Headline earnings	**R141 million**	R466 million	R722 million
Headline earnings per share	**291 cents**	965 cents	1 493 cents
Net cash (excluding hedge)	**R783 million**	R381 million	R555 million
Dividends per share (declared)	**R1.65**	-	R0.82

Net profit

The net profit for the six months ended 30 June 2009 decreased from R464 million in the comparable period in 2008 to R141 million. The basic earnings per share decreased from earnings of 961 cents per share to earnings of 291 cents per share.

Sales of products decreased by R687 million (21%) to R2 569 million largely as a result of the following:

- Lower realised prices of copper of R1 574 million, lower realised prices for slimes and nickel (R32 million and R4.7 million respectively) (refer to note 16);
- Lower volumes of copper sales (including revert and concentrate sales); 42 044 tonnes compared with
  44 667 tonnes for the first six months in 2008 (R98 million);
- Lower vermiculite sales: 92 thousand tonnes compared with 102 thousand tonnes in 2008 (R26m).

These decreases were offset by:

- Higher magnetite and vermiculite sales prices (R150 million and R8 million respectively). Magnetite prices have increased due to changes in terms of sale from FOB to CFI/CFR for exported magnetite;
- Higher volumes of magnetite sales; 1 164 thousand tonnes compared 7.65 for the comparable period in 2008 to 9.31 in 2009 (+R671 million).

The Group achieved an average realised selling price (post hedge) for copper rod and cathode of R32 402 (2008: R41 363) and R32 401 (2008: R40 522) respectively.

The revenue was further impacted by realised hedging losses resulting from the swap settlement of 11 thousand (2008: 23 thousand) tonnes of copper ((-R213 million) 2008: (-R886 million)).

Total Group cost of sales increased by R99 million, from R1 326 million in the first six months of 2008 to R1 425 million for the comparable period under review, representing an increase of 7% from the previous period. The ratio of cost of sales to revenue increased from 41% to 55% in 2009. As a result of worsening market conditions, Palabora has initiated a labour freeze policy (except in critical areas with prior approval) in order to reduce operating costs. Discretionary spending has been curtailed. The following factors contributed to the increase in cost of sales:

- Employee costs increased by R35 million. Although a hiring freeze of non-critical positions was imposed, the annual salary increase and retention strategies introduced during the previous financial year impacted on the costs;
- The depreciation expense increased by R55 million compared with the 2008 half year due to capital additions during the second half of 2008;
- Increase in coal expenditure of R20 million as a result of increased coal prices (R12 million) and increased consumption (R8 million);
- Electricity costs increased by R16 million from R56 million in 2008 to R72 million in 2009 as a result of increased tariffs as well as increased consumption mainly due to processing of Foskor marginal ore;
- Changes in inventory of finished goods and work in progress of R224 million as a result of an additional 967 tonnes of copper rod being sold more than produced. Stock levels were built up in December 2008 to meet customer demand during the furnace shutdown. Low grade copper concentrate was sold during the first half of 2009 towards improving the working capital.

The increase was offset by the following decreases:

- Copper concentrate purchases decreased from 5.8 thousand tonnes in 2008 to 5.3 thousand tonnes in 2009 (R14 million), and the LME copper price impact on purchased concentrate of R190 million lower than the comparable period under review in 2008;
- Credit for processing Foskor Marginal ore of R52 million to compensate Palabora for the additional costs incurred to process the marginal ore. Foskor Marginal ore was not processed in the first half of 2008.

The Group achieved a gross profit during the period of R931 million (first half of 2008: R1 044 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) were R565 million compared with R852 million for the comparable period in 2008.

Selling and distribution costs increased by R258 million and administration costs decreased by R22 million. The increase in the selling and distribution costs from R233 million in 2008 to R491 million for 2009 is mainly as a result of higher magnetite volumes sold, the change in magnetite shipping terms from FOB to CFI/CFR and increased freight and railage to port rates.

The Group's profit before interest and tax was R280 million compared with R623 million in the first half of 2008, a decrease of R343 million.

The increase in net finance costs of R68 million was due to higher foreign exchange losses on revaluations of financial instruments.

The effective tax rate increased from 24.0% in June 2008 to 29.9% in June 2009 mainly as a result of the once-off impact of the statutory rate reduction in the beginning of 2008 (See notes 5 & 9).

Cash flow

For the six months ended 30 June 2009, the Group recorded a net cash inflow of R141 million compared with a net cash outflow of R291 million for the comparable period in 2008, mainly due to lower dividend and tax payments, decrease in investing activities due to the postponement of non-critical capital projects until market conditions improve, and lower repayments on borrowings.

Cash generated from operations during the period totalled R389 million. After funding the dividend payment of R40 million, tax payments of R71 million, capital expenditure of R61 million and repayment of borrowings of R80 million, the closing cash position was R888 million (compared with R550 million at June 2008).

Capital investment of R60 million was primarily spent on upgrading the operations; the underground mine (R32 million), the concentrator (R20 million) and the smelter (R4 million). The expenditure related mainly to development of the Western Extension, winder rope replacements and the continued construction of the South Paddock tailings dams. As a precaution measure against the prevailing market conditions, development capital has temporarily been put on hold. The amounts incurred on these projects relate to prior committed orders that would have been uneconomical to cancel. The net cash outflow was offset by other investing activities of R10 million.

The R80 million used in financing activities was for the final repayment of the senior term facility.

Net Cash

Net cash increased from R381 million in June 2008 to a net cash balance of R783 million in 2009 as a result of emphasis on preserving cash through dedicated focus on the working capital management and efficiency programme.

Black Economic Empowerment (BEE)

On 30 April, 2009 Palabora Mining Company Limited ("Palabora") signed and submitted a Transaction Framework Agreement (TFA) bearing the signatures of its Broad Based Black Economic Empowerment (BBBEE) partners to the Department of Minerals and Energy (DME) in Polokwane. The structure is projected to be operational in the beginning of 2010.

Pension Fund Surplus

On 2 July 2009 the Board of Appeal of the Financial Services Board (FSB) dismissed the lodged appeal to block the distribution of the pension fund surplus. Following the dismissal, the FSB instructed the Liquidator (Alexander Forbes) on 13 July 2009 to proceed with the liquidation. The employer's share of the surplus in the Fund is estimated at approximately R230 million before tax and including accrued interest.

Declaration of Dividend

An interim cash dividend of R1.65 per share has been declared in respect of the half-year ended 30 June 2009. Any final dividend in respect of the full-financial year will depend on the global market conditions.

Payment in South African Rand will be made on Monday, 7 September 2009 to shareholders recorded in the register of Palabora Mining Company on 4 September 2009. The last day to trade to qualify for the dividend will be Friday, 28 August 2009 and the shares will trade ex-dividend from Monday, 31 August 2009. Share certificates may not be dematerialised or rematerialised between Monday, 31 August 2009 and Friday, 4 September 2009, 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 2009.

The final dividend relating to the 2008 financial year of R40 million was paid during the period (2008: R150 million relating to the 2007 financial year).

Corporate Governance

Mr. George Negota resigned as an independent non-executive director and Chairman of the Board, with effect from 24 March 2009. Mr. Negota is leading a consortium of entrepreneurs ("the consortium") to acquire an equity interest not exceeding 6% in a newly formed, special purpose subsidiary of Palabora, which subsidiary will acquire all or an appropriate part of Palabora's business under the potential broad based Black Economic Empowerment transaction ("the transaction"). It is presently envisaged that 26% of the equity in the said subsidiary will be held by a combination of (i) the consortium, (ii) Palabora employees and (iii) a trust established for the communities of the Ba-Phalaborwa area, with the remaining 74% held by Palabora. Due to the potential conflict of interest, Mr. Negota was recused from Board discussions relating to the Transaction at the Board meeting held on 23 February 2009.

With effect from 24 March 2009, Mr. Clifford Zungu was appointed as interim Chairman of the Board.
Mr. Zungu has been an independent non-executive director of Palabora since April 2002 and also held the chairmanship during the 2006 financial year, until Mr. Negota was appointed Chairman.

With effect from 1 April 2009, Mr. Philip Robinson and Mr. Coen Louwarts were appointed as alternate directors to Ms. Kay Priestly and Mr. Clive Latcham respectively.

Appreciation

Once again we offer our thanks and appreciation to all stakeholders for their continued assistance in Palabora's quest to deliver value.

C Zungu	**MD Gili**	**CA Asubonten**
Chairman	***Managing Director***	***Finance Director***

30 July 2009

UNAUDITED INTERIM CONDENSED GROUP RESULTS

Interim consolidated income statement

	Note	**Six months ended 30 June 2009 R'000**	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Sale of products		**2 569 469**	3 256 786	6 183 013
Hedge loss realised		**(212 928)**	(886 444)	(1 578 433)
Revenue		**2 356 541**	2 370 342	4 604 580
Cost of sales		**(1 425 097)**	(1 325 975)	(2 760 701)
Gross Profit		**931 444**	1 044 367	1 843 879
Other income		**20 358**	19 340	16 781
Exploration cost		**(20)**	(3 269)	(3 283)
Selling and distribution costs		**(490 664)**	(233 203)	(586 595)
Administration expenses		**(177 478)**	(199 855)	(403 734)
Other expenses		**(3 965)**	(4 868)	(31 853)
Profit before tax and net finance costs	**2**	**279 675**	**622 512**	**835 195**
Finance costs	**3**	**(139 839)**	(77 952)	(126 284)
Finance income	**4**	**60 632**	66 810	121 169
Profit before tax		**200 468**	611 370	830 080
Income tax expense	**5**	**(59 874)**	(146 907)	(110 541)
Net profit for the period		**140 594**	464 463	719 539
Allocated as follows:				
Equity holders of parent		**140 594**	464 463	719 539
Earnings per share (cents):				
- Basic and diluted earnings per share	**6**	**291c**	961c	1 489c

Interim consolidated statement of comprehensive income

	Note	**Six months ended 30 June 2009 R'000**	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Net profit for the period		**140 594**	464 463	719 539
Other comprehensive (loss)/ income:				
Available-for-sale investments:				
- Valuation loss on available-for-sale asset		**(21 809)**	(5 878)	(11 811)
Exchange differences on translation of foreign operations		**(19 665)**	8 368	14 919
Cash flow hedges:				
- Valuation (losses)/gains		**(758 433)**	(2 474 584)	276 040
- Hedge loss realised for the period		**212 928**	886 444	1 578 433
- Hedge ineffectiveness		**1 311**	9 411	86 741
Income tax on cash flow hedges	**9**	**123 087**	451 772	(688 925)
Actuarial losses on defined benefit plans		**-**	-	(2 491)
Other comprehensive (loss)/income for the period, net of tax		**(462 581)**	(1 124 467)	1 252 906
Total comprehensive income for the period		**(321 987)**	(660 004)	1 972 445
Attributable to:				
Equity holders of the parent:		**(321 987)**	(660 004)	1 972 445

Interim consolidated statement of financial position

	Note	**As at 30 June 2009 R'000**	As at 30 June 2008 R'000	As at 31 December 2008 R'000
Assets				
Non-current assets		**4 124 206**	5 413 898	4 226 751
Property, plant and equipment		**3 189 385**	3 471 412	3 413 767
Intangible assets		**5 037**	-	4 105
Available-for-sale financial assets		**315 770**	306 898	313 988
Deferred tax asset	**9**	**614 014**	1 635 588	494 891
Current assets		**2 537 297**	2 139 513	2 357 953
Stores		**113 610**	95 410	115 416
Product inventories		**693 352**	672 428	837 059
Trade and other receivables		**842 023**	821 807	658 464
Cash and cash equivalents	**10**	**888 312**	549 868	747 014
Total assets		**6 661 503**	7 553 411	6 584 704
Shareholders' equity and Liabilities				
Capital and reserves				
Share capital and premium		**629 551**	629 551	629 551
Other reserves		**(1 386 491)**	(3 303 774)	(923 910)
Retained earnings		**3 067 411**	2 713 619	2 966 385
Total shareholders' equity		**2 310 471**	39 396	2 672 026
Non-current liabilities		**3 066 026**	5 311 437	2 775 816
Long-term borrowings	**10**	**-**	3 051	-
Derivative financial instrument	**11**	**1 698 908**	3 770 558	1 363 206
Provisions:				
- Close-down and restoration costs		**411 485**	376 394	391 330
- Post retirement medical benefits		**158 349**	149 695	154 603
Deferred tax liabilities	**9**	**797 284**	1 011 739	866 677
Current liabilities		**1 285 006**	2 202 578	1 136 862
Trade and other payables		**415 757**	479 245	451 771
Derivative financial instrument	**11**	**526 002**	1 411 090	321 348
Current portion of long-term borrowings	**10**	**105 664**	165 553	192 015
Current tax liabilities		**111 219**	58 810	56 862
Group companies – related parties		**126 364**	87 880	114 866
Total liabilities		**4 351 032**	7 514 015	3 912 678
Total equity and liabilities		**6 661 503**	7 553 411	6 584 704

Interim consolidated statement of changes in equity

	Share Capital R'000	Share premium R'000	Retained earnings R'000	Other Reserves R'000	Total R'000
Balance at 1 January 2008	48 337	581 214	2 398 853	(2 179 307)	849 097
Net profit for the period	-	-	464 463	-	464 463
Other comprehensive (loss)/ income:					
Revaluation of available-for-sale investments	-	-	-	(5 878)	(5 879)
Currency translation differences	-	-	-	8 368	8 368
Net loss on cash flow hedges	-	-	-	(2 474 584)	(2 474 584)
Hedge loss recycled to profit and loss	-	-	-	886 444	886 444
Over hedged ineffectiveness	-	-	-	9 411	9 411
Tax on items directly taken to equity	-	-	-	451 772	451 772
Total comprehensive income/(loss) for the period	-	-	464 463	(1 124 467)	(660 004)
Unclaimed dividends	-	-	149	-	149
Dividends paid	-	-	(149 846)	-	(149 846)
Balance at 30 June 2008	48 337	581 214	2 713 619	(3 303 774)	39 396
Net profit for the period	-	-	255 076	-	255 076
Other comprehensive (loss)/ income:					
Revaluation of available-for-sale investments	-	-	-	(5 933)	(5 933)
Currency translation differences	-	-	-	6 551	6 551
Net profit on cash flow hedges	-	-	-	2 750 624	2 750 624
Hedge loss recycled to profit and loss	-	-	-	691 989	691 989
Over hedged ineffectiveness	-	-	-	77 330	77 330
Tax on items directly taken to equity	-	-	-	(1 140 697)	(1 140 697)
Actuarial loss on defined benefit plans	-	-	(2 491)	-	(2 491)
Total comprehensive income for the period	-	-	252 585	2 379 864	2 632 449
Unclaimed dividends and other	-	-	181	-	181
Balance at 31 December 2008	**48 337**	**581 214**	**2 966 385**	**(923 910)**	**2 672 026**
Net profit for the period	-	-	**140 594**	-	**140 594**
Other comprehensive (loss)/ income:					
Revaluation of available-for-sale investments	-	-	-	**(21 809)**	**(21 809)**
Currency translation differences	-	-	-	**(19 665)**	**(19 665)**
Net loss on cash flow hedges	-	-	-	**(758 433)**	**(758 433)**
Over hedged ineffectiveness	-	-	-	**1 311**	**1 311**
Hedge loss recycled to profit and loss	-	-	-	**212 928**	**212 928**
Tax on items directly taken to equity	-	-	-	**123 087**	**123 087**
Total comprehensive income/(loss) for the period	-	-	**140 594**	**(462 581)**	**(321 987)**
Dividends paid	-	-	**(39 637)**	-	**(39 637)**
Unclaimed dividends and other	-	-	**69**	-	**69**
Balance at 30 June 2009	**48 337**	**581 214**	**3 067 411**	**(1 386 491)**	**2 310 471**

Interim consolidated cash flow statement

	Six months ended 30 June 2009 R'000	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Cash flows from operating activities	**272 478**	99 903	484 801
Cash generated from operations	**388 796**	517 907	949 194
Interest paid	**(27 193)**	(17 515)	(31 791)
Interest received	**21 423**	12 501	91 180
Dividend paid	**(39 602)**	(149 698)	(149 846)
Income tax paid	**(70 946)**	(263 292)	(373 936)
Cash flows from investing activities	**(51 211)**	(116 732)	(295 418)
Purchases of property, plant and equipment	**(58 874)**	(127 094)	(308 262)
Additions to intangible assets	**(1 609)**	(200)	(4 656)
Proceeds on disposal of property, plant & equipment	**35**	239	1 256
Amounts invested in rehabilitation fund	**(23 590)**	-	(10 467)
Interest received	**11 794**	-	23 802
Dividends received	**21 033**	10 323	2 909
Cash flows from financing activities	**(79 969)**	(274 413)	(283 479)
Long term borrowings repaid	**(79 969)**	(274 413)	(283 479)
Increase/(decrease) in cash and cash equivalents	**141 298**	(291 242)	(94 096)
At beginning of period	**747 014**	841 110	841 110
At end of period	**888 312**	549 868	747 014

CORPORATE INFORMATION

This condensed consolidated interim financial information of Palabora for the six months ended 30 June 2009 were authorised for issue in accordance with a resolution of the Board of Directors passed on 30 July 2009.

The Group is incorporated and domiciled in South Africa. The Group has its primary listing on the JSE Limited. The principal activities of the Group are described in Note 8.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Reporting).

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 statement as at 31 December 2008, which have been prepared in accordance with IFRSs.

Significant accounting policies

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 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported Copper by-products segment has been split into By-products: Magnetite, and By-products: Other segments.

  Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors. The chief operating decision-maker has been identified as the executive directors, assisted by the general managers.

- IFRS 7 (amendment), 'Amendments to IFRS 7 – Financial Instruments disclosures: Improving disclosures about financial instruments'. The improved disclosures will effectively be seen in the annual report of the financial year ended 31 December 2009.

- Annual improvement project: May 2008. Various changes to the different standards, will only impact on disclosures in the annual report of the financial year ended 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the group.

- IAS 23 (amendment), 'Borrowing costs - Revised'.
- IFRS 2 (amendment), 'Amendment to IFRS 2 Share-based payment: Vesting conditions and cancellations'.
- IAS 32 and IAS 1 (amendment), 'Amendment to IAS 32 Financial instruments: Presentation and
  IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation'.
- IFRS 1 and IAS 27 (amendment), 'Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.
- IFRIC 13, 'Customer loyalty programmes'.

- IFRIC 15, ‘Agreements for the construction of real estate’.
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’.

Presentational changes

Key management, as referred to in *IAS 24 Related Party Disclosures,* has been identified as the executive directors. Disclosures were updated to reflect this.

2. PROFIT BEFORE TAX AND NET FINANCE COSTS

	Six months ended 30 June 2009 R’000	Six months ended 30 June 2008 R’000	Year ended 31 December 2008 R’000
Profit before tax and net finance costs is stated after charging:			
Depreciation of property, plant and equipment	**(283 625)**	(229 018)	(469 068)
Amortisation of intangible assets	**(678)**	-	(551)
Employee benefit expense	**(376 139)**	(341 518)	(704 510)

3. FINANCE COSTS

	Six months ended 30 June 2009 R’000	Six months ended 30 June 2008 R’000	Year ended 31 December 2008 R’000
Net exchange losses on financial instruments	**93 558**	-	-
Interest on bank loans	**27 193**	17 515	31 791
Environmental rehabilitation interest	**19 088**	13 521	26 899
Exchange loss on foreign debt	**-**	46 916	67 594
	139 839	77 952	126 284

4. FINANCE INCOME

	Six months ended 30 June 2009 R’000	Six months ended 30 June 2008 R’000	Year ended 31 December 2008 R’000
Dividends received on available-for-sale asset	**21 033**	-	2 909
Interest from banks	**18 697**	23 071	45 361
Interest earned on pension surplus fund	**11 794**	11 047	23 802
Exchange gain on foreign debt	**6 382**	-	-
Interest on available-for-sale asset	**2 557**	-	3 279
Interest on accounts receivable balances	**169**	17	427
Net exchange gains on financial instruments	**-**	32 602	42 942
Other	**-**	73	2 449
	60 632	66 810	121 169

5. TAXATION

The effective tax rate increased from 24.0% at 30 June 2008 to 29.9% at 30 June 2009.

Deferred tax movements not recognised through the income statement, but through equity totalled R123 million for the six months ended 30 June 2009 (2008: R452 million). This is related to the mark-to-market entries on the hedge book that is recognised directly in equity.

The major components of income tax expense in the consolidated income statement are:

	Six months ended 30 June 2009 R'000	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Current income tax			
- South African			
- Mining tax: current period	**(116 047)**	(189 915)	(284 847)
- Mining tax: prior period	**-**	4 267	4 267
- Non-mining tax: current period	**(4 066)**	(3 371)	(8 784)
- Non-mining tax: prior period	**356**	-	(2 040)
- Foreign			
- Current	**(5 547)**	(13 235)	(19 657)
Deferred income tax			
Relating to origination and reversal of temporary differences :			
- South African	**65 562**	55 347	200 456
- Foreign	**(132)**	-	64
Income tax expense reported in the consolidated income statement	**(59 874)**	(146 907)	(110 541)

Tax rate reconciliation:

	%	%	%
Current standard statutory rate	**28.0**	28.0	28.0
Adjusted for:			
- Estimated State share (after tax) rate	**3.6**	3.6	3.6
- Actual state share and state share deduction on mining tax	**(3.1)**	1.3	(0.4)
- Tax legislation change – deferred tax on state share not recognised as a result of the Royalty Act #	**-**	-	(13.4)
- Statutory rate change – from 29% to 28%	**-**	(5.3)	(3.9)
- Dividend income	**(3.5)**	(1.5)	(1.4)
- Disallowable expenditure	**1.6**	0.1	0.1
- Deferred tax on unutilised STC credits	**2.2**	-	(1.6)
- Tax rate differential of foreign subsidiaries	**(0.5)**	(0.3)	2.0
- Prior year under provision	**-**	0.1	0.2
- Other	**1.6**	(2.0)	0.1
Effective tax rate	**29.9**	24.0	13.3

#December 2008:
The decrease in the effective tax rate is due to the reversal of deferred tax provision on state share of the profit/lease area as a result of the introduction of the Mineral and Petroleum Resources Act 28 effective 1 May 2009. Subsequent to the 2008 financial year-end, the implementation of the Act was postponed by almost a year from May 2009 to March 2010.

6. EARNINGS PER SHARE

	Six months ended 30 June 2009 R'000	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Reconciliation of net profit for earnings per share			
Net profit attributable to equity holders from continuing operations	**140 594**	464 463	719 539
Net profit attributable to ordinary shareholders from basic and diluted earnings per share	**140 594**	464 463	719 539
Reconciliation of weighted average number of ordinary shares			
Weighted average number of ordinary shares	**48 337**	48 337	48 337

7. RECONCILIATION OF HEADLINE EARNINGS PER SHARE

	Profit before tax R'000	**Taxation and lease consideration R'000**	**Profit after tax R'000**
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 2008			
Profit per income statement	611 370	(146 907)	464 463
Loss on disposal of property, plant and equipment	2 529	(608)	1 921
Headline profit for six months ended 30 June 2008	613 899	(147 515)	466 384
Year ended 31 December 2008			
Profit per income statement	830 080	(110 541)	719 539
Loss on disposal of property, plant and equipment	2 208	(294)	1 914
Headline profit for year ended 31 December 2008	832 288	(110 835)	721 453

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Headline earnings per share (cents)	**291**	965	1 493

8. SEGMENT REPORTING

For management purposes, the group is organised into operating segments based on the nature of the products and services provided, and has four reportable operating segments as follows:

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

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Period ended 30 June 2009	**Copper R'000**	**Industrial Minerals R'000**	**By-products: Magnetite R'000**	**By-products: Other R'000**	**Total R'000**
Revenue					
Sales to external customers	**1 357 604**	**232 419**	**639 914**	**126 604**	**2 356 541**
Segment Revenue	**1 357 604**	**232 419**	**639 914**	**126 604**	**2 356 541**
Results					
Segment Results	**(86 730)**	**46 718**	**217 176**	**104 114**	**281 278**
Unallocated expenditure					**(1 603)**
Profit from operations before tax and finance costs					**279 675**
Net finance costs					**(79 207)**
Profit before income tax					**200 468**
Income tax expense					**(59 874)**
Profit for the period					**140 594**

Period ended 30 June 2008	**Copper R'000**	**Industrial Minerals R'000**	**By-products: Magnetite R'000**	**By-products: Other R'000**	**Total R'000**
Revenue					
Sales to external customers	1 801 165	208 333	238 165	122 679	2 370 342
Segment Revenue	1 801 165	208 333	238 165	122 679	2 370 342
Results					
Segment Results	412 049	30 227	78 013	106 853	627 142
Unallocated expenditure	-	-	-	-	(4 630)
Profit from operations before tax and finance costs					622 512
Net finance costs					(11 142)
Profit before income tax					611 370
Income tax expense					(146 907)
Profit for the period					464 463

9. DEFERRED TAX

	Six months ended 30 June 2009 R'000	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.			
Deferred income taxes are calculated at the tax rates prevailing in the different fiscal authorities where the asset or liability originates.			
The gross movement on the deferred income tax account is as follows:			
Beginning of period	**(371 786)**	116 619	116 619
Exchange adjustment on translation of foreign subsidiaries	**-**	111	-
Tax charged to equity	**123 087**	451 772	(688 925)
Income statement charge	**65 429**	55 347	200 520
Net deferred tax (liability)/asset at the end of the period	**(183 270)**	623 849	(371 786)
Deferred taxation relating to temporary differences is made up as follows:			
Assets			
Provisions	**84 881**	82 192	86 387
Derivatives	**605 417**	1 635 587	482 330
STC credits	**8 597**	-	12 561
Other	**4 006**	(5 291)	10 768
	702 901	1 712 488	592 046
Liabilities			
Property, plant and equipment	**(886 171)**	(1 088 639)	(1 071 245)
Change in tax legislation	**-**	-	107 413
	(886 171)	(1 088 639)	(963 832)
Net deferred tax (liability)/asset	**(183 270)**	623 849	(371 786)
Included in the balance sheet as follows:			
Deferred tax asset	**614 014**	1 635 588	494 891
Deferred tax liability	**(797 284)**	(1 011 739)	(866 677)
Net deferred tax (liability)/asset	**(183 270)**	623 849	(371 786)

Deferred income tax assets are recognised to the extent that future taxable benefits are generated against which the deferred tax asset can be realised. At 30 June 2009 the company had no unredeemed capital (2008: R nil).

10. NET CASH

Description of loan	Effective interest rate %	Maturity	**Six months ended 30 June 2009 R'000**	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
Non-current					
Senior Term Facility	Libor+2.0%/ Jibar+2.35%	30.06.2009	**-**	3 051	-
			-	3 051	-
Current					
Senior Term Facility	Libor+2.0 / Jibar+2.35%	30.06.2009	**-**	59 108	74 351
Revolving credit facility	Libor+2.0%/Jibar+2.35%		**105 664**	106 445	117 664
			105 664	165 553	192 015
Total borrowings			**105 664**	168 604	192 015
Cash and cash equivalents			**(888 312)**	(549 868)	(747 014)
Net cash			**(782 648)**	(381 264)	(554 999)
Total equity			**2 310 471**	39 396	2 672 026
Total capital employed			**1 527 823**	(341 868)	2 117 027
Gearing			**(0.51)**	1.12	(0.26)

Approximately 55% of the group's existing borrowings is denominated in US$ for a total amount of US$7.5 million. The terms of repayments are consistent with the information disclosed in the December 2008 annual financial statements.

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

Senior term facility agreement

Total principal repayments of R80 million were made on the senior term facility during the six months ended 30 June 2009. This was for the final and complete settlement of the senior term facility balance.

Loan covenants

No defaults were declared.

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2009, the Group held a commodity swap contract designated as a hedge of expected future sales 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 the US$ LME Cash Settlement Price. The net receipt/payment is converted to Rand at the average US$/Rand 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.

A hedge is considered to be highly effective if the results of the retrospective and prospective effectiveness tests are within the range of 80% - 125%. Even if the effectiveness calculation falls within the 80% - 125% range, an ineffectiveness portion may arise if the change in the hedging instrument exceeds the change in the hedged item (over-hedge). The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in the income statement. As at 30 June 2009 the cashflow hedges of the expected future sales were assessed to be highly effective and R 1 million over-hedged ineffectiveness was recognised in the income statement.

The combined hedged book amounts to 92 711 tonnes of copper for a total amount of R2 225 million as at 30 June 2009 spread over 4.25 years.

The terms of the contracts are as follows:

Derivative financial instrument: table of terms

30 June 2009 **Maturity** **Year**	**Quantity** **(t)**	**Average hedged price** **ZAR/t**	**Hedged value** **R'000**	**Mark to market loss/(gain)** **R'000**
2009	11 231	15 739	176 765	**258 341**
2010	22 188	15 739	349 219	**521 141**
2011	21 825	15 739	343 500	**519 655**
2012	21 137	15 739	332 668	**501 624**
2013	16 330	15 739	256 998	**381 778**
Total of derivative financial instrument	92 711		1 459 150	**2 182 539**
Unamortised component of non-observable inception gain				**42 371**
Total				**2 224 910**
Less: Non-Current portion of derivative financial instrument				**1 666 906**
Less: Non-Current portion of unamortised component of non-observable inception gain				**32 002**
Total current portion				**526 002**
Current portion of derivative financial instrument				**515 633**
Current portion of unamortised component of non-observable inception gain				**10 369**

31 December 2008 Maturity Year	Quantity (t)	Average hedged price ZAR/t	Hedged value R'000	Mark to market loss/(gain) R'000
2009	22 265	15 739	350 427	310 964
2010	22 188	15 739	349 219	336 128
2011	21 825	15 739	343 500	350 372
2012	21 137	15 739	332 668	355 761
2013	16 330	15 739	256 998	283 808
Total of derivative financial instrument	103 745		1 632 812	1 637 033
Unamortised component of non-observable inception gain				47 521
Total				1 684 554
Less: Non-Current portion of derivative financial instrument				1 326 070
Less: Non-Current portion of unamortised component of non-observable inception gain				37 136
Total current portion				321 348
Current portion of derivative financial instrument				310 963
Current portion of unamortised component of non-observable inception gain				10 385

12. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2009 R'000	Six months ended 30 June 2008 R'000	Year ended 31 December 2008 R'000
The following transactions were carried out with related parties:			
Recovery of travel and staff costs	**804**	3 552	3 695
Purchases of goods and services	**190 345**	59 235	196 901
Key management compensation (executive directors)	**3 041**	3 485	7 250

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

13. COMMITMENTS

Commitments contracted for at balance sheet date were R60 million (31 December 2008: R86 million). Capital expenditure that was approved by the board, but not contracted for at 30 June 2009 amounts to R174 million (31 December 2008: R179 million).

14. CONTINGENT LIABILITIES

Various CCMA and labour cases are in progress. The potential exposure is approximately R34 million (2008: R34 million).

15. POST BALANCE SHEET EVENTS

Dividend declaration

The board declared a dividend of R1.65 per share on 30 July 2009. 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 2009.

16. GROUP SELECTED STATISTICS

		Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Revenue				
Copper (net of hedge)	R' million	**1 358**	1 801	3 166
Industrial minerals	R' million	**232**	208	411
Magnetite	R' million	**640**	238	790
Other products	R' million	**127**	123	237
Net profit before tax	R' million	**200**	611	830
Copper				
Ore hoisted	millions of tonnes	**5.97**	5.73	11.76
Average copper grade	% Cu	**0.661**	0.717	0.699
Copper in concentrates produced	'000 of tonnes	**37.8**	31.1	63.9
Cathode produced	'000 of tonnes	**40.5**	39.8	75.9
Average copper price realised	USc/lb	**182.7**	361.8	316.6
LME Copper Price	USc/lb	**183.5**	368.3	315.5
Average sales rand/dollar exchange rate realised	R/US$	**9.31**	7.65	8.88
Spot rand/dollar exchange rate	R/US$	**7.77**	7.87	9.37
Average copper price realised (pre hedge)	R/tonne	**36 991**	61 041	57 675
Average copper price realised (post hedge)	R/tonne	**31 729**	41 363	42 005
Net cash cost	R/tonne	**19 129**	20 916	18 198
Copper Rod				
Unit selling price pre hedge	USc/lb	**182.7**	365.6	337.5
Unit selling price post hedge	USc/lb	**157.9**	245.9	222.0
Sales	tonnes	**25 809**	29 550	51 954
Cathode				
Unit selling price pre hedge (local)	USc/lb	**172.83**	328.0	319.5
Unit selling price post hedge (local)	USc/lb	**149.32**	220.6	211.1
Sales (local)	tonnes	**11 117**	9 576	15 989
Unit selling price pre hedge (export)	USc/lb	**218.0**	388.4	169.0
Unit selling price post hedge (export)	USc/lb	**188.5**	261.2	111.3
Sales (export)	tonnes	**3 106**	501	7 651
Vermiculite				
Vermiculite sold	tonnes	**92 042**	101 917	188 825
Average vermiculite prices realised	R/tonne	**2 521**	1 599	2 094
Operational cash cost	R/tonne	**674.3**	553.2	596.4

		Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Magnetite				
Magnetite sold	tonnes	**1 163 912**	793 140	1 898 859
Average magnetite prices realised	R/tonne	**550**	300	416
Anode slimes				
Anode slimes sold	tonnes	**54**	48	105
Average anode slimes prices realised	R/tonne	**1 799 669**	2 057 525	1 412 871
Nickel sulphate				
Nickel sulphate sold	tonnes	**232**	68	173
Average nickel sulphate prices realised	R/tonne	**24 951**	78 177	45 503
Sulphuric acid				
Sulphuric acid sold	tonnes	**56 651**	62 963	109 178
Average sulphuric acid prices realised	R/tonne	**404**	341	747
Imported concentrate				
Volumes	Tonnes copper	**3 209**	5 803	13 562
Cost	R' million	**93**	357.5	708
Unit purchased price	R/tonne of copper	**28 910**	61 613	52 220
Marginal ore concentrate				
Volumes	Tonnes copper	**2 098**	-	1 834
Cost	R' million	**60.5**	-	68.3
Unit purchased price	R/tonne of copper	**28 848**	-	37 271
Cash flow				
Cash from operating activities	R' million	**273**	100	485
Cash in bank	R' million	**888**	550	747
Costs				
Production cost (excluding concentrate purchases)	R' million	**846**	642	2 091
Cost of sales	R' million	**1 425**	1 326	2 761
Capital expenditure and commitments				
Capital expenditure	R' million	**60**	127	313
Approved expenditure at end of each period	R' million	**174**	265	179
Contracts placed at end of each period	R' million	**60**	126	86
Investments				
Fair value of unlisted investments	R' million	**316**	307	314
Share capital				
Authorised ordinary shares of R1 each	R'000	**100 000**	100 000	100 000
Issued ordinary shares of R1 each	R'000	**48 337**	48 337	48 337
Net asset value per share	R/share	**47.80**	0.82	55.28