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")

REVIEWED PRELIMINARY RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 31 December 2008

COMMENTARY

Overview

Palabora ended the 2008 financial year with a net profit of R720 million. Excluding the impact of the impairment reversal in 2007, 2008 results were on par with those of the 2007 financial year. Matthew Gili, the Group's MD commented on the results as follows: "We have managed to produce results consistent with 2007 results. Our strong cash balance and consistent operational performance will bode well in these challenging times."

Management continues to be committed to safety, as we have re-pledged ourselves to working in a safe environment by increasing management visibility and engaging the work force about personal responsibility towards safety.

Production at the underground mine of 32 232 tonnes per day remained at similar levels as in 2007 (32 453 tonnes per day). Concentrator production benefited from reclaims and transfers from pond stocks, and the smelter recovered to almost plan levels following planned and unplanned outages. Performance of the new nickel sulphate refining plant which commenced in the later part of the year was encouraging. Magnetite production increased almost 50%, compared with the previous year.

We continued to improve our processes and sought optimal ways of operating efficiently by eliminating waste and containing cost pressures.

Having paid off debts of R283 million in 2008, we have a much improved balance sheet.

Taking into account the near term capital requirements and current market conditions, the Board declared a dividend of R0.82 per share on 29 January 2009. Going forward, dividend declarations will be considered on a quarterly basis.

Group financial results

For the year ended	**31 December 2008**	31 December 2007
Net profit for the year (excluding impairment reversal)	R720 million	R722 million
Basic earnings per share (excluding impairment reversal)	1 489 cents	1 493 cents
Profit from operations before interest, tax, depreciation and amortisation (EBITDA) (excluding impairment reversal)	R1 305 million	R1 489 million
Headline earnings (note 8)	R721.5 million	R720.8 million
Headline earnings per share	1 493 cents	1 491 cents
Net cash (excluding hedge)	R555 million	R433 million
Dividend per share (declared)	R0.82	R3.10

Net profit

The net profit for the year decreased marginally from R722 million in the previous year (excluding impairment reversal) to R720 million, or 1 489 cents per share compared with 1 493 cents per share in 2007. Headline earnings per share improved from 1 491 cents in 2007 to 1 493 cents per share in 2008.

The Group achieved a gross profit from operations during 2008 of R1 844 million, compared with a gross profit of R1 865 million in 2007.

Sales increased by R5 million to R6 183 million largely as a result of the following:

- A weakening in the average Rand/US$ exchange rate of 8.26 in 2008 compared with 7.05 in 2007 (+R1 048 million).

- Higher realised magnetite prices (+R133 million) of R416 per tonne compared with R270 per tonne in 2007; and higher volumes sold (+R234 million), 1 899 thousand tonnes compared with 1 337 thousand tonnes in 2007;
- Vermiculite's higher realised prices of R2 094 per tonne compared with R1 732 per tonne in 2007 resulted in an increase of R27 million, and higher volumes sold of 188 825 tonnes in 2008 compared with 181 254 in 2007, an increase of R16 million;
- Other by-products contributed R52 million as a result of higher realised prices.

These increases were offset by:

- Lower volumes of finished copper metal sales (excluding revert and concentrate sales), 75 594 compared with 92 846 tonnes in 2007 (-R1 082 million) and lower volumes of other by-products sales (-R112 million);
- Reverts and concentrate sales contributed an additional 9 500 tonnes of copper (2007: 11 629 tonnes). The lower volumes sold resulted in a decrease in the sales of products of R201 million;
- Lower realised prices of copper (-R 109 million).

The Group achieved an average realised selling price per tonne (post hedge) for copper rod and cathode of R40 433 (2007: R39 829) and R32 264 (2007: R36 080) respectively.

The increase in revenue was partially offset by the realised hedging losses resulting from the swap settlement of 41 801 tonnes of copper (R1 578 million).

Total Group cost of sales decreased by R233 million, from R2 994 million in 2007 to R2 761 million in 2008, representing a decrease of 8% from the previous year. The ratio of cost of sales to revenue reduced from 48.5% to 44.6% in 2008. The decrease in cost of sales resulted mainly from:

- A reduction in purchased copper concentrate expenditure by R351 million due to lower volumes being purchased during 2008 of 15 396 tonnes compared with 22 361 tonnes in 2007. This was partially offset by the higher LME copper price (+R118 million);
- The effect of the revaluation of revert stock in 2007 which had an impact when the stock was sold (-R252 million) had no effect in the current year under review.

The decrease was offset by:

- An increase in the depreciation charge of R183 million mainly due to the impairment reversal in the previous year;
- Higher personnel costs of R120 million due to the introduction of an additional housing allowance for employees, a retention bonus scheme, an increase in the number of employees and the annual salary increase;
- An increase in consumable prices, fuel and other energy contributed R89 million;
- Mobile fleet maintenance and higher steel prices increased the maintenance expense by R34 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were R 1 305 million compared with R1 489 million in 2007 (excluding impairment reversal).

Selling and distribution costs increased by R230 million while administration costs increased by R81 million. The increase in the selling and distribution costs from R356 million in 2007 to R586 million for 2008 is mainly due to increased magnetite volumes sold of 1 899 thousand tonnes in 2008 (2007: 1 337 thousand) and increased freight and railage rates.

Factors that contributed to the net profit before taxation of R830 million included a decrease of R98 million in net finance costs. This was due to lower interest cost primarily as a result of the debt repayments made in 2008 and foreign exchange profits of R25 million in 2008 compared with foreign exchange losses of R31 million in 2007.

Tax expense decreased by R818 million for the year, from R928 million in 2007 to R111 million in 2008. Year-on-year deferred tax decreased by R996 million (debit of R796 million in 2007 to a credit of R200 million in 2008) as a result of the impairment reversal in 2007 and temporary differences reversing in 2008. This was offset by a R178 million increase in current tax due to higher taxable profits. The effective tax rate changed from 33.3% at 31 December 2007 to 13.3% at 31 December 2008. The lower effective tax rate is mainly due to the reversal of deferred tax provision on state share of profit/lease area as a result of the introduction of the Mineral and Petroleum Resources Royalty Act 28 of 2008 effective 1 May 2009 as well as a decrease in the statutory rate from 29% to 28%. (See notes 6 and 9).

Cash flow

Cash and cash equivalents were R747 million in 2008 compared with R841 million in 2007.

For the year ended 31 December 2008, the Group had a net cash outflow of R94 million compared with a net cash inflow of R171 million for 2007.

Cash from operating activities decreased by R1 119 million to R485 million in 2008 (2007: R1 604 million) due to:

- A decrease in cash generated from operations of R783 million explained by:
  - A decrease in the adjusted for non-cash items before tax and finance costs profit of R118 million; and
  - A decrease of R666 million as a result of the increase in 2008 of R406 million in working capital, mostly in work-in-progress inventory, compared with a R260 decrease in working capital in 2007;
- An increase in tax payments of R362 million;
- Dividend payments of R150 million in 2008;
- Offset by an increase in interest received and lower interest paid of R178 million.

The group spent R295 million on investing activities. Capital investment of R313 million (2007: R182 million) was primarily spent on the underground (R118 million), concentrator (R63 million) and vermiculite operations (R20 million). These expenditures relate mainly to new underground mobile equipment, western extension development, the refurbishing of the grinding circuit, and the South and East paddock tailing dams. The net cash outflow was offset by the proceeds received from the sale of property, plant and equipment and other investing activities in the amount of R18 million.

The cash outflow from financing activities of R283 million (2007: R1 267 million) was due to principal repayments and mandatory prepayments of the senior term facility.

Net Cash

Net cash, excluding the hedge, increased from R433 million in 2007 to R555 million in 2008 due to the following:

- Total borrowings decreased by R216 million to R192 million in 2008 from R408 million in 2007; and
- Cash balances decreased by R94 million to R747 million in 2008.

Approximately sixty eight percent of the Group's total borrowings were denominated in US$ for a total amount of US$ 14 million.

Ore reserves

The total Proven Ore Reserves remaining as at 31 December 2008 were 90.95 million tonnes ore (2007: 104 million tonnes) at 0.62% (2007: 0.62%) copper content.

Black Economic Empowerment (BEE)

Palabora has entered into discussions regarding a potential broad based BEE transaction involving all or an appropriate part of its business (the Transaction).

The Transaction in broad terms involves an internal leveraged structure pursuant to which the Black Economic Empowerment shareholders will acquire an equity interest not exceeding 26% in a newly formed, special purpose subsidiary of Palabora, which subsidiary will acquire all or an appropriate part of Palabora's business. The Transaction therefore does not envisage a change in the existing share capital or shareholders of Palabora Mining Company

Pension Fund Surplus

The Company and its legal representatives are in discussions with the Financial Services Board (FSB) regarding this matter.

Only after the Registrar's approval has been obtained, can the Liquidator release the employer's share of the surplus in the Fund. This is estimated at approximately R219 million before tax and including accrued interest.

Dividend

Payment in South African Rand will be made on Monday, 9 March 2009 to shareholders recorded in the register of Palabora Mining Company on 6 March 2009. The last day to trade to qualify for the dividend will be Friday, 27 February 2009 and the shares will trade ex-dividend from Monday, 2 March 2009. Share certificates may not be dematerialised or rematerialised between Monday, 2 March 2009 and Friday, 6 March 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.

Corporate Governance

On 29 February 2008, Mr Keith Marshall resigned as the Managing Director at Palabora after four successful and productive years to head up Ivanhoe Mining Company as the Managing Director of the Oyu Tolgoi project in Mongolia.

Mr Matthew Gili, was appointed the Managing Director at Palabora with effect from 1 March 2008. Mr Gili was formerly the general manager of operations, responsible for the underground and concentrator operations. Mr Gili has been a key member of the Palabora team for the last three years and contributed significantly to the greatly improved operational and safety performance.

On 31 March 2008, Mrs Jo-Ann Goh resigned as non-executive director at Palabora. Mrs Goh was appointed to the role of general manager commercial within the Rio Tinto Copper projects team effective 1 February 2008. She was replaced by Mr Philip Robinson as non-executive director on 1 April 2008. During November 2008, Rio Tinto reorganised its Copper and Diamond group. Due to the reorganization, Mr Robinson moved to the Business Development unit, and Ms Kay Priestly was appointed Chief Financial Officer – Copper and Diamond group effective 1 November 2008. As a result, Mr Robinson resigned from the Board of Palabora on 31 December 2008. With effect from 1 January 2009, Ms K Priestly was appointed as a non-executive director of Palabora. Ms. Priestly is a certified public accountant and a member of the American Institute of Certified Public Accountants. She graduated Summa Cum Laude from Louisiana State University with a Bachelor of Science degree in accounting.

Appreciation

Once again, we are thankful for the dedication of our employees and other stakeholders who continue to play a significant role in the delivery of the company's strategic and operational plans.

G.M. Negota
Chairman

M.D. Gili
Managing Director

C.A. Asubonten
Finance Director

2 February 2009

GROUP RESULTS

Income statement

for the year ended 31 December 2008

	Note	Group Reviewed 31 December 2008 R'000	Audited 31 December 2007 R'000
Continuing operations			
Sale of products		**6 183 013**	6 177 954
Hedged loss realised		**(1 578 433)**	(1 319 825)
Revenue		**4 604 580**	4 858 129
Cost of sales		**(2 760 701)**	(2 993 587)
Gross Profit		**1 843 879**	1 864 542
Other income		**16 781**	21 290
Impairment reversal	**2**	**-**	1 690 156
Exploration cost	**3**	**(3 283)**	(3 257)
Selling and distribution costs		**(586 595)**	(356 493)
Administration expenses		**(403 734)**	(322 358)
Other expenses	**4**	**(31 853)**	(1 634)
Profit from continuing operations before tax and net finance costs	**5**	**835 195**	2 892 246
Finance costs - Net		**(5 115)**	(102 931)
Finance cost		**(126 284)**	(172 028)
Finance income		**121 169**	69 097
Profit before tax		**830 080**	2 789 315
Income tax expense	**6**	**(110 541)**	(928 402)
Net profit for the year		**719 539**	1 860 913
Allocated as follows:			
Equity holders of parent		**719 539**	1 860 913
Earnings per share (cents):			
- Basic earnings per share	**7**	**1 489c**	3 850c
- Diluted earnings per share	**7**	**1 489c**	3 850c

Balance sheet

as at 31 December 2008

	Note	Group Reviewed 31 December 2008 R'000	Audited 31 December 2007 R'000
Assets			
Non-current assets		**4 226 751**	5 059 788
Property, plant and equipment		**3 413 767**	3 576 481
Intangible assets		**4 105**	-
Available for sale financial asset		**313 988**	312 052
Deferred tax asset	**9**	**494 891**	1 171 255
Current assets		**2 357 953**	2 122 651
Stores		**115 416**	80 576
Product inventories		**837 059**	573 524
Trade and other receivables		**658 464**	627 441
Cash and cash equivalents		**747 014**	841 110
Total assets		**6 584 704**	7 182 439
Shareholders' equity and Liabilities			
Capital and reserves			
Share capital and premium	**10**	**629 551**	629 551
Other reserves	**10**	**(957 977)**	(2 211 213)
Retained earnings	**10**	**3 000 452**	2 430 759
Total shareholders' equity		**2 672 026**	849 097
Non-current liabilities		**2 775 816**	4 321 770
Long term borrowings	**11**	**-**	193 818
Derivative financial instrument	**12**	**1 363 206**	2 564 762
Provisions:			
- Close-down and restoration costs		**391 330**	362 873
- Post retirement medical benefits		**154 603**	145 681
Deferred tax liability	**9**	**866 677**	1 054 636
Current liabilities		**1 136 862**	2 011 572
Trade and other payables		**451 771**	555 777
Derivative financial instrument	**12**	**321 348**	1 039 561
Current portion of long-term borrowings	**11**	**192 015**	214 082
Current taxation liabilities		**56 862**	119 737
Group companies – related parties		**114 866**	82 415
Total liabilities		**3 912 678**	6 333 342
Total equity and liabilities		**6 584 704**	7 182 439

Statement of recognised income and expenditure

for the year ended 31 December 2008

	Group	
	Reviewed 31 December 2008 R'000	Audited 31 December 2007 R'000
Available-for-sale investments:		
- Valuation (losses)/gains taken to equity	**(11 811)**	36 480
Exchange differences on translation of foreign operations	**14 919**	(5 701)
Unclaimed dividends	**330**	(184)
Cash flow hedges:		
- Profit/ (losses) taken to equity	**315 886**	(2 470 676)
- Transferred to profit or loss for the year	**1 625 328**	1 319 825
Actuarial losses on defined benefit plans	**(2 491)**	(18 821)
Dividends paid	**(149 846)**	-
Tax on items taken directly to or transferred from equity	**(688 925)**	374 815
Net profit/(loss) recognised directly in equity	**1 103 390**	(764 262)
Net profit for the year	**719 539**	1 860 913
Total recognised income and expenses for the year	**1 822 929**	1 096 651
Attributable to:		
Equity holders of the parent	**1 822 929**	1 096 651

Summarised cash flow statement

for the year ended 31 December 2008

	Group	
	Reviewed 31 December 2008 R'000	Audited 31 December 2007 R'000
Cash flows from operating activities	**484 801**	1 604 265
Cash generated from operating activities	**949 194**	1 733 032
Interest paid	**(31 791)**	(172 028)
Interest received	**91 179**	54 891
Dividends paid	**(149 846)**	-
Taxation paid	**(373 935)**	(11 630)
Cash flows from investing activities	**(295 418)**	(166 991)
Replacement of property, plant and equipment	**(312 918)**	(182 407)
Proceeds on disposal of property, plant and equipment	**1 256**	1 210
Amounts invested in rehabilitation fund	**(10 467)**	-
Interest received	**23 802**	14 206
Dividends received	**2 909**	-
Cash flows from financing activities	**(283 479)**	(1 266 500)
Payment of finance lease	**-**	(12 145)
Long term borrowings repaid	**(283 479)**	(1 254 355)
(Decrease) / Increase in cash and cash equivalents	**(94 096)**	170 774
At beginning of year	**841 110**	670 336
At end of year	**747 014**	841 110

CORPORATE INFORMATION

The preliminary condensed consolidated financial statements of Palabora for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors passed on 29 January 2009.

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Audit review
The year end financial results have been reviewed in terms of paragraph 3.22 of the Listings Requirements of the JSE by the group's auditor, PricewaterhouseCoopers Inc. The unqualified review opinion is available on request from the Company secretary.

Basis of preparation
The preliminary condensed consolidated financial statements of the Group for the year ended 31 December 2008 have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Reporting).

The preliminary financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

Significant accounting policies
The accounting policies applied in the presentation of the preliminary report are consistent with those applied for the year ended 31 December 2007. The Group applied all the relevant new and revised standards and interpretations that were in issue and effective for the year ended 31 December 2008. This had no impact on the financial statements of the Group.

Changes in estimates

- Post retirement medical liability
  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 2008 is valued at R155 million compared with R146 million at 31 December 2007. The main assumptions are summarised below:

Valuation Date	31 December 2008	31 December 2007
Discount Rate	9.00% p.a.	8.50% p.a.
Health Care Cost Inflation	7.50% p.a.	7.25% p.a.
CPI Inflation	5.50% p.a.	5.25% p.a.
Expected Retirement Age	58	58
Full Eligibility Age	53	53
Membership Discontinued at Retirement	0%	0%
Post-Retirement Mortality	PA(90) ultimate table rated down 2 years with a 1% improvement p.a. from 2006	PA(90) ultimate table rated down 2 years with a 1% improvement p.a. from 2006
Withdrawal Table	0 -% - 15% (Unisex)	0 -% - 15% (Unisex)

The valuation resulted in an actuarial loss of R2 million being recognised in the statement of recognised income and expenditure.

- Provision for Close-down and Restoration cost
  The provision for close-down and restoration costs was impacted by the following movements during the year ended 31 December 2008:
  - A R16.5 million increase due to a revised present closure obligation;
  - A decrease in the discount rate from 2.4% to 2.1%, and in the long-term inflation rate from 6.3% to 5.5% resulted in a R14.9 million decrease in the provision;
  - Finance charges (unwind of discount) through the income statement resulted in an increase of R27 million in the provision.

2. IMPAIRMENT REVERSAL

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Impairment reversal	**-**	(1 690 156)

2007: In 2004 financial year, the company recognised an impairment loss of R2 342 million before tax. A review of long-term assets is carried out at each reporting date where there is an indication that an impairment loss may no longer exist or may have decreased. Following this review, management believed that the carrying value of the company's assets is not aligned with its recoverable value. As a result, the maximum allowable impairment reversal of R1 690 million was recognised.

3. EXPLORATION COST

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Exploration cost	**3 283**	3 257

The exploration costs refer to expenditure incurred on the Lift II pre-feasibility drilling. The area known as Lift II is the copper mineralisation area below the current footprint. This area is very large and requires considerable diamond drilling to confirm its tonnage and grade. The Lift II area has the potential to add at least ten years to the life of mine.

4. OTHER EXPENSES

The following items of an unusual nature have been included in other expenses for the year:

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Net hedge ineffectiveness #	**22 587**	-
Loss on disposal of property, plant and equipment	**2 208**	-

#2008: 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.

5. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND NET FINANCE COSTS

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Included are:		
Depreciation of property, plant and equipment	**(469 068)**	(286 698)
Amortisation of intangible assets	**(551)**	(325)
Employee benefit expense	**(698 298)**	(578 358)

6. TAXATION

The effective tax rate decreased from 33.3% at 31 December 2007 to 13.3% at 31 December 2008.

Deferred tax movements not recognised through the income statement, but through equity totalled R689 million for the year ended 31 December 2008 (2007: (R375 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:

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Current income tax		
- South African		
- Mining tax	**(282 620)**	(116 771)
- Non-mining tax	**(8 784)**	(5 342)
- Foreign		
- Current	**(19 593)**	(10 719)
Deferred income tax		
Relating to origination and reversal of temporary differences :		
- South African	**200 456**	(795 570)
- Foreign	**-**	-
Income tax expense reported in the consolidated income statement	**(110 541)**	(928 402)

7. EARNINGS PER SHARE

	31 December 2008 R'000	31 December 2007 R'000
Reconciliation of net profit for earnings per share		
Net profit attributable to equity holders from continuing operations	**719 539**	1 860 913
Net profit attributable to ordinary shareholders from basic and diluted earnings per share	**719 539**	1 860 913
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	**48 337**	48 337

8. RECONCILIATION OF HEADLINE EARNINGS

	Profit before tax R'000	Taxation and lease consideration R'000	Profit after tax R'000
Year ended 31 December 2008			
Net profit per income statement	**830 080**	**(110 541)**	**719 539**
Loss on disposal of property, plant & equipment	**2 208**	**(294)**	**1 914**
Headline profit	**832 288**	**(110 835)**	**721 453**
Headline earnings per share			**1 493 cents**
Year ended 31 December 2007			
Net profit per income statement	2 789 315	(928 402)	1 860 913
Profit on disposal of property, plant & equipment	(1 205)	393	(812)
Impairment reversal	(1 690 156)	550 896	(1 139 260)
Headline profit	1 097 954	(377 113)	720 841
Headline earnings per share			1 491 cents

9. DEFERRED TAX

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 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. The offset amounts are as follows:		
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	**352 578**	781 375
- Deferred tax asset to be recovered within 12 months	**142 313**	389 880
	494 891	1 171 255
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	**(970 096)**	(1 086 224)
- Deferred tax liability to be recovered within 12 months	**103 419**	31 588
	(866 677)	(1 054 636)
Net deferred tax (liability)/asset	**(371 786)**	116 619
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	**116 619**	537 147
Tax charged to equity	**(688 925)**	374 815
Income statement charge	**200 520**	(795 343)
Net deferred tax (liability)/asset at the end of the year	**(371 786)**	116 619
Deferred taxation relating to temporary differences is made up as follows:		
Assets		
Provisions	**86 387**	75 822
Derivatives	**489 800**	1 171 254
Other	**15 859**	8 673
	592 046	1 255 749

	Year ended 31 December 2008 R'000	Year ended 31 December 2007 R'000
Liabilities		
Property, plant and equipment	**(1 071 245)**	(1 139 130)
Change in tax legislation	**107 413**	-
	(963 832)	(1 139 130)
Net deferred tax (liability)/asset	**(371 786)**	116 619
Included in the balance sheet as follows:		
Deferred tax asset	**494 891**	1 171 255
Deferred tax liability	**(866 677)**	(1 054 636)
Net deferred tax (liability)/asset	**(371 786)**	116 619

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 31 December 2008 the company had no unredeemed capital expenditure (2007: nil).

10. SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

	Share Capital R'000	Share premium R'000	Retained earnings R'000	Other R'000	**Total R'000**
Balance at 1 January 2007	48 337	581 214	569 846	(1 446 951)	(247 554)
Fair value on available for sale investments	-	-	-	36 480	36 480
Currency translation differences and other	-	-	-	(5 701)	(5 701)
Unclaimed dividends	-	-	-	(184)	(184)
Net loss on cash flow hedges	-	-	-	(2 470 676)	(2 470 676)
Hedge loss recycled to profit and loss	-	-	-	1 319 825	1 319 825
Tax on items directly taken to equity	-	-	-	374 815	374 815
Actuarial loss on defined benefit plans	-	-	-	(18 821)	(18 821)
Net profit for the year	-	-	1 860 913	-	1 860 913
Balance at 31 December 2007	48 337	581 214	2 430 759	(2 211 213)	849 097
Fair value on available for sale investments	**-**	**-**	**-**	**(11 811)**	**(11 811)**
Currency translation differences and other	**-**	**-**	**-**	**14 919**	**14 919**
Unclaimed dividends	**-**	**-**	**-**	**330**	**330**
Net profit on cash flow hedges	**-**	**-**	**-**	**315 886**	**315 886**
Hedge loss recycled to profit and loss	**-**	**-**	**-**	**1 625 328**	**1 625 328**
Tax on items directly taken to equity	**-**	**-**	**-**	**(688 925)**	**(688 925)**
Actuarial loss on defined benefit plans	**-**	**-**	**-**	**(2 491)**	**(2 491)**
Dividends paid	**-**	**-**	**(149 846)**	**-**	**(149 846)**
Net profit for the year	**-**	**-**	**719 539**	**-**	**719 539**
Balance at 31 December 2008	**48 337**	**581 214**	**3 000 452**	**(957 977)**	**2 672 026**

11. NET CASH

	Effective interest rate %	Maturity	**2008 R'000**	2007 R'000
Non-current				
Senior Term Facility	Libor+2.0%/Jibar+2.65%	30.06.2009	**-**	(141 049)
Rio Tinto secured loan	Libor+5%		**-**	(52 769)
			-	(193 818)
Current				
Senior Term Facility	Libor+2.0%/Jibar+2.65%	30.06.2009	**(74 351)**	(115 668)
Revolving credit facility	Libor+2.0%/Jibar+2.65%		**(117 664)**	(98 414)
			(192 015)	(214 082)
Total borrowings			**(192 015)**	(407 900)
Cash and cash equivalents			**747 014**	841 110
Excess cash			**554 999**	433 210

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

Approximately 68% of the group's existing borrowings is denominated in US$ for a total amount of US$14 million. The terms of repayments are consistent with the information disclosed in the December 2007 annual financial statements, except for the maturity date of the senior term facility that is brought forward due to the mandatory prepayments made during the year under review.

Senior term facility agreement

Total principal repayments of R227 million were made on the senior term facility during the year. This included R92 million paid in accordance with the repayment schedule plus mandatory prepayments of R135 million. The mandatory pre-payments resulted from the restricted payment that was made to Rio Tinto Finance plc (R85 million prepayment) and the dividend payment made in March 2008 (R50 million prepayment).

The December scheduled payments were not made due to delays in obtaining South African Reserve Bank approval. The payment was released on 21 January 2009.

No defaults were declared.

Rio Tinto secured loan

In January 2008, the Group made restricted payments as defined in the senior term facility agreement to Rio Tinto Finance plc. Payment in the Rand equivalent of US$7.8 million was allocated entirely to the repayment and settlement of the principal under the secured loan agreement.

12. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2008, 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 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.

As at 31 December 2008 the cashflow hedges of the expected future sales were assessed to be highly effective and R 22 million over-hedged ineffectiveness was recognised in the income statement (see note 4).

The combined hedged book amounts to 103 745 tonnes of copper for a total amount of R1 633 million as at 31 December 2008 spread over 4.75 years. The mark-to-market revaluation of the hedge book resulted in a R1 920 million decrease (from R3 604 million at 31 December 2007 to R1 684 million) in the hedge liability. The terms of the contracts are as follows:

Derivative financial instrument: table of terms
2008

Maturity Year	Quantity (t)	Average hedged price ZAR/t	Hedged value R'000	Derivative liability R'000
2009	22 265	15 739	350 427	321 348
2010	22 188	15 739	349 219	346 476
2011	21 825	15 739	343 500	360 538
2012	21 137	15 739	332 668	365 591
2013	16 330	15 739	256 998	290 601
Total	**103 745**		**1 632 812**	**1 684 554**
Less: Non-Current portion				**1 363 206**
Current portion				**321 348**

Derivative financial instrument: table of terms
2007

Maturity Year	Quantity (t)	Average hedged price ZAR/t	Hedged value R'000	Derivative liability R'000
2008	41 801	20 521	857 801	1 039 561
2009	22 265	15 739	350 427	321 348
2010	22 188	15 739	349 219	346 476
2011	21 825	15 739	343 500	360 538
2012	21 137	15 739	332 668	365 591
2013	16 330	15 739	256 998	290 601
Total	**145 546**		**2 490 613**	**3 604 323**
Less: Non-Current portion				**2 564 762**
Current portion				**1 039 561**

The hedge comprise of two tranches:
Part I: From the date of the agreement until 30 September 2008: 62.5% of monthly underground production;
Part II: From 01 October 2008 to 30 September 2013: 30% of monthly underground production.

13. SEGMENT REPORTING

Year ended 31 December 2008	Copper R'000	Industrial Minerals R'000	Copper By-Products R'000	Total R'000
Segment Revenue	**3 165 891**	**411 484**	**1 027 205**	**4 604 580**
Segment profit	**218 657**	**56 559**	**534 295**	**809 511**
Unallocated profit before tax and finance costs				**25 683**
Profit from operation before tax and finance costs				**835 195**
Net finance costs				**(5 115)**
Income tax expense				**(110 541)**
Net profit for the year				**719 539**
Year ended 31 December 2007				
Segment Revenue	3 920 511	313 882	623 736	4 858 129
Segment profit	2 515 511	55 027	276 476	2 847 014
Unallocated profit before tax and finance costs				45 232
Profit from operation before tax and finance costs				2 892 246
Net finance costs				(102 931)
Income tax expense				(928 402)
Net profit for the year				1 860 913

14. COMMITMENTS

Commitments contracted for at balance sheet date were R86 million (2007: R86 million). Capital expenditure that was approved by the board, but not contracted for at 31December 2008 amounts to R179 million (2007: R303 million).

15. CONTINGENT LIABILITIES

Various legal matters, including labour cases before the CCMA, are in progress. The potential exposure is approximately R 34 million.

16. POST BALANCE SHEET EVENTS

Senior term loan facility repayment
On 21 January 2009 the South African Reserve bank granted approval for the full repayment of the senior term facility. The loan was fully settled on this date.

Dividend declaration
The board declared a dividend of R0.82 per share on 29 January 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.

17. GROUP SELECTED STATISTICS

		2008	2007
Revenue			
Copper (including hedge)	*R' million*	**3 166**	3 921
By-products	*R' million*	**1 027**	624
Vermiculite	*R' million*	**411**	314
Net profit before tax	*R' million*	**830**	2 789
Copper			
Ore hoisted	*millions of tonnes*	**11,76**	11,84
Average copper grade	*% Cu*	**0.699**	0.705
Copper in concentrates produced	*'000 of tonnes*	**63,9**	65,7
Cathode produced	*'000 of tonnes*	**75,9**	91,7
Average copper price realised	*USc/lb*	**316.6**	332.6
LME Copper Price	*USc/lb*	**315.5**	322.1
Average rand/dollar exchange rate	*R/US$*	**8.26**	7.05
Average copper price realised	*R/tonne*	**57 675**	51 706
Net cash cost	*R/tonne*	**18 198**	15 952
Copper Rod			
Unit selling price pre hedge	*USc/lb*	**337.5**	342.5
Unit selling price post hedge	*USc/lb*	**222.0**	256.2
Sales	*tonnes*	**51 954**	64 468
Cathode			
Unit selling price pre hedge (local)	*USc/lb*	**319.5**	319.9
Unit selling price post hedge (local)	*USc/lb*	**211.1**	239.3
Sales (local)	*tonnes*	**15 989**	13 148
Unit selling price pre hedge (export)	*USc/lb*	**169.0**	302.0
Unit selling price post hedge (export)	*USc/lb*	**111.3**	225.9
Sales (export)	*tonnes*	**7 651**	15 230
Vermiculite			
Vermiculite sold	*tonnes*	**188 825**	181 254
Average vermiculite prices realised	*R/tonne*	**2 094**	1 732
Operational cash cost	*R/tonne*	**596.4**	469.5
Magnetite			
Magnetite sold	*tonnes*	**1 898 859**	1 337 007
Average magnetite prices realised	*R/tonne*	**416**	270
Imported concentrate			
Volumes	*Tonnes copper*	**13 562**	19 322
Cost	*R' million*	**708**	920
Unit purchased price	*R/tonne of copper*	**52 220**	46 860
Marginal ore concentrate			
Volumes	*Tonnes copper*	**1 834**	3 039
Cost	*R' million*	**68**	71
Unit purchased price	*R/tonne of copper*	**37 271**	32 141
Costs			
Production cost (excluding concentrate purchases)	*R' million*	**2 090.6**	1 753.9
Cost of sales	*R' million*	**2 760.6**	2 996.8
Capital expenditure and commitments			
Capital expenditure	*R' million*	**313**	181
Approved expenditure at end of each period	*R' million*	**179**	303
Contracts placed at end of each period	*R' million*	**86**	86

Investments			
Fair value of unlisted investments	*R' million*	**314**	312
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*	**55.28**	17.57
Employees			
Number of employees		**2 191**	2 110