Rio Tinto

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 PRELIMINARY RESULTS AND DIVIDEND ANNOUNCEMENT
for the year ended 31 December 2011

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

Dikeledi Nakene (CA) SA
Chief Financial Officer

COMMENTARY

Group financial highlights

For the year ended		**Reviewed 31 December 2011**	Audited 31 December 2010
Net profit for the year	R'million	**1 464**	595
Basic earnings per share	Cents	**3 028**	1 231
Earnings before interest, tax, depreciation and amortisation (EBITDA)	R'million	**2 432**	1 533
Headline earnings	R'million	**1 468**	594
Headline earnings per share	Cents	**3 036**	1 228
Dividend per share (declared)	Cents	**1 138**	931

Overview

The Managing Director, Anthony (Tony) Lennox said, "I am pleased to announce that Palabora continues to build on its diverse commodity platform to deliver an excellent performance for 2011. Combined with enhanced operational efficiencies, an improving sales mix including higher magnetite volumes and firming commodity prices, Palabora posted net profit of R1.464 billion compared to R595 million in 2010."

Shareholders are referred to the announcement of the Broad Based Black Economic Empowerment (BBBEE) transaction published on 19 December 2011 wherein Palabora announced the conversion, subject to certain administrative corrections, of seven of its eight existing old order mining rights into new order mining rights, a key step to enabling Palabora to move forward with the implementation of the BBBEE transaction. The remaining old order mining right is subject to a third party dispute, but such dispute will not prevent the implementation of the BBBEE transaction insofar as the other new order mining rights are concerned. As part of Palabora's transformation strategy, Palabora embraced a fundamental responsibility to participate and contribute meaningfully towards Enterprise Development (ED) and Socio-economic Development (SED) in order to continue to develop the community of Ba-Phalaborwa. To this end, the Board of Palabora (the Board) approved R35 million for ED and SED projects to provide local entrepreneurs with training, operational and/or financial assistance to strengthen and grow their businesses.

During 2011 Palabora established a program called the Four Pillars of Growth which are significant projects designed to move the company forward for the next 20 years. Tony said, "During the course of 2011 the Board endorsed the business strategy which identified four areas for additional growth, comprising Lift II mine development, magnetite expansion, vermiculite expansion and smelter extension prefeasibility. A total of R196 million was spent on Lift II and growth initiatives for the year. The business has established a formal dedicated capability with the necessary leadership and structures to support the execution of our strategy." This includes the trucking of magnetite to Maputo which commenced in December 2011 with an expected 40kt to 60kt to be moved monthly and complement the existing rail capability.

The Board declared a final dividend of R2.07 per share, which together with the interim dividend of R9.31 per share brings the 2011 dividend to R11.38 per share.

Safety

Tony said, "Palabora continues to set progressive targets to improve its safety record and it is for that reason I am disappointed that our safety record deteriorated compared to 2010, with all injuries increasing from 21 in 2010 to 24. I personally took time to interact with about 3 800 employees and contractors during our Leadership Through Dialogue LeKgotla training programme which was a huge success. All employees had a daylong session to share their views on safety with the entire leadership. We are in the process of implementing the safety and leadership recommendations adopted from the interactions with our members of staff."

Production

Ore hoisted decreased 3% to 10.7Mt compared to 11.0Mt in 2010 mainly due to the replacement of the winder drums during the first and second quarters of 2011 and lower LHD availability in the fourth quarter due to the consolidation of the maintenance contracts.

Total ore treated increased 1% to 11.8Mt compared to 11.7Mt in 2010 mainly due to increased processing of slag and other material which increased 89% to 1.2mt to mitigate the impact of lower underground ore supply and the impact of the girth gear replacement overrun in the second quarter.

Copper concentrate production declined 7% to 228kt compared to 246kt in 2010 due to lower mined ore milled and the impact of lower recoveries from minor equipment failures and increased lower grade slag material.

Anode production increased 7% to 59.4kt compared to 55.7kt in 2010 due to improvements in operational efficiencies and recovery rates at the smelter following initiatives undertaken from the end of 2010 as well as utilisation of prior year reverts stockpiles.

Magnetite production increased 13% to 3.4mt compared to 3.0mt in 2010 due to increased export capacity available during 2011 arising from the absence of port strikes that occurred in the second quarter of 2010 and the Brakspruit bridge collapse in the third quarter of 2010.

Sales volumes

Whilst total copper sales decreased 3% to 70.1kt compared to 72.5kt, including 4.9kt of imported rod in 2010, the sales mix improved significantly in favour of higher premium copper rod. Copper rod sales increased 21% including imported rod in 2010 and 36% excluding imported rod for the previous year. A deliberate decision was taken to retain higher copper cathode inventory of 3.5kt compared to 1.3kt in 2010 to ensure adequate start up inventory for the 2012 financial year.

Details of copper sales volumes:

	For the year ended 31 December 2011 kt	For the year ended 31 December 2010 kt	**% change**
Copper rod	**51.6**	42.8	**21%**
Cathode	**6.7**	12.1	**(45%)**
Reverts	**5.3**	9.1	**(42%)**
Refined copper scrap	**6.5**	8.5	**(24%)**
Total copper	**70.1**	72.5	**(3%)**

Magnetite volumes were 21% higher at 3 182kt compared to the previous year of 2 640kt as a result of improved train availability to transport material to port.

Turnover

Post hedge turnover increased 31% to R8.1 billion from R6.1 billion in 2010 on the back of firming product prices and higher magnetite sales volumes. The LME copper price averaged Usc/lb 400, 18% higher from Usc/lb 340 for 2010. Post hedge copper revenue increased 5% to R3.4 billion on 70.1kt compared to R3.2 billion on 72.5kt in 2010. Copper profitability contribution at 10% remains weighed down by the hedge facility which reduced copper profitability by R1.04 billion.

Magnetite revenue increased 68% to R3.9 billion on 3.2Mt compared to R2.3 billion on 2.6Mt for the same comparative period, realising average prices of R1 233 and R886 per tonne for 2011 and 2010 respectively. The Asian region remains the dominant market. Magnetite contribution to the Group operating profitability was at 80% as a result of increasing prices and volumes over a relatively low cost base due to the historical stock piles which do not carry any historical mining costs.

Vermiculite revenue increased 35% to R518 million on 163kt compared to R385 on 179kt for 2010. Sales volumes were impacted by inland and sea logistical constraints. Realised prices firmed to R3 181 from R2 156 per tonne for 2011 and 2010 respectively.

Cost of sales

Cost of sales increased 9% to R3.4 billion compared to R3.1 billion for the 2010 comparative period reflecting the above inflation increases in electricity rates and labour cost increases, raw material price increases and maintenance undertaken during the scheduled smelter shut down. Supplementary copper purchases were higher at R671 million on 10.2kt compared to R614 million on 11.4kt due to increased copper prices.

Selling and administration expenses

Selling expenses increased 34% to R1.9 billion compared to R1.4 billion in 2010 mainly due to increased magnetite sales volumes and rail rates.

Administration expenses increased 48% to R711 million from R482 million in 2010 mainly due to costs associated with the business improvement initiatives, facelift costs on the premises, compliance and risk management related costs, implementation of King III Code of Corporate Governance including an expanded communities and communications function, additional costs associated with the preparation of the site for the IMBS pilot plant, above inflationary increases in overhead labour costs and Ba-Phalaborwa community spend. The board also approved a social and community enterprise development cost of R35 million in December 2011 as part of Palabora's BEE scorecard compliance.

Other costs include R39 million paid to employees in advance of the implementation of the BBBEE transaction expected in the early part of 2012.

Cash flow from operating activities and capital expenditure

Cash flow from operating activities before dividends and STC increased by 61% to R1.6 billion from R1 billion in 2010 on the back of increased profitability associated with higher prices across all main products and higher magnetite volumes.

Sustaining capital expenditure increased 100% to R445 million from R222 million in 2010 mainly due to scheduled replacement strategies of production assets as these reached the end of their economic life. Capital expenditure also includes the acquisition of the nickel plant following the dissolution of the Nickel Plant arrangement with a third party for R36 million, scheduled reverb smelter shut down costs of R41 million and R51 million relating to the replacement of the winder drums earlier in the year.

Declaration of dividend

A final cash dividend of 207 cents per share has been declared. The final dividend together with the interim dividend paid in September 2011 brings the total dividend for 2011 to 1 138 cents. The final dividend proposal reflects Palabora's focus on the Four Pillars of Growth to ensure a viable business model to 2030 and the belief in the growth options currently available.

Payment in South African Rand will be made on Monday, 5 March 2012 to shareholders recorded in the register of Palabora Mining Company as at Friday, 2 March 2012. The last day to trade to qualify for the dividend will be Friday, 24 February 2012 and the shares will trade ex-dividend from Monday, 27 February 2012. Share certificates may not be dematerialised or rematerialised between Monday, 27 February 2012 and Friday, 2 March 2012, 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 2012. The final dividend relating to the 2010 financial year of R350 million was paid during the year.

Directorship

Nhlanhla Hlubi was appointed as an independent non-executive director of the company, with effect from 1 February 2011. Nhlanhla is currently a director and Head of Compliance and Risk Management in the retail division at Alexander Forbes. He is an admitted Attorney with over 10 year's post admission experience in financial planning, legal, regulatory compliance and risk management. He has held numerous positions in the financial services industry as a Financial Consultant and Regional Legal Advisor.

Lindsay Kirsner resigned as non-executive director of the Board, with effect from 3 February 2011. Lindsay has changed roles within Rio Tinto from Rio Tinto Copper to Business Development.

With effect from 4 February 2011, Craig Kinnell was appointed as non-executive director of the company. Craig joined Rio Tinto in 1985 as a graduate trainee, after successfully completing a degree in Marketing and Economics. He subsequently completed a Rio Tinto sponsored MBA in 1992 and has acquired extensive international knowledge and experience within minerals marketing and the commercial mining environment over the past 25 years. He has held several board positions within Rio Tinto in South Africa, Namibia, China, Singapore, Canada, USA, UK and Germany and filled a number of senior management positions, including Managing Director of Rio Tinto Uranium and Senior Vice President Rio Tinto Iron & Titanium. Craig is currently Chief Marketing Officer within Rio Tinto Copper Group.

Dikeledi Nakene joins Palabora with broad experience in finance, management, internal and external auditing. She has held numerous senior positions including executive general manager, audit partner, chief financial officer for the Department of Sport, Arts and Culture as well as chairperson of the Audit Committee for the Food and Beverage SETA. Dikeledi holds a BCom Accounting cum laude degree from University of the North, BCompt (Hons) degree from University of South Africa and a higher diploma in Taxation law (University of the Witwatersrand). She is also a qualified Chartered Accountant and a Certified Internal Auditor.

Jo-Ann Yuen resigned as non-executive director from the Board with effect from 30 November 2011. Jo-Ann has changed roles within Rio Tinto moving from Rio Tinto Copper to Kennecott Utah Copper as Chief Financial Advisor.

With effect from 1 December 2011, Jean-Sebastien Jacques has been appointed as a non-executive director of the company. Jean-Sebastien is currently President of International Operations within the Rio Tinto Copper group. He has extensive experience in the metal and mining industry and in the management of international teams. He has held several senior positions including group strategy director for TATA Steel and corporate development and strategy director for Corus group. Jean-Sebastien holds a Master of Science with honours from Ecole Centrale, Paris.

The Board would like to express its thanks to Bruce Snyder, for his efforts in the role of interim Chief Financial Officer, while a comprehensive recruitment process was concluded. The Board welcomes Dikeledi Nakene who has been appointed Chief Financial Officer from 18 April 2011. Bruce will continue to work within the Rio Tinto Group.

At 31 December 2011 the Palabora Board was constituted as follows:

Directors		Alternate directors
1.	Clifford N Zungu (Chairman)	
2.	Anthony W Lennox (Managing Director)*^	
3.	Dikeledi L Nakene (Chief Financial Officer)*	
4.	Francine A du Plessis	
5.	Ray Abrahams	
6.	Willan J Abel	
7.	Nhlanhla A Hlubi	
8.	Craig Kinnell+	
9.	Jean-Sebastien Jacques>	Coen H. Louwarts#

**Executive Director* *#Dutch*
^Australian *+British*
>French

Appreciation

We are grateful to all the Board members for their active participation in providing strategic direction to the company. The good results would not have been achieved without the dedicated contribution from the management and all staff members.

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

6 February 2012

GROUP SELECTED STATISTICS

		31 December 2011	31 December 2010
Revenue			
Copper (net of hedge)	R' million	**3 387**	3 213
Magnetite	R' million	**3 924**	2 339
Other by-products	R' million	**225**	194
Industrial minerals	R' million	**518**	385
Net profit before tax	R' million	**2 176**	863
Copper			
Dry ore hoisted	million tonnes	**10.7**	11.0
Average copper grade	% Cu	**0.64**	0.64
New copper in concentrate produced	kilo tonnes	**68.0**	75.0
Cathode produced	kilo tonnes	**59.0**	58.0
Average copper price realised	USc/lb	**394.6**	347.0
Average LME copper price for the year	USc/lb	**399.8**	340.0
Average ZAR/US$ exchange rate	R/US$	**7.26**	7.32
Spot ZAR/US$ exchange rate	R/US$	**8.19**	6.64
Average copper price realised (pre hedge)	R/tonne	**63 145**	55 947
Average copper price realised (post hedge)	R/tonne	**48 342**	44 273
Vermiculite			
Vermiculite sold	tonnes	**162 828**	178 599
Average vermiculite price realised	R/tonne	**3 181**	2 156
Magnetite			
Magnetite sold	tonnes	**3 182 367**	2 640 489
Average magnetite price realised	R/tonne	**1 233**	886
Anode Slimes			
Anode slimes sold	tonnes	**195**	126
Average anode slimes price realised		**1 033 540**	1 436 508
Nickel sulphate			
Nickel sulphate sold	tonnes	**424**	372
Average nickel sulphate price realised	R/tonne	**30 136**	27 673
Sulphuric acid			
Sulphuric acid sold	tonnes	**95 681**	51 593
Average sulphuric acid price realised	R/tonne	**113**	59
Marginal ore concentrate purchased			
Volumes	tonnes	**-**	800
Cost	R' million	**-**	30
Unit purchased price	R/tonne	**-**	37 500

		31 December 2011	31 December 2010
Imported blister			
Volumes	tonnes	**-**	1 858
Cost	R' million	**-**	100
Unit purchased price	R/tonne	**-**	53 802
Imported cathode			
Volumes	tonnes	**10 168**	3 801
Cost	R' million	**671**	192
Unit purchased price	R/tonne	**65 969**	50 513
Imported rod			
Volumes	tonnes	**-**	4 913
Cost	R' million	**-**	290
Unit purchased price	R/tonne	**-**	58 974
Cash flow			
Net cash from operating activities	R' million	**780**	592
Cash and cash equivalents	R' million	**2 210**	1 641
Costs			
Production cost (excluding purchases)	R' million	**2 393**	2 004
Cost of sales	R' million	**3 376**	3 104
Capital expenditure and commitments			
Capital expenditure	R' million	**445**	222
Contracts placed at end of each period	R' million	**79**	119
Investments			
Fair value of unlisted investments	R' million	**445**	398
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	**76**	46

REVIEWED PRELIMINARY CONDENSED GROUP RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

	Note	Reviewed 2011 R'm	Audited 2010 R'm
Sale of products		**9 092**	6 976
Hedge loss realised		**(1 038)**	(845)
Revenue		**8 054**	6 131
Cost of sales		**(3 376)**	(3 104)
Gross profit		**4 678**	3 027
Selling and distribution costs		**(1 869)**	(1 391)
Administration expenses		**(711)**	(482)
Mineral and petroleum royalty		**(79)**	(88)
Other income		**30**	30
Exploration development and growth costs	5	**(196)**	(40)
Other expenses	6	**(53)**	(6)
Profit before net finance cost and tax	7	**1 800**	1 050
Net finance income / (cost)	8	**376**	(187)
Finance cost	8	**(47)**	(216)
Finance income	8	**423**	29
Profit before tax		**2 176**	863
Income tax expense	9	**(712)**	(268)
Profit for the year		**1 464**	595
Profit for the year attributable to:			
Equity holders of the parent		**1 464**	595
Earnings per share attributable to the equity holders of the parent (expressed in cent per share)			
- Basic and diluted earnings per share (cents)	10	**3 028**	1 231

The notes on pages 14 to 24 are an integral part of these condensed consolidated preliminary financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Reviewed 2011 R'm	Audited 2010 R'm
Profit for the year	**1 464**	595
Other comprehensive income:		
Available-for-sale investments		
- Valuation gains arising during the year	**37**	30
Exchange differences on translation of foreign operations	**36**	(20)
Cash flow hedges		
- Mark to market losses arising during the year	**(49)**	(365)
- Transferred to profit or loss for the year	**1 038**	845
- Hedge ineffectiveness	**6**	4
Actuarial loss on defined benefit plans	**(2)**	(8)
Income tax relating to components of other comprehensive income	**(290)**	(142)
Other comprehensive income for the year, net of tax	**776**	344
Total comprehensive income for the year	**2 240**	939
Total comprehensive income attributable to:		
Equity holders of the parent	**2 240**	939

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	Reviewed 2011 R'm	Audited 2010 R'm
Assets			
Non-current assets		**3 891**	4 281
Property, plant and equipment		**2 702**	2 877
Intangible assets		**7**	8
Financial assets		**445**	398
Deferred income tax asset	12	**737**	998
Current assets		**4 048**	3 298
Stores		**136**	113
Product inventories		**921**	680
Trade and other receivables		**781**	864
Cash and cash equivalents		**2 210**	1 641
Total assets		**7 939**	7 579
Equity			
Equity attributable to owners of the parent			
Share capital and premium		**629**	629
Other reserves		**(1 023)**	(1 801)
Retained earnings		**4 053**	3 390
Total equity		**3 659**	2 218
Non-current liabilities		**2 486**	3 385
Financial liabilities	13	**754**	1 672
Close-down and restoration obligation	3.1	**665**	617
Retirement benefit obligation	3.2	**177**	168
Deferred income tax liabilities	12	**890**	928
Current liabilities		**1 794**	1 976
Financial liabilities	13	**968**	1 049
Retirement benefit obligation	3.2	**9**	8
Borrowings		**-**	98
Trade and other payables		**641**	573
Related party payables		**111**	203
Current income tax liabilities		**65**	45
Total liabilities		**4 280**	5 361
Total equity and liabilities		**7 939**	7 579

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Note	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 2010		48	581	(2 151)	3 201	1 679
Total comprehensive income for the year		-	-	350	589	939
Dividends paid	14	-	-	-	(400)	(400)
Balance at 31 December 2010		**48**	**581**	**(1 801)**	**3 390**	**2 218**
Total comprehensive income for the year		**-**	**-**	**778**	**1 462**	**2 240**
Dividends paid	14	**-**	**-**	**-**	**(799)**	**(799)**
Balance at 31 December 2011		**48**	**581**	**(1 023)**	**4 053**	**3 659**

The notes on pages 14 to 24 are an integral part of these condensed consolidated preliminary financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Note	**Reviewed 2011 R'm**	Audited 2010 R'm
Cash flows from operating activities			
Cash generated from operating activities		**2 308**	1 343
Interest paid		**(3)**	(5)
Interest received		**33**	29
Dividends paid	14	**(799)**	(400)
Income tax paid		**(759)**	(375)
Net cash generated from operating activities		**780**	592
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(442)**	(217)
Acquisition of intangible assets		**(3)**	(5)
Proceeds from disposal of property, plant and equipment		**1**	3
Investment in available-for-sale financial asset		**(10)**	(7)
Dividend income		**-**	4
Net cash used in investing activities		**(454)**	(222)
Cash flow from financing activities			
Repayment of borrowings		**(107)**	-
Net cash used in financing activities		**(107)**	-
Net increase in cash and cash equivalents		**219**	370
Cash and cash equivalents at beginning of year		**1 641**	1 395
Effects of exchange rate changes on the balance of cash held in foreign currencies		**350**	(124)
Cash and cash equivalents at end of year		**2 210**	1 641

The notes on pages 14 to 24 are an integral part of these condensed consolidated preliminary financial information.

NOTES TO THE CONDENSED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION
For the year ended 31 December 2011

1. CORPORATE INFORMATION

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

The Group is incorporated and domiciled in South Africa. The address of its registered office is 1 Copper Road, Phalaborwa, 1389. The Company is a public limited company which is listed on the Johannesburg Securities Exchange Limited (JSE).

The condensed consolidated preliminary financial statements of Palabora for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors passed on 2 February 2012.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated preliminary financial information for the year ended 31 December 2011 has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim financial reporting'.

The condensed consolidated preliminary financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations, the AC 500 standards (as issued by the Accounting Practices Board or its successor), requirements of the South African Companies Act and regulations of the JSE Limited.

2.2 Independent audit review

The preliminary financial statements have been reviewed by the company’s independent 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.

The accounting policies applied in the preparation of the condensed consolidated preliminary financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

3. CHANGES IN ESTIMATES

3.1 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 2011:

- R13 million increase due to increased closure costs estimates following a closure review;
- Rehabilitation of Loole Creek and ZBS resulted in a decrease of R9 million; and
- Finance charges (unwinding of discount) through the income statement resulted in an increase of R44 million in the provision.

3.2 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 2011 is valued at R186 million compared with R176 million at 31 December 2010.

The valuation resulted in a pre-tax actuarial loss of R2 million (2010: R8 million loss) being recognised in the statement of comprehensive income.

4. PRESENTATION CHANGE

Operating segments

Direct magnetite production costs were previously allocated under the copper segment.

The presentation change resulted in a change in previous reported amounts as follows:

	Copper R'm	Joint-product: Magnetite R'm	Total R'm
Year ended 31 December 2010			
Reportable segment operating profit before depreciation - as reported previously	522	823	1 345
Cost reallocation	61	(61)	-
Reportable segment operating profit before depreciation - as reported currently	583	762	1 345
Reportable segment operating profit - as reported previously	150	762	912
Cost reallocation	61	(61)	-
Reportable segment operating profit - as reported currently	211	701	912

5. EXPLORATION AND DEVELOPMENT COST

	2011 **R'm**	2010 R'm
Lift II exploration and growth related costs	**196**	40

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

6. OTHER EXPENSES

	Reviewed **2011** **R'm**	Audited 2010 R'm
Hedge ineffectiveness	**6**	4
Impairment of accounts receivable	**2**	2
Loss on disposal of property, plant and equipment	**6**	-
BBBEE Donation	**39**	-
	53	6

7. PROFIT BEFORE TAX AND NET FINANCE COST

	Reviewed **2011** **R'm**	Audited 2010 R'm
Profit before tax and net finance cost is stated after charging, amongst other items:		
Depreciation of property, plant and equipment	**628**	481
Amortisation of intangible assets	**4**	2
Employee benefit expense	**1 002**	819

8. NET FINANCE INCOME/ (COST)

	Reviewed 2011 R'm	Audited 2010 R'm
Finance cost	**(47)**	(216)
Interest expense on borrowings	**(3)**	(5)
Unwinding of discount on close-down and restoration costs	**(44)**	(41)
Net foreign exchange loss on operating activities	**-**	(50)
Net foreign exchange loss on financing activities	**-**	(120)
Finance income	**423**	29
Interest income on short-term bank deposits	**26**	19
Interest income on available-for-sale financial asset	**6**	5
Interest income on accounts receivable balances	**1**	5
Net foreign exchange gain on operating activities	**49**	-
Net foreign exchange gain on financing activities	**341**	**-**
	376	(187)

9. INCOME TAX EXPENSE

The major components of income tax expense are:

	Reviewed 2011 R'm	Audited 2010 R'm
Normal income tax	**(699)**	(311)
South African		
- Mining tax: Current	**(638)**	(315)
- Mining tax: Prior year	**(21)**	18
Foreign		
- Current	**(40)**	(14)
Secondary tax on companies	**(80)**	(39)
Deferred income tax	**67**	82
South African		
- Current	**67**	84
- Prior year	**-**	(2)
Income tax expense reported in the income statement	**(712)**	(268)

The tax rate reconciliation is as follows:

	%	%
Current statutory rate	**28.0**	28.0
Adjusted for:		
- Estimated state share (after tax) rate	**-**	3.6
- Actual state share and state share deduction on mining tax	**-**	(3.8)
- Disallowable expenditure	**-**	0.4
- Deferred tax on unutilised STC credits	**-**	0.1
- Secondary tax on companies	**3.7**	4.8
- Tax rate differential of foreign subsidiaries	**0.1**	-
- Prior year under / (over) provision	**0.9**	(2.0)
- Other	**-**	0.1
Effective tax rate	**32.7**	31.2

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

10. 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 2011 R'm	Audited 2010 R'm
Reconciliation of net profit for earnings per share		
Net profit attributable to equity holders of parent	**1 464**	595
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares of basic and diluted earnings per share (million shares)	**48**	48
Earnings per share (cents)	**3 028**	1 231

11. HEADLINE EARNINGS

	Profit before tax R'm	Tax expense R'm	Profit after tax R'm
Year ended 31 December 2011			
Profit per income statement	**2 176**	**(712)**	**1 464**
Loss on disposal of property, plant and equipment	**6**	**(2)**	**4**
Headline profit	**2 182**	**(714)**	**1 468**
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

	Reviewed 2011	Audited 2010
Headline earnings per share (cents)	**3 036**	1 228

12. DEFERRED INCOME TAX

	Reviewed 2011 R'm	Audited 2010 R'm
At 1 January	**70**	130
Tax charged to income statement	**67**	82
Tax charged to statement of other comprehensive income	**(290)**	(142)
At 31 December	**(153)**	70
Deferred tax assets arising from:		
Provisions	**255**	237
Derivative financial instruments	**482**	761
	737	998
Deferred tax liabilities arising from:		
Accelerated capital allowances	**(758)**	(808)
Available-for-sale investment	**(125)**	(111)
Other	**(7)**	(9)
	(890)	(928)
Net deferred tax (liabilities) / assets	**(153)**	70
Comprising:		
Deferred income tax assets	**737**	998
Deferred income tax liabilities	**(890)**	(928)
	(153)	70

13. FINANCIAL LIABILITIES

Derivative financial instrument – Cash flow hedges

At 31 December 2011, 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 2011 the cash flow hedges of the expected future sales were assessed to be highly effective and the ineffective portion of R6 million was recognised directly under "Other expenses" in the income statement.

Table of terms: 2011

Maturity year	**Quantity tonnes**	**Average hedged price ZAR/t**	**Hedged value R'm**	**Derivative liability R'm**
2012	21 137	15 739	333	**754**
2013	16 330	15 739	257	**968**
	37 467		590	**1 722**

Unamortised component of non-observable inception gains	-
Total of derivative financial instrument	**1 722**
Non-current	**754**
Current	**968**
Total of derivative financial instrument	**1 722**

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 gain	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

14. DIVIDENDS PAID

The following dividends were declared and paid:

	Reviewed 2011 R'm	Audited 2010 R'm
Previous year final dividend:		
724 cents per qualifying ordinary share (2009: 620 cents)	**349**	300
Interim dividend:		
931 cents per qualifying ordinary share (2010: 207 cents)	**450**	100
	799	400

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:		
207 cents per qualifying ordinary share (2010: 724 cents)	**100**	350
Secondary tax on companies due on closing date of dividend cycle	**10**	35

15. RELATED PARTY TRANSACTIONS

	Reviewed 2011 R'm	Audited 2010 R'm
The following significant transactions were carried out with related parties:		
Purchases of goods and services (Rio Tinto Group)	**733**	655
Marketing fee (Rio Tinto Iron Ore Asia)	**145**	28
Management fee (Rio Tinto Group)	**21**	40

16. OPERATING SEGMENTS

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

- Copper – produces and markets refined copper;
- Joint–product: Magnetite – markets processed current 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 2011					
External customers revenue					
Sales from products	**4 425**	**3 924**	**225**	**518**	**9 092**
Hedge loss realised	**(1 038)**	**-**	**-**	**-**	**(1 038)**
Reportable segment revenue	**3 387**	**3 924**	**225**	**518**	**8 054**
Reportable segment operating profit before depreciation	**654**	**1 707**	**107**	**125**	**2 593**
Depreciation	**(450)**	**(89)**	**(10)**	**(11)**	**(560)**
Reportable segment operating profit	**204**	**1 618**	**97**	**114**	**2 033**

	Copper	Joint-product: Magnetite	By-products: Other	Industrial minerals	Total
	R'm	R'm	R'm	R'm	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	583	762	104	27	1 476
Depreciation	(372)	(61)	(6)	(10)	(449)
Reportable segment operating profit	211	701	98	17	1 027

Reportable segment operating profit before depreciation include:

Year ended 31 December 2011					
Joint product allocation	**198**	**(198)**	**-**	**-**	**-**
Overhead allocation costs	**(510)**	**(116)**	**(21)**	**(37)**	**(684)**
Selling and distribution costs	**(16)**	**(1 653)**	**(19)**	**(181)**	**(1 869)**
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)

Reconciliation of reportable segment operating profit to profit after tax:

	Reviewed 2011 R'm	Audited 2010 R'm
Reportable segment operating profit	**2 033**	1 027
Unallocated amounts:		
- Other including growth and Lift II exploration expenditure	**(162)**	57
- Depreciation and amortisation of tangible and intangible assets	**(71)**	(34)
- Net finance income cost	**376**	(187)
Profit from operations before tax	**2 176**	863
Income tax expense	**(712)**	(268)
Profit after tax	**1 464**	595

17. COMMITMENTS

Commitments contracted for at the reporting date was R79 million (2010: R119 million). Capital expenditure that was approved by the Board, but not contracted for at 31 December 2011 amounts to R314 million (2010: R245 million).

18. CONTINGENT LIABILITIES

Legal matters

Various legal matters, including labour cases before the CCMA, are in progress. The potential exposure is approximately R2 million (2010: R3 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.

Taxation penalty on the closure rehabilitation trust fund

During the year, the South African Revenue Service (SARS) issued Palabora with a taxation penalty on its 2008 taxable income relating to the closure rehabilitation trust fund. Palabora has objected to the penalty applied by SARS with a response pending. The financial implication of the penalty is not material to the underlying results as published.

19. EVENTS AFTER REPORTING DATE

Dividend declaration

The Board resolved to declare a dividend of R2.07 per share at a meeting held on 2 February 2012. 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 2012.

Company Secretary:
KN Mathole

Transfer Secretaries:
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg,
2001
PO Box 61051, Marshalltown, 2107

Registered address:
1 Copper Road, Phalaborwa, 1389
PO Box 65, Phalaborwa, 1390