

PALABORA MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration number – 1956/002134/06
JSE Code: PAM ISIN: ZAE000005245
(“Palabora” or “the Company”)

SECOND QUARTER 2012 – OPERATIONS OVERVIEW AND PRODUCTION STATISTICS

Increased magnetite production, taking advantage of increased logistical capacity from road trucking and rail together with consistent hoisting and smelter operational performance have been the main highlights for the first half of the year. The higher magnetite production will alleviate to an extent the lower commodity prices precipitated by the continued sovereign debt crises in Europe and uncertainties relating to growth in the developed and developing economies.

Ore hoisted tracked the previous and corresponding quarter in 2011 however the ore grade declined from 0.66% to 0.60% in the first half of the year compared to the corresponding half in 2011. This decrease was expected due to alteration of mining tactics and continues to be monitored. Ore hoisted and copper production will be impacted by the failure of the newly replaced ore-hoisting guide rope on 4 July 2012 which resulted in damage to the skip loading station of the production shaft. The Managing Director, Anthony ‘Tony’ Lennox, said “I am pleased to advise that no one was injured in the accident and efforts are underway to bring the production shaft back into operation safely and as soon as possible”.

Copper inventory will be used to meet customer requirements with measures in place to minimize the impact of the incident on our copper customers until full production is restored. Magnetite production will be increased to utilize full logistics capacity currently available.

	2Q	3	4	Q1	Q2	1H	1
	2011	Q	Q	2012	2012	2011	H
	2011	2011	2011	2012	2012	2011	2012
Palabora mine							
Tonnes hoisted ('000 tonnes)	2,715	3,024	2,403	2,759	2,729	5,316	5,488
Mined ore treated ('000 tonnes)	2,623	2,969	2,434	2,615	2,691	5,146	5,306
Slag ore treated ('000 tonnes)	341	164	411	306	198	663	504
Total Ore treated ('000 tonnes)	2,964	3,133	2,845	2,921	2,889	5,809	5,810
Underground ore grade: copper (%)	0.65	0.63	0.63	0.60	0.59	0.66	0.60
Slag ore grade: copper (%)	1.53	1.78	1.13	1.66	1.63	1.36	1.65
Copper concentrates produced ('000 tonnes)	61.2	58.2	50.1	51.8	54.4	119.6	106.2
Average concentrate grade: copper (%)	30.7	31.2	29.9	30.4	28.8	30.1	29.6
Copper in concentrates ('000 tonnes)	18.7	18.2	15.0	15.7	15.6	36	31.3
Palabora smelter/refinery							
New concentrate smelted on site ('000 tonnes)	62.6	45.4	60.4	56.1	51.3	124.9	107.4
New copper anodes produced ('000 tonnes)	18.2	10.8	15.7	14.7	13.8	32.9	28.5
Refined new copper produced ('000 tonnes)	17.3	10.2	16.7	15.0	12.4	32.1	27.4

	2Q	3	4	Q1	Q2	1H	1
	2011	Q	Q	2012	2012	2011	H
		2011	2011				2012
Joint product:							
Magnetite concentrate ('000 tonnes)	820	744	985	957	1,420	1,700	2,377
By-product:							
Nickel contained in products (tonnes)	28	23	9	14	13	55	27
Copper sold as concentrate ('000 tonnes)	0.4	3	0.6	-	-	1.7	-
Vermiculite plant							
Vermiculite produced ('000 tonnes)	51	48	23	47	29	94	76

Ore hoisted was 3% higher for the first half compared to the comparative period in 2011 and tracked the previous and corresponding quarter in 2011. The ore grade is showing natural block cave degradation, and is within the acceptable limits of the declared ore reserves.

Total ore treated was in line with underground supply and reduced slag processed as the surface material is depleted.

Concentrate produced for the quarter was 5% higher and 11.2% lower compared to the previous and corresponding quarter in 2011. The higher concentrate produced during Q2 compared to Q1 is attributed to higher concentrator recoveries in Q2 compared to Q1 following the improvement in the quality of material processed. The lower concentrate produced against the comparative period in 2011 arose from lower grades realised during 2012 compared to H1 2011. Lower concentrator recoveries during H1 2012 compared to H1 2011 also negatively impacted concentrate produced as a result of higher content of slow and non floating material in the ore mined.

Copper in concentrate produced was 16.6% lower compared to the corresponding quarter in 2011 and 13.1% lower than the corresponding half for the same reasons highlighted above. The recovery rate has since normalised following the implementation of corrective measures whilst the impact of lower ore grade continues to be monitored.

New concentrate smelted for the quarter was 18% lower than the corresponding quarter in 2011 and 14% lower for the first half compared to the corresponding period in 2011 due to lower concentrate stocks.

New copper in anodes production was 24.1% lower than the corresponding quarter and 13.4% lower for the first half compared to the corresponding period in 2011 due to lower concentrate stocks. Scheduled and opportune maintenance in the smelter and the concentrator is being aligned with the impacts arising from the guide rope failure at the mining operations.

Refined copper production was 17.3% and 28.3% lower than the previous and corresponding quarter in 2011 respectively and 14.6% lower than the corresponding half in line with anode supply.

Magnetite production increased by 48.4% and 73.1% compared to the previous and corresponding quarter in 2011 in line with improved logistical capacity and the road trucking initiative to the Maputo port. Compared to the corresponding half, magnetite production increased by 39.8% for the same reasons highlighted above.

Vermiculite production was 38.3% and 43.1% lower than the previous and corresponding quarter respectively in line with depressed demand and increased competition on the global market. The challenges highlighted above saw production for the first half being 19.1% lower than the corresponding half in 2011.

The above information has not been reviewed or reported on by the Company's auditors.

Phalaborwa
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