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## Press release

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### **Palabora signed a 26 Per cent Equity Transaction Framework Agreement for its Broad Based Black Economic Empowerment transaction**

**May 11, 2009**

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. Under its BBBEE transaction (the transaction), Palabora will sell 26 per cent of its operations to a broad based BEE group comprising of employees, the community and key individuals. A significant feature of the transaction is its focus on community development.

Culminating a key-stakeholder consultation process that Palabora has undertaken since 2007, it signed the TFA with the 5 tribes of the Ba-Phalaborwa community. A community trust to be held for the benefit of Makhushane, Selwane, Maseke, Mashishimale, and Majeje tribes will acquire 10 per cent of the equity in a newly formed, special purpose subsidiary of Palabora, which subsidiary will acquire all or an appropriate part of Palabora's business under the transaction. The host communities will not be required to contribute upfront equity for their stake in the subsidiary of Palabora as the transaction is being vendor-financed by Palabora.

Matt Gili, Managing Director of Palabora said: “We are delighted that this long and thorough process is closer to completion and that further benefits will flow to the communities from completion of the transaction. In addition to this, Palabora will continue to be a major contributor to the Phalaborwa economy. Palabora paid R235 million in corporate tax during 2008 and spent R2.6 billion with suppliers of which R1.1 billion was with BBBEE companies. Approximately R964 million of the Company's supplier spend was in the Ba-Phalaborwa area; with R679 million going to BEE enterprises. Palabora will continue its Corporate Social Responsibility programmes through the Palabora Foundation to assist local communities within a 50 km radius of Phalaborwa to become self reliant through sustainable development programmes. The Palabora Foundation has a budget of R35.9 million for this year, of which 65 per cent will be spent on education programmes to benefit the local community”.

It is intended that the transaction will result in an enduring and sustainable BBBEE transaction and ensure that Palabora and accordingly the business, immediately comply with all the equity ownership of the mining charter thereby fulfilling the 26 per cent target set for 2014 and exceeding the 15 per cent target set for 2009.

All Palabora's approximately 2200 permanent employees, 70 per cent of whom are Historically Disadvantaged South Africans (HDSA) and of whom 8 per cent are women, and 44 per cent are HDSA's in senior management, will participate in the Employee Share Participation Trust (ESPT). All Palabora employees will participate in the ESPT at equal level

Directors:

C N Zungu (Chairman), M D Gili<sup>1</sup> (Managing Director), C A Asubonten<sup>1</sup> (Finance Director),  
C J Latcham<sup>2</sup> (alt. P Robinson), J C Posthumus, S Thomas, K S Priestly<sup>1</sup> (alt. C Louwarts),  
Company Secretary : K N Mathole

<sup>1</sup> American    <sup>2</sup> Australian



regardless of race or seniority. The ESPT will acquire a 10 per cent equity interest in the subsidiary of Palabora.

The key business individuals consortium led by George Negota, erstwhile chair of the Palabora Mining Company board for years, will acquire 6 per cent equity of the new subsidiary. George has been a director at Palabora since 1998 and in 2007 was appointed as chair. It is envisaged that the key business individuals will spearhead business development and job creation in the Ba-Phalaborwa area.

Speaking of the transaction, Charles Asubonten, Chief Financial Officer, of Palabora commented as follows: "While this transaction has been a real balancing act, Palabora seeks to implement a transaction meeting both the letter and the spirit of the Mining Charter. We'll continue to optimize value for our existing and in-coming shareholders at both the listed company and operating subsidiary levels."

Palabora, listed on the Johannesburg Stock Exchange, is a member of the Rio Tinto Group of Companies, It is owned 58 per cent by Rio Tinto, 17 per cent by Anglo-American, and 25 per cent by others, situated in the Ba-Phalaborwa area of Limpopo, Palabora operates a large block cave copper mine and a smelter complex. Palabora has a planned mine life for the copper business of 8 years, with plans for further expansion. When including the magnetite and vermiculite businesses, the combined life of mine is more than 30 years. In 2008 the mine continued to produce above 32,000 tonnes per day and produced 1/3 of the world's vermiculite. The mine is probably now the most productive single shaft mine in the world and provides South Africa with 85 per cent of its copper requirements and has achieved significant technical success with the underground expansion now operating at 10 per cent above design capacity.

For more information on Rio Tinto please go to [www.riotinto.com](http://www.riotinto.com)

For more information on Palabora Mining Company and The Palabora Foundation – please go to [www.palabora.co.za](http://www.palabora.co.za)

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