ARM

African Rainbow Minerals

INTEGRATED ANNUAL REPORT 2014

We do it better

About this report

As part of our commitment to relevant and transparent reporting, African Rainbow Minerals Limited (ARM or the Company) has produced its fifth Integrated Annual Report. The report is aimed at providing all our stakeholders with a thorough review of ARM's performance against its strategy and its financial, operational and sustainability objectives.

The 2014 Integrated Annual Report covers the period 1 July 2013 to 30 June 2014 and provides an overview of and discusses the performance of our joint venture operations located in South Africa and Zambia. Our sustainability objectives and performance are reported only for those operations where ARM has direct or joint management and therefore does not include the ARM Coal and Harmony operations.

See page 2 for the ARM group structure.

This report is aimed at all ARM's stakeholders who amongst others include shareholders, potential investors, employees, communities surrounding our mining operations, customers, suppliers, the governments of the countries we operate in and the regulators that govern the mining industry. Our integrated approach to reporting aims to assist these stakeholders understand our business better and provide them with the information necessary to properly assess our Company's performance, prospects, value and strategic intent.

See page 24 to 27 for details on our stakeholders and material issues.

This report is guided by the International Integrated Reporting <IR> Framework as issued by the International Integrated Reporting Council (IIRC). This framework seeks to create the link between the business' use of and impact on the various forms of capitals and the Company's material issues and strategy.

We have responded to the relevant statutory frameworks in preparing this report. These include but are not limited to, the Companies Act 71 of 2008 (as amended), the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III), the JSE Listings Requirements, as well as all legislation, regulations and codes of practice applicable to the South African mining sector and the countries in which we operate. A comprehensive checklist detailing our application of the King III principles is included on our website. The corporate governance section of the report included on pages 118 to 163 discusses our approach to governance, risk management, combined assurance and stakeholder engagement.

The financial information has been prepared according to International Financial Reporting Standards (IFRS). The unqualified opinion of the independent auditors on the financial information may be found on page 168. The presentation of the consolidated and separate annual financial statements for F2013 and F2014 was affected by the adoption of IFRS 11 which became effective for ARM on 1 July 2013. This change in accounting policy had a significant impact on the presentation of the consolidated annual financial statements and as a result comparison to the annual consolidated financial information prior to F2013 will be distorted.

For more detail on the adoption of the new accounting standards please see the Financial Director's report on pages 14 to 20 as well as the notes to the financial statements.

The 2014 Integrated Annual report is supplemented by the comprehensive and detailed Sustainability Report and the Mineral Resources and Reserves Report both of which may be found on our Company website **(www.arm.co.za)**. Printed copies of the Sustainability Report are available on request from the Investor Relations Department. The contact details for the Investor Relations Department are provided on the inside back cover of this Integrated Annual Report.

The non-financial information included in the report has been assured by an external assurance provider to ensure reliability of the information published. The opinion of the external assurer may be found in our detailed Sustainability Report.

All monetary values in this report are given in South African Rands unless otherwise stated. Rounding of figures may result in computational discrepancies on management and operational review tabulations.

In the interest of continuous improvement and fulfilling the information and engagement needs of our stakeholders, we welcome any feedback on the content and format of our reports. Please direct any feedback to the Investor Relations Department.

Statement of the Board of Directors (the Board) of African Rainbow Minerals Limited
The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. In the Board's opinion the 2014 Integrated Annual Report addresses all material issues and presents fairly the Company's integrated performance. The Board approved the financial and non-financial information contained in this report on 14 October 2014.

Key to references: Integrated Report Sustainability Report www.arm.co.za

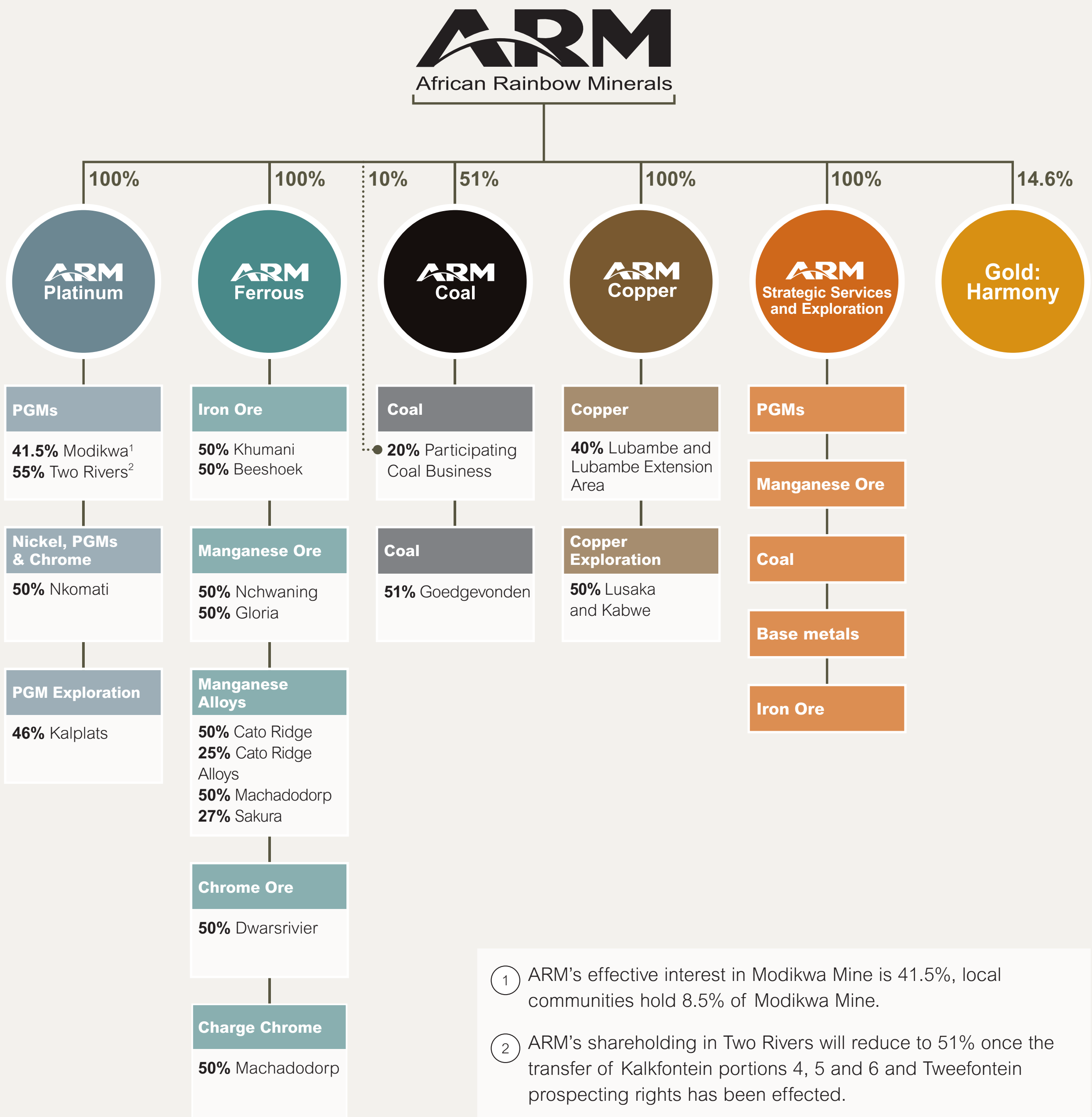
Contents

Introduction

About ARM

African Rainbow Minerals (ARM) is a leading South African diversified mining and minerals company with long-life, low unit cost operations.

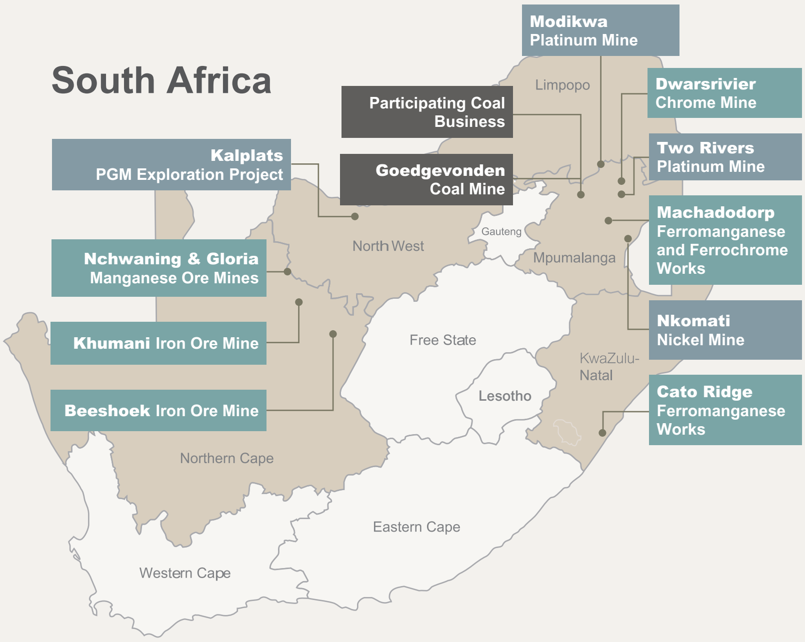
ARM mines and beneficiates iron ore, manganese ore, chrome ore, platinum group metals, copper, nickel and coal. ARM also produces manganese and chrome alloys and has an investment in gold through its shareholding in Harmony.



1. ARM's effective interest in Modikwa Mine is 41.5%, local communities hold 8.5% of Modikwa Mine.
2. ARM's shareholding in Two Rivers will reduce to 51% once the transfer of Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.

Where we operate

South Africa



Zambia

Malaysia

Salient features

"ARM achieved record headline earnings in F2014 and declared an increased dividend of 600 cents per share. Excellent performances from Nkomati and Two Rivers mines as nickel and PGM's contribution to headline earnings increased significantly."

Patrice Motsepe, ARM Executive Chairman

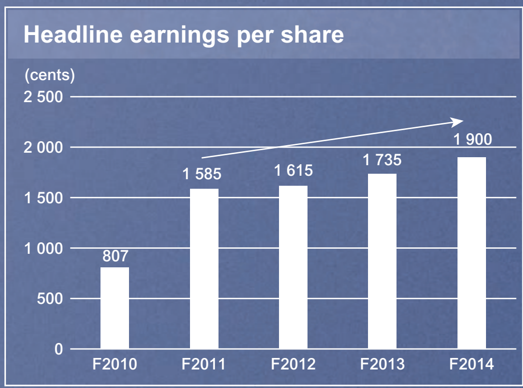
Headline earnings per share increased from 1 735 cents per share to 1 900 cents per share.

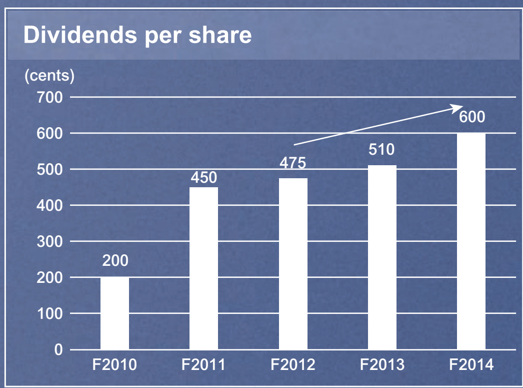
Increased dividend declared of 600 cents per share.

Costs were well controlled at the Nkomati, Dwarsrivier and Two Rivers mines.

Lubambe Copper Mine produced 23 791 tonnes copper as it continued its ramp-up.

Sakura Ferroalloys Project began construction; R790 million has been spent to date.





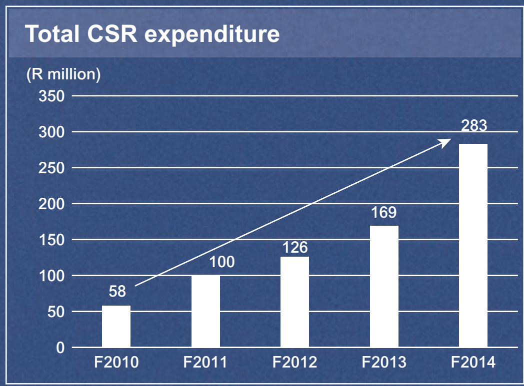
The Lost Time Injury Frequency Rate (LTIFR) was reduced from 0.48 (per 200 000 man-hours) to 0.37 in F2014.

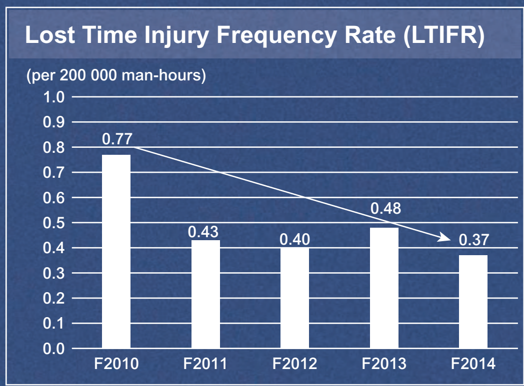
Khumani, Black Rock and Dwarsrivier mines each completed more than two million fatality-free shifts.

Continued improvement in the implementation of HIV & Aids and Tuberculosis (TB) management programmes.

Overall employment equity performance is ahead of 2014 Mining Charter targets.

Total Corporate Social Responsibility (CSR) expenditure increased to R283 million.





Management review

Patrice Motsepe
Executive Chairman

This year marks the 10th anniversary of ARM as a diversified mining company. Over the years we have invested significantly in the growth of the Company and have created value for our shareholders and benefited our diverse range of stakeholders.

Operational and financial performance

In the financial year under review ARM increased headline earnings by 10% to 1 900 cents per share from 1 735 cents per share. The dividend paid increased by 18% to 600 cents per share and it is the eighth consecutive year in which we have paid dividends to our shareholders. The higher headline earnings were mainly due to a weakening of the Rand against the US Dollar together with increased sales volumes in copper, chrome concentrate, PGMs, manganese alloy and nickel. These headline earnings were reduced by inflation related cost increases and the increased operating costs at Lubambe Mine, which is in ramp-up.

The containment of costs remains a key focus as we strive to ensure that all operations are positioned below the 50th percentile of each commodity's global cost curve. The positioning of ARM's operations in this regard is outlined in Graph 1. Volume growth and improvement in operational efficiencies delivered a reduction in the unit production costs at Nkomati and Dwarsrivier mines of 3% and 2% respectively, while Two Rivers Mine managed to keep unit production costs flat relative to the corresponding period. Cost increases at the iron ore, manganese ore, manganese alloys, Modikwa Platinum and coal operations were above inflation.

The manganese smelters continued to operate below capacity due to depressed manganese alloy prices. The Machadodorp and Cato Ridge operations remain positioned above the 50th percentile of the global cost curve despite a number of cost saving initiatives that have been implemented. The ARM and Assore Boards will review the strategy for the smelters in the year ahead.

Partnering with our employees

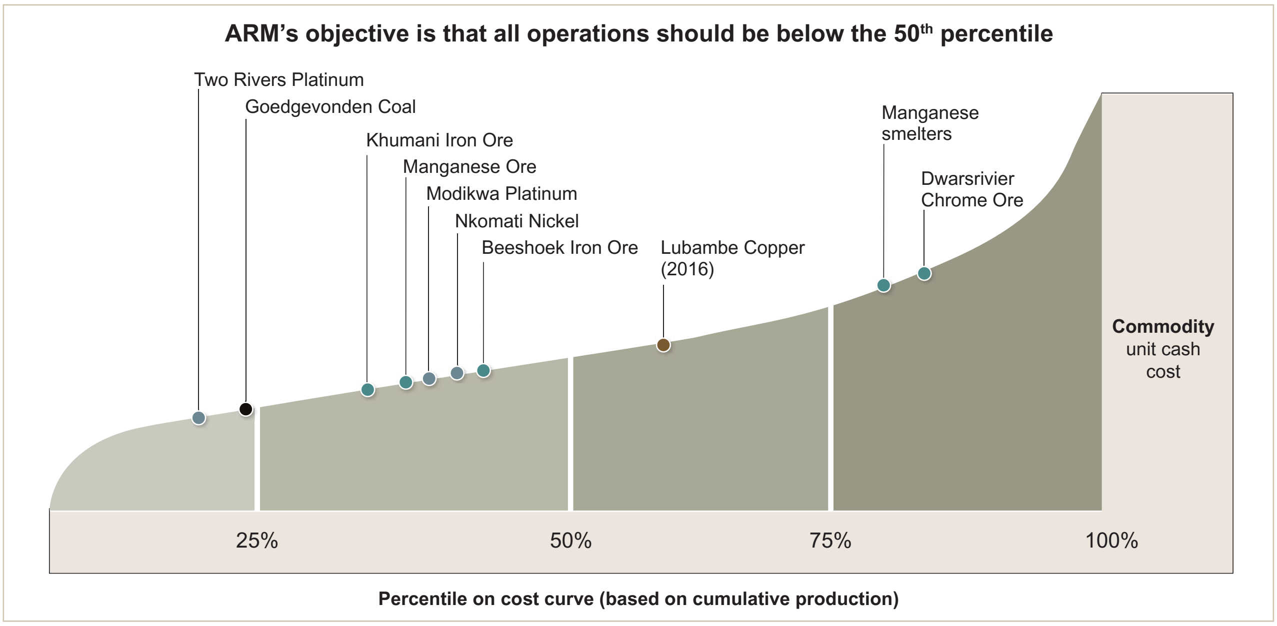
We remain committed to creating a safe and healthy working environment for all our employees. It is pleasing that the number of lost-time injuries reduced from 149 in F2013 to 106 in F2014 and nine of our operations had no fatal accidents. Regrettably there was a fatal accident at the Modikwa Mine on 3 June 2014. On behalf of the ARM Board and management I extend my deepest condolences to the family and friends of our deceased colleague.

The diverse, multi-racial and multi-ethnic nature of our workforce benefits and enriches our company and the mining industry.

We are committed to ensuring that our employees are adequately and competitively remunerated. We have over the years, introduced various schemes and initiatives which are aimed at improving the living conditions of our employees as well as promoting home ownership amongst them.

The trade union organisations that represent our employees are crucial to maintaining a mutually respectable and beneficial relationship with our workforce. We are proud of the constructive engagements we have had with these unions and in recent months concluded wage negotiations with the National Union of Mineworkers (NUM), the Association of Mineworkers and Construction Union (AMCU), the National Union of Metal

Graph 1



Workers SA (NUMSA), Solidarity and the United Association of South Africa (UASA) with minor disruption at our operations.

In F2014, the Company's overall employment equity performance remained ahead of the 2014 Mining Charter targets. We continue to invest significantly in the development of our workforce and in the year under review spent R196 million on various skills development programmes including training courses, learnerships and internal and external bursaries.

Benefiting our stakeholders

We continuously engage and consult our stakeholders and in particular the communities neighbouring our mines, to ensure that they participate and benefit from our mining operations.

During the year R283 million was invested through our Corporate Social Investment (CSI), Local Economic Development (LED) and Social Labour Plan (SLP) projects. These projects are focused on education, health, agriculture, roads, water and other infrastructure.

In addition, as part of our commitment to the broader South Africa, the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust) has distributed R110 million since inception to a broad base of poor and historically disadvantaged beneficiaries which include rural upliftment trusts, church groups, trade union and women upliftment trusts. The ARM BBEE Trust works closely with traditional and local community leaders to ensure that projects undertaken by the rural upliftment trusts are those identified by the local communities as being the most beneficial developmental and upliftment projects.

Protecting and conserving the environment

ARM is committed to adhering and implementing global best practices in relation to protecting and conserving the environment and rehabilitating the land where we operate our mines.

We are a member of the International Council of Mining and Metals (ICMM) whose sustainable development framework guides ARM's initiatives pertaining to the continuous improvement in environmental management.

We recognise that our businesses have both a direct and an indirect impact on the environment and remain committed to minimising our environmental impact and being responsible in our use of scarce natural resources. Our major focus areas include responsible water management, climate change and the efficient utilisation of energy to reduce our carbon emissions.

Further details of our sustainability initiatives and the Company's performance in this regard are contained in our detailed Sustainability Report, which can be found on our website.

Growth and outlook

After the commissioning of the vertical shaft at the Lubambe Copper Mine in November 2013, tonnes milled increased by 49% and copper produced was up 60% compared to the corresponding period. The mine remains on track to achieve steady state production of 45 000 tonnes per annum by F2016.

The Lubambe Extension Area (Extension Area) provides a promising opportunity for the expansion of the Lubambe Mine. Additional surface drilling completed in the Extension Area has indicated that the ore body extends even further east than originally expected and an updated mineral resource statement has increased the Extension Area's indicated and inferred resources from 105 million to 134 million tonnes at an in-situ grade of 4.07% copper.

We approved the Black Rock Mine Expansion Project which is expected to increase manganese ore production from 3.2 million to 4.6 million tonnes per annum. The project involves the exploitation of the Seam 2 resource within the Nchwaning lease area to improve cost-effective extraction of high-grade manganese. This project will be developed in two phases. The first phase involves maintenance and modernisation of the mine to reduce annual unit cost escalations. The second phase is the expansion. Capital expenditure for the expansion phase will be in alignment with Transnet's growth in the manganese ore export channel.

The Sakura Ferroalloys Project in Malaysia is also progressing well and remains on track to achieve the steady state of 170 000 tonnes per annum in F2017. Capital expenditure to 30 June 2014 was R790 million. ARM and Assore together own 54% through Assmang which is the largest shareholder in the Sakura Ferroalloys project.

Commodity prices are expected to remain flat or decline; accordingly ARM will review all capital expenditure and focus on reducing costs.

The South African mining industry

The five month platinum strike in the Western Limb was a stark reminder of the crucial importance of building a mutually respectful and beneficial long term relationship between labour and management. Industrial action and labour unrest is not in the interest of either party.

The most successful mining countries are those that have created a globally competitive and attractive business environment for the private sector and other investors in their mining industry. Key aspects of such an environment includes certainty around fiscal, labour and governmental policies.

The South African mining industry is committed to continue working with government, labour and all stakeholders to ensure that the mining industry remains a competitive and attractive investment destination.

In my discussions with the various ministers and governmental representatives, their commitment to creating a globally competitive mining and investment dispensation in South Africa has been consistently emphasised.

The global mining environment

Volatility in commodity prices is expected to persist in the short to medium term. Although the United States and some European countries have shown signs of improved economic health and China remains supportive of demand for our commodities, a number of commodities face supply related headwinds and in particular lower and flat prices should persist in the short term.

Of most concern is the significant fall in iron ore and manganese ore prices. Iron ore prices are expected to remain under pressure and this is expected to negatively impact our earnings in the coming year.

ARM produces high quality iron and manganese ores that remain in strong demand and sell at a premium. As pollution concerns in China are addressed demand for our high quality iron ore and manganese ore as well as PGMs is expected to increase.

Capital within ARM is allocated based primarily on increasing profitability and productivity at all our operations through volume growth, plant optimisations, technology and the continuous training of our people.

Nkomati Nickel Mine underground operation

South Africa's local rail transportation utility, Transnet, initiated its Market Demand Strategy in 2012 which will result in increased bulk commodity export capacity. This will present an opportunity to further optimise the iron and manganese ore operations.

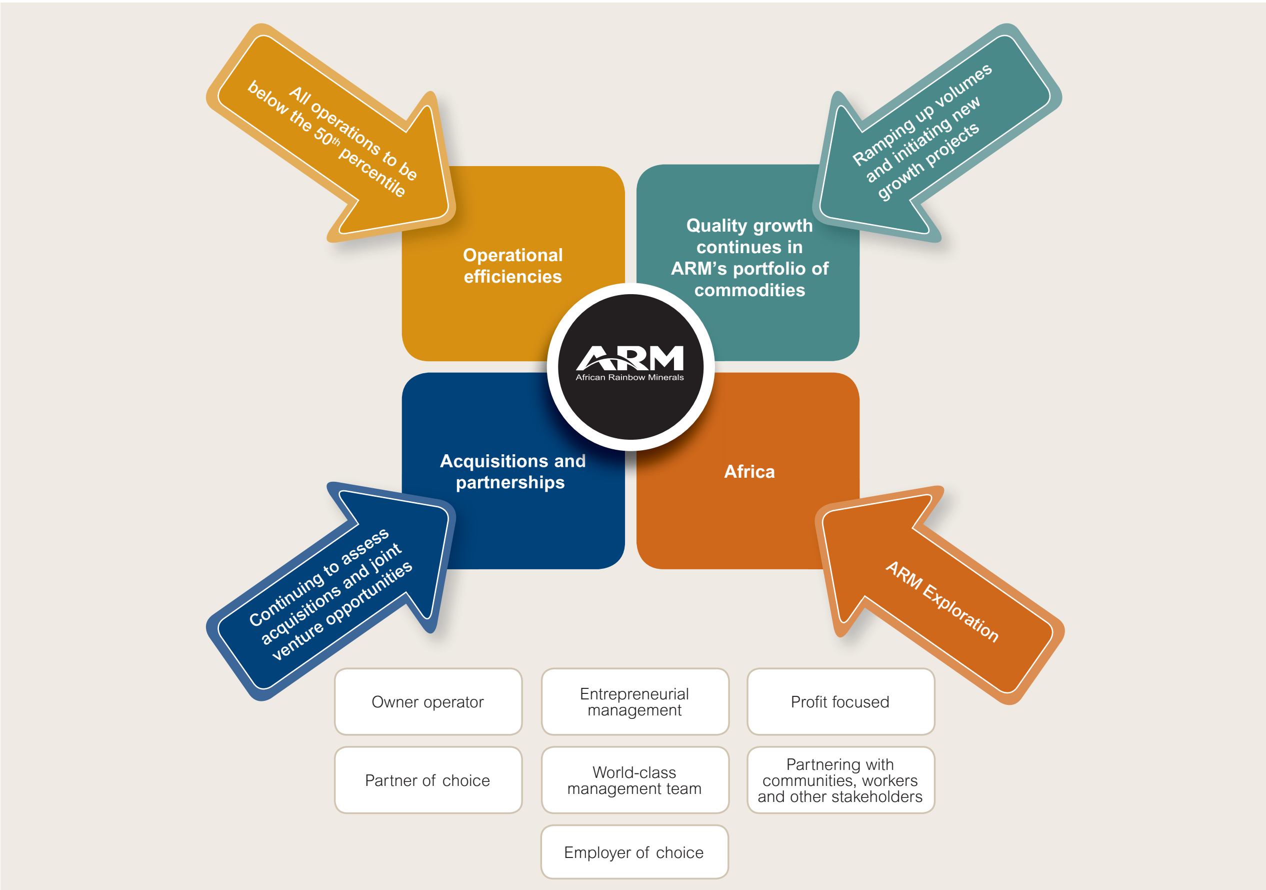
Conclusion

We expect challenging times in the short to medium term; particularly in relation to the prices of some of the commodities we produce. We are however confident that ARM's strategy of focussing on quality growth within our diversified portfolio and ensuring that all operations are positioned below the 50th percentile of the global cost curve will continue to make ARM competitive and create value for its shareholders.

We have included the ARM strategy diagram which reflects our strategy of creating competitive value for our shareholders and benefiting all our stakeholders.

Our strategy is also supported by the high standards of corporate governance which we continue to review to ensure robust controls and alignment of our businesses with global best practice.

ARM strategy diagram



Our success during the past financial year was achieved and based on the hard work and commitment of all our employees and I would like to express my deep appreciation to all of them.

We value the good relationships that ARM has built over the years with all our stakeholders. We are proud of the partnerships that we have built with our host communities, local and national governments and firmly believe that our capacity to succeed is significantly influenced by our ability to improve the living conditions and quality of life of the communities living near our mines and benefiting our broad range of stakeholders.

ARM remains on track to continue building a competitive and sustainable portfolio of mining assets that creates value for all its shareholders and stakeholders.

I wish to thank our world class management team under the leadership of Mike Schmidt. I also would like to express my gratitude to my fellow directors for their outstanding contributions on the Board.

Patrice Motsepe
Executive Chairman

14 October 2014

Management review

ARM delivered a strong financial performance, achieving record headline earnings of R4.1 billion (F2013: R3.7 billion) and paid an increased dividend of 600 cents per share (F2013: 510 cents per share).

Divisional contribution to headline earnings

	Year ended 30 June		
R million	**2014**	2013	% change
ARM Platinum	**883**	527	68
ARM Ferrous*	**3 736**	3 194	17
ARM Coal	**(120)**	148	–
ARM Copper	**(309)**	(135)	–
ARM Exploration	**(81)**	(88)	8
Gold	**–**	64	–
Corporate and other*	**(1)**	27	–
ARM Headline Earnings	**4 108**	3 737	10

* *Includes IFRS 11 adjustments.*

ARM Platinum headline earnings increased by 68%. A combination of improved sales volumes, a weaker Rand versus the US Dollar and a strong operational performance saw the Nkomati and Two Rivers mines increase headline earnings by 91% and 88% respectively. Modikwa Mine experienced a challenging year with lower production volumes and contributed R64 million to headline earnings (F2013: R96 million).

ARM Ferrous headline earnings of R3.74 billion were positively impacted by a 17% weakening of the Rand against the US Dollar. The positive impact of higher Rand prices was however partially offset by lower iron ore and manganese ore sales volumes.

ARM Copper reported a headline loss of R309 million as the Lubambe Mine continued its ramp-up to full production. Commissioning challenges in the vertical shaft have delayed ramp-up. These challenges have been addressed and the mine is now targeting full production in F2016.

ARM Coal reported a headline loss of R120 million due to lower export prices and operational challenges at the Participating Coal Business (PCB).

Our ability to maintain a competitive cost position for each of the operations remains entrenched in our strategy. All divisions are encouraged and incentivised to pursue cost reduction initiatives to mitigate above-inflation cost increases.

We also remain committed to operating in a safe and responsible manner and are constantly working towards zero harm for our employees. In the period under review, ARM's number of Lost Time Injuries (LTIs) decreased 29% from 149 in F2013 to 106 in F2014. There were numerous commendable safety achievements at the various operations:

- Khumani Mine completed four million fatality-free shifts during March 2014;
- Black Rock Mine completed three million fatality-free shifts during June 2014;
- Dwarsrivier Mine completed two million fatality-free shifts during November 2013;
- Beeshoek Mine completed 18 consecutive months without a lost time injury, and this mine has been fatality-free since March 2003; and
- On 21 May 2014, Nkomati Mine completed 365 consecutive days without a lost-time injury.

Regretfully, despite our ongoing efforts to ensure that the highest safety standards are maintained at all our operations, a surveyor was fatally injured at Modikwa Mine in June 2014. I would like to echo the Board and management's sincerest condolences for this unfortunate loss of life.

ARM Ferrous continues its strong contribution

ARM Ferrous exported 13.6 million tonnes of iron ore in F2014, which was 3% lower than last year. The reduced volumes were largely due to interrupted water supply at the Khumani Mine. Local iron ore sales from the Beeshoek Mine remained constant at 2 million tonnes.

Manganese ore sales volumes decreased 5% to 2.7 million tonnes, largely as a result of reduced local sales. The manganese ore rail export channel to Port Elizabeth continued to operate under difficult conditions and we had to export manganese ore via Durban, using a combination of rail and road transport.

Assmang and Transnet continue to engage on export capacity and growth for both iron ore and manganese ore. Transnet has now concluded its feasibility study to expand the manganese ore export capacity to 12 million tonnes per annum through the Port of Ngqura (Coega) by February 2019 and 16 million tonnes per annum by October 2020.

Manganese alloy sales volumes were 279 000 tonnes as the smelters continued producing at below capacity due to weak market conditions. Together with Assore, ARM is reviewing the strategy for the smelters and has implemented a number of cost saving changes as a cash preservation measure.

Chrome ore sales volumes decreased by 6% to 988 000 tonnes.

Even though sales volumes were lower, unit cost of sales increases for the iron ore division were marginally above inflation. Khumani Mine's production unit costs increased 10.6% driven by higher than inflation wage increases and maintenance costs consistent with an ageing fleet. Beeshoek Mine's unit production cost increases were in line with inflation.

Unit production cost increases at the manganese ore operations were higher than inflation, which was mainly due to above inflation wage increases and greater tramming distances between shaft infrastructure and underground work areas. Ore handling infrastructure is being upgraded to reduce trucking distances and improve productivity.

Manganese alloys unit production costs at Cato Ridge Works increased by 1% and the Machadodorp Works unit production costs increased by 55%, due to lower production volumes as a result of low demand.

Unit production costs decreased by 2% for chrome ore due to benefits realised from an operational efficiency programme. Unit costs at the Chrome Metal Recovery Plant decreased by 7%.

ARM Platinum delivered an excellent performance

ARM Platinum's PGM production (on 100% basis including Nkomati) increased to 841 581 6E ounces from 786 254 6E ounces.

Two Rivers PGM production increased by 7% driven by higher tonnes milled and improved plant recoveries and efficiencies. In addition, Two Rivers increased its UG2 Run of Mine stockpile to a total of 437 960 tonnes of ore (F2013: 305 328 tonnes).

Modikwa's PGM production, however, declined 13% hampered by a cessation of mining at the Hill shaft, a one week industrial action stoppage during March 2014, safety stoppages and a fatality in June 2014. Increased waste dilution due to geological features and the processing of lower grade Merensky ore purchased from Two Rivers, resulted in a 5% decline in the Modikwa plant feed grade.

Nkomati's nickel production decreased by 1% to 22 874 tonnes from 23 220 tonnes.

Nkomati's chrome concentrate sales increased 52% to 341 809 tonnes (F2013: 224 754 tonnes) and Two Rivers commenced chrome concentrate sales in October 2013, with a total of 160 951 tonnes sold in F2014.

Consistent with the strong operational performances ARM Platinum achieved good cost control. Nkomati's unit cash cost increased by 5% to R308 per tonne (F2013: R292 per tonne) while the C1 unit cash cost net of by-products, reduced by 3% to US$4.81/lb (F2013: US$4.98/lb) of nickel produced. Two Rivers managed to maintain unit cash costs at R5 266 per 6E PGM ounce (F2013: R5 244 per 6E PGM ounce). Modikwa's unit cash cost increased by 20% to R7 545 per 6E PGM ounce (F2013: R6 275 per 6E PGM ounce) due to the 13% decrease in production at the mine.

ARM Coal affected by lower prices and higher costs

Run of Mine (ROM) and saleable production at the GGV Mine were 2% and 11% lower respectively. This was mainly due to a mining excavator that was damaged by a fire and was subsequently out of operation for two months, an increase in the mine strip ratio and the impact of an industrial action stoppage. An improvement in rail performance resulted in a 16% increase in GGV export sales volumes, but Eskom curtailed buying of additional coal, resulting in a reduction of 30% in Eskom sales volumes. GGV on-mine saleable unit costs increased 22%. On-mine saleable unit costs in F2013 benefitted from significant in-pit and ROM inventory. The on-mine saleable unit cost in F2014, at R208 per tonne, represents more normalised levels.

PCB was negatively affected by a 9% decrease in export sales volumes and a 22% decrease in export coal prices. Lower export prices were as a result of an overall decline in market prices together with lower quality coal being supplied in response to changes in market demand dynamics. Eskom and domestic sales volumes increased 15% and 53% respectively. PCB saleable production volumes were 5% lower following a strategic decision to downsize high-cost underground sections and shut down a high-cost Coal Handling Processing Plant (CHPP). In addition, the average yield reduced by 7% due to a change in the mix of the qualities of the coal being fed into the plant. The decrease in saleable production impacted on-mine unit production costs which increased by 21% to R396 per tonne. A two million tonne coal stockpile, to be used for the commissioning of the CHPP, is expected to benefit unit costs next year. The transformation from underground mining to opencast mining is on schedule and is expected to result in an improvement in saleable production and unit costs.

ARM Copper's Lubambe Mine ramping up

The Lubambe Copper Mine in Zambia is continuing its ramp-up to full production to produce 45 000 tonnes of copper in concentrate by F2016. Although the main vertical shaft was commissioned in November 2013, throughput constraints were experienced in the refurbished shaft's rock pass systems, as well as through the main tips at the East Decline. These have since been corrected.

By 30 June 2014, 1 558 390 tonnes of copper bearing ore had been milled and yielded 23 791 tonnes of copper. Copper recovery from the concentrator plant improved averaging 77.6% for the year. Concentrate quality issues have been resolved and new off-take agreements are in place to treat the full production from Lubambe at Konkola Copper Mines and Chambishi Copper Smelter, both situated in Zambia.

Mechanised access development is progressing well with ore drive development on schedule. Poor ground conditions are still being experienced in certain places and have delayed one of the main transfer tips in the East Limb. The stoping dilution is a concern and the mining layouts are being modified to improve the milling head grade. Operational efficiency and equipment utilisation are receiving the required level of attention to improve output and reduce unit costs. All other project capital work regarding outstanding underground and surface infrastructure work was completed on schedule and within budget.

The stacker reclaimer ore stock yard at Khumani Iron Ore Mine

ARM Strategic Services and Exploration

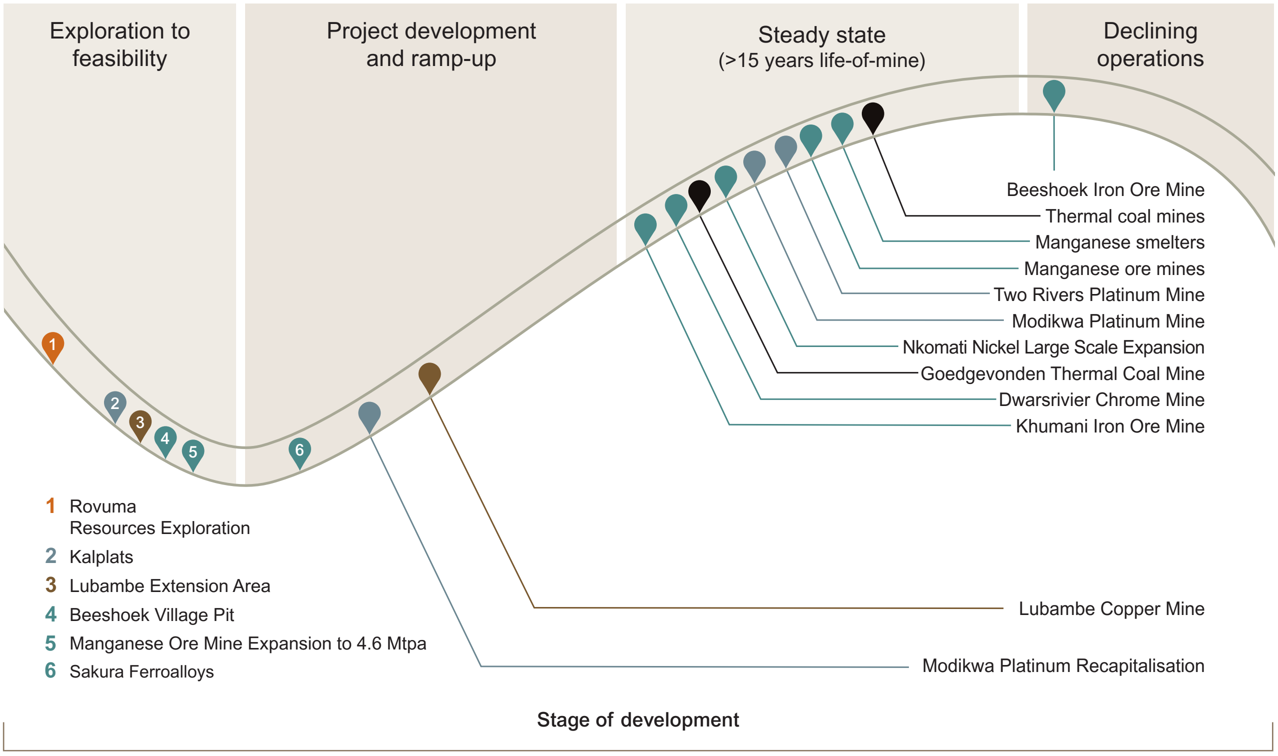
ARM actively pursues new mineral opportunities in Africa based on commodities within ARM's current portfolio.

The agreement with Rovuma Resources Limited, a Mozambican exploration company, is ongoing. Rovuma explores in northern Mozambique and has identified numerous occurrences of copper/zinc, nickel/copper/PGE, chromite/nickel and graphite mineralisation. ARM has agreed to continue with the option for the fourth year and to fund exploration at a cost of about US$7 million for the year commencing 1 April 2014. ARM will have exclusive rights to exercise options to purchase prospecting and/or mining rights to the resources.

ARM projects will provide future growth and improved operating efficiencies

ARM's various projects ensure the medium-term delivery of improved volumes, improved operating efficiencies and additional cost savings. These projects supplement our existing growth pipeline and form the nucleus of our future growth. ARM has built a significant source of knowledge through numerous projects that have been successfully commissioned over the years and also by sharing internal best practices amongst all our operations as well as developing innovative solutions across our businesses.

Project pipeline and operations



The manganese alloy operations are under review mainly due to their cost position above the 50th percentile of the global cost curve.

Focus in F2015 will be on improving the contribution from PCB, Lubambe and Modikwa as well as ensuring that the iron ore and manganese ore operations maintain their competitive cost position, especially in light of the significant fall in US Dollar prices for these commodities.

ARM remains well positioned

I am confident that we are operating with good momentum to deliver improved operational performances that will translate into additional value enhancement. In most instances, our cost performance remains satisfactory, while planned and ongoing cost saving initiatives will allow us to continue to move our businesses progressively down their respective industry cost curves.

I once again sincerely thank all employees for their enthusiasm and hard work, as well as our Executive Chairman and the Board for their leadership, understanding and support. We are committed to steering the Company through these challenging times and remain focused on securing and sustaining our exciting future.

Mike Schmidt
Chief Executive Officer

14 October 2014

Financial Director's report

Headline earnings for the year to 30 June 2014 at R4.1 billion were 10% higher than the prior year headline earnings (F2013: R3.7 billion).

This equates to headline earnings per share of 1 900 cents per share (F2013: 1 735 cents per share). The weighted average number of shares in issue at 30 June 2014 is 216 268 000 shares (30 June 2013: 215 357 000 shares).

The Board declared and paid an increased annual dividend of 600 cents per share (F2013: 510 cents per share) after the year-end.

ARM's basic earnings for F2014 were R3 289 million (F2013: R1 634 million) and were negatively impacted by exceptional items of R819 million after tax (F2013: R2 103 million loss after tax). The largest exceptional item relates to the unrealised mark-to-market loss of R510 million after tax on the Harmony investment made through the income statement. Other exceptional items mainly comprise smelter and pelletising plant impairments in ARM Ferrous as well as impairments of plant and equipment in ARM Coal. The reconciliation of basic earnings to headline earnings is provided in note 33 of the financial statements.

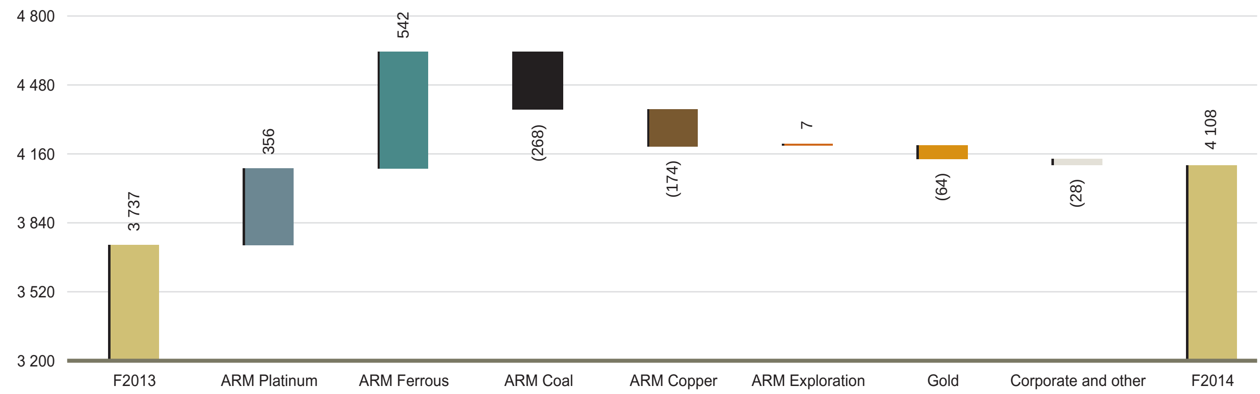
As disclosed in the 2013 Integrated Annual Report and the 31 December 2013 Interim Results report, the new accounting standard, IFRS 11 Joint Arrangements, became effective for ARM on 1 July 2013. The adoption of the new standard requires a change in the manner in which joint arrangements should be accounted for and prior period comparative IFRS results must be restated to reflect a consistent application of the new accounting policy. This change has primarily impacted the manner in which ARM accounts for its joint arrangement investment in Assmang, which ARM jointly manages and controls with its partner, Assore. Assmang is no longer proportionately consolidated because IFRS 11 requires joint arrangements classified as joint ventures to be accounted for using the equity method. ARM's share of its joint ventures is now disclosed as single line items in the consolidated Income Statement as "income from joint venture" and as "investment in joint venture" on the consolidated Statement of Financial Position. The consolidated Cash Flow Statement now only includes a single line for dividends received from joint venture.

A full reconciliation of the effect of the changes resulting from the adoption of IFRS 11 is provided in note 2.5 to the financial statements. The derivation of the statement of financial position value for the investment in joint venture is reflected in note 9 to the financial statements.

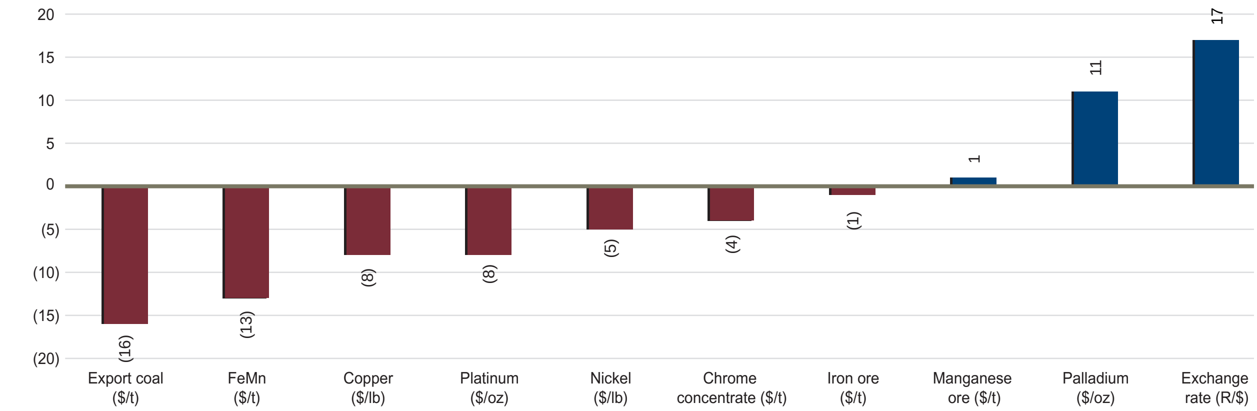
While the change in accounting policy has a significant impact on the presentation of the consolidated financial statements, there is no impact on headline earnings, basic earnings or net assets. The segment reporting has been expanded to include more detail on the Assmang results.

The key drivers which impacted on the results for the year were a 17% weaker Rand/US Dollar exchange rate, sales volume increases, sales volume related cost increases and inflationary cost increases (refer to the profit variance analysis on the next page).

Headline earnings variance analysis by division
(R million)

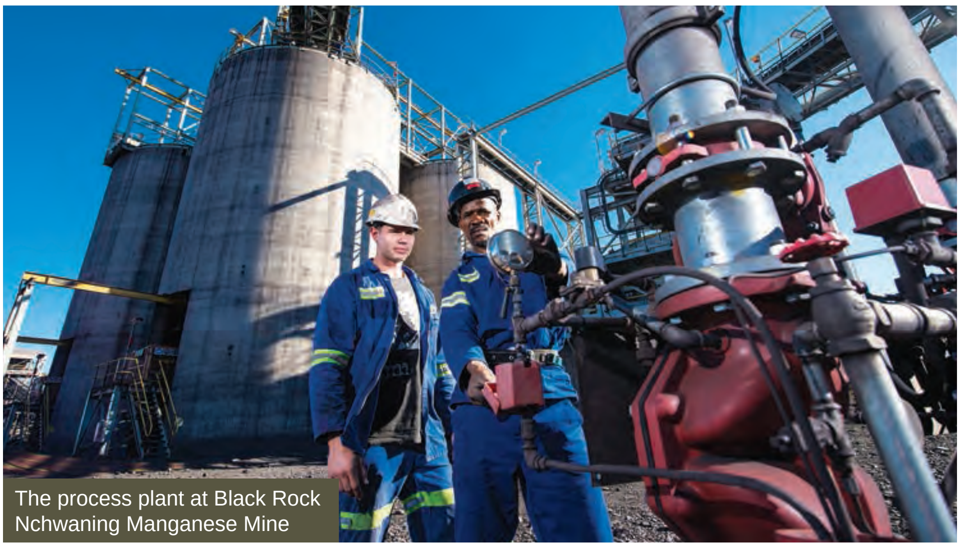


F2014 vs. F2013 US Dollar realised commodity prices and exchange rate changes
(%)



The three-year compound annual growth rate in headline earnings for ARM since June 2011 was 6.7%.

The average gross profit margin of 25% (F2013 restated: 20%) is higher than that for the corresponding period largely due to improved profit margins at Nkomati and Two Rivers. The margins achieved at each operation may be ascertained from the detailed segment reports provided in note 2 to the financial statements as well as in the operational reviews on pages 50 to 94.



The process plant at Black Rock Nchwaning Manganese Mine

Earnings were positively impacted by the weakening of the Rand against the US Dollar. The F2014 average Rand/US Dollar of R10.36/US$ was 17% weaker than the average of R8.83/US$ for F2013. For reporting purposes the closing exchange rate was R10.63/US$.

Realised US Dollar commodity prices for platinum, rhodium, copper, nickel, chrome concentrate, ferromanganese and export coal, were lower than in F2013; export iron ore and manganese ore prices remained constant and palladium prices were higher than in F2013. Refer to the graph on the previous page.

Details of the ARM divisional segment financial results may be obtained from the segment reports in note 2 of the financial statements. In addition each division's report under Operational review contains detailed information on its operational performance.

- The ARM Ferrous contribution to ARM's headline earnings amounted to R3 736 million (F2013 restated: R3 194 million). This is an increase of 17% over the F2013 result and is largely due to the increased contributions from all its divisions.
- The ARM Platinum contribution, which includes the results of Nkomati Mine, was R883 million and represents a significant 68% improvement to the R527 million contribution for F2013. Improved results were achieved at Two Rivers and Nkomati driven by strong operational performances and good cost control.
- The ARM Coal result reduced by R268 million to a headline loss of R120 million (F2013: R148 million profit) as a result of reduced earnings from the PCB operations. The contribution from GGV remained positive at R122 million (F2013: R162 million).
- The ARM Copper result was a headline loss of R309 million (F2013: R135 million headline loss). In the comparative period, costs at the new Lubambe Copper Mine were capitalised to the end of April 2013. This result includes interest on shareholders loans of R131 million. The mine is in the process of ramping up to full production.
- The ARM Exploration costs amounted to R81 million (F2013: R88 million) and were largely expended on exploration at Rovuma in Mozambique as well as on staff costs.
- The ARM Corporate, other companies and consolidation segment shows a headline loss of R1 million for the year as compared to headline earnings of R27 million for F2013.
- ARM did not receive any dividends from its investment in Harmony during the year (F2013: R64 million).

The **profit variance analysis provided on a segmental basis** below indicates how ARM's results were impacted by various factors during the year at the level of profit from operations before exceptional items.

Sales were impacted by the following variances:

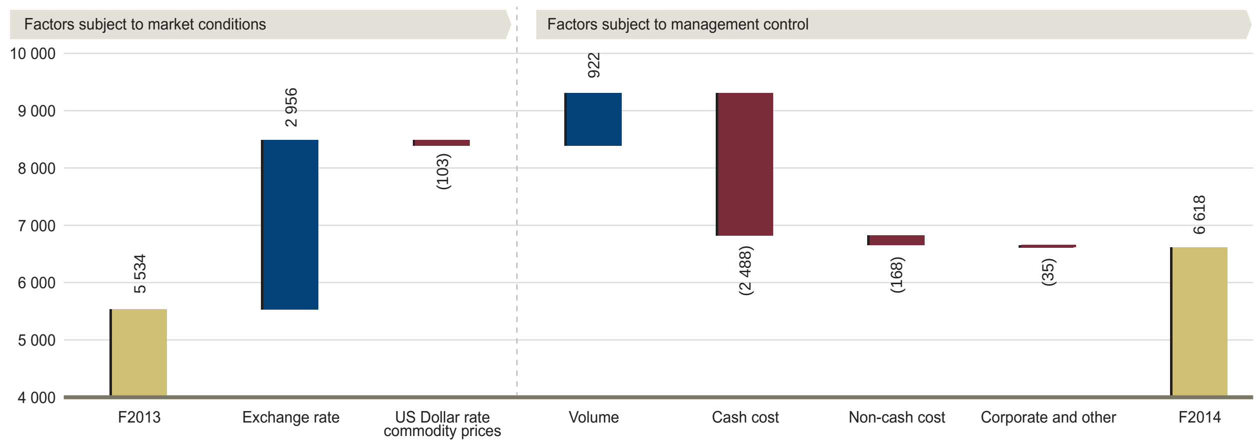
- The 17% weakening of the Rand against the US Dollar accounting for a positive variance of R2.96 billion;
- A net negative variance of R103 million resulting from the fall in US Dollar commodity prices across ARM's operations except for manganese ore and palladium. The nickel price rise which occurred in the latter portion of the financial year resulted in an unrealised mark-to-market gain at year-end of R220 million which is included in the net variance; and
- Sales volume increases for copper, Nkomati Mine chrome concentrate and nickel, GGV export coal and PCB Eskom coal were offset by lower volumes of iron ore and resulted in a positive volume variance of R922 million.

The negative cash cost variance of R2.49 billion is due to an absolute increase in mining costs when compared to F2013. This increase has the following key attributes:

- An average inflationary increase of 8.5% at operations before amortisation charges;
- Sales volume increases, especially at the Lubambe Copper mine (R964 million) as well as at the Nkomati Nickel and Two Rivers mines; and
- Additional cost increases which were above inflation across the group particularly for labour costs, fuel and power.

The increased non-cash costs of R168 million were largely due to an increase in amortisation charges of R148 million.

Profit variance analysis – Profit from operations before exceptional items (segmental analysis)
(R million)



Consolidated income statement (abridged)

	12 months ended 30 June		
	2014 Rm	Restated 2013 Rm	% change
Sales	**10 004**	7 342	36
Profit from operations (before exceptional items)	**1 671**	1 174	42
Income from investments	**119**	131	(9)
Finance costs	**(259)**	(199)	(30)
Loss from associate	**(374)**	(14)	–
Income from joint venture	**3 549**	3 063	16
Exceptional items excluding tax	**(616)**	(2 457)	–
Taxation	**(546)**	84	–
Non-controlling interest	**(255)**	(148)	–
Profit after tax and non-controlling interest	**3 289**	1 634	101
Headline earnings	**4 108**	3 737	10
Headline earnings (cents per share)	**1 900**	1 735	10

The average gross profit margins for the individual operations on a segmental basis are:

	12 months ended 30 June		
	2014 %	2013 %	change
ARM Ferrous	**44**	41	3
ARM Platinum			
– Two Rivers	**31**	23	8
– Modikwa	**8**	13	(5)
– Nkomati	**30**	19	11
ARM Coal (Goedgevonden)	**25**	29	(4)
ARM Copper (in ramp-up)	**3**	–	3

Other operating income, which largely comprises management fee income and foreign exchange gains, decreased by R31 million to R961 million from R992 million in F2013.

Other operating expenses increased by R469 million in comparison to F2013 restated. This increase is largely due to the following items:

- An increase in mineral royalty tax of R196 million (F2014: R302 million; F2013 restated: R106 million) mainly at Nkomati as unredeemed capital expenditure was depleted in the year and at the Lubambe copper mine where sales increased significantly as the mine ramps up production;
- Increases in distribution costs at Nkomati and Lubambe;
- Share option costs increasing by R34 million in the ARM Corporate and Other segment; and
- Inflationary increases of approximately 5%.

As a result of the increased gross profit and the combined impact of the previously mentioned changes in other income and other expenses profit from operations before exceptional items increased to R1.7 billion from R1.2 billion in F2013 restated.

Income from investments amounted to R119 million for the year (F2013 restated: R131 million) and mainly comprises interest received on cash balances. The F2013 amount included a dividend of R64 million from Harmony.

Finance costs at R259 million were R60 million more than those incurred in F2013 restated largely due to finance costs at Lubambe copper mine on shareholder loans and bank funding.

The loss from associate, being the equity accounted results for the PCB operations, increased significantly by R360 million to R374 million and includes an impairment charge of R132 million. This result is fully described in the section on ARM Coal on pages 78 to 85.

The income from joint venture represents the equity accounted earnings for ARM Ferrous.

Consolidated statement of financial position (abridged)

	12 months ended 30 June	
	2014 Rm	Restated 2013 Rm
Non-current assets	**30 077**	28 236
Property, plant, equipment and other	**11 930**	11 499
Investment in joint venture	**14 305**	12 506
Investments	**3 386**	3 811
Other	**456**	420
Current assets	**6 381**	5 603
Cash and cash equivalents	**2 150**	1 965
Other	**4 231**	3 638
Total assets	**36 458**	33 839
Total equity	**28 199**	25 463
Non-current liabilities		
Long-term borrowings	**2 420**	3 293
Other	**2 469**	2 240
Current liabilities		
Short-term borrowings	**1 082**	699
Other	**2 288**	2 144
Total equity and liabilities	**36 458**	33 839

The net cash/(debt) position at 30 June 2014 amounts to net debt of R1 352 million as compared to the net restated debt position of R2 027 million at 30 June 2013. This positive change mainly occurred within the net cash position at ARM Corporate.

The investment in joint venture of R14.3 billion represents the interest in ARM Ferrous which is now reflected separately as previously explained.

The ARM consolidated financial position remains robust and ungeared with the consolidated position at year-end being net cash of R640 million excluding partner loans (F2013 restated: Net cash R13 million).

Total assets increased by R2.6 billion to R36.5 billion largely as a result of R1.2 billion capital expenditure during the year and increased profits, net of dividends in ARM Ferrous.

The details of the capital expenditure are included in the operational reviews on pages 50 to 94.

Additional key features include:

- Other investments, which largely comprise the 14.6% stake which ARM has in Harmony, amounted to R2.1 billion. The Harmony share price at 30 June 2014 was R31.15 (F2013: R35.75). ARM holds 63.6 million shares in Harmony;

- Within current assets the value of accounts receivable increased by R1 001 million in line with the increase in sales at Lubambe, Nkomati and Two Rivers. This impacted negatively on working capital requirements as reflected in note 34 to the financial statements whereas inventory levels remained fairly constant for the year;
- Total interest-bearing borrowings decreased by R490 million to R3.50 billion at 30 June 2014 mainly as a result of reduced borrowings at ARM company; and
- Cash and cash equivalents amounted to R2.15 billion (F2013 restated: R1.97 billion).

Consolidated statement of cash flows

Cash generated from operations was R2.07 billion or R508 million more than the F2013 restated amount of R1.57 billion and is reported after working capital requirements of R959 million (F2013 restated: R990 million). The largest increase occurred at ARM Platinum and amounted to R388 million.

Dividends received from the ARM Ferrous joint venture increased to R1.75 billion (F2013 restated: R1.50 billion).

The consolidated net cash inflow from operating activities increased by R308 million to R2 077 million despite a higher dividend payment in October 2013 and slightly higher tax payments.

Net cash outflow from investing activities amounted to R1 222 million (F2013 restated: R1 720 million) and was largely spent on capital expenditure.

Cash flow from financing activities amounted to an outflow of R759 million (F2013 restated: R474 million inflow) and mainly comprise reduction in borrowings at ARM Corporate and ARM Coal.

Financial capital

ARM's operational cash flows, net of tax, together with cash and cash equivalent balances and external funding sources constitute its primary financial capital. This capital is used to (i) maintain existing operations, (ii) expand new and existing operations, (iii) fund working capital and (iv) make new investments. This utilisation of financial capital is balanced by the Board against its commitment that ARM as a globally competitive company return capital to shareholders as dividends.

Just as the mineral resources and reserves of ARM's operations are valuable assets so too is its financial capital. Financial capital needs to be responsibly managed to ensure that the funding of the Company is not unduly stressed thereby ensuring a sound financial basis for its continued operation and future plans.

For the F2014 financial year the ARM funding position remained robust on the following levels:

Cashflow and capital allocation for the year

The cash generated from operating activities amounted to R2 077 million. This was allocated as follows:

- R1 133 millon: capital expenditure
- R821 million: reduction of borrowings
- R27 million: other net outflows
- R96 million: retained

The capital allocation is considered prudent given the continuing volatility in commodity prices and exchange rates.

Net gearing and borrowings

As at June 2014 total interest bearing borrowings amounted to R3 502 million or 12% of total equity. These borrowings comprise:

- R1 510 million external bank debt
- R1 992 million partner loans

It is evident that at both a consolidated and a segmental level ARM does not have high levels of debt. At an entity level however the ARM Coal investment into GGV and PCB is highly geared by shareholder funding provided as vendor facilitated funding from Glencore. These high debt levels impact on the bottom line profitability of the coal division. The retirement of this debt will be achieved as free cash flow from the coal operations improves.

The process plant at Black Rock Nchwaning Manganese Mine

Segmental analysis

> The detailed segmental results which include income statement, statement of financial position and cash flow information are provided in note 2 of the Annual Financial Statements.

Significant accounting matters

- The new accounting standards IFRS 10, 11 and 12 became effective for financial years commencing after 1 January 2013 and have been implemented by ARM as previously explained.

  Subsidiaries are fully consolidated; for joint operations ARM will recognises its share of assets, liabilities, income and expenses while joint ventures and associates are equity accounted.

  The ARM investment in Assmang, which it jointly manages and controls with its partner Assore, is no longer proportionately consolidated as it is assessed to be a joint venture under the new accounting standards.

  The Assmang investments in project Sakura and Cato Ridge Alloys are treated as joint ventures.

  The accounting for entities is assessed at each reporting date.

- The basic earnings were significantly impacted by the accounting for the mark-to-market adjustment of the investment in Harmony through the income statement. Increases in the Harmony share price above the lowest level which was recorded for 31 December 2013 at R25.90 per share will not reverse the F2013 and 31 December 2013 impairment charges in the Income Statement but will be made through the Statement of Comprehensive Income net of deferred capital gains tax. On the other hand should the Harmony share price in the future fall below the R25.90 per share market price, the mark-to-market adjustment will be made through the income statement net of deferred capital gains tax.

Events after reporting date

The Company paid a dividend of of approximately R1.3 billion on 6 October 2014.

Financial risk management

ARM has an established risk management programme which is more fully described in the Risk report section.

Specific risks which have a financial bias include currency, commodity price, interest rate, counterparty, credit and acquisition risks.

> For a detailed analysis of ARM's approach to these risks, please refer to note 37 of the Annual Financial Statements.

A sensitivity analysis is provided in note 37 of the Annual Financial Statements of the financial statements. In particular, the sensitivity analysis includes the closing prices used in the provisional valuation at year-end of accounts receivable for the ARM Platinum and Nkomati Nickel operations.

The ARM corporate facility is due for repayment or refinancing in August 2015. The ARM Finance Company SA US$80 million loan facility is guaranteed by ARM with quarterly loan repayments scheduled to commence on 31 December 2014 and is more fully described in note 16 of the financial statements.

The Company is therefore well positioned to continue to grow. The Company is not risk averse and while it does not have a fixed policy on gearing, ARM targets a net gearing threshold of 30% for external funding subject to the ability to meet debt service requirements.

Commitments in respect of capital expenditure amounted to R366 million at 30 June 2014. It is anticipated that this expenditure, which relates to mine development and plant equipment, will be financed from operating cash flows and utilising available cash and borrowing resources.

Dividend

Dividends are declared after consideration of the solvency and liquidity of the Company in accordance with the requirements of the Companies Act 71 of 2008 as amended, and with due regard to the current funding status of the Company, future funding requirements and estimated cash flows.

The eighth annual dividend declared by ARM on 4 September 2014 of 600 cents per share represented an 18% increase compared to the F2013 dividend and is consistent with ARM's commitment as a globally competitive company to pay dividends to shareholders while simultaneously maintaining the ability to fund growth of the Company in the future.

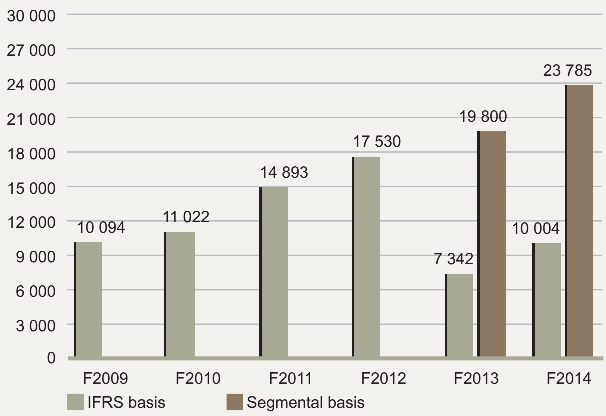
Mike Arnold
Financial Director

14 October 2014

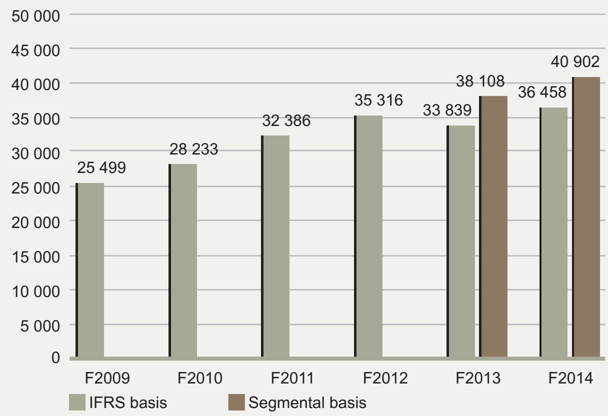
Financial summary and statistics

for the year ended 30 June 2014

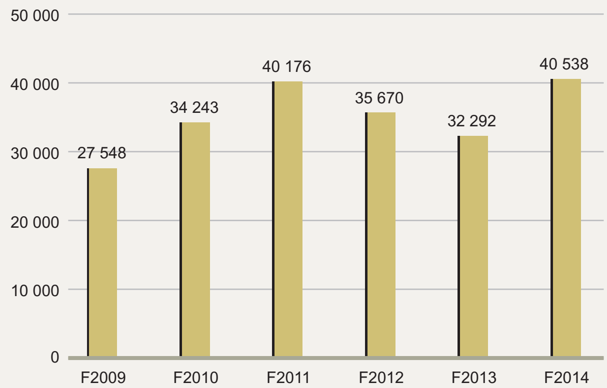
Sales
(R million)



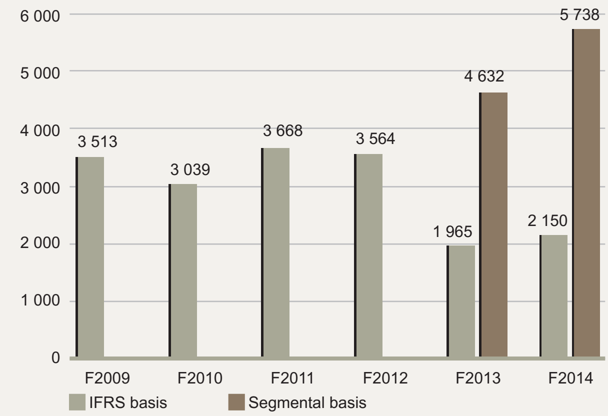
Total assets
(R million)



Market capitalisation
(R million)



Cash and cash equivalents
(R million)



Definitions

1 **Current ratio (times)**
Current assets divided by current liabilities.

2 **Quick ratio (times)**
Current assets less inventories divided by current liabilities.

3 **Cash ratio (times)**
Cash and cash equivalents divided by overdrafts and short-term borrowings less overdrafts.

4 **Return on operational assets (%)**
Profit from operations divided by tangible assets (property, plant and equipment and current assets) excluding capital work in progress.

5 **Return on capital employed (%)**
Profit before exceptional items and finance costs, divided by average capital employed. Capital employed comprises non- current and current assets less trade and other payables and provisions.

6 **Return on equity (%)**
Headline earnings divided by ordinary shareholders' interest in capital and reserves.

7 **Gross margin (%)**
Gross profit divided by sales.

8 **Operating margin (%)**
Profit from operations before exceptional items divided by sales.

9 **Interest cover (times)**
Profit before exceptional items and finance costs divided by finance costs.

Note: *All ratios except return on capital employed use year-end balances. Return on capital employed is a two-year average.*

10 **Gross debt to equity ratio**
Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

11 **Net debt to equity ratio**
Total debt less cash and cash equivalents divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

12 **Net asset value per share (Rands)**
Ordinary shareholders' interest in capital and reserves divided by number of shares in issue.

13 **Market capitalisation (R million)**
Number of ordinary shares in issue multiplied by market value of shares at 30 June.

14 **Dividend cover (times)**
Headline earnings per share divided by dividend per share.

15 **EBITDA (R million)**
Earnings before interest, taxation, depreciation, amortisation, income from associate, income from joint venture and exceptional items.

16 **EBITDA margin (%)**
EBITDA divided by sales.

17 **Effective tax rate**
Taxation in the income statement divided by profit before tax.

18 **Effective tax rate excluding exceptional items**
Taxation in the income statement less tax on exceptional items divided by profit before tax and exceptional items.

Financial summary and statistics continued

for the year ended 30 June 2014

R million, unless stated otherwise	Compounded annual growth rate %	Group F2014 Rm	Group Restated F2013 Rm
Income statement			
Sales	10	**10 004**	7 342
Basic earnings	11	**3 289**	1 634
Headline earnings	56	**4 108**	3 737
Basic earnings per share (cents)	6	**1 521**	759
Headline earnings per share (cents)	48	**1 900**	1 735
Dividend declared after year-end per share (cents)		**600**	510
Statement of financial position			
Total assets	12	**36 458**	33 839
Cash and cash equivalents	20	**2 150**	1 965
Total interest bearing borrowings	7	**3 502**	3 992
Shareholders' equity	13	**28 199**	25 463
Statement of cash flows			
Cash generated from operations	13	**2 073**	1 565
Net cash outflow from investing activities	6	**(1 222)**	(1 720)
Net cash (outflow)/inflow from financing activities		**(759)**	474
Number of employees	10	**14 066**	13 731
Number of contractors		**10 645**	10 985
Exchange rates			
Average rate US$1 = R	4	**10.36**	8.83
Closing rate US$1 = R	5	**10.63**	9.93
JSE Limited performance			
Ordinary shares (Rands)			
– high	17	**240**	209
– low	16	**143**	139
– year-end	19	**187**	150
Volume of shares traded (thousands)	15	**110 911**	113 003
Number of ordinary shares in issue (thousands)	1	**216 748**	215 625
Financial statistics	Definition number		
Liquidity ratios (x)			
Current ratio	1	**1.9**	1.9
Quick ratio	2	**1.6**	1.5
Cash ratio	3	**3.6**	6.5
Profitability (%)			
Return on operational assets	4	**9.3**	7.1
Return on capital employed	5	**15.0**	14.1
Return on equity	6	**15.4**	15.5
Gross margin	7	**24.7**	20.1
Operating margin	8	**16.7**	16.0
Debt leverage			
Interest cover (x)	9	**19.1**	21.9
Gross debt to equity ratio (%)	10	**12**	16
Net debt to equity ratio (%)	11	**5**	8
Other			
Net asset value per share (R/share)	12	**123**	112
Market capitalisation	13	**40 538**	32 292
Dividend cover (x)	14	**3.17**	3.40
EBITDA	15	**2 620**	1 982
EBITDA margin (%)	16	**26**	27
Effective tax rate	17	**13**	(5)
Effective tax rate excluding exceptional items	18	**14**	10

The financial information above is in accordance with International Financial Reporting Standards.
The comparison above is given from 2004 which is when the current ARM was formed.
Various corporate transactions were entered into during the past ten years and restatement due to IRFS in 2013 makes direct comparison for years not always meaningful.
NR refers to figures not reported.

Group

F2012 Rm	F2011 Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm	F2006 Rm	F2005 Rm	F2004 Rm
17 530	14 893	11 022	10 094	12 590	6 152	4 622	5 485	3 885
3 438	3 366	1 812	2 868	4 487	1 220	601	462	1 108
3 451	3 374	1 714	2 317	4 013	1 207	462	339	47
1 609	1 581	854	1 355	2 131	586	293	225	865
1 615	1 585	807	1 094	1 906	580	225	166	37
475	450	200	175	400	150	n/a	n/a	n/a
35 316	32 386	28 233	25 499	24 878	18 144	14 611	11 766	11 460
3 564	3 668	3 039	3 513	2 660	1 063	439	288	357
3 237	3 069	3 346	3 744	3 978	4 044	2 252	1 574	1 831
24 405	22 170	18 529	16 751	15 676	11 218	10 393	7 972	7 954
5 969	5 988	3 430	6 678	5 175	2 537	1 243	1 661	603
(4 077)	(3 382)	(2 324)	(3 135)	(2 427)	(2 691)	(1 444)	(826)	(691)
179	(588)	(729)	(171)	(175)	1 562	893	(549)	280
12 273	11 496	10 281	9 643	8 747	7 725	6 943	6 107	5 162
14 214	17 208	12 495	7 134	9 189	5 907	4 862	NR	NR
7.77	6.99	7.59	9.03	7.30	7.20	6.40	6.21	6.90
8.16	6.76	7.67	7.72	7.83	7.07	7.16	6.65	6.26
199	236	206	291	307	138	52	38	48
159	146	117	76	103	53	32	25	32
166	189	161	130	280	123	48	34	34
98 740	121 051	138 241	113 690	84 678	40 203	39 711	51 382	26 547
214 852	214 852	216 292	212 068	211 556	209 730	206 367	204 437	204 208
2.4	2.4	2.2	1.5	1.8	1.5	1.4	1.6	1.5
1.8	1.8	1.7	1.1	1.5	1.1	1.0	1.0	0.9
5.2	12.6	5.9	1.6	1.6	0.8	0.8	0.8	0.4
20.1	24.1	15.2	20.4	39.6	25.1	17.6	20.6	7.5
17.7	19.8	12.0	18.2	36.3	16.4	9.2	8.2	8.2
14.9	15.9	9.6	14.3	27.0	11.1	4.5	5.2	0.7
34.6	40.4	32.1	40.1	56.2	45.7	28.5	31.8	21.1
29.8	36.3	26.5	36.7	53.0	40.3	24.1	29.0	13.6
23.7	25.4	16.0	11.1	16.7	6.9	8.5	8.5	5.4
13	14	18	25	25	36	22	20	23
n/a	n/a	2	1	8	27	17	16	19
108	99	84	76	70	52	50	32	32
35 670	40 176	34 243	27 548	59 236	25 900	9 957	6 949	6 943
3.40	3.52	4.04	6.25	4.76	3.87	n/a	n/a	n/a
6 531	6 517	3 907	4 484	7 229	2 887	1 552	2 025	725
37	44	35	44	57	47	34	37	19
31	32	34	39	30	36	33	37	19
31	32	35	44	30	36	37	38	52

Group overview

Our key stakeholders

Media

ARM is committed to transparent, comprehensive and objective communication with our stakeholders. The Investor Relations Department is responsible for communication with the investment community and the media. Over and above press releases and SENS announcements, management grants one-on-one interviews to the media as requested.

Customers

ARM engages with its customers in the course of business, through annual contractual negotiations and regular service level agreement renewals. ARM has processes in place to ensure consistency of product quality and timeous delivery of products to customers.

Suppliers and local business

Fair and transparent engagement with our suppliers and local businesses is key to our success. ARM's payment terms are in line with industry standards and we ensure that we operate on an ethical basis. ARM requires valid BEE certificates to support transformation in its supply chain and we are committed to the upliftment of local business through our LED programmes.

Industry associations

ARM is a member of the Chamber of Mines (CoM), the International Council on Mining and Metals (ICMM), the Association of Mine Managers of South Africa (AMMSA), the Association of Resident Engineers, Business Unity South Africa (BUSA), the Ferro-Alloy Producers' Association (FAPA), water users' associations as well as the Energy Intensive User Group. Membership of these associations ensures that ARM has access to global best practice and participates in discussions that affect the industry.

Bankers, insurers and funders

Relationships with the relevant financial services institutions are maintained through regular meetings and discussions. We strive for comprehensive and transparent disclosure with all our providers of capital through our external reporting.

Joint venture partners

ARM's strategy is to position itself as a partner of choice. ARM is constantly engaged with its joint venture partners through ongoing management interaction during the ordinary course of business as well as through monthly executive management meetings.

Shareholders, analysts and potential investors

ARM has a comprehensive investor relations programme to communicate with domestic and international shareholders, fund managers and investment analysts. The programme includes a number of conferences, results roadshows twice a year as well as the ARM Annual General Meeting.

ARM's website provides continuous updates on the Company's operational, financial and sustainability performance.

Employees and organised labour

ARM aims to be an employer of choice to ensure that it attracts and retains skills. ARM is committed to fair treatment and remuneration of its employees. ARM invests in skills development and career-planning programmes which are in place to ensure that employees develop to their full potential.

ARM aims to maintain good relationships with unions and is regularly engaged with unions and organised labour through monthly shop steward meetings and other meetings as required.

Communities, civil society and Non-Governmental Organisations

All ARM operations have social investment forums to discuss investment in communities surrounding the operations. In most communities, monthly/quarterly meetings are held to discuss LED and CSI projects. ARM's Broad-Based Economic Empowerment Trust partners with traditional and other community leaders to invest in the upliftment of rural communities throughout South Africa.

Changes or expansions to our current operations require engagement with communities through stakeholder consultation processes as prescribed by the Regulations of the National Environmental Management Act (NEMA).

Government

ARM engages local and provincial government with respect to LED projects, licences and compliance with the relevant safety and environmental legislation. ARM also engages with national government on matters of policy-making as required. ARM is represented on various industry bodies which engage with government.

Our material issues

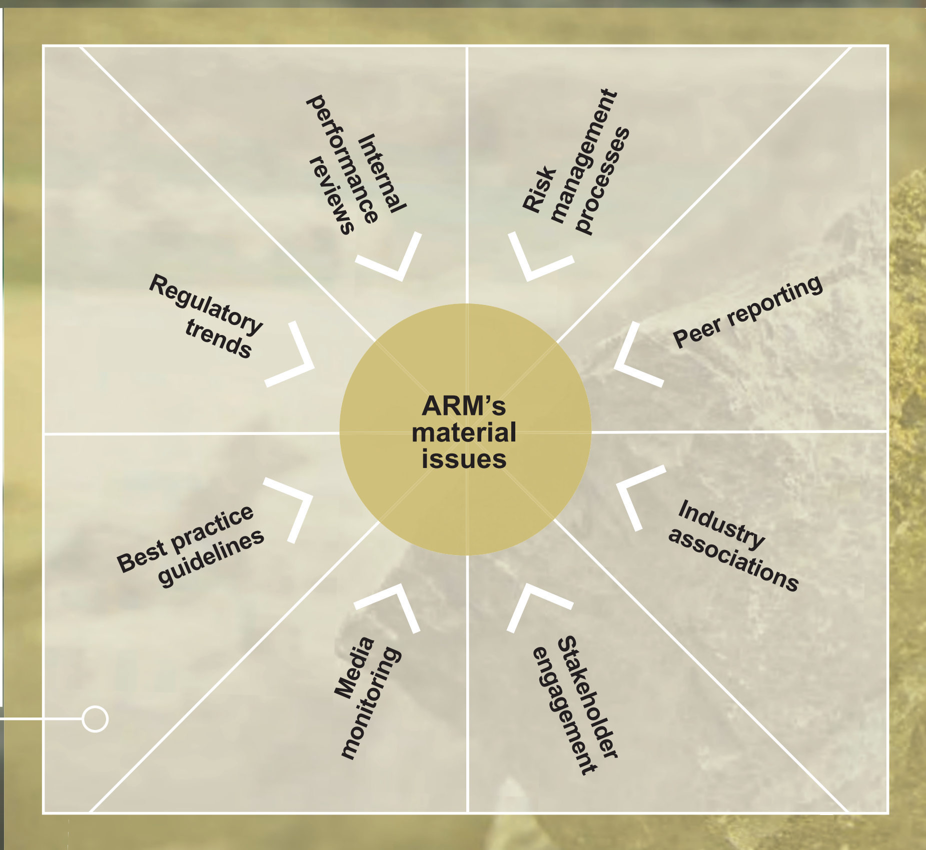
ARM's material issues are those factors that most impact our ability to create long-term sustainable value.

The process of identifying our material issues involves continuous review of both our internal performance and the external environment in which we operate. Engagement with our stakeholders is one of the most important inputs into identifying these material issues. The diagram below shows some of the other inputs we consider in identifying our material issues.

Inputs in deriving our most material issues

Best practice guidelines include:

- Global Reporting Index (GRI)
- International Council on Mining and Metals (ICMM)
- Millennium Development Goals
- Chamber of Mines
- United Nations Declaration of Human Rights
- JSE
- United Nations Global Compact (UNGC)
- International Labour Organisation (ILO) Declaration Principles
- King III
- Carbon Disclosure Project (CDP)
- Integrated Reporting Framework



These material issues inform our strategy and are monitored and evaluated on an ongoing basis. The implementation of our strategy takes place within the context of our responsibility to comply with all relevant legislation, generating returns for investors, uplifting our communities and maintaining the highest standards of ethical behaviour and corporate governance.

Detailed discussion of ARM's Enterprise Risk Management and principal risks, opportunities and challenges is included in the Risk report on page 134 to 143.

Summary of principal risks, opportunities and challenges

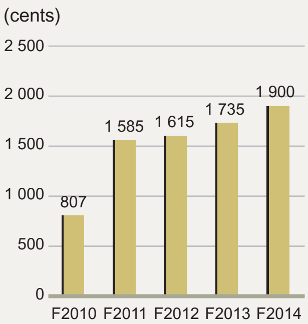
Key performance indicators

ARM's key performance indicators cover both financial and non-financial elements of our business. Indicators for the preceding four years are included for comparison. The financial key performance indicators are based on segmental analysis and include all the ARM divisions. The definitions for the indicators are included where appropriate.

Headline earnings per share (HEPS)

HEPS increased by 10% from 1 735 cents per share to 1 900 cents per share. The increase in headline earnings was primarily due to a 68% improvement in the ARM Platinum contribution and a 17% increase in the ARM Ferrous contribution to headline earnings.

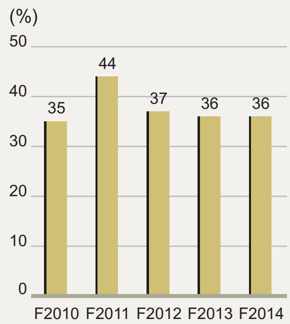
Headline earnings comprise earnings adjusted for items of capital nature. This is then divided by the weighted average number of shares in issue to arrive at headline earnings per share.



EBITDA margin

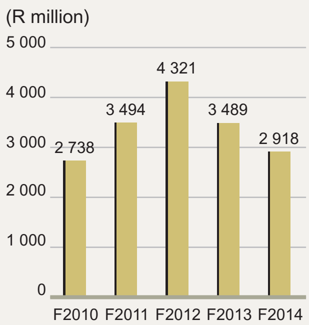
The segmental analysis EBITDA margin remained constant at 36%. The EBITDA was positively affected by a 17% weakening of the Rand versus the US Dollar and higher palladium prices. These were partially offset by lower US Dollar prices realised for platinum, rhodium, copper, nickel, chrome concentrate, ferromanganese and export coal together with higher than inflation cost increases at the iron ore, manganese, Modikwa and coal operations.

The EBITDA margin is the segmental analysis earnings before interest, taxation, depreciation and amortisation, excluding exceptional items and income from associates and joint ventures, divided by segmental analysis sales.



Capital expenditure

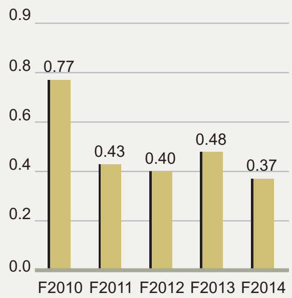
Segmental analysis capital expenditure attributable to ARM decreased from R3.5 billion in F2013 to R2.9 billion in F2014. The main capital expenditure items in the year under review related to the Lubambe Mine as it ramps up, equipment purchased for the Beeshoek Village Pit, waste removal at the East Pit, completion of the Khumani Mine Wet High Intensity Magnetic Separation (WHIMS) plant, modernisation of the Black Rock Mine and the recapitalisation of Modikwa Mine.



Safety

- A regrettable fatal accident occurred at Modikwa Mine during the year under review.
- The number of Lost Time Injuries (LTIs) decreased from 149 in F2013 to 106 in F2014. This represents a 29% reduction in LTIs.
- The Lost Time Injury Frequency Rate (LTIFR) reduced from 0.48 in F2013 (per 200 000 man-hours) to 0.37 in F2014.

Lost Time Injury Frequency Rate
(per 200 000 man-hours)



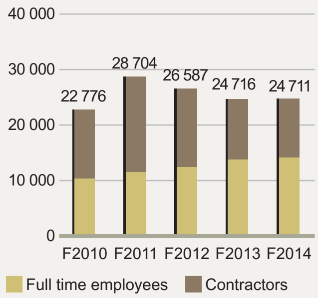
Implementation of the HIV & Aids management programme

- ARM has implemented an HIV & Aids programme in accordance with the primary aims of the South African National Strategic Plan for HIV, TB and sexually transmitted infections (STIs) of 2012 – 2016.
- In alignment with the National Strategic Plan, all operations have implemented integrated policies on HIV, TB and STIs. HIV counselling is offered to all employees who visit the site clinics but HIV testing remains voluntary, referred to as Counselling and Voluntary Testing (CVT). This has resulted in a 63.4% increase in the number of employees counselled.
- A standard TB reporting tool that includes workplace investigations and compulsory TB screening for those in contact with TB infected employees at the workplace, has been implemented as required by the DMR and the DoH. 35 746 employees and contractors were screened in F2014 (F2013: 18 995) and 119 new infections have been reported and are on treatment (F2013: 141). 118 cases have been cured while 14 cases of multi-drug resistant TB (MDR TB) have been admitted to MDR TB hospitals for treatment.
- The number of employees registered on Disease Management Programmes has increased by 86% from 645 to 1 202.

Employment Equity (EE)

- ARM has again been certified as a Top Employer by the CRF Institute and has improved four positions from last year.
- Progress continued in EE, including gender diversity.
- The Company's overall employment equity performance is ahead of 2014 Mining Charter targets.
- The percentage of female employees remained at 15%. There has been an increase of almost 2% in female middle management which reflects positive career progression from junior management.
- The Company spent 8.7% of payroll on training (F2013: 10.1%).

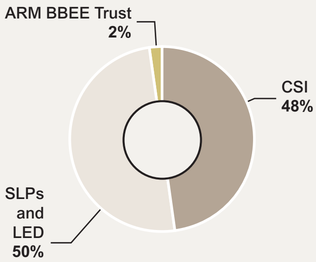
Total labour as at 30 June



Corporate Social Responsibility (CSR)

- During F2014, ARM spent R142 million (F2013: R100 million) in terms of Social and Labour Plans (SLPs) and Local Economic Development (LED) and R135 million in terms of Corporate Social Investment (CSI) (F2013: 62 million). In addition R6 million was spent (F2013: R7 million) on projects to uplift and benefit rural communities.
- Total Corporate Social Responsibility investment was R283 million compared to R169 million in F2013. This includes R95 million CSI expenditure in Zambia by our Lubambe Copper Mine.

Corporate social responsibility expenditure



Climate change

- ARM has determined its carbon footprint and has made a submission to the Carbon Disclosure Project (CDP) for the fifth consecutive year.
- Our CDP submission for F2013, which was submitted during May 2014, was successfully externally verified for the second time. Continued improvement in this regard has ensured an improvement in both our disclosure and performance scores as follows:
  - A disclosure score of 48% in 2011 (no performance projects listed);
  - A disclosure score of 77% in 2012 and a "C" performance score; and
  - A disclosure score of 96% in 2013 and a "B" performance score.

Ngwaabe Adult Basic Education Training in Limpopo

This Sustainability review demonstrates how ARM has integrated sustainability into its strategy and operations, and discusses the Group's material sustainability issues and provides a brief summary of our performance for the year.

We report our sustainable development progress as it relates to those operations over which we have direct or joint management control, being ARM Ferrous, ARM Platinum and ARM Copper. Sustainable development at ARM Coal and Harmony is therefore not included in the scope of this review.

We discuss our sustainable development approach, initiatives and performance in detail in the 2014 Sustainability Report (available at **www.arm.co.za**), which also includes sections on ARM's compliance with the revised Mining Charter as well as our Corporate Social Responsibility projects.

Pages 28 to 29 of this report summarises the Company's key performance indicators (KPIs), including non-financial KPIs.

Our approach to sustainability

ARM's mineral extraction and beneficiation activities have potentially significant environmental and social impacts. These arise through the Group's energy use, air emissions, water, waste generation and the impact of our activities on landscape and biodiversity. Our employees work in environments that could be hazardous or could expose them to potentially harmful substances if appropriate safety and health management controls are not in place.

The Group's activities are guided by the principles of responsible investment, broad social benefit and good corporate governance. These principles drive our efforts to manage the potential negative environmental and social impacts of our operations proactively and responsibly, and to contribute to the development of the communities around us. This ensures that ARM retains its social licence to operate and can continue to create value for all its stakeholders over the long term.

The long-term sustainability of our business is critically dependent on the integration of the highest standards of corporate governance in the policies, procedures and activities of the organisation. ARM therefore aligns its governance principles with the recommendations of the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

The mining industry contributes significantly to the growth and development of mineral-rich countries, through the creation of jobs and the payment of taxes and royalties. Local communities and historically disadvantaged groups benefit from increased financial capital through salaries and wages paid to employees and our support for local suppliers through enterprise development and preferential procurement initiatives.

Local communities also benefit from socio-economic investment projects that support Local Economic Development (LED) programmes as well as through improved infrastructure around operations such as roads, energy and water distribution.

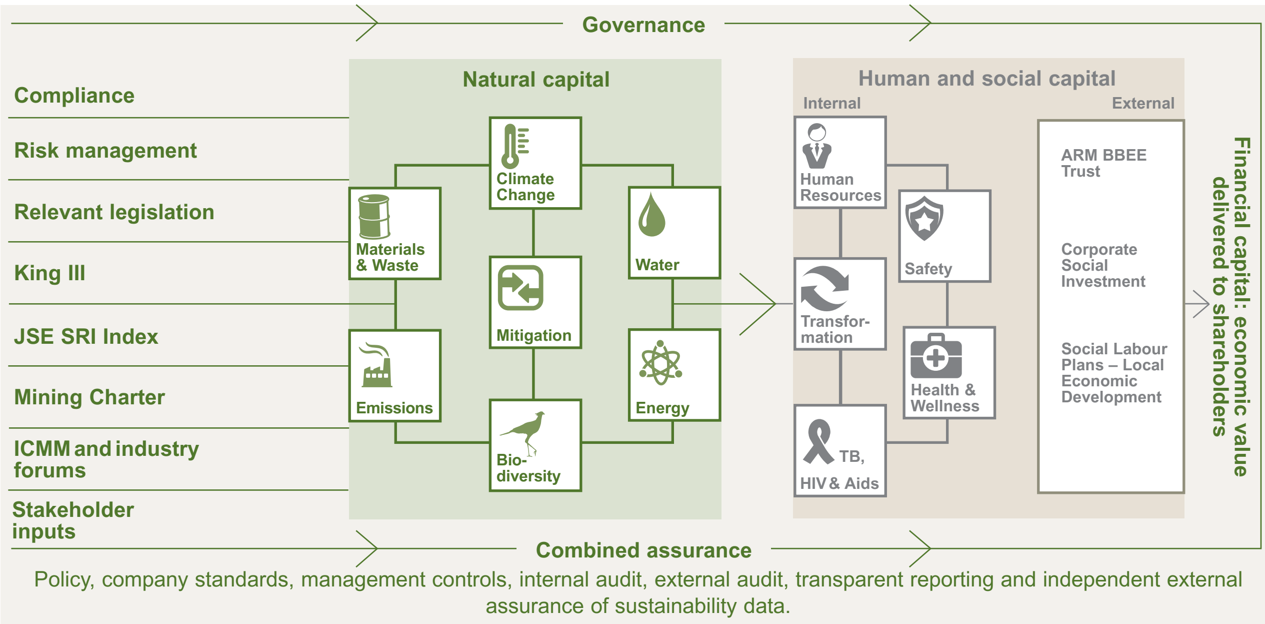
ARM's approach to sustainable development is based on the Group's Guiding Principles, the relevant interests of our stakeholders and our commitment to the corporate governance principles of King III. This is aligned with mining legislation, other relevant regulations, as well as industry and other requirements and guidelines. These include those discussed in the table below.

The Mining Charter	Many of ARM's social and environmental responsibilities are defined by the terms of our mining licences, environmental regulations and associated industry guidelines. We pay particular attention to the Mining Charter and aim to exceed its requirements wherever possible.
The ICMM	ARM shares the International Council on Mining and Metals' (ICMM) vision of a respected mining and metals industry widely recognised as essential for society and a key contributor to sustainable development. ARM is a member and an active participant at Council, Executive and Task Force level within the ICMM. The Group's sustainable development initiatives align with the elements of the ICMM sustainable development framework and its 10 sustainability principles.
Industry initiatives	Mining industry initiatives include the Culture Transformation Framework arising out of the Tripartite process between business, labour and Government. The Mining Industry Occupational Safety and Health (MOSH) initiative process shares leading practices and promotes their widespread adoption to help the industry meet the Tripartite health and safety targets and milestones.
The EITI	As a member of the ICMM, ARM subscribes to the Extractive Industries Transparency Initiative (EITI) – a global standard promoting transparency and the management of revenues from natural resources.
The GRI	ARM's Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines, including the Mining and Minerals sector supplement. The Sustainability Report has been externally assured and meets the GRI application level A+.
The JSE SRI Index	ARM has been included in the JSE Socially Responsible Investment (SRI) Index for the fifth year in recognition of the Group's commitment to integrating governance, best practice and environmental, economic and social sustainability into our business. ARM was also included in the Nedbank Green Index for the second time this year.
CDP	The Carbon Disclosure Project (CDP) is an international not-for-profit organisation that works with market forces to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. ARM submitted a CDP report for the fifth time in 2014.

Inputs shaping ARM's approach to sustainable development

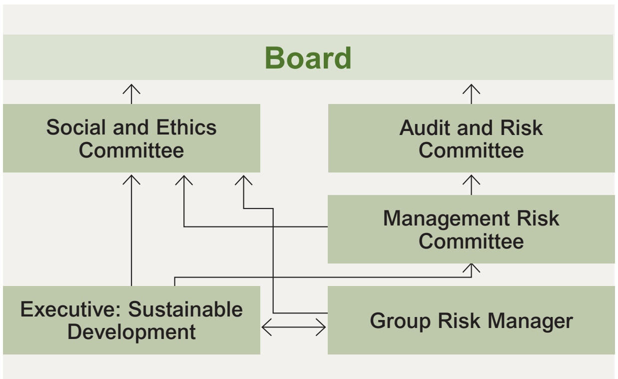
Our Sustainable Development model shows how ARM considers the relevant environmental, social and governance aspects of its business within the context of the imperative to deliver economic value to its shareholders. The Group's combined assurance model supports the integrity of the management, monitoring and reporting of its sustainable development activities.

ARM's sustainable development model



How we manage sustainability in our business

The Board has ultimate responsibility for sustainable development at ARM while the management of sustainability and risk-related issues is tasked to the Social and Ethics Committee and the Audit and Risk Committee.



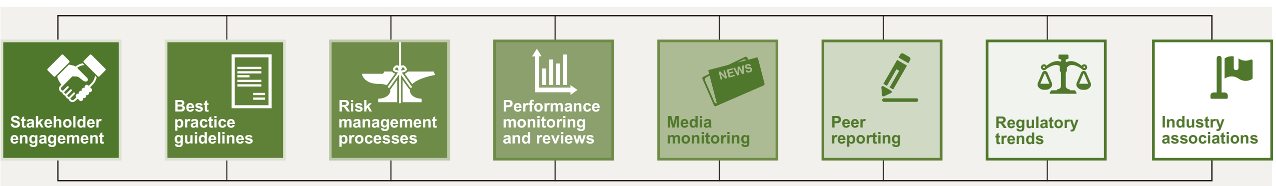
Each of ARM's operations have their own specific sustainability challenges, approach to managing these challenges and maturity of governance processes around these issues. The Company sets sustainable development policies and standards and operational management implements these in a manner appropriate to the circumstances at each operation. Sustainability progress is monitored by and reported through both operational and corporate sustainability governance structures.

Responsibility for the implementation of sustainable development policies and procedures rests with the Chief Executives of each division and the Executive: Sustainable Development. The Executive: Sustainable Development is responsible for reviewing sustainable development-related policies, strategies and targets and also ensuring that these are aligned with the Board's commitment to zero tolerance to harm throughout ARM. The Executive: Sustainable Development reports to the Chief Executive Officer of ARM with oversight from the Social and Ethics Committee.

The Executive: Sustainable Development also reports to the Management Risk Committee, a sub-committee of the Audit and Risk Committee of the Board, on matters and activities related to sustainable development as a standard agenda item and sustainability aspects are included in the Group risk register.

We determine the issues that are most material to the Company by analysing and prioritising information derived from a range of sources, including those shown in the diagram below.

Identifying ARM's most material issues



Social and Ethics Committee

The Social and Ethics Committee monitors the effectiveness of management's efforts in respect of sustainable development. It reviews and ensures implementation of the policies that support ARM's initiatives to protect, enhance and invest in the wellbeing of the economic, social and natural environment in which the Company operates.

Monitoring the Company's Local Economic Development initiatives is an important role of the Social and Ethics Committee. These initiatives support the development of historically disadvantaged South Africans and enable us to meet the requirements of mineral rights conversions, the Mining Charter, the Mineral and Petroleum Resources Development Act, 2002 and other relevant legislation.

Sustainability and risk management

The Management Risk Committee assists the Audit and Risk Committee in its oversight of risk management in the Company. The Management Risk Committee reviews strategic, tactical and major operational risks, including sustainability risks. It implements, coordinates and monitors the Company's enterprise risk management (ERM) framework, guided by the internal control and ERM policy in terms of the annual risk management plan. The ERM framework aims to identify risks, challenges and opportunities, ensure efficient and effective controls, benchmark control performance, and monitor and encourage improvement in control strategies.

The Group Risk Manager and the Executive: Sustainable Development attend Social and Ethics Committee meetings and are members of the Management Risk Committee. They also attend Board meetings to respond to any risk and sustainability-related matters raised by the Board.

Pages 127 to 128 and 156 to 157 of the Corporate Governance Report provides more information on the composition and activities of the Social and Ethics Committee and the Management Risk Committee.

Every quarter, operational management including Safety, Health, Environmental and Quality (SHEQ) managers, review and update the risk registers and risk and control dashboards. Operational production and engineering functions provide input into this process. Performance against guidelines is reviewed at both operational and corporate levels through regular meetings, providing appropriate oversight of management processes. These reviews form an important part of the combined assurance process and provide operations with a tool to manage and mitigate associated risks to an acceptable level.

Monitoring, measuring and reporting

Consolidating sustainable development data from the different systems at ARM's operations and ensuring accuracy and comparability between periods and operations is time consuming and challenging. The roll-out of consistent internal reporting systems across all operations is assisting in this process. An effective sustainability reporting system has been piloted in ARM Ferrous and is being implemented across the other operations in line with ARM's overall IT strategy.

ARM's risk management philosophy and process champion the integration of risk and assurance to ensure comprehensive management assurance and provide a practical and effective tool for the management of the specific and overall control environment. Assurance on sustainable development information is provided by management review, ARM's outsourced internal audit function, external audits and through external assurance of the content of our sustainability reports.

ARM's Combined Assurance Model defines what constitutes appropriate assurance relative to the three lines of defence. A Combined Assurance report identifies potential gaps and duplication in assurance, and provides input into strengthening the control environment. The inter-relationship between ARM's ERM processes, internal audit initiatives, external audit activities and various management assurance interventions by specialists/subject matter experts further reinforces comprehensive management assurance processes and reporting.

Integrated Reporting and Assurance Services (IRAS) was contracted to provide high-level independent third party assurance over the content of the F2014 Sustainability Report. Their assurance statement is included in the Sustainability Report and includes comment on data collection in ARM.

Summary sustainability review

The sections that follow summarise ARM's material issues and the Company's progress against these for F2014. The information has been grouped according to the six capitals approach of the International Integrated Reporting Council's International <IR> Framework.

For more information on these issues, please refer to the F2014 Sustainability Report at **www.arm.co.za**

Financial capital

ARM's fundamental goal is to create an acceptable financial return for shareholders, investors and other providers of capital. Our "We do it better" management style and our values drive us to balance this economic imperative with a responsible approach to the environmental and social aspects of our business. This ensures that all of our stakeholders benefit from the value created by the business and support ARM's sustainability and long-term growth.

In F2014, sales increased 20% to R23.8 billion (F2013: R19.8 billion). This supported a 41.8% increase in wealth created for ARM's stakeholders to R11 797 million (F2013: R8 318 million).

Value created in F2014 R11.8 billon

Employees	Government	Shareholders	External providers of capital
R3.3 billion in salaries and wages	R2.8 billion in taxes and royalties	R1.1 billion in dividends	R0.6 billion

R4.0 billion re-invested in the Group

Value added statement

	F2014* (Rm)	F2013** (Rm)	F2012 (Rm)	F2011 (Rm)	F2010 (Rm)	F2009 (Rm)	F2008 (Rm)	F2007 (Rm)
Sales	**23 785**	19 800	17 530	14 893	11 022	10 094	12 590	6 152
Net cost of products and services	**11 093**	9 100	8 329	6 357	5 604	4 201	4 318	2 527
Value added by operations	**12 692**	10 700	9 201	8 536	5 418	5 893	8 272	3 625
(Loss)/income from associations	**(374)**	(14)	11	(135)	(51)	147	461	16
Income from Joint Ventures	**11**	3	–	–	–	–	–	–
Exceptional items	**(876)**	(2 639)	(70)	(11)	97	514	162	14
Income from investments	**344**	268	279	216	209	414	168	51
Wealth created	**11 797**	8 318	9 421	8 606	5 673	6 968	9 063	3 706
Applied as follows to:								
Employees as salaries, wages and fringe benefits	**3 330**	2 922	2 179	1 856	1 491	1 399	1 053	738
The State as taxes	**2 796**	1 696	2 125	1 855	1 029	1 727	2 084	781
– Income tax	**1 893**	1 145	1 633	1 693	1 009	1 727	2 084	781
– Mineral Royalty tax	**903**	551	492	162	20	–	–	–
Providers of capital	**1 643**	1 394	1 324	836	725	1 034	1 213	561
– Equity – dividend	**1 102**	1 021	959	426	371	847	315	–
– Non-controlling interest	**255**	148	133	194	162	(198)	460	191
– Outside – finance cost	**286**	225	232	216	192	385	438	370
Total value distributed	**7 769**	6 012	5 628	4 547	3 245	4 160	4 350	2 080
Re-invested in the Group	**4 028**	2 306	3 793	4 059	2 428	2 808	4 713	1 626
Amortisation	**1 841**	1 693	1 315	1 118	987	787	541	406
Reserves retained	**2 187**	613	2 478	2 941	1 441	2 021	4 172	1 220
Wealth distributed	**11 797**	8 318	9 421	8 606	5 673	6 968	9 063	3 706
Market capitalisation at FYE (R billion)	**40.5**	32.2	35.7	40.2	34.3	27.5	59.2	25.9

* *Based on segmental reporting – refer to Note 2 to the financial statements.*
** *This is restated after adoption of IFRS 11 and is in accordance with the segmental reporting – refer to Note 2 to the financial statements.*

Cost efficiencies

ARM's strategy of quality growth in its portfolio of assets is critically dependent on ensuring that all its operations are positioned below the 50^{th} percentile of each commodity's global cost curve. The direct links between financial capital and the other forms of capital are becoming increasingly clear through established and emerging trends such as the rising cost of energy, water availability and the proposed carbon tax. Social and labour unrest and failures to meet safety standards are not only significant social and ethical concerns, but also affect the Company's ability to create financial value by interrupting production. Not addressing these issues will lead to increased unrest, reduced productivity and negatively affect ARM's reputation.

The ability of the Company to achieve its unit cost goals faces a number of challenges including:

- ***Rising energy costs***

Energy is a critical input in mining and beneficiation. It is required to power the crushers and mills that process ore, ventilation fans, pumps for dewatering and the motors that drive conveyor belts and elevator cages. The processing of metals is particularly energy intensive and the smelters in the Ferrous Division consume nearly half of the Group's total electricity.

The rising cost of electricity and fuel not only affects the positioning of our operations on the global cost curve, it also adds further financial pressure to the people in the communities around our operations. Excessive energy cost increases will affect the profitability of all businesses and ultimately undermine job creation, social development and the flow of revenue to Government. Together with other industrial users of electricity, ARM continues to engage with Government institutions to ensure that future tariff increases are realistic within the broader interests of the country as a whole.

Improving process efficiency supports our cost-efficiency targets and reduces our use of natural capital. Energy-efficiency projects are being implemented across our operations and relevant employees are incentivised to improve the efficient use of energy, including electricity.

The decision to build the Sakura smelter in Sarawak, Malaysia was supported by a 15-year green power supply contract. The use of hydro-electric power was a key strategic advantage to manage cost pressures and contribute positively to efforts to reduce global warming.

- ***Carbon tax***

The anticipated carbon tax will affect our South African operations, especially the energy-intensive operations in the ARM Ferrous Division. As discussed in ARM's 2013 Carbon Disclosure Project (CDP) report, we estimate that the direct cost of the carbon tax on ARM's Scope 1 emissions will be between R7.7 million and R15.5 million (based on ARM's equity share).

We are in favour of any initiative that supports a global transition to a lower carbon economy and results in a more resilient society that is more competitive in the long term. However, the policy risks reducing profit margins as compliance costs increase resulting in the inability to compete in global markets and maintain sustainable businesses. The final policy needs to adequately manage the short-term and long-term developmental impacts of the planned carbon tax.

- ***Other environmental regulations***

Increasing environmental regulation in South Africa and in key customer countries may increase compliance costs and affect the selling price of commodities in regulated regions. The implementation of the National Climate Change Response Policy in South Africa includes mandatory reporting and the establishment of Desired Emission Reduction Outcomes (DEROs). While details of the DERO process are still unclear, it is understood that business sectors will be expected to develop a mitigation plan to meet the DERO for the sector, which could impact our ability to do business if the reduction requirements are very ambitious.

Air quality standards become more stringent in 2015, which will affect our furnaces at Cato Ridge and Machadodorp. Both smelters have obtained approved Air Emission Licences (AELs) in terms of the National Environmental Management Air Quality Act (NEMAQA).

- ***Labour costs and efficiency***

South Africa's weak economic growth, rising costs, high unemployment and numerous socio-economic challenges have combined to disproportionately affect people at the lower end of the income spectrum. This extreme financial pressure and increasingly politicised labour environment has been evident in the extended strikes in the platinum and metals industries. ARM supports fair remuneration, however wage increases that are not supported by improved labour productivity undermine profitability and threaten the sustainability of the business.

Infrastructure access and capacity

- ***Security of energy supply***

Unscheduled electricity supply interruptions directly affect our ability to maximise efficiencies and achieve our production targets. ARM's growth plans depend on access to electricity, which requires the effective maintenance and extension of electricity infrastructure. Our South African operations work closely with Eskom to help manage pressure on the national grid by reducing load where necessary.

- ***Rail and port logistics***

Iron ore produced by ARM Ferrous is exported through the Sishen Saldanha Iron Ore Export Channel (SIOEC), a single channel rail and port facility. Capacity constraints on the SIOEC limit ARM's ability to increase its exports. The viability of the Company's expansion plans at Black Rock Mine is dependent on clarity on Transnet's allocation of manganese export volumes which is still outstanding.

Transportation of ore by road is more costly, increases our carbon footprint and has a significant impact on the country's road infrastructure, but may be necessary where rail capacity is constrained. ARM continues to engage with Transnet and other industry role players to explore options for increasing rail and port capacity.

Market conditions

As a producer of commodity products, ARM is a price-taker. Commodity prices fluctuate with international supply and demand trends in the metals we produce. The Company's revenues, earnings and cash flows are affected by commodity price volatility, which is outside our control.

Our costs are largely priced in Rands, while commodities are mostly priced in US Dollars, which exposes the Company to the effects of exchange rate fluctuations.

ARM's structure, which includes a diversified portfolio of assets and products, results in returns that are more stable than those of single product producers. This gives the Company some ability to manage the risks associated with commodity price movements.

Human capital

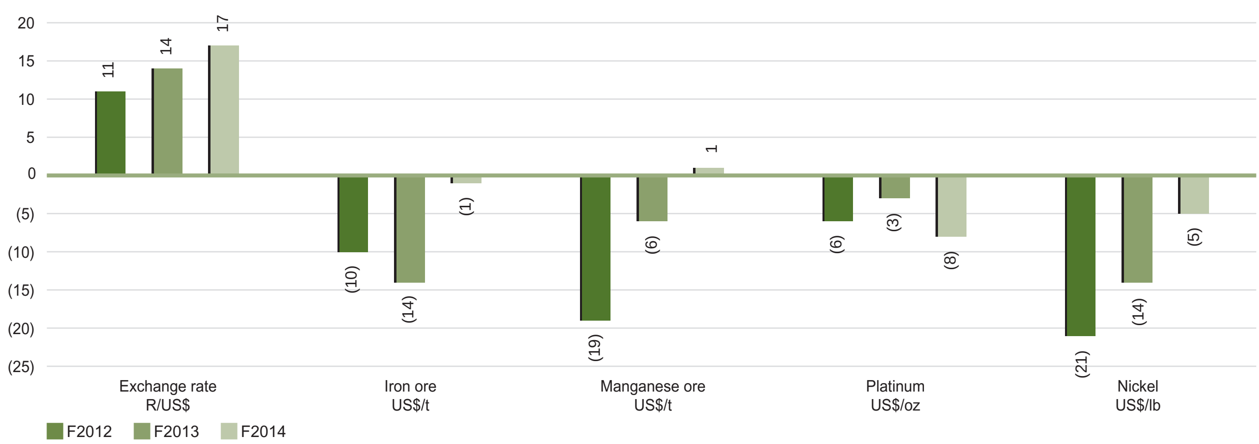
ARM's human capital is represented by nearly 25 000 dedicated permanent employees and contractors that pass through our gates every day. Their diligence and commitment is instrumental in transforming the natural capital of the metals we extract into the financial capital that creates value for our stakeholders. We reinvest a significant portion of financial capital back into our human capital through our skills development initiatives. Through training, the experience gained at work and the innovation that arises from our 'We do it better' approach to mining, the Company also enhances its intellectual capital.

To achieve our strategic goals, we need to attract, retain and enhance the skills required to drive operational efficiency and expand successfully. We also need to ensure that we provide a safe working environment where our employees can operate at their full potential and put in place the processes and resources required to support their health.

Progress on our MAPP (Managing ARM's People Potential) program continued during F2014. Initiatives within the program delivered during the year include:

- Obtaining compliance as an accredited training provider through MQA SETA in the three Northern Cape operations;
- Development of various web-based training academies and portals which facilitate a blended learning approach;
- Piloting the ARM supervisory development programme, which proved successful followed by a handover to and implementation at the Northern Cape operations;
- The Implement Oracle Self Service, Org Plus and Contingent Worker Systems and practices in the Northern Cape to ensure we can manage and empower our employees effectively;
- Implementing a Group wide industrial relations case load management system to promote consistent and fair practices and intelligent reporting; and
- Developing a corporate e-based induction programme.

Commodity prices
(%)



Focus for F2014	✓/×	How we did	Focus for F2015
To fully implement MAPP at the selected operations and to progress from transactional to service excellence and value add.	✓	Concluded the strategic plan for implementation of the four key strategic pillars i.e. workforce planning, talent management, human resources development and performance enhancement. Achieved effective implementation of our Human Capital strategy i.e. to attract and retain, develop and transform.	Operationalise the strategic pillars through implementation: • Workforce planning: To conduct workforce assessments for future business needs and respond to changes of industry requirements in relation to skills gaps. • Talent management: To recruit, develop and retain high quality people to meet the current and future needs of the business, ensure advancement of equal opportunity in employment through career mobility, succession and fast-tracking programmes. • Human resources development: To have a highly skilled workforce that continues to learn and is able to respond to changes in working practices. Ensure and create platforms for learning and development in support of the skills development plan. • Performance enhancement: To have a high-performing, well motivated workforce that continuously seeks to improve on quality outputs. Ensure reward system retains high performing teams and individuals.
Developing more modules for the learning hub.	✓	Various learning hub academies were completed and access given to the relevant stakeholders throughout the year from legislative training to supervisory development which saw the upskilling of 26 supervisors and another 19 still on their learning journey. Eleven learning academies and four information portals were produced.	• Promote the learning hub centre of excellence by ensuring operational implementation and ownership.

Highlights

- ARM participated in the Global Top Employer Certification programme, ranking its employee standards against international benchmarks. ARM was among 77 South African companies who were awarded Top Employer certification.
- Continued progress in terms of employment equity, including gender diversity. HDSA representation at the professionally qualified level increased to 51% (F2013: 49%).
- Female employees make up 14% of the workforce (F2013: 15%) exceeding the Mining Charter target of 10%.
- We again conducted a culture survey to identify interventions to improve workplace culture.
- 93% of our workforce is functionally literate, as we invest in training and development of people, including ABET, to upskill the workforce.

Challenges

- Identifying, attracting and retaining the right skills.
- Housing around our remote operations.

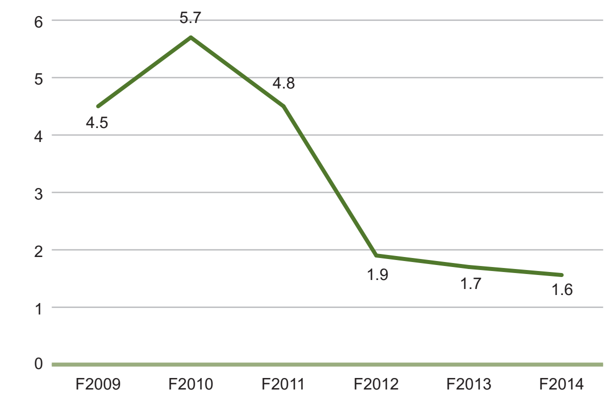
Attraction, retention and development of skills

We aim to be the employer of choice in the mining industry by demonstrating the value of working at ARM. This value goes beyond competitive remuneration and employee benefits, and includes talent management, study assistance, performance management and career development programmes.

ARM was again recognised as one of South Africa's Top Employers by the Corporate Research Foundation (CRF) Institute, through its participation in the Global Top Employer benchmark. ARM aims to consistently improve the employee offering at all levels.

Total headcount remained stable at 24 711 employees (F2013: 24 716) as an increase in permanent employees due to operational requirements was offset by a decline in contractors.

Employee turnover
(%)



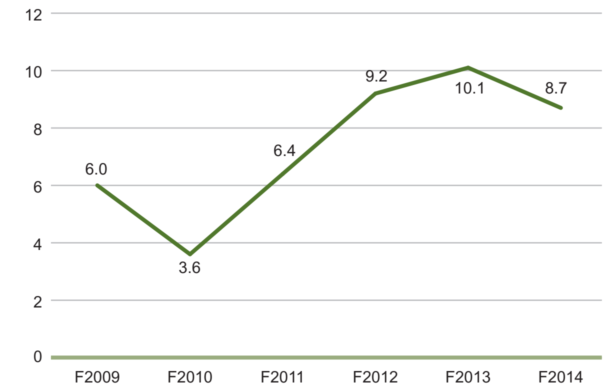
ARM's permanent employee turnover rate improved further to 1.6% in F2014 (F2013: 1.7%) compared to the industry average of 7%.

Our recruitment, skills development and staff retention plans focus on ensuring that the Company has access to the necessary technical and management skills to meet our aggressive growth plans. ARM continues to invest heavily in skills development and sees this investment as a fundamental building block for continuous improvement in productivity and safety performance.

Initiatives include training courses, learnerships, internal and external bursaries and study assistance.

In F2014, ARM invested R196 million in skills development programmes (F2013: R180 million), which represents 8.7% of its annual payroll on skills development (F2013: 10.1%).

Skills development spend (% of payroll)
(%)



Safety

ARM values the safety and health of all our employees as the embodiment of our commitment to zero harm. We implement the policies and processes necessary to ensure our employees' safety, aligned with the guidelines and targets set in the Mining Charter. We benchmark our practices and learn from our peers through initiatives such as the Mining Industry Occupational Safety and Health (MOSH) Adoption System to meet the Tripartite Health and Safety Targets and Milestones.

Operational safety policies, strategies and safety performance are governed and monitored by the Divisional Safety, Health and Environmental Managers. Executive reviews take place at quarterly Safety, Health, Environmental and Quality (SHEQ) meetings. Most ARM operations are certified in terms of OHSAS 18001, the international health and safety management system.

Measuring underground ventilation flows at Lubambe Copper Mine

Focus for F2014	✓/×	How we did	Focus for F2015
Zero harm to our employees.	×	There was a fatality at Modikwa Mine in June 2014.	Zero harm to our employees.
Reduce stoppage due to Section 54 and 55 Notices.	×	Collective days lost due to Section 54 and 55 Notices increased to 76 in F2014 from 30 in F2013. Section 54 Notices issued increased to 20 in F2014 (F2013: 18) and Section 55 Notices increased to 19 (F2013: 10).	Reduce stoppage due to Section 54 and 55 Notices.
Continue to align with and adopt leading practices from industry initiatives such as MOSH and the Culture Transformation Framework (CTF).	✓	Our operations have adopted leading practices in terms of hearing protection, entry examination and making safe, underground support standards and the implementing of netting and bolting where appropriate. Modikwa, Two Rivers, Dwarsrivier and Black Rock have implemented proximity detection systems (PDS) on moving machinery while other operations are in the process of investigating and testing appropriate technology.	Continued focus and monitoring of existing leading practices. Active participation in new initiatives and leading practices.

Highlights

- The Reportable Injury Frequency Rate (RIFR) decreased to 0.23 in F2014 from 0.26 in F2013.
- The Group's Lost Time Injury Frequency Rate (LTIFR) per 200 000 man-hours worked improved to 0.37 in F2014 from 0.48 in F2013.
- One operation achieved more than four million fatality-free shifts in F2014, one achieved more than three million fatality-free shifts and two achieved more than two million fatality-free shifts.
- Beeshoek Mine achieved 12 000 fatality-free production shifts.
- Cato Ridge Works achieved 349 and Nkomati Mine achieved 365 consecutive days without a lost time injury.

Challenges

- There was a regrettable fatality at Modikwa Mine during the year. The incident is reported in more detail in the ARM Platinum Operational review on pages 50 to 63.
- As part of a revised safety strategy at Modikwa, safety and health systems are being reinforced and a new SHE manager has been appointed at the mine to address this and other SHE issues.
- There was a significant increase in days lost to Section 54 and 55 Notices issued, mainly due to incidents at Modikwa Mine.

Occupational health and wellness

Supporting the health and wellness of our employees increases our human capital by raising morale and engagement, supports intellectual capital by increasing retention of institutional knowledge and increases financial capital through better productivity and more efficient work.

Hazardous substances in our operations include manganese, chromium and coal, tar, pitch and volatiles (CTPV) in our smelting operations. Asbestos has been detected in the ore body at Nkomati Mine and the operation applies appropriate procedures to mitigate dust liberation and manage exposure.

Hearing conservation continues to be a core focus of ARM's occupational health surveillance and management programmes. We have succeeded in and remain committed to reducing workplace noise in line with the Department of Mineral Resources (DMR) 10-year targets agreed at the Mine Health and Safety Summit in 2003.

Occupational health is managed through periodic medical examinations and a programme of biological monitoring of employees and contractors. The most common illnesses diagnosed in our workforce (including chronic and primary health-related conditions) are hypertension, upper respiratory tract infection and back/muscular/skeletal ache.

Focus for F2014	✓/×	How we did	Focus for F2015
Ongoing focus on reducing noise from existing and new equipment, as well as awareness raising to improve compliance with the use of personal protective equipment (PPE). Continued implementation and monitoring of compliance with MOSH Leading Practices on Noise.	✓	The focus on reducing machinery noise levels to < 110 dB(A) at all operations continued. The MOSH Leading Practices on Noise have been adopted by mines where appropriate. Investigations in terms of Section 11.5 of the Mine Health and Safety Act (MHSA) were conducted in all cases of Percentage Loss of Hearing shifts >5% and reported to the DMR.	Ongoing focus on reducing noise from existing and new equipment, as well as awareness raising to improve compliance with use of PPE. Continued implementation and monitoring of compliance with MOSH Leading Practices on Noise.
Continued focus on hearing conservation and education.	✓	The number of Percentage Loss of Hearing (PLH) shifts between 5% and 10% PLH declined 15% in F2014. 784 cases were reported to the DMR, of which 20 (2.6%) were referred for compensation.	Continued focus on hearing conservation and education.

Highlights

- Khumani was successfully certified in terms of the new South African National Standard (SANS 16001: 2013) on its disease and wellness management programme.
- Beeshoek Mine will seek SANS 16001: 2013 certification in F2015.
- Khumani, Beeshoek and Black Rock have signed a Memorandum of Understanding with the local Department of Health to improve access to treatment for HIV, TB and sexually transmitted infections (STIs).
- Management of chronic diseases improved at all operations through the implementation of chronic disease registers and follow up of cases of chronic disease in high risk areas.

Challenges

- The number of Noise Induced Hearing Loss cases submitted for compensation decreased to 54 but still remains high.
- Difficulty in attracting and retaining qualified occupational medical staff in remote locations continues to remain a challenge to uphold the high quality of our medical surveillance programmes.
- Continued focus to further reduce the number of cases of noise induced hearing loss.

Clinic at Lubambe Mine

TB, HIV & Aids

ARM's operations are located in areas where the estimated district HIV prevalence ranges from 14% to 46%. While we estimate the prevalence rate at our operations to be significantly lower, HIV & Aids and other diseases such as tuberculosis (TB) present a significant risk to the wellness and productivity of our employees.

ARM's integrated occupational health and wellness programme focuses on integrated management of TB, HIV & Aids and STIs and is aligned with the National Strategic Plan (NSP) of 2012 – 2016.

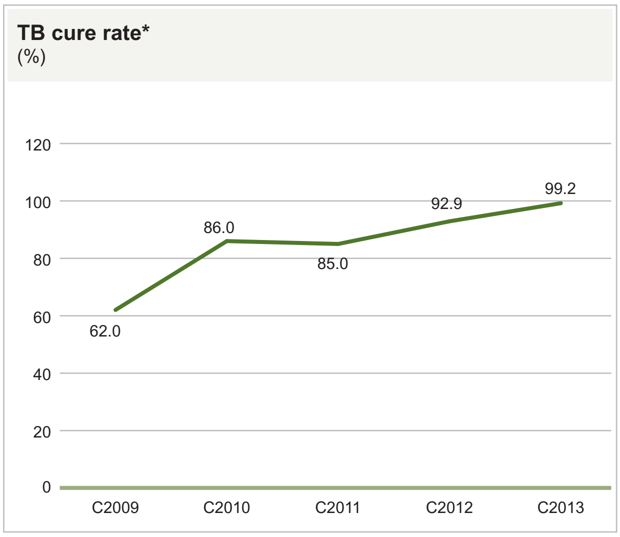
Focus for F2014	✓/×	How we did	Focus for F2015
Continue to conduct wellness and disease management gap analyses in terms of the SANS 16001: 2013 standard ("SANS 16001") to align all operations with the standard.	✓	An external occupational health specialist conducted SANS 16001-based wellness and disease management gap analyses on all operations and implementations were well advanced in most operations.	Continue to conduct SANS 16001-based wellness and disease management gap analyses to align all operations with the standard.
Continue internal and external audits to monitor and ensure compliance with ARM's standards and SANS 16001.	✓	Khumani Mine was certified in terms of SANS 16001 in 2013 and Beeshoek Mine applied for Stage 1 certification in September 2014.	Continue annual internal audits on ARM's management guideline requirements and SANS 16001 and increase audit scores for all operations to our increased internal target of 80%.
Continue monitoring of our operational HIV prevalence in relation to provincial and district HIV prevalence where our operations are located.	✓	ARM implemented compulsory counselling and voluntary testing (CVT) at all operations. The number of employees and contractors counselled increased 63% to 24 330. 12 295 employees were tested, which facilitated better management and registration on Disease Management Programmes (DMPs) for HIV positive employees.	Continued compulsory CVT at all operations and occasional Knowledge, Attitudes, Perceptions and Behaviour surveys to increase the level of knowledge and understanding to motivate employees to know their status.
Continue to engage local Aids councils where our operations are located to identify wellness and health-related projects.	✓	Operations implemented various initiatives in their local communities that support the goals of the National Strategic Plan (NSP).	Continue to engage local Aids councils where our operations are located to identify wellness and health-related projects.
Continued alignment with the NSP and passive TB screening of contacts at the workplace and in communities as per DMR regulations.	✓	All employees who visit our occupational health clinics are passively screened for TB using the screening tool provided by the Department of Health. This passive screening led to a decrease in actual new infections detected in 2014 of 119.	Continued alignment with the NSP and passive TB screening of contacts at the workplace and in communities as per DMR requirements.

Highlights

- Improved our HIV & Aids programme internal compliance score to 77% from 73.4% in F2013, exceeding our target of 64.4% set in 2008. We have, in line with our drive to continuously improve, increased the target to 80%.
- Compulsory CVT was implemented to be offered during initial, periodical and exit medicals and upon request of employees. This has led to an increase of 63% in the numbers counselled.
- Compulsory passive TB screening was implemented at operations and includes screening of work contacts.
- Beeshoek and Khumani successfully implemented a Medical Male Circumcision Programme in the workplace.
- Khumani, Beeshoek and Black Rock have signed a Memorandum of Understanding with the Department of Health to improve access to treatment for HIV & Aids, TB and STIs for both employees and surrounding communities.
- The TB cure rate continues to be above the national TB cure rate average of 85%.

Challenges

- The incidence of HIV & Aids continues to significantly affect our operations and the communities in which our employees reside, particularly in Mpumalanga (35.1%) and KwaZulu-Natal (39.5%).
- Difficulties in sharing HCT (HIV Counselling and Testing) data with some medical aid schemes, which makes it difficult to monitor employee access and compliance with Disease Management Programmes (DMPs).
- Revitalising the wellness programmes at Nkomati Mine and Modikwa Mine and getting the HIV & Aids management programmes back to their former levels of excellence.
- Ensuring optimal functioning of local Aids councils.
- Encouraging Wellness Committees to continue to work with medical aid schemes.
- Encouraging trained peer educators to remain active.



** TB cure rates are reported on a calendar year basis.*

Environmental capital

ARM's business model depends on converting natural capital into financial capital by the extraction and beneficiation of ore and sale of metals in terms of its mining licence. Sustainability and the principles of responsible mining require us to protect our natural capital and that of the communities around us by minimising our environmental impact and reducing our consumption of scarce natural resources.

Compliance with environmental regulations supports our relationship with Government and reduces the risk of negatively affecting the communities around us, in which a large proportion of our workers live. Understanding the risks associated with climate change and taking steps to mitigate these reduces our risk exposure and helps the Company to realise potential opportunities while maintaining our positive reputation.

The rising cost of energy, especially electricity, and proposed environmental legislation such as the carbon tax, clearly illustrates the interconnectedness of environmental capital, financial capital and social and relationship capital.

Our most material environmental issues are climate change and resource management with energy use and water availability being key concerns. Climate change implications include physical risks posed by flooding or drought, extreme temperatures affecting the workforce and local communities and the risk of the lack of water.

Our operational environmental management systems identify our environmental impacts and allow us to implement our environmental plans and monitor our performance. Environmental performance and compliance is monitored at operational, divisional and corporate level.

Focus for F2014	✓/×	How we did	Focus for F2015
Monitoring implementation of efficiency targets for water and energy.	×	Some operations have implemented this while others are still in the process.	Continue implementation and monitoring of efficiency targets in terms of water and energy.
A Group strategy has been drafted and is being finalised through consultation with the various divisions.	✓	Performance objectives have been committed by most operations while the climate change strategy is being implemented as part of our efficiency drive.	Monitoring of performance against objectives and emissions targets.
Continued improvement in data collection and performance.	✓	Our CDP submission for F2013 was successfully externally verified for the second time. Continued improvement in this regard has ensured an improvement in both our disclosure and performance scores as follows: • A disclosure score of 48% in 2011 (no performance projects listed); • A disclosure score of 77% in 2012 and a "C" performance score; and • A disclosure score of 96 % in 2013 and a "B" performance score.	Continued improvement through further refining and improvement in our data collection systems. Commitment to identify and implement performance improvement projects.

Highlights

- We continue to implement our climate change strategy, policy and awareness training. This is progressing well and includes a carbon management strategy, emissions reduction plan and scenario planning.
- Energy and carbon reduction opportunities have been identified and quantified at Black Rock Mine and Nkomati Mine. We are currently implementing projects based on these opportunities. We are also investigating a renewable energy (solar) project at Nkomati.
- We submitted a CDP report for the fifth consecutive year and commissioned independent verification of our emissions data for the second time.
- Khumani Mine installed a 100 kW solar plant that saves the mine approximately 170 000 kWh a year.

Challenges

- Continued reduction in carbon emissions.
- The potential financial impact of the pending carbon tax.
- Climate change impact on water resources: risk of water scarcity impeding our growth plans and the physical risk of major storm events and flooding.
- Expanding our monitoring and reporting requirements to our supply chain.

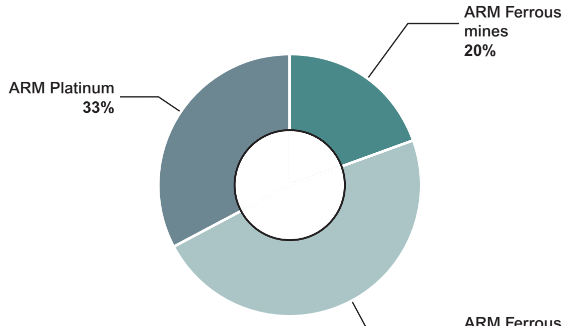
Carbon footprint

Electricity produced from coal accounts for the majority of ARM's carbon footprint. Most of this electricity is consumed by the two smelters in the ARM Ferrous Division, which together account for 47% of the Company's carbon emissions. Other notable sources of carbon emissions include diesel used for mining operations and materials movement and carbon-based reductants such as coke and coal used in our smelters.

ARM is driving increased awareness around emission reduction at its operations through a number of initiatives, including:

- Setting up a capital allowance for energy-efficiency projects;
- Including emission reduction activities on internal KPIs and scorecards for teams and divisions; and
- Facilitating divisional carbon strategy workshops.

Divisional contribution to our attributable F2014 Scope 1 and 2 carbon footprint
(%)



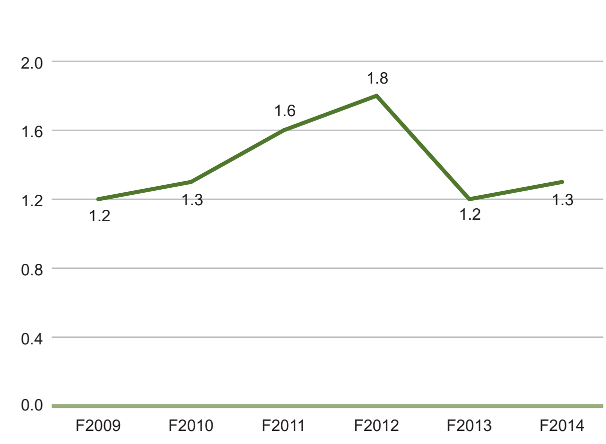
ARM Corporate and ARM Copper contribute less than 0.4% to total emissions.

Measuring environmental underground vibration on surface

ARM submitted a CDP report for the fifth consecutive year detailing ARM's attributable F2013 carbon emissions for our joint venture operations. The report again included independent verification of our emissions data.

ARM's estimated carbon footprint (Scope 1 and 2 attributable emissions) for F2014 increased 1.9% to 1.27 million tonnes carbon dioxide equivalent ($mtCO_2e$) (F2013: 1.24 $mtCO_2e$).

Carbon footprint – attributable Scope 1 and 2
($mtCO_2e$)

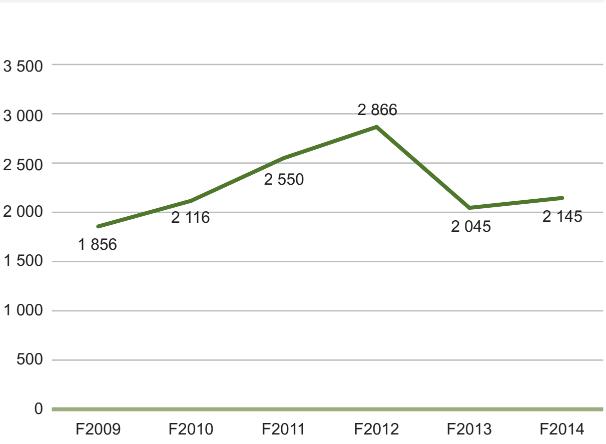


Energy usage

The Ferrous Division accounts for the majority of the Company's energy consumption. Energy-efficiency initiatives are mainly managed through the Ferrous Division's emissions reduction plan. The Platinum Division's reduction plans are being developed as phase II of the climate change programme currently being rolled out.

ARM's electricity consumption (reported on a 100% basis) increased 5% to 2.15 million megawatt hours (mMWh) in F2014 (F2013: 2.05 mMWh).

Electricity consumption
(000 MWh)



Water

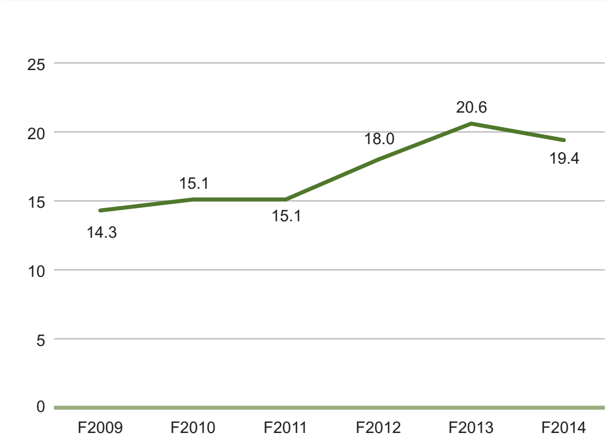
ARM's operations source water from rivers, boreholes and municipal sources according to the terms of their integrated water use licences. We engage with the Department of Water Affairs, local communities, local, provincial and national authorities, irrigation boards, catchment management agencies and other industry users to ensure the sustainability of water resources for all stakeholders.

Several of ARM Ferrous Division's mines are located in the Northern Cape where water is scarce. Expansion plans must carefully consider the availability of water, water quality and the reliability of water infrastructure as a critical resource. Changes to precipitation patterns as a consequence of climate change are likely to affect water sources and ARM has established a Water Task Team to address water risk.

ARM's operations ensure that the necessary controls are in place to ensure that the quality of water around them is not negatively affected.

Total water abstracted in F2014 decreased 6% to 19.4 million m^3 (F2013: 20.6 million m^3).

Water abstracted
(million m^3)



Biodiversity

Mining and beneficiation have a potentially significant impact on the physical landscape around these operations. Our commitment to responsible environmental stewardship includes respect for the biodiversity in the biomes in which we operate.

Biodiversity is managed according to biodiversity action plans that are drafted as part of the environmental impact assessment process. Compliance with the relevant corporate standards is assured through biennial external audits and through annual legal compliance audits as part of the environmental management systems.

During 2014, ARM's operations were assessed by the ICMM and the International Union for Conservation of Nature (IUCN) as part of a review of the progress made by ICMM members in biodiversity management performance. ARM received above average scores in seven of the 10 criteria assessed. Feedback from the review will be used for improvement in the Company's biodiversity initiatives where relevant.

Social and relationship capital

ARM's social and relationship capital is built up through the trust engendered by respectful interactions with our key stakeholders, by working according to our values and through demonstrating our commitment. Where this is achieved, social and relationship capital is an extremely valuable asset that confers upon the Company and its social licence to operate. Social and relationship capital is easily eroded through careless or irresponsible actions that damage the Company's reputation.

ARM's governance structures and ethical leadership support the Company and its employees to act with integrity and respect for the social and environmental context in which they operate.

Stakeholder engagement

ARM has established a formal stakeholder engagement process that allows the Company to understand the legitimate interests and expectation of a broad range of stakeholders and address these in an appropriate way as well as to communicate our concerns and progress.

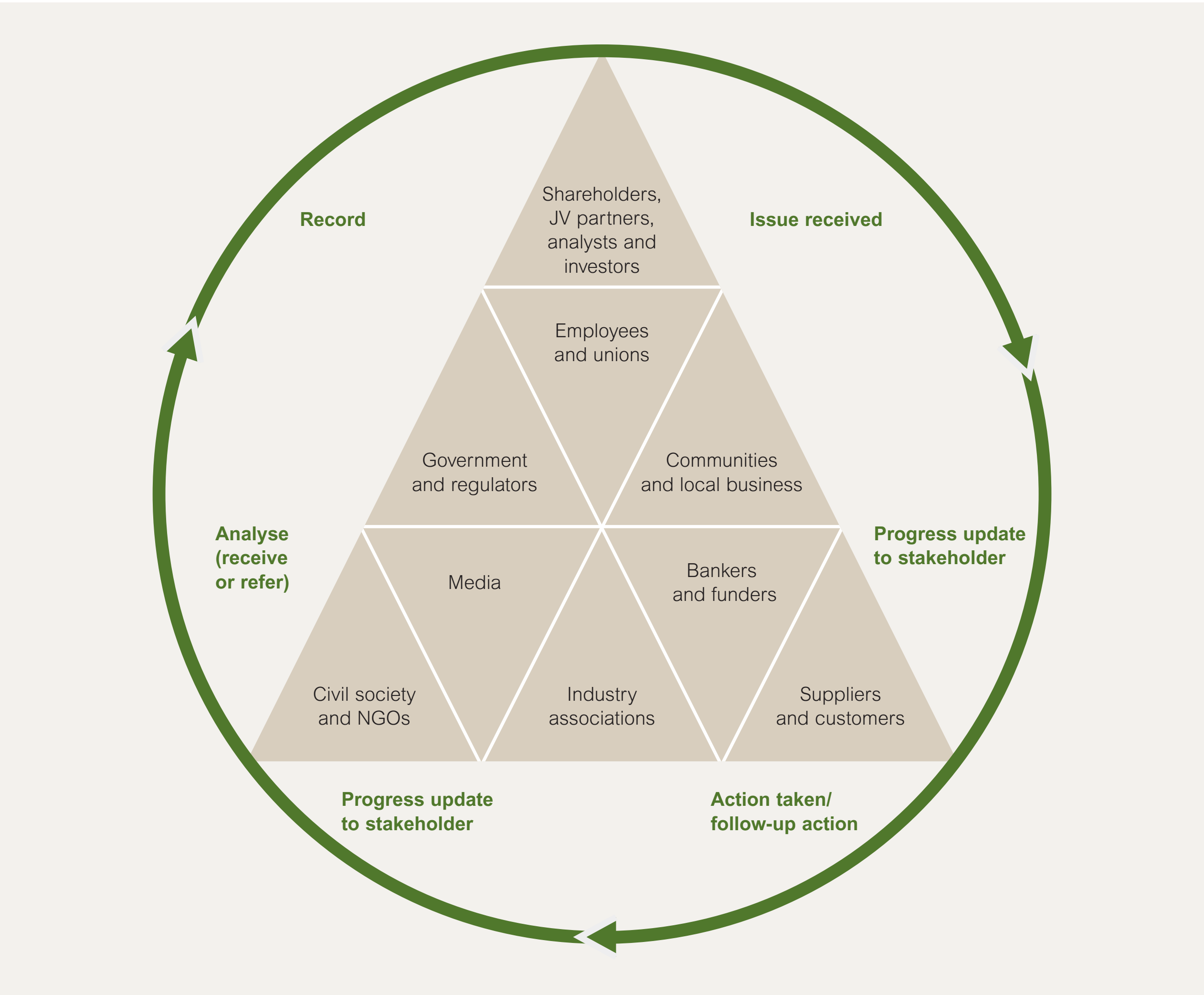
Engagement responsibilities are assigned to relevant positions within the Company. These representatives engage their allocated stakeholders at corporate, divisional and operational level.

The consequences of failing to maintain good relationships with key stakeholders such as Government, labour and communities include financial impacts through disruptions to operations in the form of demonstrations, stoppages and labour unrest.

We respect our employees' right to collective bargaining and engage with representative unions within the framework of the relevant labour legislation. Our engagements with employee stakeholder groups aim to highlight the importance of generating sustainable returns for all stakeholders.

We seek to engage positively and constructively with Government at local, provincial and national level. These engagements focus on sharing information and building our partnership to achieve delivery on Local Economic Development strategies. These include social investment, health and safety, environmental management and transformation.

Full details of how we identify and engage with our stakeholders, their key concerns and how ARM responds to these are included in our Sustainability Report.
www.arm.co.za



Transformation

ARM supports the principles of transformation as a means of redressing historical inequality and ensuring that the country's assets are directed towards broader social development. We are committed to transformation in the mining industry.

We measure our transformation progress against the Broad-Based Socio-Economic Charter of the dti and Mining Charter. Our transformation action plans have been developed to deliver on the commitments made in our Social and Labour Plans.

The 2014 Mining Charter targets for the representation of historically disadvantaged South Africans will be challenging to achieve in the short term, particularly in the professionally qualified employees and senior management categories. We are nevertheless committed to achieving these targets and have implemented the necessary strategies to improve representation at these levels, which will also support improved transformation in top management.

Focus for CY2013	✓/×	How we did in CY2013	Focus for CY2014
Continued focus to maintain an increase in BEE procurement year on year.	✓	ARM exceeded the Mining Charter targets for Capital, Services and Consumables for the 2013 calendar year.	Continue to aim for and exceed the DMR's 2014 calendar year targets.
Continue to exceed the DMR targets in all three preferential procurement categories.	✓	• Capital: 60% (vs DMR 2013 target of 40%); • Services: 70% (vs DMR 2013 target of 70%); and • Consumables: 53% (vs DMR target of 50%).	Continue to exceed the DMR's 2014 target.
Continued focus on communication with contractors in terms of ARM's B-BBEE requirements to ensure the availability of valid B-BBEE certificates.	✓	ARM showed a consistent increase in B-BBEE procurement, exceeding the FY2013 performance due the availability of valid B-BBEE certificates.	Continue to direct procurement to qualifying suppliers with valid B-BBEE certificates.

Highlights

- All ARM's business units that differentiated their procurement into capital, services and consumables exceeded the Mining Charter targets in these categories for F2014.
- Independently verified as a Level 4 BEE contributor with a score of 73.19% (F2013: Level 4 and 65.1%).

Challenges

- To exceed 2014 Mining Charter BEE targets for capital, services and consumables preferential procurement.
- ARM submitted 2013 Mining Charter scorecards for all its mines to the Department of Mineral Resources (DMR), based on the guidelines published in the Government Gazette. We will continue to consult with the DMR and through the Chamber of Mines forums to remain informed with regard to the implementation of the Mining Charter Scorecard as it develops.
- To remain abreast of the dti's B-BBEE scorecard developments.

Donation of a tractor and plough to a local community

Corporate Social Responsibility

ARM is committed to supporting the development of the communities in which we operate. We accordingly invest in a range of social investment and local economic development projects that addresses many of the challenges facing the country. These challenges include poverty alleviation, job creation, education, welfare and healthcare.

We implement our Corporate Social Responsibility (CSR) strategy at both corporate and operational levels.

At corporate level, CSR initiatives are run through the Corporate Social Investment (CSI) function (which includes the Chairman's Fund, the Education Trust Fund) and the ARM BBEE Trust.

At operational level, through projects supporting communities around the operations and through the commitments to Local Economic Development (LED) undertaken as part of ARM's Social and Labour Plans (SLP).

Corporate	ARM BBEE Trust	ARM Chairman's Fund	Corporate CSI
Operations	CSI projects and donations	LED commitments (SLPs)	

Focus for F2014	✓/×	How we did	Focus for F2015
Continuing to meet our SLP/LED commitments. Ensuring, through continuous stakeholder engagement, that our SLP commitments are still relevant and a continued focus to implement these successfully.	✓	Operations track their progress against their SLP commitments, verified by external audits to verify successful implementation of SLPs.	Continuous monitoring and evaluation of SLP projects to ensure maximum benefit received by beneficiaries.
Continued improvement in poverty alleviation, job creation, education, welfare and healthcare.	✓	Contributed R283 million towards social upliftment and sustainable poverty reduction. 741 jobs created through LED projects and 339 jobs through CSI projects.	Continued improvement of economic empowerment of communities through economic development and job creation.

Highlights

- CSR investments totalled R283 million in F2014 (F2013: R169 million).
- 741 jobs were created through LED projects in F2014 and 339 through CSI projects (1 080 jobs in total) (F2013: 1 936 jobs in total).
- ARM Ferrous' partnership with TEACH SA will contribute to the development of Maths and Science proficiency in local communities.
- Fully implemented the updated reporting systems to ensure auditable CSI and LED expenditure reports.

Challenges

- Creating sustainable jobs and alleviating poverty.
- Finding the right skills to implement CSI and LED projects.
- Measuring positive social impact as a result of our investment.
- Successful implementation of community projects involves coordination of many parties.
- Identifying the right community representatives and ensuring that representatives actively engage the community they represent.

Our sustainability performance year-on-year

Performance indicator	F2014**	F2013**	F2012	F2011	F2010
Economic and related core baseline indicators*					
Revenue (Rm)	**24 497**	20 475	18 142	15 357	11 425
Sales (Rm)	**23 785**	19 800	17 530	14 893	11 022
Taxes (Rm)	**1 893**	1 145	1 633	1 693	1 009
Headline earnings (Rm)	**4 108**	3 737	3 451	3 374	1 714
EBITDA (Rm)	**8 459**	7 227	6 531	6 517	3 907
Purchased materials and services (Rm)	**11 093**	9 100	8 329	6 357	5 604
Value added (Rm)	**11 797**	8 318	9 421	8 606	5 673
Number of environmental administrative penalties/fines	**3**	1	None	None	2
Employee indicators (100% basis)					
Total number of ARM employees and contractors*	**24 711**	24 716	26 587	28 704	22 776
– Employees (permanent)	**14 066**	13 731	12 373	11 496	10 281
– Contractors (mainly used in capital projects)	**10 645**	10 985	12 214	17 208	12 495
New jobs created (direct employment only)	**335**	1 358	877	1 215	802
Employee turnover (excluding contractors) (%)	**1.6**	1.7	1.9	4.8	5.7
Investment in employee training and development					
– Total expenditure (Rm)	**196**	180	137	96	50
– % of payroll	**8.7**	10.1	9.2	6.4	3.6
Employment equity† (% representation of previously disadvantaged groups among permanent employees)					
– Top management	**38**	50	50	38	4
– Senior management	**40**	42	48	40	32
– Professionally qualified	**51**	49	44	50	45
– Technically qualified	**65**	64	66	69	67
Lost Time Injury Frequency Rate• (200 000 man-hours)	**0.37**	0.48	0.40	0.43	0.77
Reportable/serious accidents	**66**	79	75	74	90
Number of lost man days due to industrial action	**172 221**	0	102 600	14 816	2 411
Environmental indicators (100% basis)					
Total water abstracted (m^3) (municipal, surface and groundwater)	**19 408 464**	20 551 374	17 991 948	15 091 358	15 060 418
Energy usage					
Electricity (MWh)	**2 144 894**	2 045 499	2 866 033	2 549 783	2 116 171
Diesel (000 litres)	**92 013**	108 788	96 360	73 559	55 732
Emissions (Attributable ■) ✧					
Carbon footprint equivalent (equivalent tonnes CO_2)					
Scope 1 and 2	**1 267 620**	1 244 181	1 810 205	1 587 049	1 325 333
Scope 1	**326 132**	327 757	480 420	386 232	327 713
Scope 2	**941 488**	916 424	1 329 785	1 200 816	997 620
Scope 3	**1 770**	6 316	196 354	393 102	220 128
Direct emissions: (Cato Ridge and Machadodorp Works only)					
CO2e emissions – direct (tonnes)	**476 327**	237 392	276 117	280 530	294 780
NOx (tonnes)	**838**	637	715	560	585
SOx (tonnes)	**605**	506	658	408	786
Particulate matter (tonnes)	**182**	122	192	230	191
Corporate Social Responsibility					
Total community upliftment and Corporate Social Investment (Rm)	**282.5**	168.5	126.3	124.5	72.9
CSI (Rm)	**134.6**	62.0	36.3	18	14.5
LED (Rm)	**141.9**	99.6	84.9	100.4	43.8
ARM BBEE Trust (Rm)	**5.9**	6.8	5.1	6.0	14.6

* *Total number of ARM employees and contractors is as at 30 June 2014.*
** *Financial data for F2013 and F2014 is based on segmental reporting.*

Non-financial data is based on 100% (vs attributable to equity) unless otherwise stated, e.g. emissions data.
† *The Employment Equity report was submitted to the Department of Labour and complies with Section 21 of the Act.*
• *LTIFR: injury rates are measured per 200 000 man-hours, in line with general South African practice and include both ARM employees and contractor incidents.*
■ *Values attributable to shareholding percentages.*
✧ *The Scope 1 and 2 carbon emissions published in the F2013 Sustainability Report, had been provisionally calculated at the time. These have subsequently been verified as part of the CDP submission in May 2014 and resulted in minor adjustments and review of figures published in F2014. For CDP purposes, ARM submits data for the preceding financial year, i.e. the March 2014 CDP submission will contain results for 1 July 2012 to 30 June 2013.*

Note: F2013 electricity consumption and emissions figures may differ slightly from those published in the F2013 IAR because Scope 1 and 2 emissions were provisionally calculated at the time. These emissions have subsequently been reviewed and externally verified and have been accurately disclosed in our CDP submission in May 2014.

Eerstehoek Package Plant Water Project


Ditlharapaneng Water Scheme

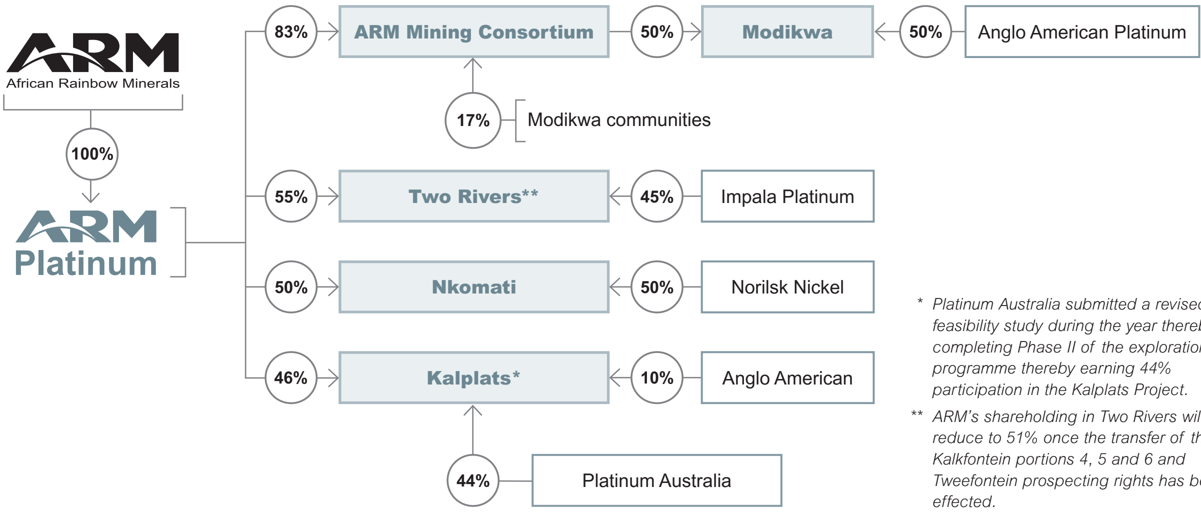

Regone Early Childhood Development Centre

Operational review

ARM Platinum

Francois Uys
Chief Executive: ARM Platinum

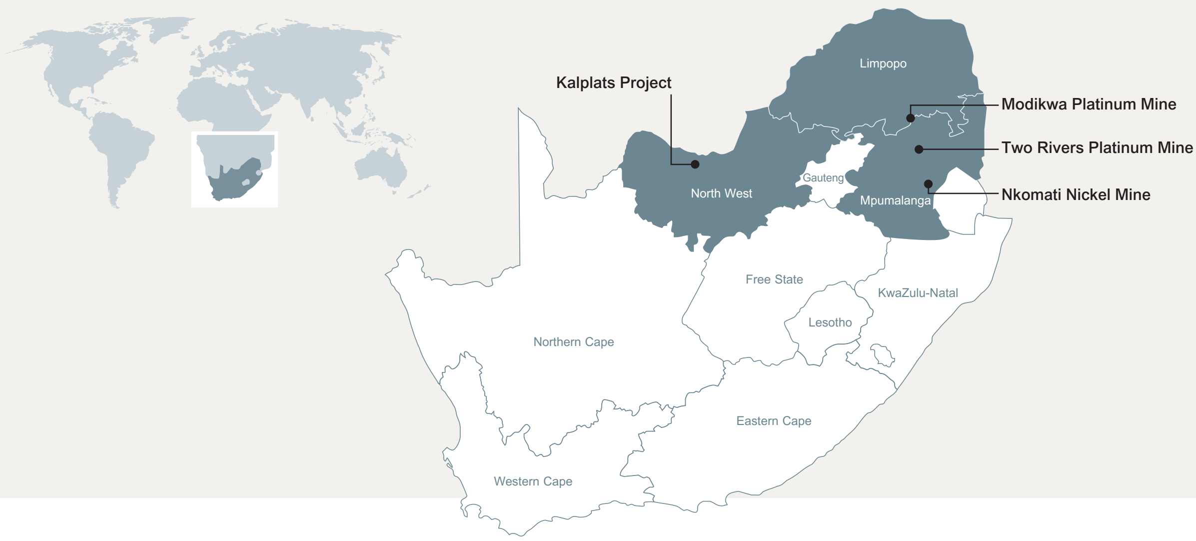
Divisional structure



* *Platinum Australia submitted a revised feasibility study during the year thereby completing Phase II of the exploration programme thereby earning 44% participation in the Kalplats Project.*

** *ARM's shareholding in Two Rivers will reduce to 51% once the transfer of the Kalkfontein portions 4, 5 and 6 and Tweefontein prospecting rights has been effected.*

Where we operate



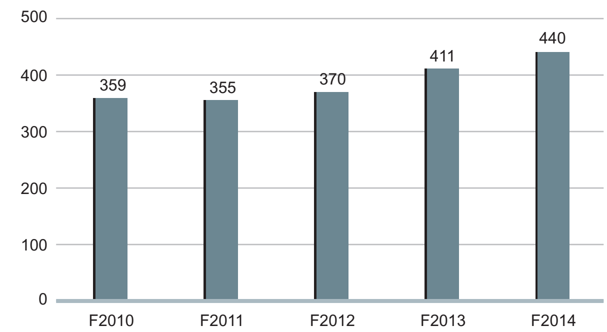
The ARM Platinum contribution to headline earnings increased significantly from R527 million in F2013 to R883 million in F2014.

Total Community Social Responsibility (CSR) expenditure of
R40.10 million

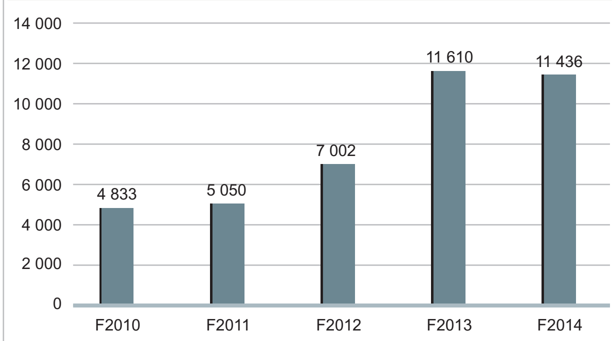
Total attributable capital expenditure
R731 million

Key projects invested in during the year
Recapitalisation of Modikwa Mine

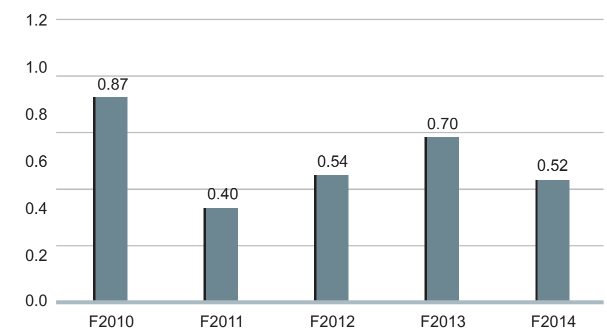
Attributable PGM production volumes
(000oz)



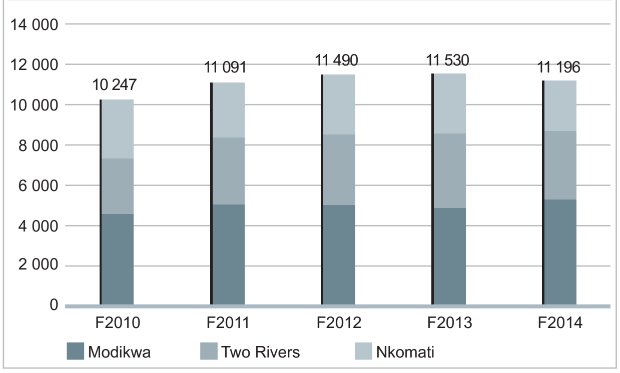
Attributable nickel production volumes
(tonnes)



Lost Time Injury Frequency Rate
(per 200 000 man-hours)



Total labour by division
(number of employees including contractors)



Metallurgical grade chrome product at the chrome extraction plant at Two Rivers Platinum Mine

Scorecard

F2014 objectives	F2014 performance	F2015 objectives
Modikwa		
Achieve 340 000 6E PGM ounces while maintaining a position below the 50th percentile of the global cost curve.	Modikwa achieved 281 706 6E PGM ounces mainly due to safety and industrial action related stoppages. The operation remains below the 50th percentile of the global PGM cost curve.	Achieve 320 000 6E PGM ounces while retaining Modikwa's cost curve position.
Continue development of South 2 in line with the feasibility study.	Development is progressing well and the project is slightly ahead of schedule.	Continue development in line with the feasibility study.
Re-establish Modikwa as a 240 thousand tonnes per month (ktpm) operation.	Development of additional ore sources is on track.	Continue with the increase to 240 ktpm.
Two Rivers		
Maintain steady state production at 340 000 6E PGM ounces.	Two Rivers achieved 374 680 6E PGM ounces while keeping unit costs constant.	Maintain steady state production.
Improve returns from enhanced PGM recoveries and chrome concentrate sales.	Improved returns realised with a 7% increase in 6E ounces. Two Rivers sold 160 951 tonnes of chrome concentrate.	Achieve sales of 200 000 tonnes of chrome concentrate.
		Maintain good performance on unit costs.
Nkomati		
Maintain recoveries and improve milling rate to 300 ktpm at the 250 ktpm PCMZ plant.	The PCMZ plant achieved a recovery of 75.3% and an average milling rate of 281 ktpm; 300 ktpm was achieved for the first time in January 2014.	Maintain recoveries and sustain milling rate to 300 ktpm at the PCMZ plant.
Maintain recoveries and improve milling rate to 375 ktpm at the MMZ plant.	The MMZ plant achieved a recovery of 77.3% and an average milling rate of 377 ktpm.	Maintain milling rate and recoveries at the MMZ plant.
Continue with spot sales of chrome concentrate subject to market conditions. Achieve sales of 340 000 tonnes of chrome concentrate.	Chrome concentrate continues to be sold on the spot market. Chrome concentrate sales increased 52% to 341 809 tonnes.	Continue with spot sales of chrome concentrate subject to market conditions. Achieve sales of 370 000 tonnes of chrome concentrate.
Achieve 50 ktpm from the underground mine.	Achieved an average rate of 37 ktpm from the underground mine.	Achieve 50 ktpm from the underground mine.
Kalplats		
Obtain approval of the Retention Permit application which was submitted in July 2012.	Approval of the Retention Permit is still pending.	Obtain approval of the Retention Permit application submitted in July 2012.

Overview

Operational overview – attributable to ARM		F2014	F2013	% change	Operational target F2015
Modikwa – PGM production	ounces 6E	**140 853**	162 313	(13)	↑
Two Rivers – PGM production	ounces 6E	**206 075**	192 744	7	→
– Chrome concentrate sold	000t	**89**	–	–	↑
Nkomati Nickel Mine					
– Nickel production	tonnes	**11 436**	11 610	(1)	→
– PGM production	ounces	**92 597**	55 592	67	↓
– Copper production	tonnes	**5 058**	4 939	2	→
– Chrome concentrate sold	000t	**171**	112	53	↑
ARM Platinum PGM production (incl. Nkomati)	ounces	**439 524**	410 649	7	→

Financial overview – attributable to ARM		F2014	F2013	% change
Headline earnings	R million	**883**	527	68
EBITDA	R million	**2 373**	1 711	39
Capital expenditure	R million	**731**	735	(1)

Sustainability overview – 100% basis		F2014	F2013	% change
LTIFR*		**0.52**	0.70	(26)
CSR spend**	R million	**40**	30	33
Electricity consumption	000 MWh	**810**	772	5
Water consumption	million m^3	**6.6**	6.0	10
Total Scope 1 and 2 emissions (attributable)	tCO_2e	**416 828**	408 360	2

* *LTIFR: Lost Time Injury Frequency Rate per 200 000 man-hours.*
** *CSR: Corporate Social Responsibility.*
All figures on 100% basis except Scope 1 and Scope 2 emissions (tCO_2e), which is attributable (as per the Carbon Disclosure Project submission).

Operational and financial review

ARM Platinum's attributable headline earnings increased by R356 million (68%) to R883 million driven by improved performance at Nkomati and Two Rivers, coupled with an increase in Rand metal prices.

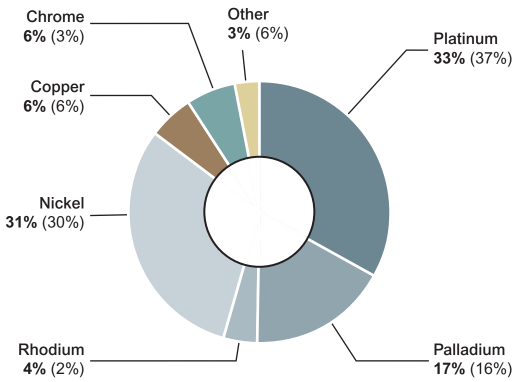
The Nkomati and Two Rivers mines achieved a substantial increase in earnings, while Modikwa's poor performance stemmed from the cessation of mining at the Hill shaft, a week long industrial action stoppage during March 2014, various Section 54 stoppages in the last six months and a fatality in June 2014.

PGM production (on 100% basis including Nkomati) increased to 841 581 6E ounces (F2013: 786 254 6E ounces). Nkomati's nickel production decreased by 1% to 22 874 tonnes (F2013: 23 220 tonnes). Two Rivers delivered a 7% increase in PGM production.

US Dollar prices were lower than the corresponding period but a 17% weakening of the Rand against the US Dollar compensated for the depressed PGM prices, resulting in the basket prices for Modikwa and Two Rivers increasing by more than 10% to R322 789/kg (F2013: R287 424/kg) and R330 214/kg (F2013: R298 384/kg) respectively. The Rand nickel spot price increased 49% over the last 12 months.

Nkomati's unit cost increased by 5% to R308 per tonne (F2013: R292 per tonne) while the C1 unit cash cost net of by-products, decreased by 3% to US$4.81/lb (F2013: US$4.98/lb) of nickel produced. Two Rivers managed to keep its unit cash cost constant at R5 266/6E PGM ounce (F2013: R5 244/6E PGM ounce). Modikwa's unit cash cost increased by 20% to R7 545/6E PGM ounce (F2013: R6 275/6E PGM ounce) due to the 13% decrease in production at the mine.

F2014 ARM Platinum revenue contribution per commodity (100% basis)
(F2013 comparatives in brackets)



Modikwa Platinum Mine

Modikwa Mine's attributable headline earnings decreased by 33%. Lower output resulting from safety stoppages, industrial action and a decrease in the head grade resulted in a reduction in earnings and an increase in unit costs.

An increased stoping width due to geological features, and the processing of Merensky ore purchased from Two Rivers, resulted in a 5% decline in the plant feed grade. PGM production declined by 13% to 281 706 6E ounces (F2013: 324 626 6E ounces). As a result, unit costs increased by 15% to R1 010 per tonne milled (F2013: R876 per tonne milled) and by 20% to R7 545 per 6E PGM ounce (F2013: R6 275 per 6E PGM ounce).

Two Rivers Platinum Mine

Headline earnings at Two Rivers increased by 88%. PGM ounces produced increased by 7% driven by an increase in tonnes milled (3%) and improved plant recoveries and efficiencies. This, combined with higher Rand basket prices and chrome sales, resulted in a 47% increase in cash operating profit.

Unit cost remained constant at R5 266 per 6E ounce (F2013: R5 244 per 6E ounce). The entire Merensky stockpile was sold to Modikwa Mine during the year. There was a 132 632 tonne increase in the UG2 Run of Mine (ROM) stockpile to a total of 437 960 tonnes of ore (F2014: 305 328 tonnes).

Two Rivers commenced chrome concentrate sales in October 2013, with a total of 160 951 tonnes being sold during the year under review.

Nkomati Mine

Nkomati Mine continued its excellent performance generating a 91% increase in headline earnings. Nickel production decreased by 1% to 22 874 tonnes. Chrome concentrate sales increased by 52% to 341 809 tonnes (F2013: 224 754 tonnes).

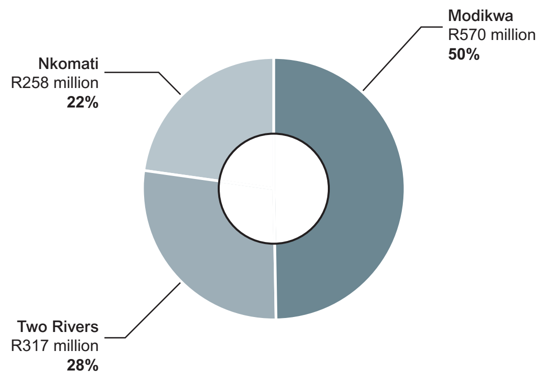
The Rand nickel spot price increased by 49% from 1 July 2013 to 30 June 2014 contributing significantly to Nkomati Mine's cash operating profit of R1.8 billion, a 54% increase from the corresponding period.

Nkomati Mine achieved a 3% reduction in C1 unit cost to US$4.81/lb net of by-products (F2013: US$4.98/lb).

Financial capital – Capital expenditure

Capital expenditure at ARM Platinum operations (on 100% basis) was R1.1 billion (R731 million attributable). Modikwa's major capital items included construction of the Mainstream Inert Grinding (MIG) plant, deepening of North shaft, the sinking of South 2 shaft, and the replacement of mining equipment. Of the capital spent at Two Rivers, 28% is associated with fleet replacement. The balance was incurred in the deepening of the Main and North declines. Nkomati's capital expenditure relates to increased waste stripping activities and to sustain operations.

ARM Platinum capital expenditure (100% basis)



Human capital – Safety

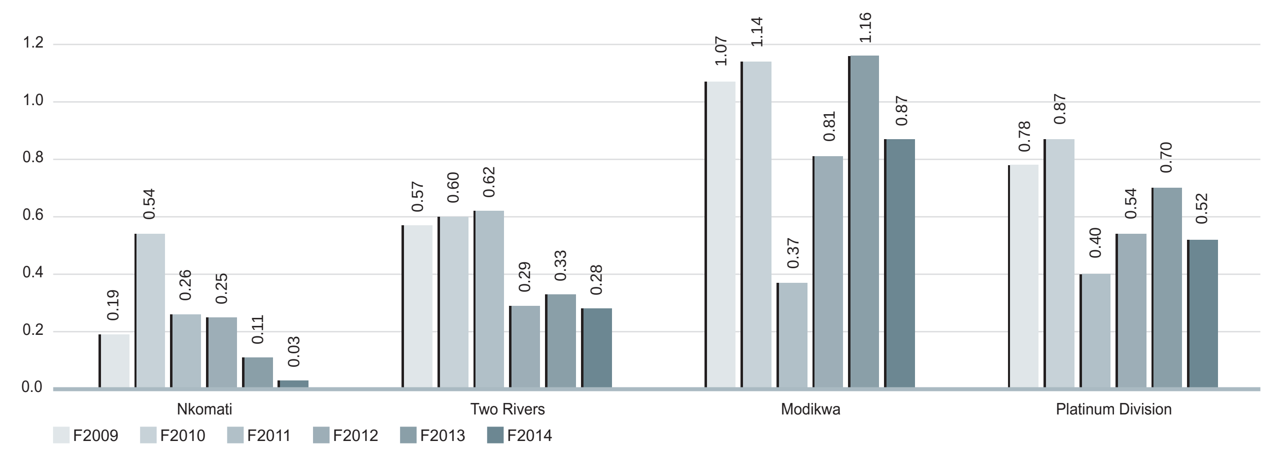
A regrettable fatal accident occurred at Modikwa during the year under review. On 3 June 2014 a surveyor was fatally injured. Our deepest sympathy goes to Mr Hendricks's family, friends and colleagues.

Details of the fatality-free shifts worked and dates of last fatalities at each operation are listed in the table below.

Operation	Total fatality-free shifts worked	Date of last fatality
Modikwa	109 087	June 2014
Two Rivers	1 848 851	January 2012
Nkomati	3 879 026	September 2008

ARM Platinum's LTIFR decreased to 0.52 per 200 000 man-hours from 0.70 in F2013. A significant safety achievement was made by Nkomati Mine which completed 365 consecutive days without a lost-time injury on 21 May 2014.

LTIFR per 200 000 man-hours



Human capital – Transformation

Transformation progress is measured against the guidelines gazetted for the Mining Charter. Modikwa Mine, Nkomati Mine and Two Rivers Mine achieved a classification of 'excellent performers', having achieved scores well above 75% for the 2013 calendar year. The operations continue to invest in building capacity to meet Mining Charter scorecard targets and reporting requirements.

Human capital – Occupational health and wellness

The Mining Industry Occupational Safety and Health (MOSH) Leading Practice on Noise has been adopted at all the mines in ARM Platinum. A total of 21 320 audiometric tests were conducted of which 89 were referred for further testing (F2013: 82), resulting in eight noise-induced hearing loss cases from Modikwa Mine being accepted for compensation. This constitutes 0.04% of the total audiometric tests being performed and 9% of the referred cases. Modikwa has revised its hearing protection programme and is placing a strong focus on noise reduction. All equipment at the ARM Platinum operations, emit sound levels below the 110 dB(A) maximum specified by the Department of Mineral Resources (DMR).

All three ARM Platinum operations have implemented integrated policies on HIV, TB and sexually transmitted infections as required by the National Strategic Plan 2012 – 2016 and the Mining Charter. The operations offer primary health care services including TB and HIV counselling and testing on site. HIV counselling is offered to all employees who visit the site clinics but HIV testing remains voluntary, referred to as Counselling and Voluntary Testing (CVT).

As a result of CVT 14 619 employees and contractors received counselling as part of ARM Platinum's HIV & Aids management programme (F2013: more than 10 000), 7 596 were tested (F2013: 6 704) and 2 283 received Anti-retroviral treatment (F2013: 2 888). HIV prevalence rates at the operations are estimated to be below those of the districts in which the mines operate.

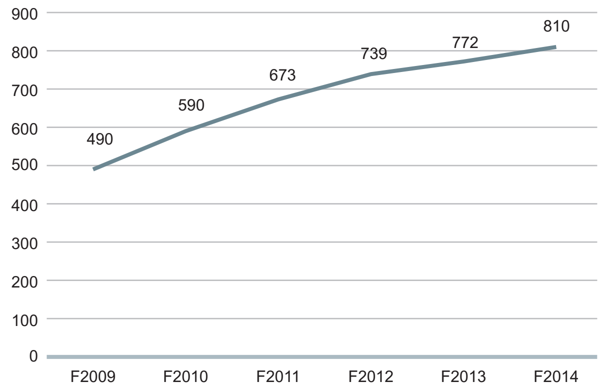
In terms of our integrated HIV, TB and sexually transmitted infections policy, 14 720 employees were screened for TB (F2013: 6 306) using the Department of Health passive screening form as part of the TB Management programme, resulting in the identification of 62 new cases during the year (F2013: 78); 79 TB cases were treated and successfully cured and no cases of multi-drug resistant TB (MDR TB) were reported at ARM Platinum operations during F2014.

Natural capital – Environment

ARM Platinum's combined Scope 1 (direct) and Scope 2 (indirect) carbon emissions were 416 828 equivalent tonnes of CO_2 (tCO_2e) on an attributable basis (F2013: 408 360 tCO_2e), an increase of 2%. Modikwa Mine produced 26% of the division's total emissions, Nkomati Mine 47% and Two Rivers Mine 27%.

The Platinum Division's electricity consumption was 810 310 megawatt hours (MWh) on a 100% basis. This represents an increase of 4% compared to the consumption of 772 435 MWh in F2013.

ARM Platinum electricity consumption (100% basis)
(000 MWh)



Energy saving and carbon emissions reduction initiatives implemented by operations during the last year, include:

- Automated fuel management systems installed on both the Main and North Decline at Two Rivers Mine.
- 2 000 LED lights were installed at Nkomati Mine.
- Photovoltaic (solar) panels were installed at Nkomati Mine to reduce Scope 2 emissions and a learning project about the technology.
- Nkomati Mine implemented demand-side management by stopping the mine's primary crusher between 06h00 and 10h00, resulting in a reduction in electricity consumption by 3 MVA a day.

ARM Platinum abstracted 6.6 million m^3 of water in F2014, 10% more than in F2013 in alignment with production increasing. Nkomati accounted for 51% of the division's total water withdrawal, Two Rivers Mine 20% and Modikwa Mine 29%.

Social and relationship capital – Corporate Social Responsibility (CSR)

ARM Platinum invested R31 million in Local Economic Development (LED) in terms of our Social Labour Plans (SLPs), an increase of 54% compared to F2013. Corporate Social Investment (CSI) expenditure was R9.3 million (F2013: R9.5 million), bringing the total investment in CSR projects to R40.1 million (F2013: R30 million).

LED projects included the following:

- Two Rivers built two classrooms at Marambane Primary School and a Science laboratory at Mmahlagare Primary School.
- Construction of a bridge at Mamphahlane village by Modikwa.
- Commissioning of a sewing factory by Modikwa.
- Nkomati constructed a water treatment plant at Badplaas.

CSI projects included:

- Modikwa donated toys to Sekhukhune crèche.
- Nkomati purchased computers for a local ABET Centre and financed operational costs.
- Training for peer educators for local home-based care facilities provided by Nkomati.

Intellectual capital – Mining authorisation

Nkomati Mine was granted Mining Rights 146 MRC and 147 MRC respectively on 6 June 2012 over the area, and for the minerals, as previously held under its Old Order Mining Licences.

Two Rivers was granted Mining Right LP 178 MRC on 20 March 2013 over the area, and for the minerals, as previously held under its Old Order Mining Licence.

Modikwa was granted Mining Right LP 129 MRC on 13 November 2013 over the area, and for the minerals, as previously held under its Old Order Mining Licence.

In September 2006, ARM Platinum was granted a prospecting right (PR 492 of 2006) over the Kalplats Project area covering portions of the farms Groot Gewaagd 270, Gemsbok Pan 309, Koodoos Rand 321 and Papiesvlakte 323 (approximately 3 810 hectares). The prospecting right was renewed until 26 July 2012 when it lapsed. ARM Platinum has applied for a Retention Permit of the Kalplats Project area since market conditions are not conducive for the company to exploit the area. In April 2007, a new order prospecting right (DME1056) (approximately 62 985 hectares) was granted to ARM Platinum over the Extended Project area which covers an additional 20 kilometres of strike to the north and 18 kilometres to the south of the Kalplats Project area.

Further details on each of these, as well as others issues such as biodiversity, environmental performance and human resources, are available in the 2014 Sustainability Report on our website **www.arm.co.za**

Projects

Modikwa Mine

The North shaft deepening project is slightly behind project schedule. It is anticipated that the backlog will be caught up during the next two quarters. Construction activities are on schedule. Development and construction at the South 2 project has progressed well and is slightly ahead of project schedule.

The installation of a Mainstream Inert Grinding (MIG) mill, to enhance PGM recoveries, was commissioned on schedule. Ramp-up will continue during Q1 F2015.

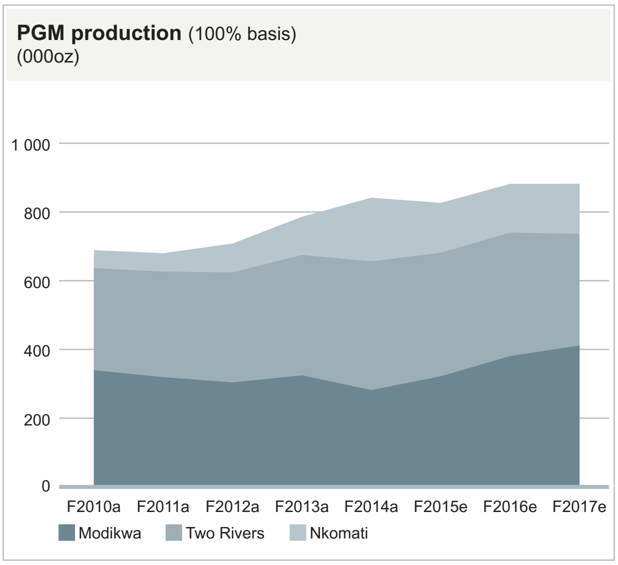
Two Rivers Mine

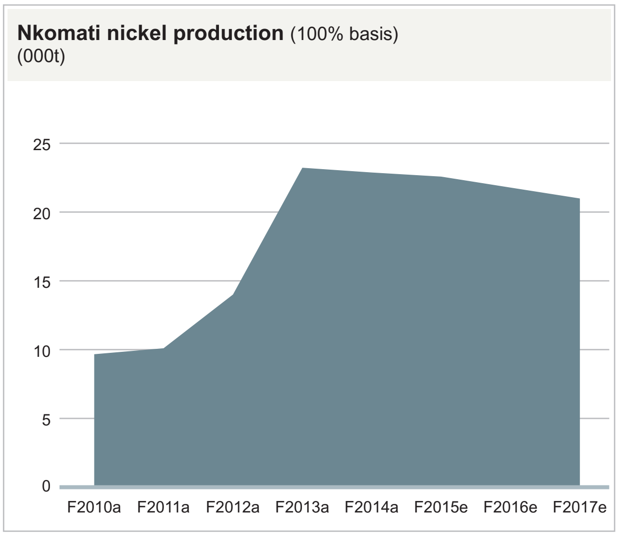
The transfer of prospecting rights from Implats to Two Rivers Mine in respect of portions of the farms Kalkfontein, Tweefontein and Buffelshoek is awaiting approval from the Department of Mineral Resources.

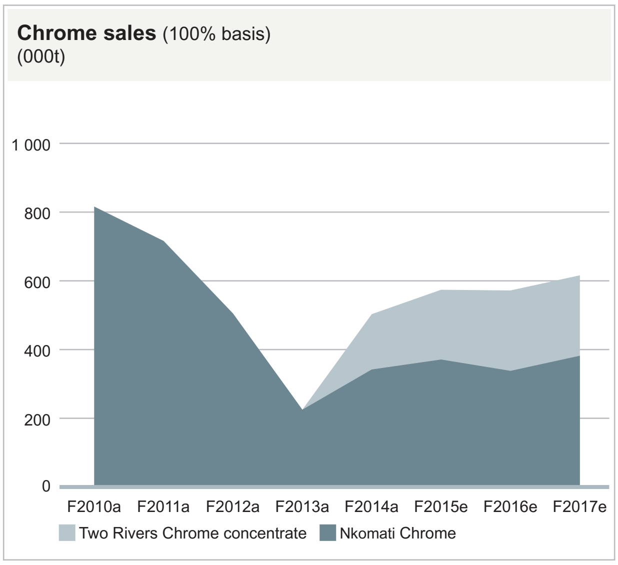
On completion of a feasibility study on the extraction of UG2 ore from the deeper southern strike extent of the Main Decline, further optimisation of the ore extraction method will be evaluated.

The maintenance workshops at Modikwa Platinum Mine

ARM Platinum production and sales volumes from F2010 to F2017







Market review

With the exception of palladium, US Dollar PGM prices were lower during F2014, but a 17% weakening of the Rand against the US Dollar negated this.

Platinum

The average price achieved by ARM Platinum for F2014 was US$1 431 per ounce (F2013: US$1 550 per ounce).

The increase in global demand for platinum in 2014 has been driven by growth in autocatalyst, industrial and jewellery demand exceeding the decline in investment demand and growth in recycle supply. Indications in the first half of 2014 were that pent-up demand for vehicles in Europe and global industrial plant capacity was translating into higher platinum consumption. Jewellery demand remains strong at current depressed price levels and investment demand growth exceeded expectations.

Despite the five-month industrial action, coupled with early signs of increased vehicle sales in Europe, the platinum price was flat during the first half of 2014.

It is expected that in 2014 demand growth and significantly reduced South African mining supply due to the strike will result in a platinum market deficit of more than 1 million ounces.

It is expected that the global platinum market will remain in deficit in the short and medium term as steady demand growth exceeds growth in primary and secondary supply. The impact on supply from the industrial action in 2012, the introduction of platinum ETFs in 2013 and the most recent industrial action in 2014 has resulted in a reduction of above-ground platinum stocks. Capital constrained supply growth and depressed margins are likely to continue at current price levels.

Palladium

ARM Platinum realised an average palladium price of US$750 per ounce (F2013: US$680 per ounce).

Palladium, where global production is not so dependent on South Africa, is seen as being in a fairly substantial deficit with the price predicted to move accordingly.

Palladium, is believed to have bottomed out in 2014 and robust demand is expected to propel the price towards a test of US$930 per ounce before year-end.

Palladium has also been influenced by the highly successful launch of two South African rand-denominated palladium ETFs, which by 23rd April 2014 had accumulated holdings in excess of 0.41 Moz.

Palladium demand is expected to increase in 2014, supported by global vehicle production growth and tightening emissions legislation, with growth in gasoline vehicle production in China remaining the dominant driver. Industrial demand, dominated by the electronics sector, is expected to remain flat in 2014. The reduction in primary supply as a result of the strike and the low levels of Russian stock sales should result in further deficits in the palladium market in 2014 and the near term.

Rhodium

ARM Platinum achieved an average price of US$986 per ounce (F2013: US$1 090 per ounce).

The rhodium market remains balanced. There has been renewed interest in cost savings associated with the re-introduction of rhodium in gasoline autocatalysts.

The rhodium market is expected to remain balanced in 2014 with the opportunity of increased demand, should automakers seek to secure cost benefits associated with higher rhodium use in gasoline autocatalysts.

Nickel

The average price realised by ARM Platinum for F2014 was US$15 488 per tonne (F2013: US$16 245 per tonne).

Nickel prices have risen sharply since the implementation of a full ban on Indonesian nickel ore exports from 12 January 2014.

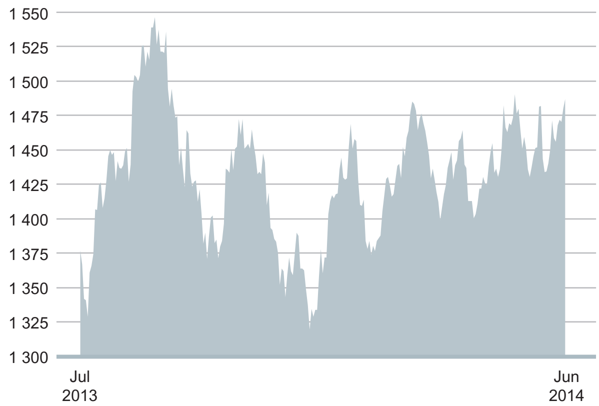
If the ban is maintained, the market will struggle to replace Indonesian ore in future years.

It is foreseen that the nickel market would be moving into a large structural deficit between supply and demand for the fore-seeable future.

Taking samples from the floatation circuit at the Nkomati Nickel Mine process plant

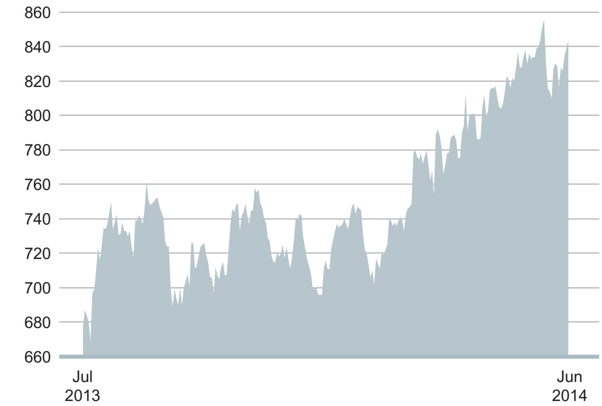
PGM and nickel pricing trends for F2014 (July 2013 to June 2014)

Platinum
(US$/oz)



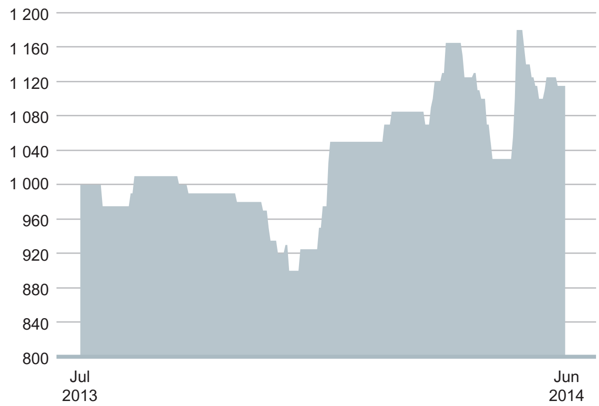
Source: INet Bridge

Palladium
(US$/oz)



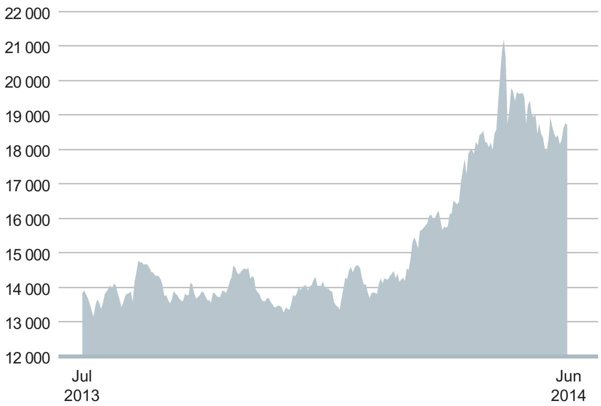
Source: INet Bridge

Rhodium
(US$/oz)



Source: INet Bridge

Nickel
(US$/t)



Source: INet Bridge

Operational statistics

Modikwa Mine

Management: The mine is jointly managed through a joint executive committee by Anglo American Platinum and ARM.

		Measured and Indicated Resources		Proved and Probable Reserves		
		Mt	g/t 4E	Mt	g/t 4E	M oz
Resources and Reserves (100% basis)	UG2	139.00	5.89	58.60	4.63	8.72
	Merensky	72.00	2.78	–	–	–
	4E = Platinum + Palladium + Rhodium + Gold					
Refining	All metal produced is smelted and refined by Anglo American Platinum.					
Total labour	5 285 including 1 198 contractors					

100% basis		F2011	F2012	F2013	**F2014**	% change
Metal production						
Platinum	ounces	127 532	121 239	128 142	**111 310**	(13)
Palladium	ounces	119 597	113 373	122 213	**106 654**	(13)
Rhodium	ounces	24 680	23 931	25 598	**21 933**	(14)
Gold	ounces	3 372	3 162	3 444	**3 382**	(2)
Ruthenium	ounces	34 934	34 019	36 544	**31 065**	(15)
Iridium	ounces	9 222	8 319	8 685	**7 361**	(15)
PGMs	ounces 6E	319 336	304 044	324 626	**281 706**	(13)
Nickel	tonnes	595	591	648	**667**	3
Copper	tonnes	380	370	400	**409**	2
Operational statistics						
Tonnes milled	Mt	2.30	2.18	2.33	**2.10**	(10)
Head grade	g/t 6E	5.48	5.39	5.35	**5.06**	(5)
Average number of permanent employees	number	4 030	3 746	3 787	**4 087**	8
Average number of contractors	number	1 019	1 272	1 076	**1 198**	11
Financial indicators						
Cash cost	R/tonne	692	819	876	**1 010**	15
Cash cost	R/Pt oz	12 468	14 706	15 897	**19 095**	20
Cash cost	R/PGM oz 6E	4 979	5 864	6 275	**7 545**	20
Cash cost	R/kg 6E	160 084	188 538	201 752	**242 577**	20
Basket price	R/kg 6E	263 530	267 998	287 424	**322 789**	12
Net sales revenue	R million	2 162	2 050	2 465	**2 457**	–
Cash operating cost	R million	1 590	1 759	2 037	**2 125**	4
Cash operating profit	R million	572	291	428	**332**	(22)
Cash operating margin	%	26	13	17	**14**	
Capital expenditure	R million	250	438	286	**570**	99

Refer to pages 201 to 202 for the Modikwa Platinum Mine segmental information.

Two Rivers Platinum Mine

Management: Managed by ARM.

		Measured and Indicated Resources		Proved and Probable Reserves		
		Mt	g/t 6E	Mt	g/t 6E	M oz
Resources and Reserves (100% basis)	UG2	50.63	4.80	30.44	3.69	3.61
	Merensky	43.10	3.04	–	–	–
	6E = Platinum + Palladium + Rhodium + Ruthenium + Iridium + Gold					
Refining	All metal produced is smelted and refined by Implats subsidiary; Impala Refining Services Limited (IRS).					
Total labour	3 416 including 1 087 contractors					

100% basis		F2011	F2012	F2013	**F2014**	% change
Metal production						
Platinum	ounces	145 323	149 909	162 182	**175 065**	8
Palladium	ounces	84 102	89 484	98 635	**102 686**	4
Rhodium	ounces	24 606	25 478	28 664	**30 993**	8
Gold	ounces	1 972	2 486	2 249	**2 473**	10
Ruthenium	ounces	41 396	42 910	47 696	**51 432**	8
Iridium	ounces	9 763	9 845	11 019	**12 033**	9
PGMs	ounces 6E	307 162	320 113	350 443	**374 681**	7
Nickel	tonnes	444	595	555	**566**	2
Copper	tonnes	219	297	242	**249**	3
Chrome concentrate sold	tonnes				**160 951**	–
Operational statistics						
Tonnes milled	Mt	2.95	3.10	3.17	**3.28**	3
Head grade	g/t 6E	3.94	3.86	4.02	**4.01**	–
Average number of permanent employees	number	761	779	2 410	**2 329**	(3)
Average number of contractors	number	2 537	2 710	1 296	**1 087**	(16)
Financial indicators						
Cash cost	R/tonne	468	493	579	**602**	4
Cash cost	R/Pt oz	9 509	10 205	11 331	**11 271**	(1)
Cash cost	R/PGM oz 6E	4 499	4 779	5 244	**5 266**	–
Cash cost	R/kg 6E	144 638	153 642	168 594	**169 314**	–
Basket price	R/kg 6E	277 279	279 804	298 384	**330 214**	11
Net sales revenue	R million	2 274	2 336	2 868	**3 671**	28
Cash operating cost	R million	1 382	1 530	1 838	**1 973**	7
Cash operating profit	R million	881	788	1 011	**1 486**	47
Cash operating profit – PGMs	R million	–	–	–	**1 424**	–
Cash operating profit – Chrome	R million	–	–	–	**62**	–
Cash operating margin	%	39	34	35	**40**	
Capital expenditure	R million	304	467	498	**317**	(36)

Refer to pages 201 to 202 for the Two Rivers Platinum Mine segmental information.

Nkomati Mine

Management: The mine is managed as a 50:50 unincorporated joint venture with Norilsk Nickel Africa.

		Measured and Indicated Resources		Proved and Probable Reserves		
		Mt	Ni%	Mt	Ni%	
Resources and Reserves (100% basis)	Nickel (MMZ+PCMZ)	241.86	0.34	114.48	0.31	
		Mt	Cr_2O_3%	Mt	Cr_2O_3%	
	Oxidised Massive Chromitite	1.25	30.64	1.10	25.35	
	Chrome stockpiles	–	–	2.51	20.44	
		Mt	g/t 4E	Mt	g/t 4E	M oz
	PGMs (MMZ+PCMZ)	241.86	0.95	114.48	0.92	3.38
	4E = Platinum + Palladium + Rhodium + Gold					
Refining	Refining takes place through various tolling contracts.					
Total labour	2 495 including 1 690 contractors					

100% basis		F2011	F2012	F2013	**F2014**	% change
Metal production						
Nickel	tonnes	10 100	14 004	23 220	**22 874**	(1)
Copper	tonnes	5 210	7 371	9 877	**10 116**	2
Cobalt	tonnes	553	744	1 101	**1 133**	3
PGMs	ounces	53 610	84 044	111 185	**185 194**	67
Chrome ore sold	000t	335	64	–	**–**	–
Chrome concentrate sold	000t	381	441	225	**342**	52
Operational statistics						
Tonnes milled	thousand	5 259	6 388	7 588	**7 930**	5
Head grade	% nickel	0.32	0.34	0.41	**0.39**	(5)
Average number of permanent employees	number	801	776	794	**805**	1
Average number of contractors	number	1 943	2 207	2 167	**1 690**	(22)
Financial indicators						
Nickel on-mine cash cost per tonne treated	R/tonne	271	272	292	**308**	5
Cash cost net of by-products	US$/lb	4.99	8.58	4.98	**4.81**	(3)
Net sales revenue	R million	2 991	3 107	4 488	**6 063**	35
Cash operating cost	R million	1 423	1 737	2 218	**2 444**	10
Cash operating profit – Total	R million	824	130	1 178	**1 813**	54
Cash operating profit – Nickel Mine	R million	256	115	1 054	**1 656**	57
Cash operating profit – Chrome Mine	R million	567	15	124	**157**	27
Cash operating margin	%	28	4	26	**30**	
Average Nickel price	US$/t	23 970	18 815	16 245	**15 488**	(5)
Capital expenditure	R million	808	484	189	**258**	37

Refer to pages 201 to 202 for the Nkomati Nickel Mine segmental information.

Kalplats PGM Exploration Project

Platinum Australia (PLA) submitted a definitive feasibility study in 2012 thereby completing Phase II of the exploration programme and earning 44% participation interest in the Kalplats Project. The viability of a possible mining operation at Kalplats is adversely affected by the lack of Eskom power and the uncertainty regarding the timing of its delivery. Approval of a Retention Permit application, which was submitted in July 2012, is still awaited.

Management: Both projects are currently managed by PLA.

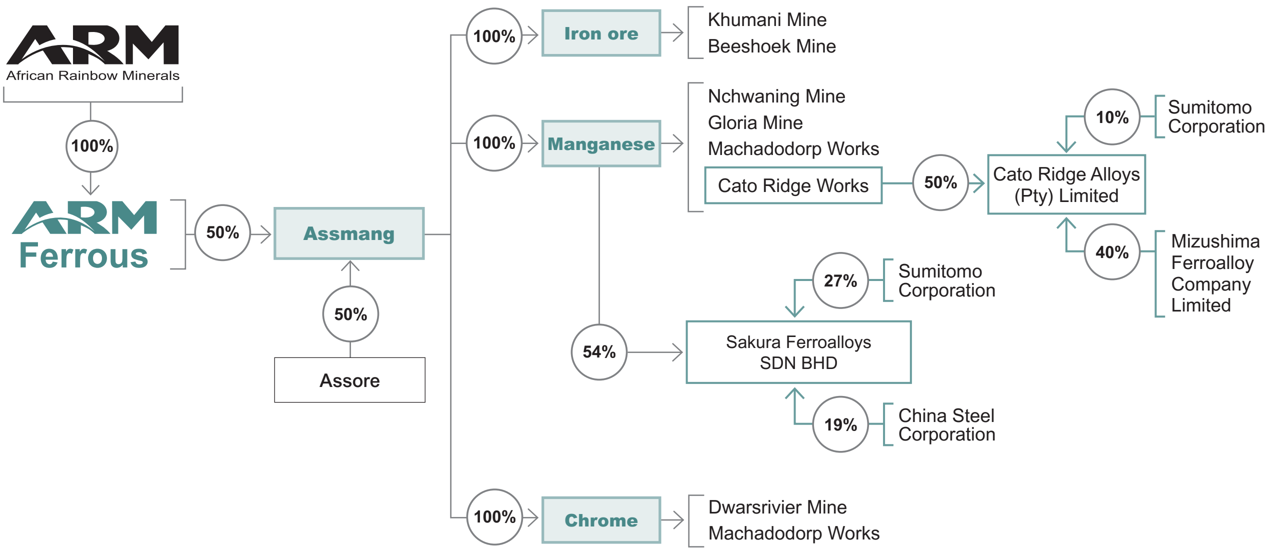
Resources and Reserves (100% basis)	Measured and Indicated Resources	
	Mt	g/t 3E
	69.91	1.48
	3E = Platinum + Palladium + Gold	

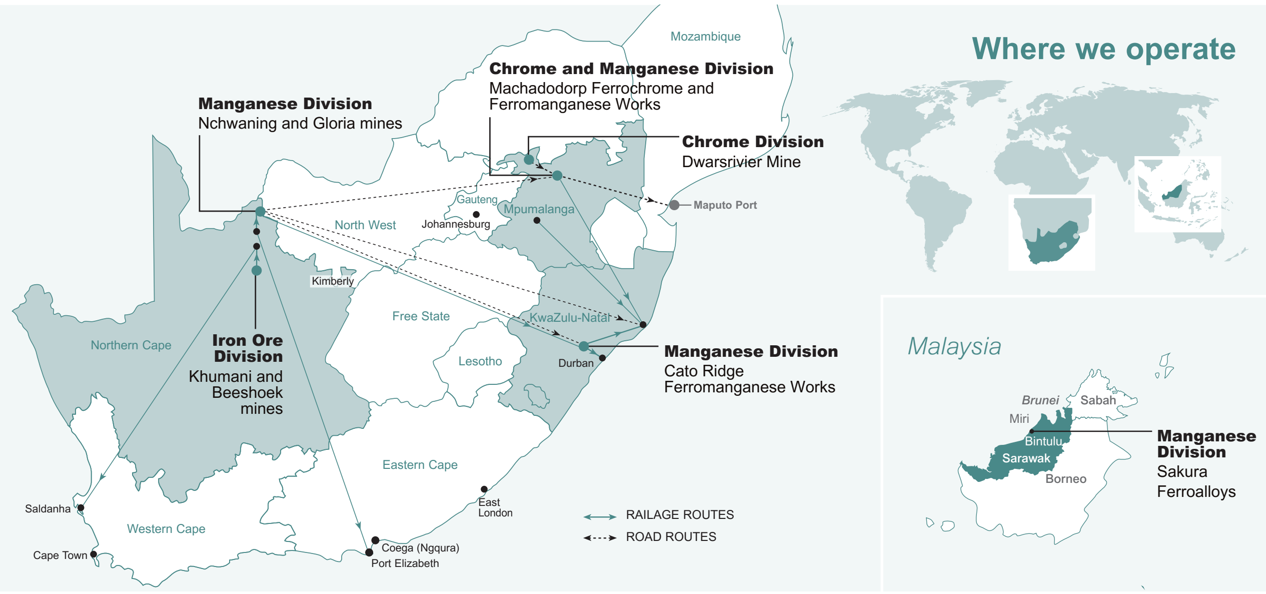
Operational review

ARM Ferrous

André Joubert
Chief Executive: ARM Ferrous

Divisional structure



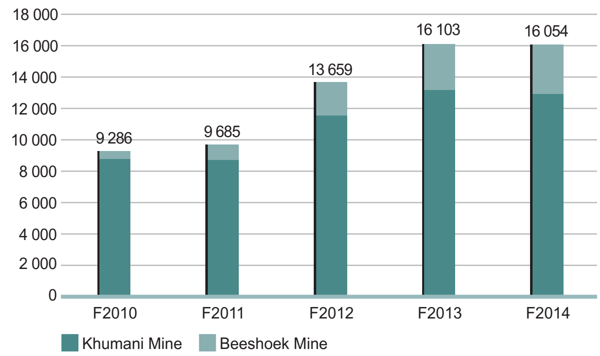


The ARM Ferrous contribution to headline earnings increased significantly from R3 194 million in F2013 to **R3 736 million** in F2014.

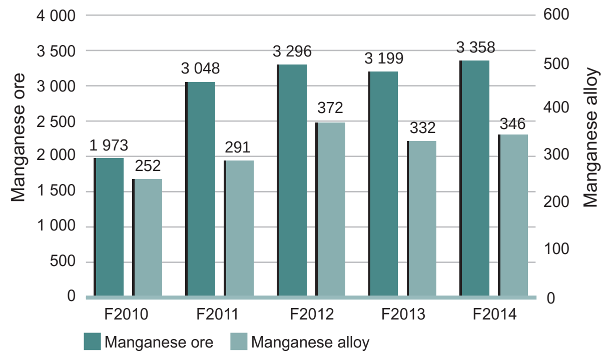
Total attributable capital expenditure
R1 753 million

Total Community Responsibility expenditure
R136 million

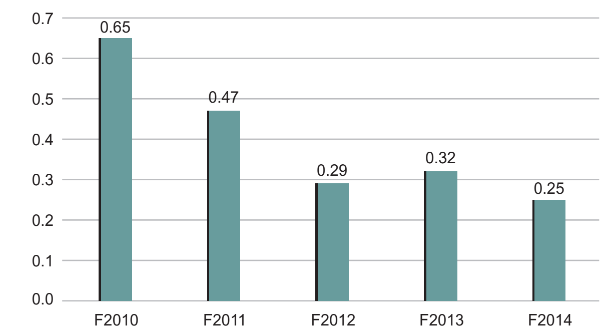
Iron ore production volumes (100% basis)
(000t)



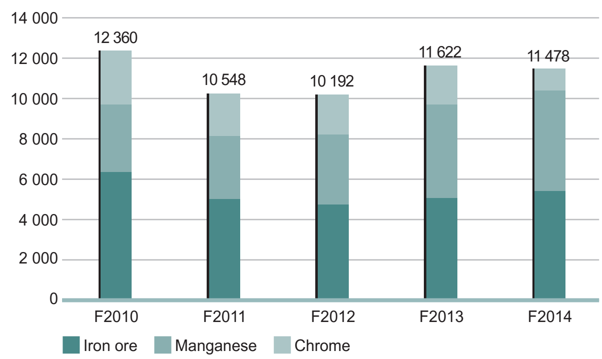
Manganese ore and manganese alloy production volumes (100% basis) (000t)



Lost Time Injury Frequency Rate
(per 200 000 man hours)



Total labour by division (100% basis)
(number of employees including contractors)



Khumani Iron Ore Mine process plant

Scorecard

F2014 objectives	F2014 performance	F2015 objectives
Iron ore		
Focus on creating steady state conditions, achieving benchmarked operational efficiencies and maintaining operating margins.	The Khumani Operational Excellence Programme scope was initiated and finalised. The main aim of the programme is to improve operational efficiencies and increase saleable production. The programme was initiated in January 2014 and progressive improvements made enabled the Khumani Plant to process an additional 1.2 million tonnes of off-grade iron ore through the jig plant.	Expand the Khumani Operational Excellence Programme to cover the whole value chain. The main aim being to de-bottleneck all processes and systems to maximise production output within resource and design constraints. This will include the enhancement of resource management, maintenance and support services practices and the implementation of an improved business performance management systems to ensure operating margins can be maintained.
Adhere to contractual requirements of the 14 million tonnes per annum agreement with Transnet and improve throughput performance at the load-out stations.	A total of 13.65 million tonnes of iron ore was exported. Improved performance through the load-out stations was achieved and design load-out rates were demonstrated.	Export a total of 13.5 million tonnes of saleable iron ore for the financial year. Commission the third party load-out facility to improve the operational flexibility between Beeshoek and Khumani.
Prepare to develop the Beeshoek Village Pit and purchase own production fleet at Beeshoek Mine.	Preparations to develop the Beeshoek Village Pit were initiated. This entailed the relocation of critical operational infrastructure, the relocation of the majority of employees from the Beeshoek Mine Village to Postmasburg and the purchasing of the production fleet required.	Complete the relocation process of employees to Postmasburg and initiate the waste stripping process to enable iron ore extraction from the Village Pit.
Agree with Transnet on future capacity allocation through the Saldanha Export Channel.	A formal request was submitted to Transnet on future capacity allocation through the Saldanha Export Channel. The Transnet re-allocation process has not been finalised.	Identify and initiate actions and projects to sustain and secure current as well as future water supply demand capacity to support the potential increase in off-grade ROM processing capacity at Khumani.
Manganese ore		
Agree with Transnet on future capacity allocation.	A formal request was submitted to Transnet on future capacity allocation. The Transnet re-allocation process has not been finalised.	Monitor the Transnet re-allocation process for future export capacity and agree on capacity allocations.
Complete the revised scope to expand production at the Black Rock Mine complex, approve the project and initiate the execution of the planned project activities.	The project review was successfully completed and the revised scope and budget was approved by the ARM and Assore Boards. The project programme was initiated and early project preparation work was completed.	Manage the Operation Readiness initiatives and Expansion Project Programme to ensure the achievement of the key milestones, within time and on budget. Successfully insource underground mining development originally included as part of the EPCM contractor scope.
Manganese alloy		
Complete a review of the short-to-medium term strategy for the South African based smelters to ensure financial sustainability of these smelters.	The short-to-medium term strategy for the South African based manganese smelters was completed during the second half of the financial year.	Re-engineering and re-structuring of both smelter operations to align with the short-to-medium term strategy will be initiated.
Investigate innovative means of increasing competitiveness of the smelters, i.e. co-generation opportunities, alternative ore mixes, maximising output from a single smelter site.	• Alternative operational initiatives were identified and narrowed down to the few options which will ensure sustainable smelter businesses over the medium term creating financial sustainability for the overall Manganese Division. • The production of sintered pellets from manganese slimes and the replacement of manganese ore with the slimes sintered pellets on one of the smelter furnaces were successfully done.	Evaluation of alternative options identified in the strategy to further improve the sustainability of the manganese smelters will be investigated.
Initiate the successful execution of the Sakura Ferroalloys Project in Malaysia. Project construction planned to commence in February 2014.	Successfully concluded the necessary contracts with contractors and suppliers. Appointed key personnel in Malaysia and commenced with civil construction on site.	Ensure successful construction of the Sakura Smelter as per the agreed project plan.

F2014 objectives	F2014 performance	F2015 objectives
Chrome		
• Complete the execution of the business re-engineering initiatives and achieve sustained improved business performance. • Review innovative means of improving business results i.e. PGM recovery from the tailings stream of Dwarsrivier Mine.	• The Dwarsrivier re-engineering and restructuring initiates were completed during the year. • Cost reduction objectives were achieved while maintaining underground and final product production volume output.	• Increasing the underground production volumes with the implementation of the operational initiatives while maintaining the production cost profile. • Increase final product production volumes through the development of the new North shaft and improvement of the plant yield.

Overview

Operational overview – attributable to ARM		F2014	F2013	% change	Operational target F2015
Manganese ore sales volumes	000t	**1 354**	1 428	(5)	↑
Nchwaning*	000t	**1 023**	1 092	(6)	↑
Gloria*	000t	**331**	335	(1)	→
Ferromanganese sales volumes	000t	**139**	130	7	→
Cato Ridge	000t	**104**	105	1	→
Machadodorp	000t	**35**	25	40	→
Iron ore sales volumes	000t	**7 820**	8 035	(3)	↑
Khumani	000t	**6 709**	7 028	(5)	↑
Beeshoek	000t	**1 111**	1 006	11	↑
Chrome sales volumes					
Dwarsrivier chrome ore*	000t	**494**	527	(6)	→
Machadodorp charge chrome	000t	**16**	39	(59)	↓

** Excludes intra-company sales.*

Financial overview – attributable to ARM		F2014	F2013	% change
EBITDA	R million	**5 888**	5 304	11
Capital expenditure	R million	**1 753**	1 951	(10)
Headline earnings	R million	**3 736**	3 194	17

Sustainability overview – 100% basis		F2014	F2013	% change
LTIFR*		**0.25**	0.32	(22)
CSR Spend**	R million	**136**	101	35
Electricity consumption	000 MWh	**1 216**	1 199	1
Water consumption	million m^3	**11.7**	13.7	(15)
Total Scope 1 and Scope 2 emissions	tCO_2e	**845 948**	829 829	2

** LTIFR: Lost Time Injury Frequency Rate per 200 000 man-hours.*
*** CSR: Corporate Social Responsibility.*
All figures are on a 100% basis except the Scope 1 and Scope 2 emissions (tCO_2e), which is attributable to ARM (as per the Carbon Disclosure Project submission).

Operational and financial review

Assmang reported a record turnover of R27.56 billion for F2014 (F2013: R24.92 billion). The increased revenue was mainly due to higher US Dollar prices realised for lumpy iron ore and high-grade manganese ore together with a 17% weakening of the Rand. US Dollar prices for iron ore fines and low-grade manganese ore were lower as oversupply of both products in the market put prices under pressure.

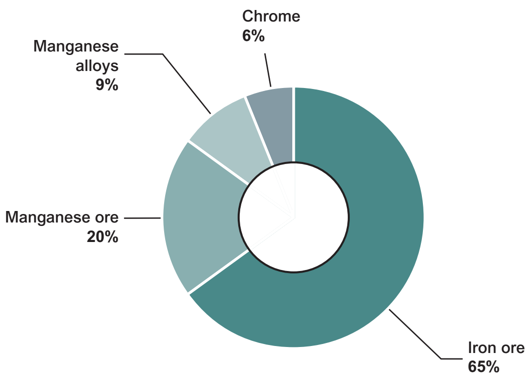
Iron ore export sales volumes were 3% lower mainly due to interrupted water supply at the Khumani Mine in the first half of the financial year. The mine is currently working with the Sedibeng Water Board to ensure a long-term solution to the water supply issues in the area. Local iron ore sales from the Beeshoek Mine remained constant at 2 million tonnes.

Manganese ore sales volumes decreased 5% to 2.7 million tonnes due to reduced local sales.

Manganese alloy sales volumes however increased marginally to 279 thousand tonnes. The manganese alloy market remains under pressure and as a result, the ARM Ferrous smelters continued to produce at below capacity. ARM and Assore are currently reviewing the strategy for the smelters and have since implemented a number of cost-saving changes at the smelters to ensure that they preserve cash.

Chrome ore sales volumes decreased by 6% to 988 thousand tonnes, while chrome alloy sales volumes decreased.

F2014 ARM Ferrous sales per commodity (100% basis)



Assmang cost and EBITDA margin performance

Commodity group	Cost of sales unit cost change %	On-mine production cost unit cost change %	EBITDA margin %
Iron ore	**8**	10	54
Manganese ore	**13**	14	34
Manganese alloys	**20**	12	5
Chrome ore	**(4)**	(2)	14

Iron ore

The Iron Ore Division contributed a significant R3 178 million to the Assmang headline earnings. This represents a 14.9% increase compared to the previous corresponding year.

Export sales from Khumani decreased by 4% from 14.0 million tonnes to 13.4 million tonnes mainly due to interrupted water supply at the mine. The production unit cost increased by 10.6% for the same reason.

Beeshoek Mine production increased from 2.9 million tonnes to 3.1 million tonnes. External sales from Beeshoek Mine increased by 10% from 2.0 million tonnes to 2.2 million tonnes (of which 2 million tonnes was sold locally). A total of 0.4 million tonnes iron ore was moved from Beeshoek Mine to Khumani Mine and sold into the export market to maximise export sales.

Manganese

The Manganese Division's contribution to headline earnings was 12.6% higher. The US Dollar prices realised for manganese ore were largely flat whilst the manganese alloys prices decreased.

Manganese ore sales volumes decreased from 2.9 million tonnes to 2.7 million tonnes due to reduced manganese ore local sales. On-mine unit production cost increased by 14% due to increased tramming distances between shaft infrastructure and underground work areas. Capital expenditure to upgrade the mine and reduce distances to and from work areas has already been approved as part of the Manganese Ore Expansion Project.

Manganese alloy sales volumes were 4% higher at 279 000 tonnes. One furnace and the raw material feeder system was impaired at Machadodorp Works. The strategy for South African smelters is currently under review.

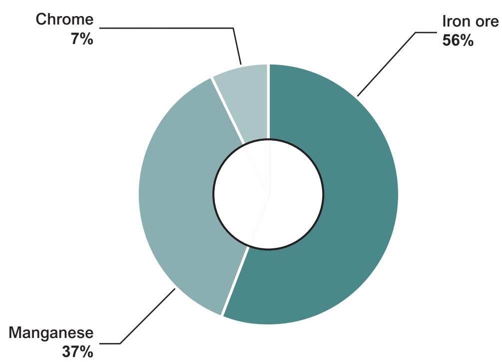
The increase in unit production cost was mainly due to higher than inflation increase of electricity rates. Both Machadodorp and Cato Ridge operations implemented initiatives to reduce costs through efficiency improvements and cost optimisation. Manganese alloys unit production costs were contained to increase by 12% despite above-inflation electricity cost and labour increases.

Chrome

Chrome ore sales from Dwarsrivier Mine decreased by 6% to 0.99 million tonnes as more chrome ore became available for the local and export markets.

Capital expenditure

F2014 ARM Ferrous capital expenditure per division (100% basis)



The total capital expenditure was 10% less at R3.64 billion (F2013: R4.06 billion).

The main capital expenditure items included the equipment procured for the Beeshoek Mine's planned Village Pit and the East Pit waste removal. The final completion and commissioning of the Wet High Intensity Magnetic Separation (WHIMS) plant, the railway line deviation around the King Pit and the off-grade 2 plant design work contributed to the majority of Khumani Mine's capital. At Black Rock Mine, the major capital expenditure was for underground mining equipment, waste development and the Gloria vent shaft pre-sink. At Dwarsrivier Mine capital was spent on the mine optimisation project, the north underground shaft and plant equipment.

Logistics

Iron ore export sales were 13.64 million tonnes. Assmang also made its rapid load-out facility and mine stockpile capacity available for a BEE entrant, which enabled them to rail and export about 350 000 tonnes.

Manganese ore export sales were approximately 2.6 million tonnes. The manganese ore rail export channel to Port Elizabeth continued to operate under difficult conditions. Manganese ore is exported via Durban using a combination of rail and road transport. Some test consignments were also done through the Multi-Purpose Terminal in Saldanha, by making use of opportunistic rail capacity on the iron ore export line.

Assmang and Transnet continue to engage regarding future export capacity and growth for both iron ore and manganese ore. Transnet concluded its feasibility study to expand the manganese ore export capacity to 12 million tons per annum through the Port of Ngqura by February 2019 and to 16 million tonnes per annum by October 2020.

Human capital – Safety

ARM Ferrous achieved its best ever safety performance in F2014. The Lost Time Injury Frequency Rate (LTIFR) per 200 000 man-hours at ARM Ferrous improved by 22% to 0.25 (F2013: 0.32). The Division reported 31 lost-time injuries (F2013: 42), of which 16 were classified as reportable in terms of the Mine Health and Safety Act and the Occupational Health and Safety Act (F2013: 20). There were no fatalities at the ARM Ferrous operations in F2014.

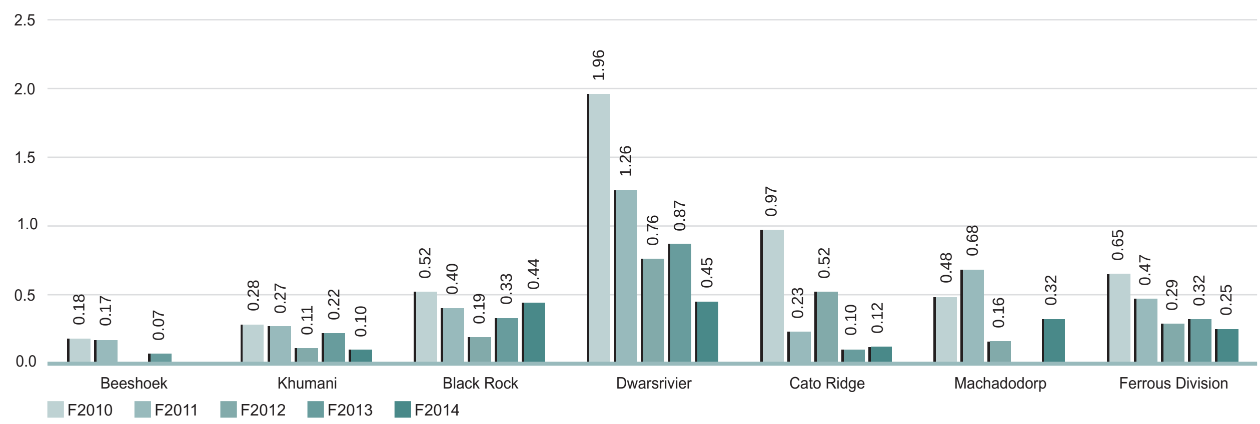
Details of the fatality-free shifts worked and dates of last fatalities at each operation are listed in the table below.

Operation	Total fatality-free shifts worked	Date of last fatality
Beeshoek Mine	2 630 489	March 2003
Black Rock Mine	3 021 918	April 2009
Dwarsrivier Mine	2 372 206	January 2009
Khumani Mine	4 272 640	February 2009
Cato Ridge Works	1 705 679	February 2008
Machadodorp Works	828 187	February 2011

Safety performance highlights for the year include:

- Dwarsrivier Mine completed 2 million fatality-free shifts during November 2013.
- Khumani Mine completed 4 million fatality free-shifts during March 2014.
- Beeshoek Mine completed 18 consecutive months without a lost-time injury and also achieved 12 000 fatality-free production shifts. The mine has not had a fatality since March 2003. Beeshoek Mine also received the award as the best mine in the base metals class at the annual Mine Safe conference.
- Cato Ridge Works achieved 349 consecutive days without a lost-time injury as at 30 June 2014.
- Black Rock Mine completed 3 million fatality-free shifts during June 2014.

ARM Ferrous safety performance (LTIFR)
(per 200 000 man-hours)



Human capital – Occupational health and wellness

The ARM Ferrous operations have implemented integrated policies on HIV, TB and sexually transmitted infections as required by the National Strategic Plan 2012 – 2016 and the Mining Charter. All operations offer primary health care services on site. HIV counselling is offered to all employees who visit the site clinics, but HIV testing remains voluntary – referred to as Counselling and Voluntary Testing (CVT).

As a result of CVT, 9 711 (F2013: 4 852) employees received counselling for HIV & Aids, 4 699 elected to be tested (F2013: 3 575) and 847 received Anti-Retroviral treatment (ARVs) compared to 329 in F2013. HIV prevalence at the ARM Ferrous operations is estimated to be below those of the districts in which they operate.

Various operations are involved in HIV & Aids related community outreach and awareness programmes. Dwarsrivier Mine built a new structure for the Ngwaabe community home based care in Sekhukhune and Black Rock Mine built a new structure for the Thusano community wellness centre. Beeshoek Mine funded a community feeding scheme for TB patients and people living with HIV & Aids in partnership with the South African National Tuberculosis Association (SANTA). Khumani Mine conducted wellness screening for orphans and vulnerable children in the Deben community where 30 orphans were referred for specialist treatment.

In terms of our integrated HIV, TB and sexually transmitted infections policy, TB screening was conducted on 21 026 employees (F2013: 12 689), with 50 new cases identified (F2013: 59). 45 TB cases were treated and successfully cured during the year. 14 cases of multi-drug resistant TB (MDR TB) were reported: 13 from Khumani and one from Black Rock. All 14 cases were admitted to special MDR hospitals for further management as required by the Department of Health.

Khumani is certified and accredited in terms of SANS 16001: 2013, which is the management system for wellness and disease management. Beeshoek is planning to undergo the first phase audits for certification in terms of SANS 16001: 2013 in September 2014. Gap analyses have been performed at all other ARM Ferrous operations in order to align the wellness and disease management programmes with the SANS 16001 standard, with a view to future certification.

Hearing conservation remains a focus at our operations, with 21 551 audiometric tests being conducted, including both employees and contractors during the year. Of these, 108 cases (F2013: 45) were referred for further investigation. Only one noise-induced hearing loss case was accepted for compensation for the year. All equipment at the ARM Ferrous mining operations emit sound levels below the 110 dB(A) maximum specified by the Department of Mineral Resources (DMR).

ARM Ferrous has a biological monitoring programme in place to monitor amongst others, exposure to manganese and coal, tar, pitch and volatiles (CTPVs) at the smelting operations: Cato Ridge Works and Machadodorp Works.

Human capital – Transformation

The mines in the ARM Ferrous Division all scored above 80% against the guidelines of the Mining Charter for the 2013 calendar year, receiving a classification of excellent performance.

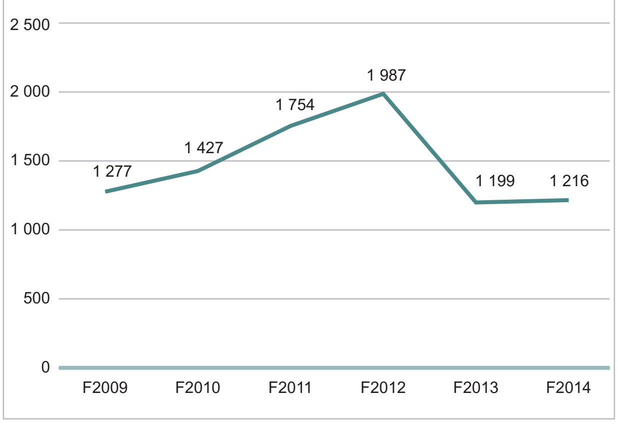
Natural capital – Environment

Due to the energy intensive smelting activities at Cato Ridge Works and Machadodorp Works, ARM Ferrous accounted for 67% of ARM's total carbon footprint for F2014. The division produced an estimated 845 948 equivalent tonnes of CO_2 (tCO_2e) Scope 1 and 2 emissions on an attributable basis (F2013: 829 829 tCO_2e).

During F2014 the division consumed 1 215 622 MWh (F2013: 1 199 190 MWh) of electricity.

ARM Ferrous is a member of the Energy Intensive Users Association and has developed an Energy Efficiency Charter to map its development and implementation of energy-efficient practices. The main contributors of direct (Scope 1) Green House Gas (GHG) emissions are the two smelter operations, Cato Ridge Works and Machadodorp Works. Production teams at the two smelters focus on increasing efficiency, which reduces energy consumption and emissions. Energy targets form part of their bonus incentive systems, both individually and at team level.

ARM Ferrous electricity consumption (100% basis)
(000 MWh)



Energy saving and carbon emissions reduction initiatives implemented by operations during the last two years, include:

- Machadodorp Works: Installed a new raw materials handling system. The new system came into operation in September 2013 and reduces fuel use by an estimated 59 000 litres per year.
- Machadodorp Works: Installed a dual tap hole system in furnace number 3 that has led to improved metal recovery and greater direct energy transfer.
- Machadodorp Works: Started recycling bag house filter dust in the pelletising/briquetting process. This eliminates the need to transport the filter dust to a waste facility, thereby saving fuel and reducing Scope 3 emissions.
- Khumani Mine: Installed a 100 kW solar plant saving the mine approximately 170 000 kWh a year. The mine is currently considering expanding the installation to 1 MW.

- Dwarsrivier Mine: Installed four new efficient ventilation fans to replace six booster fans and four other fans. .
- Cato Ridge: Installed variable speed drives on furnace 1 and 2 water cooling fans as an energy-efficiency measure.

Water is a scarce resource in the Northern Cape where Black Rock Mine, Beeshoek Mine and Khumani Mine are located. Water shortages and concerns about water supply infrastructure are potential growth constraints in these areas. ARM Ferrous operations accounted for 60% of the total abstracted by ARM operations. Beeshoek accounted for 56% of the division's water, although most of the mine's water is supplied to local communities and the mine's employee village. The volume of water abstracted by the ARM Ferrous operations was reduced by 15% to 11.7 million m^3 in F2014 (F2013: 13.7 million m^3).

Social and relationship capital – Corporate Social Responsibility

ARM Ferrous investment in Local Economic Development (LED) in terms of our Social Labour Plans (SLPs) increased 41% to R111 million in F2014 (F2013: R79 million). Corporate Social Investment (CSI) expenditure was R25 million (F2013: R21 million), bringing the total investment in CSR projects to R136 million (F2013: R101 million).

ARM Ferrous sponsors 26 qualified engineers to teach at schools located within Assmang's host communities through the TEACHSA initiative. The project supports the strengthening of Mathematics, Science and English and accelerate skills development.

Significant LED projects supported by ARM Ferrous include:

- An infrastructure revamp at the Ditlharapaneng water scheme to improve access to potable water in needy communities by Black Rock Mine.
- Black Rock Mine's cadet training programme – mine trade training of unemployed youth.
- Electrification of households at Kalkfontein community by Dwarsrivier Mine.
- Tyre service centre employees were trained by Super Quick at Dwarsrivier Mine.
- Construction of the Ngwaabe home-based care centre by Dwarsrivier Mine.
- Provision of water and sanitation at Deben by Khumani Mine.
- Road repairs and upgrade at Gamagara municipal area by Khumani Mine.
- Financial support for Chazon Tekna school, a private school with a focus on English, Maths and Science by Machadodorp Works.
- Support for the Simunye Brick Making Plant by Machadodorp Works.
- Beeshoek Mine supported 25 bursary recipients studying at accredited tertiary institutions.

CSI projects included:

- Beeshoek Mine constructed a kitchen and Grade R classroom at Agang Thuto Primary School.
- Financial support and kit for the annual soccer tournament for Tsantsabane Youth Teams provided by Beeshoek Mine.
- Beeshoek Mine supported the Ammosal Rugby and Football Club with sports kit, development and scouting of under 15 and under 17 players.
- Providing extra lessons in English, Maths, Science and Accounting for Matric learners at eight neighbouring schools by Cato Ridge Works.

Intellectual capital – Mining authorisation

The Beeshoek Mine converted Mining Rights was executed on 16 March 2012 and registered on 29 May 2013. A company called Razita Mining Resources Proprietary Limited ("Razita") has recently been granted a prospecting right over an area that overlaps with parts of the Beeshoek mining area. Assmang has instituted review proceedings against the Department of Mineral Resources (DMR) and Razita requesting the court to review and set aside the DMR's decision to grant the prospecting right to Razita over an area that overlaps with the Beeshoek mining area. It is expected that the review application will be set down for hearing in the first quarter of 2015.

The Khumani Mine Mining Right was executed on 25 January 2007 and registered on 5 March 2007.

The Black Rock Mine converted Mining Rights was executed on 13 July 2011 and now awaits registration. Part of Black Rock Mining Right area overlaps with a mining right recently granted to Main Street 778 (Pty) Ltd (Main Street). Assmang and Main Street have now entered into an agreement in terms of which Main Street has agreed to rectify the overlap by making an application in terms of Section 102 of the MPRDA amending the Main Street mining area by excluding the overlapping area. The parties now await the approval of Main Street's section 102 application.

The Dwarsrivier Mine Mining Rights (for chrome ore) were executed on 15 May 2013 and have been lodged for registration. Abandonment documents have been submitted for the abandonment of the seam sold to Samancor.

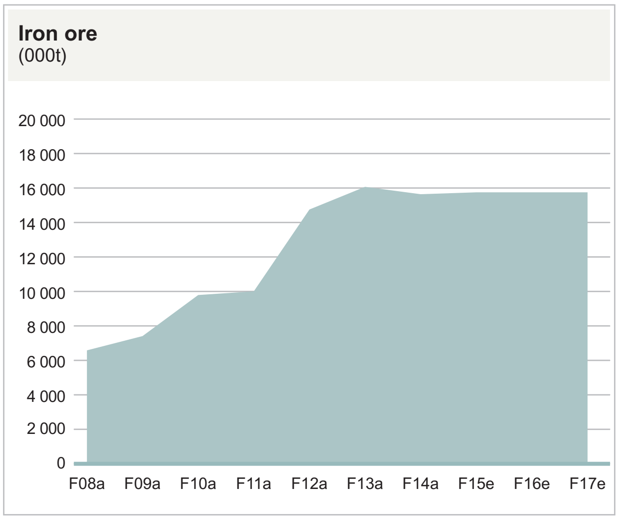
Projects

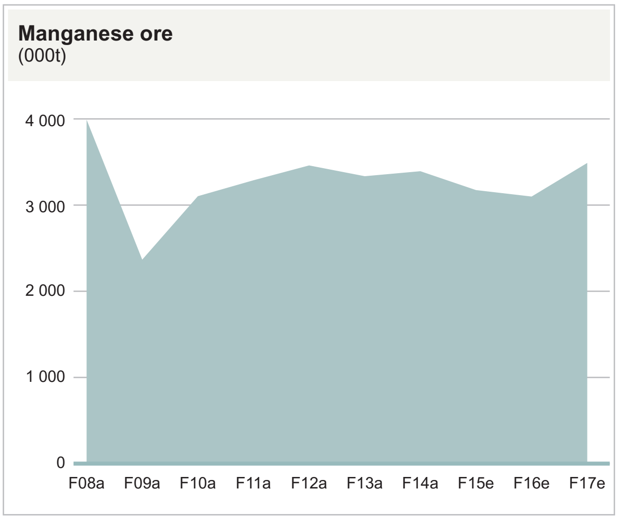
The following future prospects have been identified within Assmang to enhance the financial performance of the Ferrous Division:

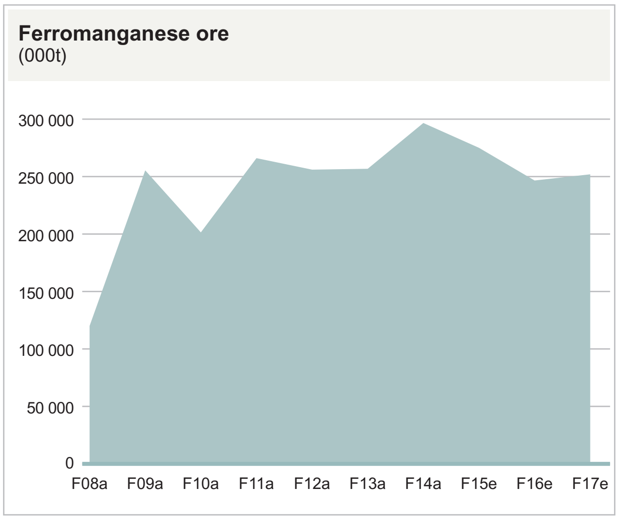
- Evaluating possible alternative investment and production scenarios for the iron ore mines to ensure that capital efficiency is maximised. This will entail the evaluation of various options to sustain an export capacity of 14 Mtpa saleable product whilst considering life of mine and capital investment implications. The evaluation will further determine the extent to which the export qualities and volumes can be sustained into the future as well as the relevant impact these options will have on the Life of Mine (LOM) expectations of both Khumani and Beeshoek. The outcome of this evaluation will inform the production and capital schedules to be planned for the next business cycle.
- De-bottlenecking of the Khumani Plant feed and discard systems to enable the sustainable processing of 13 million tonnes of off-grade ROM material per annum through the jig plant.

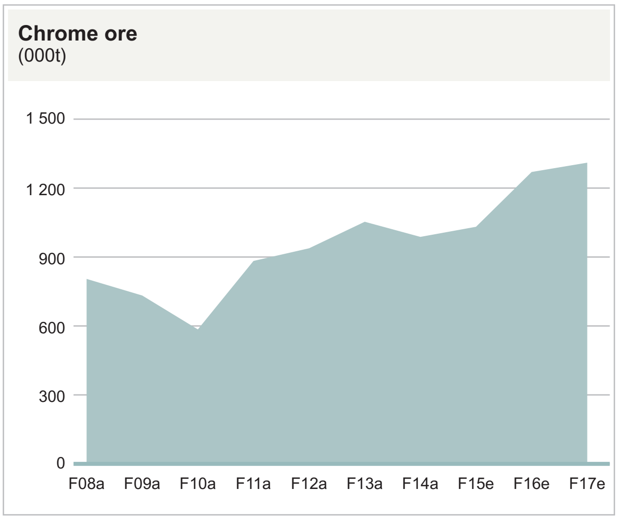
- Continued development of the Beeshoek Village Pit to enable Beeshoek to sustain a saleable production output of 3 million tonnes per annum. The first saleable production from Village Pit is scheduled in F2016.
- Maximising the beneficiation capacity at both Beeshoek and Khumani by identifying and targeting suitable alternative iron ore resources that can be fed to these facilities and converted into a saleable product. This will include the testing and development of suitable technologies and processes to upgrade lower yielding iron ore resources within the current lease areas.
- Execution of the approved Black Rock Mine Expansion Project to increase the saleable production capacity of the Black Rock Mine complex from 3.2 Mtpa to 4.6 Mtpa, thus enhancing the financial returns delivered by Black Rock through ensuring that the unit cost of production can be reduced in real terms over the life of mine and by specifically targeting saleable production from Seam 2, within the Nchwaning complex.
- Ensuring the short- to medium-term financial sustainability of the local smelters by identifying the optimal smelter configuration between the two local operations and extracting maximum value from synergies to be realised between these two operations will remain the focus for the foreseeable future. One single senior management structure for both smelters was implemented during the past financial year and the smelter business will be restructured and right-sized to the expected future alloy demand.
- Ensuring the successful construction of the Sakura Smelter in Malaysia and to be within time and within budget.
- Complete the roll-out of our automated business processes to ensure that our people and our resources can be managed efficiently and effectively such that their full value can be realised.

ARM Ferrous sales volumes from 2008 to 2017 (100% basis)



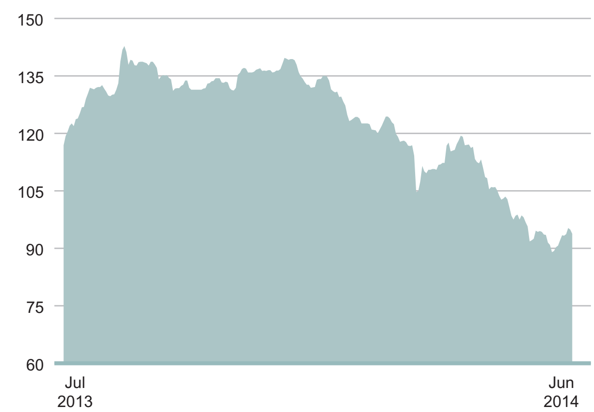






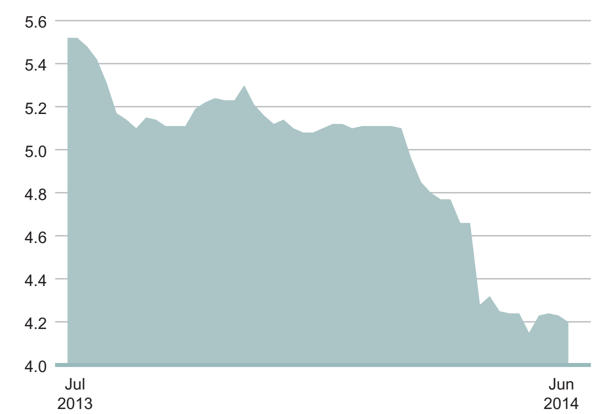
Ferrous pricing trends for F2014 (July 2013 to June 2014)

Iron ore fines spot prices 62% Fe
(CIF) (US$/t)



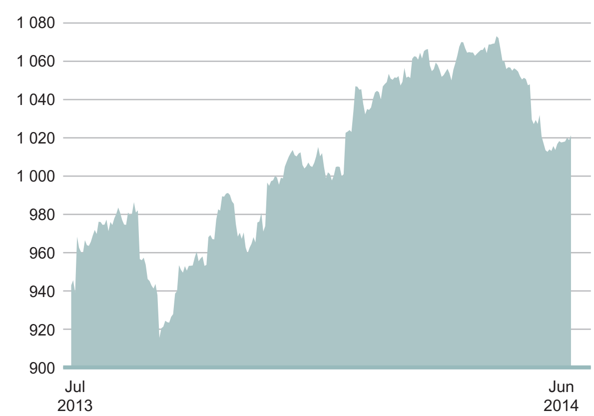
Source: INet Bridge

Manganese ore spot prices 44%
(CIF) (US$/mtu)



Source: INet Bridge

Ferromanganese spot prices 78%
(CIF) (US$/t)



Source: INet Bridge

Market review

Steel

Growth in global steel production has once again continued during 2014 and the total is expected to be above 1 640 million tonnes for the calendar year. This is despite conflicts taking place in the Middle East and Ukraine and renewed signs of an economic downturn in Europe. There has been much speculation regarding falling growth rates in China along with potential lending and property bubbles, but Chinese steel production seems to be headed for yet another record year at well over 815 million tonnes. Optimists believe that Chinese growth will go on based on more stimulus measures being implemented by Chinese Central Government with investment into social housing, new rail lines and urban infrastructure.

In Asia, steel production is expected to remain strong with a revival of growth taking place in India due to the advent of a new pro-business government. North American production will remain at reasonable levels but there are renewed concerns regarding Europe, particularly Italy and France.

Iron ore

Despite an expectation that significant additional iron ore supply entering the market in the second half of 2013 would depress prices, the reality was that projects were delayed and demand was sufficiently robust that prices remained at relatively high levels. Since early 2014, a new reality has hit the market and after 10 years of very high prices and enhanced producer margins, it is now clear that iron ore has become a buyer's market. Most of the large Australian projects have now been commissioned and ramped up although there are still some in construction phase. In Brazil, Vale continues with expansion and other major projects are finally being brought on stream.

For now the price range for the 62% fines index seems to have been established between US$80 and US$105/t CIF China. This has meant that producers in the upper part of the cost curve have had to cut back or cease production in both China and elsewhere. Because much of the new production is lower grade, the differential between the higher and lower grade pricing indices has increased dramatically as have the penalties for impurities such as silica. Discounts to contract customers are also increasing. Should steel production falter or the supply side deliver more ore than forecast, it is not impossible that prices may fall below the current range.

An additional source of volatility over the last year has been the lumpy premium which has varied from as high as US$19/t at the end of 2013 to a low of below US$3/t in June 2014. It is clear that the extremely high levels which resulted from the Chinese authorities' environmental crackdown on polluting sinter plants were unsustainable. Likewise the extreme low levels did not reflect the Value in Use of lumpy ore and it is anticipated that going forward, lumpy premiums should increase.

ARM together with Assore Ltd has continued the strategy of marketing to those customers particularly in China, who derive maximum benefit from the physical and chemical characteristics of Assmang's ore. This has resulted in higher revenue and better customer retention. Spot shipments which are generally sold by competitive tender demonstrate that Assmang's ore is sought after. Although some long-term contract customers still purchase on an FOB Saldanha basis, the initiative to convert more sales to a CIF basis continues. This gives Assmang more control over the loading and ensures that the most competitive freight rates are obtained. The strategy of diversifying away from China has proved difficult and for the past year. The percentage of export sales into China increased by 7% to 66%. On the positive side, the percentage of sales into Japan increased and Europe's percentage was maintained. No sales were made into India but with the anticipated increase in steel production, the decrease in seaborne ore prices and the problems with the domestic iron ore industry in that country it is expected to re-enter that market.

The South African market also proved challenging for the year. Local steel producers are under pressure because the announced infrastructure spend by Government has not yet gained traction because of the prolonged strikes in the platinum and metal industries. The marginal sales tonnage decrease from the previous year was a good result in the circumstances and there is optimism on tonnages for the next 12 months.

Manganese ore

Manganese ore has also moved into the position where it has become a buyer's market although the dynamic is different from the iron ore market. For the first three quarters of the financial year, prices remained at reasonable levels but then plummeted to the extent that they penetrated deep into the cost curve.

Steel production at record levels means that manganese consumption is also at record levels. However, the supply-side has again overtaken the demand. Over the last year the main culprit has been South Africa where the new producers in the Kalahari ramped up their production to the extent they flooded the market with medium grade semi-carbonate ore. Prices stabilised after there was a reduction in exports from Gabon, South Africa and Australia.

Although the higher grade ores are generally not in oversupply, these prices were also dragged down and the 44% Mn Metal Bulletin index fell to a low of $4.15/mtu CIF China. They have subsequently recovered marginally and it is believed that the differential between the high grade and medium grade is now at a more realistic level.

However, going forward pricing is very much dependent on the cost structure of the new Kalahari entrants and the availability of cost competitive logistics in South Africa. Although Assmang is disappointed that Transnet Freight Rail has still not announced the allocations for its MECA 2 process (valid until Coega is commissioned in 2018/19), the high cost of road logistics from the Kalahari to the various ports is one important factor which is supporting prices. It is not expected that manganese ore prices will extend their gains much further in the short term because if this were to happen it would induce marginal production back into the market.

Manganese alloys

The picture on manganese alloys has not changed much in the last 12 months. Particularly on High Carbon Ferromanganese, the situation is very much one of potential oversupply. In the latter half of 2013, there were some supply cutbacks by major producers which caused a minor recovery particularly in the European market. The exceptionally cold winter in North America also caused a strong temporary upward movement in that market when logistics were disrupted, but since then prices in both geographical areas which are the main seaborne markets have eroded. Once again without some supply side discipline it is difficult to see any positive movement in prices.

The situation in Medium Carbon Ferromanganese currently appears better. There were cutbacks on the supply side and prices did recover. However, margins may have become sufficiently attractive to entice marginal tonnage back into the market and our expectation is that prices may erode gradually.

In general, alloy plant margins are under pressure worldwide. Several smelters around the world have managed to negotiate with either governments or utilities for more favourable power rates an option which is not open to South African smelters which are becoming less competitive due to the above-inflation increases in administered prices. The proposed additional increase by Eskom in 2015 will only make the competitive position worse.

Chrome

The stainless steel, ferrochrome and chrome ore markets continue to be powered by China. Stainless production in China has risen to over 20 million tonnes per annum, which is more than 50% of the world total. China is also the largest consumer of ferrochrome particularly because it has a low scrap ratio and also produces a significant percentage of non-nickel containing stainless. As a result, it is also the largest ferrochrome producer with an estimated market share of 36%, compared to South Africa's 32%. However, China is poorly endowed with chrome ore deposits and is by far the largest importer of ore. In 2013, imports were greater than 12 million tonnes with South Africa supplying more than 50%.

Ferrochrome is still oversupplied and although there have been some closures of smaller producers in China, several large new smelters have been commissioned. New capacity is planned in Finland and Kazakhstan, and the South African producers have increased their capacity utilisation post the Eskom buybacks. Although Assmang is no longer operating chrome furnaces, it is still producing charge chrome from historical slag and has established niche markets for these products. With the substantial over capacity, it is not anticipated that ferrochrome prices will have much recovery in the short term.

Chrome ore prices have performed better than expected, principally as a result of the prolonged strike action in the platinum sector which deprived the market of much of the low grade UG2 concentrates. Prices for metallurgical grades recovered substantially but the expectation is that as the UG2 production ramps up and reaches the market there will be a decline in prices in the short term. In the medium term, the continued cost pressures on South African charge chrome smelters may result in further production cutbacks, freeing up more chrome ore for export. On the more positive side, if platinum production is curtailed there may be less UG2 available in future.

Iron Ore Division

Beeshoek and Khumani iron ore mines

Management: Jointly managed by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.

Resources – Measured and Indicated (100% basis)	Beeshoek Khumani	110.33 million tonnes, 64.02% iron 646.40 million tonnes, 64.25% iron
Reserves – Proved and Probable (100% basis)	Beeshoek – Dumps	46.13 million tonnes, 64.31% iron 7.50 million tonnes, 55.17% iron
	Khumani – Dumps	550.10 million tonnes, 64.41% iron 5.59 million tonnes, 56.70% iron
Total labour	5 427 employees includes 3 200 contractors	

Iron Ore Division – operational statistics

		F2011	F2012	F2013	**F2014**	% change
Attributable headline earnings	R million	2 327	2 968	2 766	**3 178**	15
Operating margin	%	61	55	47	**46**	
Total iron ore sales	000t	10 006	14 753	16 070	**15 640**	(3)
Beeshoek Iron Ore Mine						
Iron ore produce	000t	960	2 104	2 936	**3 124**	6
Iron ore sold	000t	688	1 389	2 013	**2 223**	10
Sales revenue	R million	407	724	1 236	**1 668**	35
Total costs	R million	263	367	656	**726**	11
Operating profit	R million	144	357	580	**942**	62
Capital expenditure	R million	83	306	550	**931**	69
Khumani Iron Ore Mine						
Iron ore produced	000t	8 725	11 555	13 167	**12 930**	(2)
Iron ore sold	000t	9 318	13 364	14 057	**13 418**	(5)
Sales revenue	R million	9 935	14 572	14 454	**15 999**	11
Total costs	R million	3 598	6 558	7 567	**8 608**	14
Operating profit	R million	6 341	8 013	6 887	**7 391**	7
Capital expenditure	R million	3 142	3 033	2 159	**1 127**	(48)

Refer to pages 203 to 204 for the Iron Ore Division segmental information.

Manganese Division

Nchwaning and Gloria Manganese Ore Mines and Cato Ridge Ferromanganese Works

Management: Jointly managed by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.

	Nchwaning				Gloria			
		Tonnes (000)	Mn%	Fe%		Tonnes (000)	Mn%	Fe%
Resources – Measured and Indicated (100% basis)	Seam 1	136.58	43.1	9.4	Seam 1	125.68	37.4	4.7
	Seam 2	182.96	40.7	17.0	Seam 2	31.55	28.3	9.8
Reserves – Proved and Probable (100% basis)	Seam 1	102.76	43.2	9.3	Seam 1	100.52	37.5	4.7
	Seam 2	118.98	40.9	16.7	Seam 2	–	–	–
	Black Rock							
Resources – Measured and Indicated (100% basis)	Seam 1	43.60	40.6	18.1				
	Seam 2	26.81	38.6	19.8				
Reserves – Proved and Probable (100% basis)	Seam 1	–	–	–				
	Seam 2	–	–	–				
Total labour	4 959 employees includes 1 878 contractors							

Manganese Division – operational statistics

		F2011	F2012	F2013	F2014	% change
Attributable contribution to headline earnings	R million	688	611	470	**529**	13
Operating margin	%	36	19	21	**18**	
Manganese ore						
Manganese ore produced	000t	3 048	3 296	3 199	**3 358**	5
Manganese ore sales*	000t	2 882	2 905	2 856	**2 708**	(5)
Sales revenue*	R million	4 338	3 985	4 950	**5 556**	12
Total costs	R million	2 398	3 136	3 545	**3 962**	12
Operating profit	R million	1 940	849	1 405	**1 594**	13
Capital expenditure	R million	238	470	777	**1 269**	63
Manganese alloys						
Manganese alloys produced	000t	291	372	332	**342**	3
Manganese alloys sold	000t	218	270	260	**279**	7
Sales revenue	R million	2 127	2 367	2 486	**2 730**	10
Total costs	R million	1 889	1 936	2 337	**2 849**	22
Operating profit	R million	238	431	149	**(119)**	(180)
Capital expenditure	R million	418	415	446	**73**	(84)

* *Excluding intra-group sales.*

Refer to pages 203 to 204 for the Manganese Division segmental information.

Chrome Division

Dwarsrivier Chrome Mine and Machadodorp Ferrochrome Works

Management: Jointly managed by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function as well as technical consulting services.

Resources – Measured and Indicated (100% basis)	51.00 million tonnes at 38.14% Cr_2O_3
Reserves – Proved and Probable (100% basis)	35.02 million tonnes at 34.12% Cr_2O_3
Total labour	1 092 employees including 516 contractors

Chrome Division – operational statistics

		F2011	F2012	F2013	**F2014**	% change
Attributable headline earnings	R million	(116)	(86)	1	**64**	>100
Operating margin	%	(11)	(13)	(10)	**–**	
Dwarsrivier chrome ore						
Chrome ore produced	000t	866	1 004	1 033	**1 014**	(2)
Chrome ore sold*	000t	373	521	1 054	**988**	(6)
Sales revenue*	R million	401	596	1 191	**1 291**	8
Total costs	R million	454	544	1 193	**1 190**	–
Operating (loss)/profit	R million	(53)	52	(2)	**101**	>100
Capital expenditure	R million	77	211	132	**243**	84
Machadodorp charge chrome						
Charge chrome produced	000t	237	186	23	**22**	(4)
Charge chrome sold	000t	238	174	77	**32**	(58)
Sales revenue	R million	1 867	1 444	685	**317**	(54)
Total costs	R million	2 048	1 754	862	**234**	(73)
Operating (loss)/profit	R million	(181)	(310)	(177)	**83**	147
Capital expenditure	R million	140	81	–	**–**	–

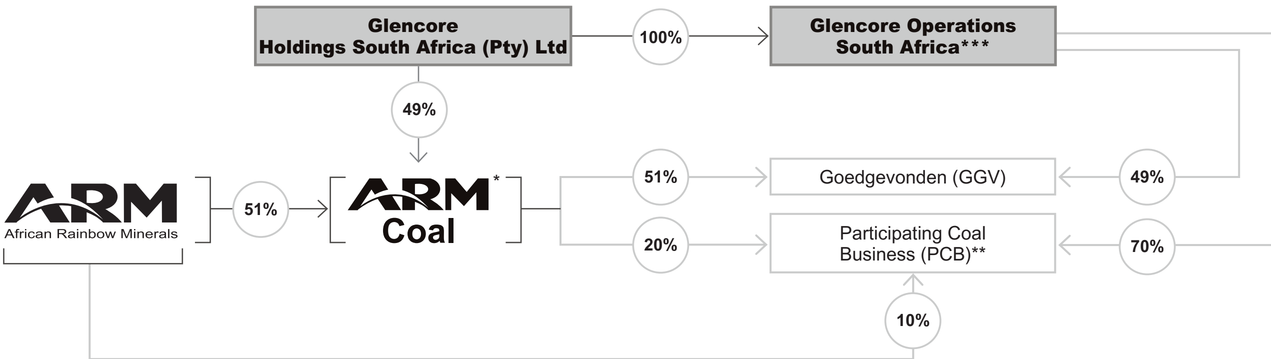
** Excluding intra-group sales.*

Refer to page 203 to 204 for the Chrome Division segmental information.

Operational review

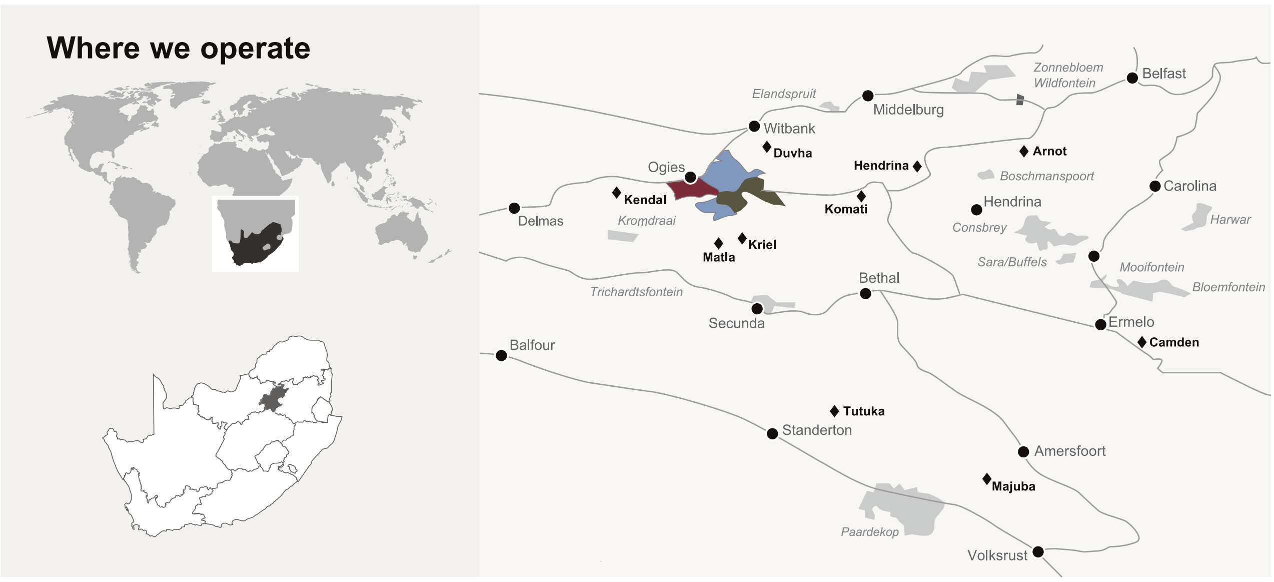
Thando Mkatshana
Chief Executive: ARM Coal

Divisional structure



* ARM Coal holds the following:
– Access to Glencore Operations South Africa's (previously Xstrata South Africa's coal interests) interest and entitlement in the Richards Bay Coal Terminal (RBCT); and
– An export entitlement of 3.2 Mtpa in the Phase V expansion at the RBCT.
** Participating Coal Business (PCB) refers to the Impunzi and Tweefontein operations.
*** Glencore Operations South Africa (Pty) Ltd was previously Xstrata South Africa (Pty) Ltd.

Where we operate



◆ Power Stations ■ Goedgevonden ■ Tweefontein Division ■ Impunzi Division (ATCOM/ATCOM East) ■ Undeveloped Resources

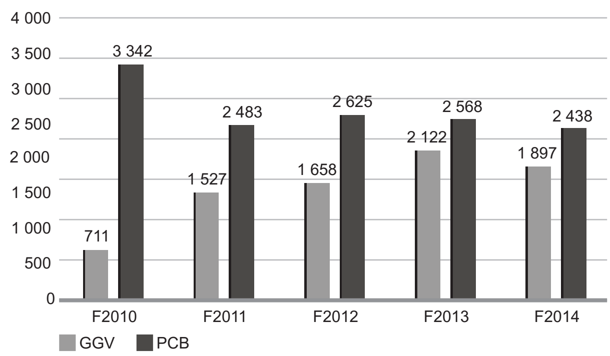
The ARM Coal headline earnings decreased from R148 million in F2013 to a headline loss of R120 million in F2014.

Total attributable capital expenditure
R129 million

Key projects invested in during the year
Tweefontein Optimisation Project

		F2014	F2013	% change
Headline (loss)/ earnings	Rm	**(120)**	148	–
EBITDA	Rm	**375**	414	(9)
EBITDA margin	%	**39**	45	

ARM attributable coal saleable production
(000t)




Coal hauling operations at Goedgevonden Coal Mine

Scorecard

F2014 objectives	F2014 performance	F2015 objectives
Goedgevonden Coal Mine (GGV)		
Progress feasibility study to expand GGV Mine output.	The feasibility study is in progress and is expected to be completed in F2015.	Complete the feasibility study.
Participating Coal Business (PCB)		
Continue with construction and implementation of the Tweefontein Optimisation Project (TOP) in accordance with the project schedule.	TOP construction is progressing according to plan with 83% of the capital expenditure spent or committed at 30 June 2014.	Finalise the construction and implementation, and commission TOP in accordance with the project schedule.
Review Addcar performance and commence with a conceptual study for additional Addcar units.	Addcar operations were suspended during 2H F2014 due to the continued decline in export thermal coal prices.	Addcar to stay in care and maintenance until global thermal coal prices recover.
Improve Eskom coal sales.	Sales to Eskom increased by 15%.	Rail more coal to Richards Bay Coal Terminal (RBCT) given the increased Transnet rail volumes performance and forecast.

Goedgevonden Coal Mine

Overview

Operational overview – attributable to ARM		F2014	F2013	% change	Operational target F2015
GGV sales	million tonnes	**1.84**	2.08	(12)	↑
Export thermal coal sales	million tonnes	**1.02**	0.90	13	→
Eskom thermal coal sales	million tonnes	**0.82**	1.18	(31)	↑
PCB sales	million tonnes	**2.32**	2.40	(3)	↑
Export thermal coal sales	million tonnes	**1.80**	1.98	(9)	↑
Eskom thermal coal sales	million tonnes	**0.38**	0.33	15	↑
Other local thermal coal sales	million tonnes	**0.14**	0.09	56	→
ARM total sales	million tonnes	**4.16**	4.48	(7)	↑
Export thermal coal sales	million tonnes	**2.82**	2.88	(2)	↑
Eskom thermal coal sales	million tonnes	**1.20**	1.51	(21)	↑
Other local thermal coal sales	million tonnes	**0.14**	0.09	56	→
ARM operating margin	%	**27**	35	–	

Financial overview – attributable to ARM		F2014	F2013	% change
Cash operating profit	R million	**505**	822	(39)
GGV	R million	**373**	417	(11)
PCB	R million	**132**	405	(67)
Headline earnings attributable to ARM	R million	**(120)**	148	–
GGV	R million	**122**	162	(25)
PCB	R million	**(242)**	(14)	–

Operational and financial review

ARM Coal's total attributable cash operating profit decreased by 39% from R822 million to R505 million in F2014. ARM Coal attributable headline earnings decreased from R148 million in F2013 to a headline loss of R120 million in F2014.

The decline in headline earnings was mainly due to a 2% decrease in export sales volumes as well a significant reduction in realised export US Dollar prices. The negative impact of lower prices was to an extent offset by the weaker Rand.

Goedgevonden Mine

A mining excavator caught fire and was subsequently out of operation for two months. This, together with the impact of industrial action, resulted in ROM and saleable production volumes being respectively 2% and 11% lower than F2013.

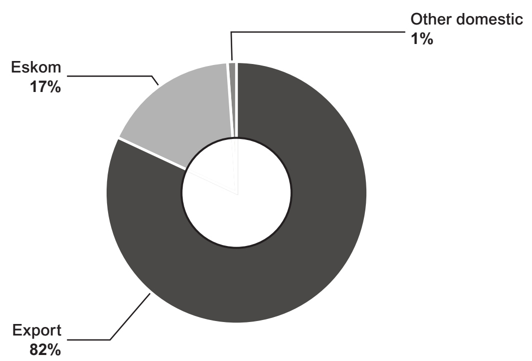
Export sales volumes increased by 13% driven by an improvement in the rail performance by Transnet Freight Rail (TFR). Eskom curtailed buying of additional coal, resulting in a reduction of 31% in Eskom sales.

GGV attributable cash operating profit decreased by 11% from R417 million to R373 million. Attributable export revenue was R76 million higher than F2013 as a combined result of increased export sales volumes, and a weaker Rand US Dollar exchange rate but was negatively impacted by lower US Dollar prices. Attributable Eskom revenue was R56 million lower than in F2013 following the reduction in coal purchases by Eskom.

On-mine unit cost increased to a steady state production level of R208 per tonne (R207 per tonne in 1H F2014) compared to R171 per tonne for F2013. In F2013, GGV processed significant ROM and in-pit inventory which was on stockpile from the previous year. The unit production costs in F2013 were therefore lower as they benefitted from processing these stockpiles.

The mine's headline earnings decreased by 25% to R122 million.

GGV sales split (100% basis)



Participating Coal Business

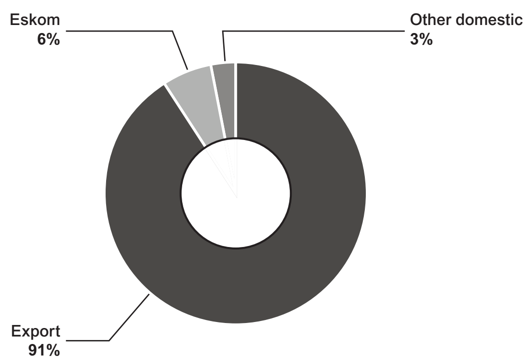
PCB attributable cash operating profit decreased from R405 million to R132 million and headline earnings decreased from a loss of R14 million to a headline loss of R242 million in F2014.

F2014 attributable revenue was R290 million lower than in F2013 due to a decrease of 9% in export sales volumes and a decrease in US Dollar export prices resulting from an overall decline in prices, and due to supplying lower quality in response to a change in demand in the market. A weaker Rand versus US Dollar exchange rate and increases in Eskom and domestic sales volumes and prices partially offset the negative impact of these decreases.

Saleable production was 5% lower compared to F2013 following the strategic decision to downsize high cost underground sections and shutting down a high cost Coal Handling Processing Plant (CHPP) as well as a reduction in average yield of 7% due to a change in the mix of the qualities of the coal being fed into the plant.

The decrease in saleable production impacted on on-mine costs which increased 21% to R396 per tonne. PCB has stockpiled approximately 2.1 million tonnes of ROM coal mainly for the commissioning of the new TOP CHPP which will commence in September 2014. This stockpile will benefit PCB unit costs in the next financial year. The transformation from underground mining to opencast mining is on schedule and is expected to result in an improvement in saleable production and unit costs.

PCB sales split (100% basis)



Capital expenditure

The ATCOM East project implementation and construction was successfully completed during F2014 and handed over to the production team. Implementation and construction of TOP is progressing well and as at 30 June 2014 83% of the estimated cost of R8.2 billion has been spent or committed. Work on the project commenced immediately after the project approval towards the end of F2012 and the project is expected to be completed in F2016.

Capital expenditure at PCB for the year amounted to R3.8 billion which was mainly spent for the TOP. Capital expenditure at GGV was R496 million for F2014 mainly due to the mine acquiring a fleet of equipment to perform certain activities previously performed by contractors.

Logistics

South Africa's coal railings to RBCT were at a record high of 70.8 Mt for the 2013 calendar year. In the 2014 calendar year railings are being impacted by a 10-day power outage at RBCT and 12-day maintenance shut during May.

Although the TFR maintenance shut of the coal line went according to plan, TFR have struggled to return to the pre-shut levels of performance of 83.0 Mt annualised which was achieved in the month prior to the shut.

In an attempt to further improve rail volumes TFR experimented using 200 wagon trains from the GGV mine to the port during 2H F2014 but this has been suspended temporarily as TFR attempts to rebalance the wagons and locomotives in the system.

Sustainability review

Our sustainable development reporting is limited to those operations over which ARM has direct joint management control and therefore excludes the Goedgevonden and PCB operations.

Intellectual capital – mining rights status

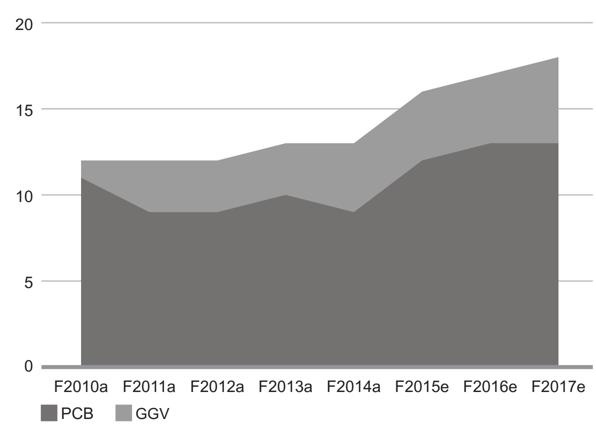
As at 30 June 2014 all conversions from old mining rights to new mining rights for the operations in Glencore operations South Africa had been granted and only one still has to be registered by the mining titles office.

All applications for new order mining rights have been granted, executed and registered in the mining titles office.

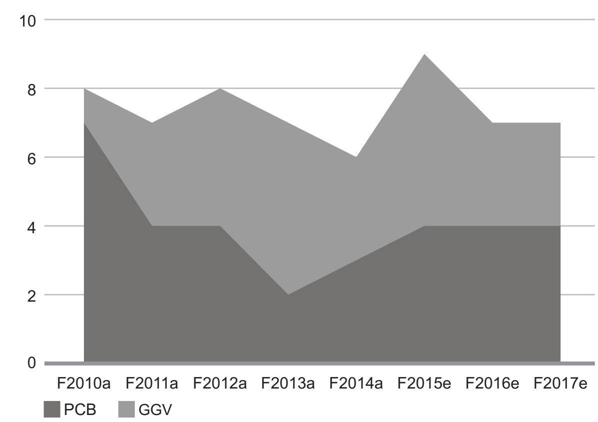
Projects

Implementation of TOP is the last leg of the strategy to operate large scale tier 1 pre-dominantly opencast mines. GGV and Impunzi have already been completed and have delivered much better efficiencies and improved unit costs per saleable tonne produced. The commissioning of TOP will therefore result in further improvement and a highly competitive overall business performance.

ARM Coal export sales volumes from F2009 to F2017
(100% basis) (million tonnes)



ARM Coal Eskom sales volumes from F2009 to F2017
(100% basis) (million tonnes)



Market review

Export coal market

International thermal coal demand remains strong. Prices however have stayed depressed at the back of the continued oversupply in the market. The lower prices have resulted in some suppliers exiting the market forcing mines to close or be put on care and maintenance, particularly in Australia and the USA. Coal consumption is still expected to grow and be the major source of electricity generation. Given the projected demand growth and squeeze of high-cost producers the market balance is expected to move to a shortage within the short to medium term.

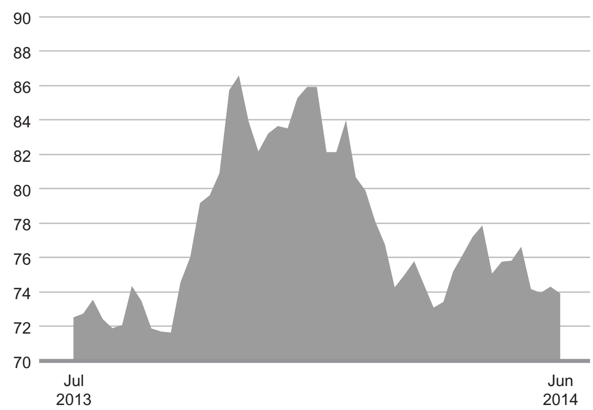
The export market out of South Africa continues to grow and remains profitable, India remains the main market for the South African coal which is mainly used as a high-quality blend to low quality coals either produced in India or imported.

Domestic coal market

ARM Coal's total supply to Eskom during F2014 was 21% lower than F2013 as Eskom is burning significantly less coal than previously planned (120 million tonnes per annum versus a previously planned 130 million tonnes per annum). The lower offtake is as a result of a high backlog in maintenance, resulting in increased downtime on generation fleet. Eskom is also re-evaluating its financial position as a result of it being granted less than the electricity price increase it requested.

This lower coal demand is forecasted to remain until 2018 as Eskom withdraws generation units from production for both planned and unplanned maintenance. A large gap in Eskom's contracted coal supply from 2018 onwards remains, and ARM Coal together with its joint venture partner is positioned well to supply coal to fill this gap.

Richard's Bay thermal coal prices (FOB)
(US$/t)



Source: INet Bridge

Stacker reclaimer stockyard at Goedgevonden Coal Mine

Goedgevonden Coal Mine (GGV)

Management: Governed by a management committee, controlled by ARM Coal, with four ARM representatives and three Glencore representatives.

Proved and Probable Reserves (Saleable) (100% basis)	223 Mt
ARM's economic interest	26.01%
Total labour	992 total number of employees (including 279 contractors)

GGV operational statistics

(100% basis)		**F2014**	F2013	% change
Total saleable production	million tonnes	**7.29**	8.16	(11)
Total sales	million tonnes	**7.10**	7.92	(10)
Export	million tonnes	**3.93**	3.40	16
Eskom	million tonnes	**3.17**	4.52	(30)
Average price received				
Export (FOB)	US$/t	**73.83**	91.00	(19)
Eskom (FOR)	R/t	**198.92**	187.57	6
On-mine saleable cost per tonne	R/t	**208.10**	171.20	(22)
Cash operating profit	R million	**1 435**	1 603	(10)
Operating margin	%	**39**	45	–
Capital expenditure	R million	**496**	157	>100

Attributable profit analysis		**F2014**	F2013	% change
Cash operating profit attributable to ARM	R million	**373**	417	(11)
Less: Interest paid	R million	**(87)**	(86)	(1)
Amortisation	R million	**(103)**	(94)	(10)
Fair value adjustments	R million	**(14)**	(11)	(27)
Profit before tax	R million	**169**	226	(25)
Tax	R million	**(47)**	(64)	27
Headline earnings attributable to ARM	R million	**122**	162	(25)

Refer to pages 199 to 200 for the ARM Coal segmental information.

Participating Coal Business (PCB)

Management: Governed by a supervisory committee with five Glencore representatives and three ARM representatives.

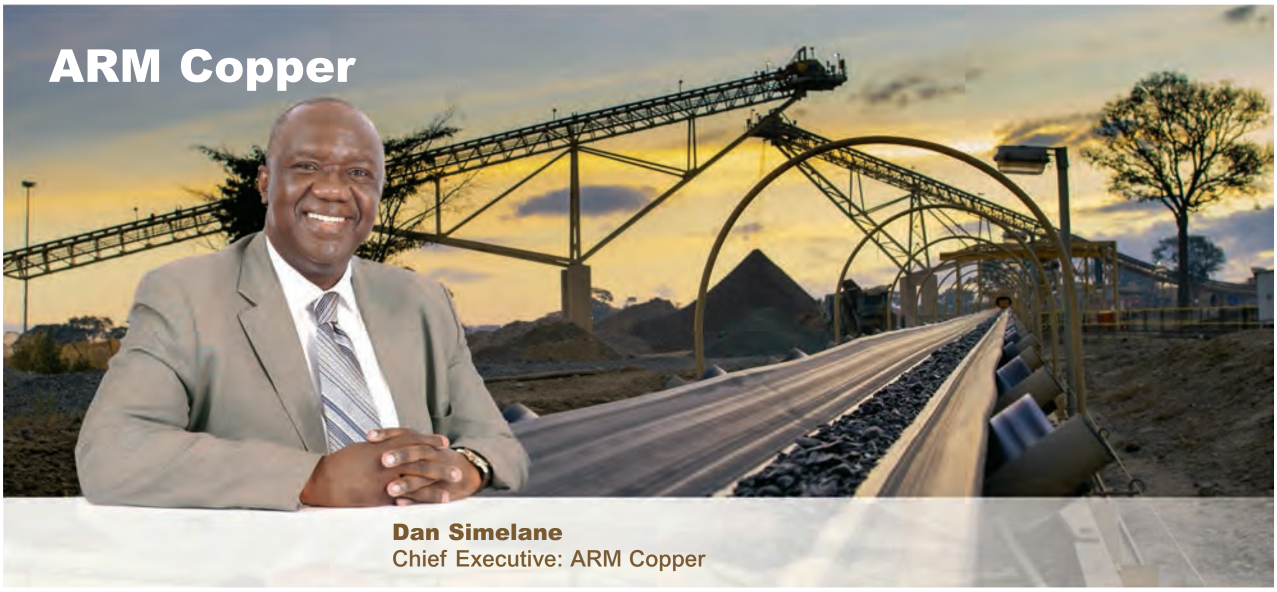
ARM's economic interest	20.2%

PCB operational statistics

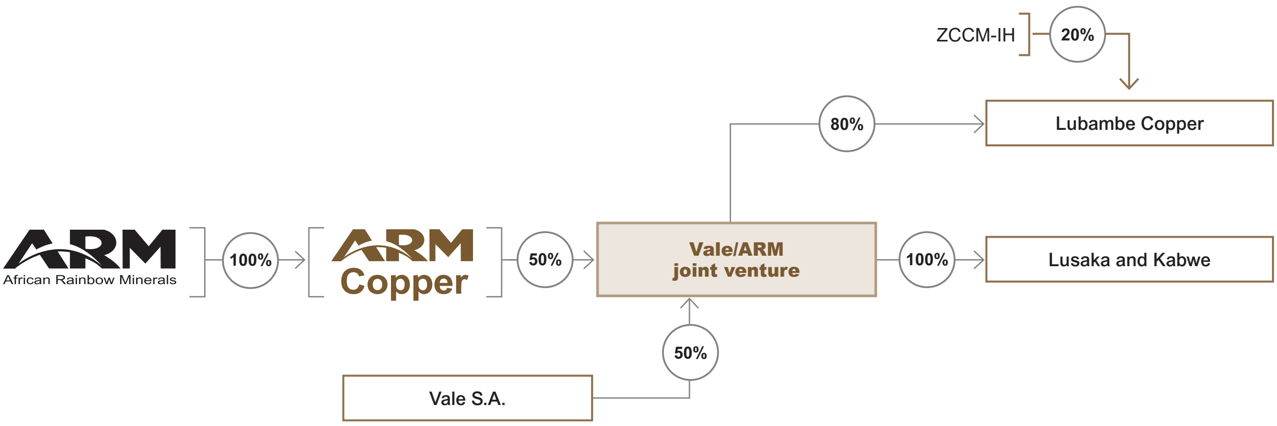
(100% basis)		F2014	F2013	% change
Total saleable production	million tonnes	**12.10**	12.70	(5)
– Impunzi	million tonnes	**5.3**	5.7	(7)
– South Stock	million tonnes	**1.9**	1.6	19
– Tweefontein	million tonnes	**4.9**	5.4	(9)
Total sales	million tonnes	**11.49**	11.91	(4)
– Export	million tonnes	**8.90**	9.81	(9)
– Eskom	million tonnes	**1.90**	1.65	15
– Other local	million tonnes	**0.69**	0.45	53
Average price received				
– Export (FOB)	US$/t	**65.71**	83.88	(22)
– Eskom (FOR)	R/t	**202.81**	157.70	29
– Domestic (FOR)	R/t	**330.93**	262.24	26
On-mine saleable cost per tonne	R/t	**395.64**	326.29	21
Cash operating profit	R million	**654**	2 005	(67)
Operating margin	%	**10**	25	–
Capital expenditure	R million	**3 790**	4 217	(10)

Attributable profit analysis	F2014	F2013	% change
Cash operating profit attributable to ARM	**132**	405	(67)
Less: Interest paid	**(189)**	(125)	(51)
Amortisation	**(265)**	(270)	2
Fair value adjustments	**(13)**	(29)	55
Loss before tax	**(335)**	(19)	–
Tax	**93**	5	>100
Headline loss attributable to ARM	**(242)**	(14)	–

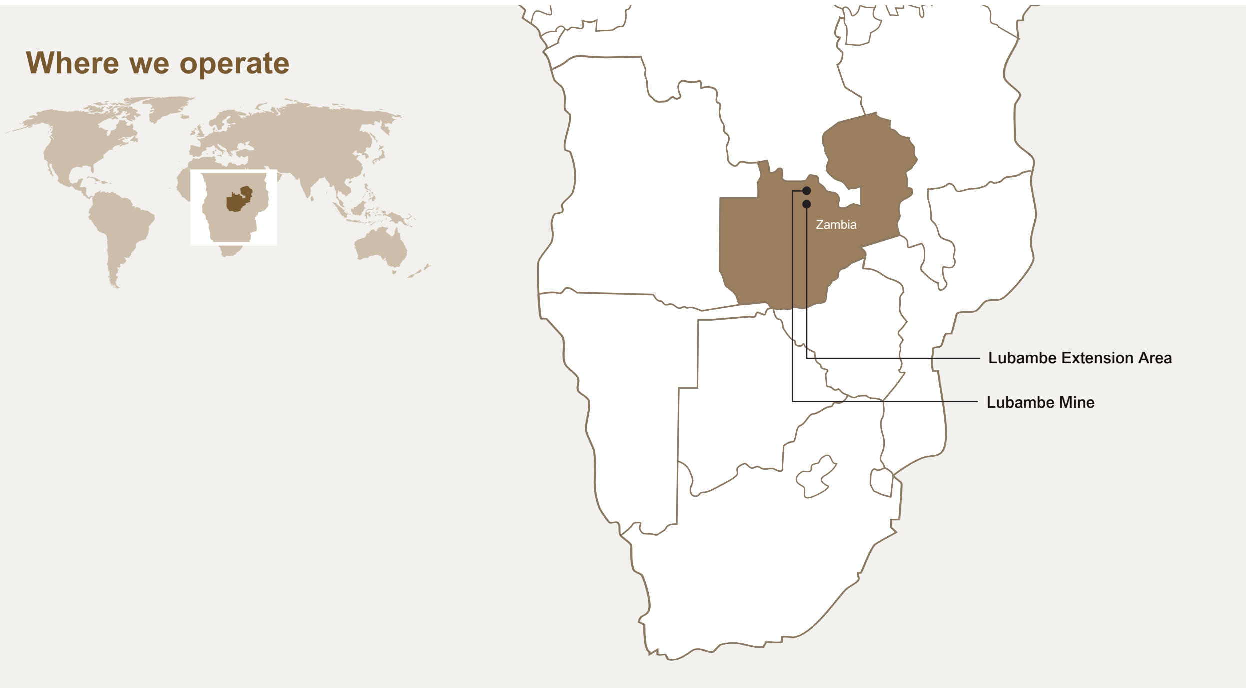
Operational review



Divisional structure



Where we operate



Scorecard

F2014 objectives	F2014 performance	F2015 objectives
Lubambe Copper Mine		
Continue ramping up output from the concentrating plant with a focus on recovery and quality enhancements.	Lubambe Copper Mine increased its mill throughput by 49% to 1.6 Mt compared to F2013. Recoveries from the plant increased to 77.6% yielding 23 791 tonnes of copper in F2014.	Continue ramp-up to full production per annum by producing 36 000 tonnes of copper in F2015.
Continue with the ramp-up and continue to improve mine design and ore extraction efficiencies.	Stoping from underground was more than double that of the previous year with very good technical services systems developed to better understand and extract the ore body effectively.	Improve the understanding of the complex ore body and ramp-up to full production on a monthly basis towards the end of F2015.
Lubambe Extension Area		
Drill a large hole in the vicinity of the anticipated new vertical shaft complex to conduct a hydrogeological study.	The drilling of a large diameter hole commenced in August 2013. The rods however got stuck at 570 metres. A new hole is currently being drilled.	Continue with the drilling of the large hole in the vicinity of the anticipated new vertical shaft complex to conduct a hydrogeological study.

Sustainability overview (100% basis)		F2014	F2013	% change
LTIFR*		**0.19**	0.16	19
CSR spend**	R million	**95**	26	264
Electricity consumption	000 MWh	**118**	73.5	61
Water consumption	million m^3	**1.10**	0.86	28
Total Scope 1 and Scope 2 emissions (attributable)	tCO_2e	**4 435**	5 581	(21)

* *LTIFR Lost Time Injury Frequency Rate per 200 000 man-hours.*

** *CSR: Corporate Social Responsibility.*

All figures on a 100% basis except Scope 1 and Scope 2 emissions (tCO_2e), which is attributable to ARM (as per the Carbon Disclosure Project submission).

Review of the year

ARM Copper incurred a headline loss of R309 million as the Lubambe Mine ramped up production. Capitalisation of cost ceased on 30 April 2013.

Lubambe Copper Mine

The main vertical shaft was commissioned in September 2014 and ore flow constraints were experienced in the refurbished shaft rock pass systems as well as through the main tips at the East Decline. Modifications were done to the shaft system and a mineral sizer was installed at the main ore tip at the East Decline. By 30 June 2014, 1 558 390 tonnes of copper bearing ore had been milled which was 49% higher than the preceding year. Recoveries from the concentrator plant are stabilising and were 77.6% for the year on average.

Copper concentrate deliveries to the Zambian Smelters have been in line with the off-take agreements and all concentrate produced during the 2014 financial year on the mine has been sold and processed in Zambia. The concentrate quality is suitable and complies with the specification for treatment at the Konkola Copper Mine (KCM) Smelter and the Chambishi Copper (CCS) Smelter.

Mechanised development is progressing well with ore drive development still ahead of schedule. Longitudinal Room and Pillar (LRP) Stoping methods are still being utilised to extract all the stoping tonnes from the mine.

The relocation of informal settlements on the potential subsidence area of the mine will be completed in August 2014 and the first 80 families were moved to their new houses in March 2014.

Capitalised expenditure to 30 June 2014 amounted to US$478 million comprising project capital expenditure amounting to US$448 million and pre-production costs capitalised amounting to US$29.4 million.

Challenges are being experienced with the mill head-grade as a result of dilution, these are however being addressed through improvements in plant efficiencies and adjustments in the mining lay-out to optimise extraction and improve hanging wall stability.

The mine's throughput design for both the South and East Limb ore bodies remains at 2.5 Mtpa of ore at an average mill head grade of 2.3% copper, which will result in the production of 45 000 tonnes of contained copper in concentrate per annum for 28 years. The copper concentrate produced will be toll smelted and refined in Zambia.

This project is the first phase of the exploitation of the total resource presently known on mining licence 7061 – HQ – LML (Previously LML 20), covering an area of 240.29 km^2.

Projects

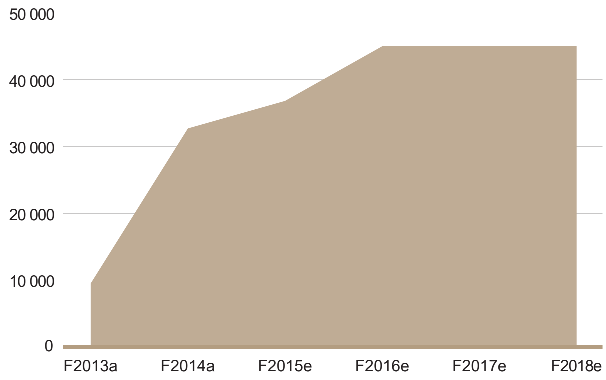
This second phase of the Lubambe Mine situated 6 km to the south of the present mine development, may provide for the expansion of the Lubambe Copper Mines processing plant to potentially increase the total production to more than 100 000 tonnes of copper from more than 5 million tonnes of ore mined and processed on an annual basis.

Following the results of the pre-feasibility, a drilling programme was conducted and in November 2012 a full study team has been re-established to validate the pre-feasibility assumptions and do trade-off studies in preparation for a full feasibility study. Resource estimation has been validated by experts during the first half of F2014 and the resource of the target area has now grown further from 105 million tonnes at an average grade 3.66% total copper to 134 million tonnes of ore at an average grade of 4.07%.

Due to the mine being in the Konkola Basin, a full hydrogeological survey commenced and will be done to assess the dewatering requirements and pumping quantities of a new mine in this area. Further to the drilling programme the analysis of the Airborne Electo-magnetic (AEM) and Radiometric surveys have been completed across the whole Mining Lease area with the intention to identify further exploration targets.

For the remainder of F2015 the team will conduct further metallurgical test work and focus on the results from the hydrogeological test hole. During this period work will also be done on the mineralogy of the ore body.

ARM Copper sales volumes from F2015 to F2018
(100% basis) (tonnes)



A double boom drill rig drilling a face at Lubambe Copper Mine

Human capital – Safety

The safety and health of employees and contractors is the most material risk at the Lubambe Copper Mine due to the inherent high risks associated with construction and underground mining development. The most significant safety challenges in the Copper Division relate to unstable ground conditions and trackless moving machinery. There is a strong focus on risk assessment from safety teams, supervisors and employees. This is supported by the Mine's Ukusungana behaviour based safety programme which received more than 37 000 observations during F2014. A multi-disciplinary standards committee develops and refines safe operating procedures.

During May 2014, Lubambe Copper Mine reached 2 million fatality-free shifts since the project started in 2010. There were no fatalities during F2014. The LTIFR per 200 000 man-hours increased marginally to 0.19 (2013: 0.16).

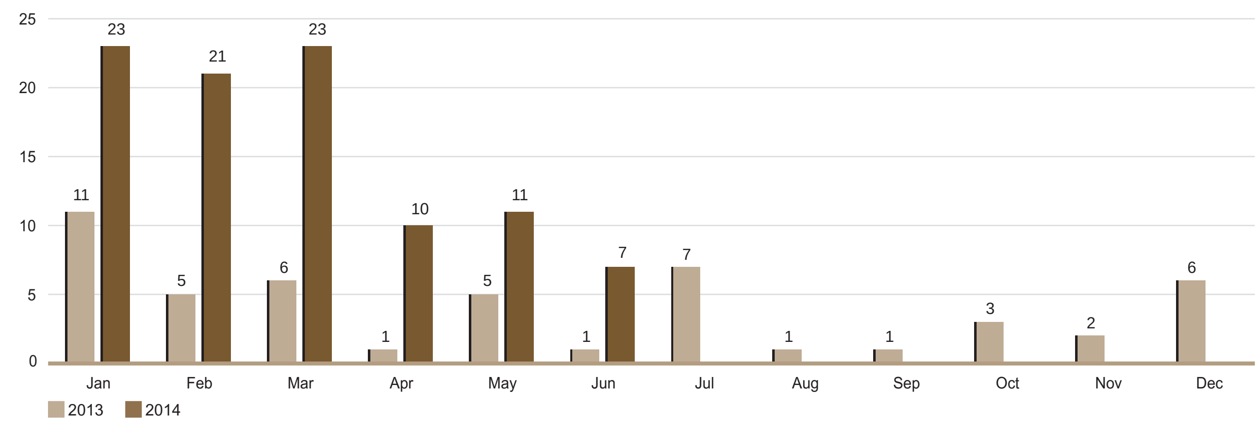
Human capital – Occupational health and wellness

Malaria is a significant health risk in the Zambian Copper Belt, with prevalence rates reaching nearly 26%.

The number of malaria cases increased significantly in the Chililabombwe district and specifically at the mine, rose from 45 in F2013 to 109 in F2014. This increase is due to the amount of stagnant water after the heavy rainfall in the rainy season. The mine's malaria control program includes residual indoor spraying of houses in nearby villages and buildings on site, fogging operations, treatment of stagnant water ponds surrounding the mine, interventions on malaria prevention and the installation of repellent dispensers at all the entrances to the mine. Further to this, the mine is also providing treated mosquito nets to its employees and education campaigns have been intensified.

HIV & Aids prevalence in the Zambian Copper Belt area is estimated at 20% and therefore presents a significant risk to the wellness of our employees. Lubambe Copper Mine assists with the fight against the spread of HIV by facilitating Voluntary Counselling and Testing in Zambia's National VCT Week; 553 HIV tests were carried out (F2013: 671) and 15 employees tested positive. This equates to a prevalence rate of 2.7% which is well below the national rate (14.5%).

Malaria prevalence of employees
(%)



Natural capital – Environment

The mine's environmental management programme includes monitoring of dust, noise, diesel emissions, water quality, vibration and illumination.

Airborne dust is an issue in the dry winter months and dust suppression is essential. In summer, very high rainfall requires a focus on water management and effective drainage around construction areas. The mine has a vegetation programme to increase ground cover throughout the site in order to alleviate dust generation in winter and erosion due to high rainfall in summer.

Two external environmental audits were completed during the year with no major findings. A tracker to monitor implementation of actions to address non-compliance to environmental commitments is in place.

Social and relationship capital – Corporate Social Responsibility

Lubambe Copper Mine is committed to cultivating and maintaining a harmonious relationship with its host communities. Initiatives include social development projects to ensure the upliftment of local communities.

The mine's Relocation Action Plan (RAP) entails the construction of 205 houses to resettle households affected by mining activities. The first phase was completed in June with the handover of the first 80 houses with full compensation. The project is expected to be completed by the end of August 2014.

This project created temporary jobs for 277 local workers doing specific project tasks including earthworks, house construction and brick making.

The Baseline Survey for the Millennium Villages Project has been completed and the report reviewed and finalised. The strategic planning workshop took place in July 2014.

Preliminary activities include the training of peer educators in cost effective economic empowerment, HIV awareness programmes, farmer training, nutrition support, immunisation and adult literacy programmes.

Lubambe Copper Mine continues to engage the community through mutually constituted structures including the Konkola Community Forum, the Relocation and Compensation Working Group, quarterly Local Enterprise Development meetings and regular engagements with seasonal farmers and informal settlers.

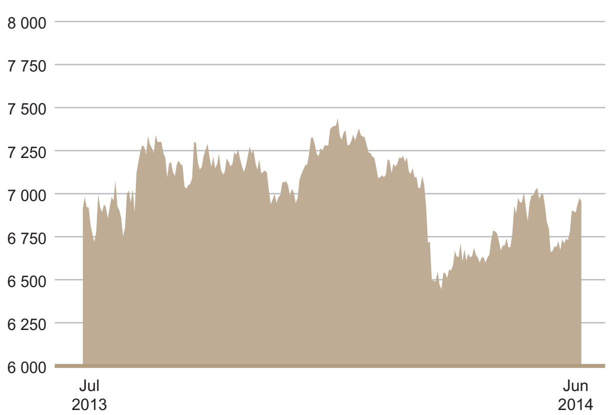
In total, the Copper Division spent R95 million on Corporate Social Investment (CSI) in F2014 (F2013: R26 million).

Further details on these sustainability issues, as well as others such as biodiversity, environmental performance and human resource issues, can be found in our Sustainability Report, available on our website **www.arm.co.za**

Market review

Copper prices have fallen nearly 10% in 2014 and have tested four-year lows. During a single week in March 2014 prices fell by 9%. Since then the price has stabilised at levels around $3.10 per pound. The medium-to long-term outlook for copper prices however is positive, demand for wire rod has risen by up to 5% year on year in Europe and this is viewed as an important barometer of the level of optimism or pessimism towards the copper price. This level of increase in wire rod demand has not been seen in a long time and supports the view that copper prices should not fall any further.

Copper spot prices
(US$/t)



Source: INet Bridge

The influence of China on the copper market remains part of the debate. According to analysts, it is estimated that for the next decade, the increase in Chinese demand could average 3.5% a year. This is compared with 11% annually over the past 10 years. With China consuming in excess of 40% of the world consumption, even this slower growth rate will generate decent volume increases for consumption. With this larger base in China and the recovery in developed markets, world copper consumption is expected to increase by 7 million tonnes over the next 10 years, compared with the 5 million tonnes increase since 2004. Copper supply is however set to increase at a faster pace in the medium term as the investments made during the period of high copper prices are now starting to be commissioned. This increase in supply will put downward pressure on the prices.

Perspective is also needed about the forecasted surplus. The size of the surplus is estimated to be less than 500 000 tonnes at its peak in 2016. This is small and represents only about 2% of current global consumption. It is further believed that the surplus will be short lived and towards the latter half of the decade the market will swing back into a deficit.

The latest data from the International Copper Study Group (ICSG) for the first half of the 2014 calendar year, estimates that world mine supply has increased by 4.7% when compared with the same period in 2013. Refined consumption increased by 3.2% resulting in a deficit of 405 000 tonnes forecast for the full year of 2014. London Metal Exchange (LME) stocks declined drastically from an all-time high of over 680 000 tonnes in May 2013 to 154 000 tonnes at the end of June 2014.

Refined copper production is estimated to have increased by 6.4% in the first half of 2014, compared with the same period last year, with output up in China, the Democratic Republic of Congo (DRC) and in Zambia.

Refined copper production is expected to grow 6.5% this year and 4.3% in 2015. With world-refined production capacity running at just below 80% in the first half of 2014, there is still considerable room for the extra mine supply that is being ramped up to be processed.

For the full period of 2014, we expect refined production to reach 22.3 million tonnes, which is in line with earlier forecasts.

The copper financing deals in China that helped cause the sell off earlier in 2014 are not believed to be a major threat to the market, it is estimated that about 600 000 tonnes of copper in Chinese warehouses serves as collateral and that these arbitrage deals remain profitable.

There are more concerns about the slowdown in copper use in construction in China during the short term, than these copper financing deals suddenly unwinding. Caution is however expressed over the next 12 to 18 months regarding the copper price, but there is general consensus with the long-term support of a better copper price.

China is expected to become an increasingly important producer of scrap – the raw material for about a fifth of total refined copper supply. China will soon reach the status of a mature copper economy where recycling will become an important aspect towards refined copper production.

Substitution could have an impact on overall copper demand in the world.

Lubambe Mine

Management: The mine is managed by the shareholders, via a Board of Directors.

		Measured and Indicated Resources			Proved and Probable Reserves		
		Mt	TCu%	Mt contained Cu	Mt	TCu%	Mt contained Cu
Resources and Reserves (100% basis)	Lubambe Mine	52.1	2.54	1.32	43.1	2.24	0.96
	Lubambe Extension Target Area	90.0	3.73	3.36	–	–	–
Refining	The concentrate produced is being smelted and refined at Konkola Copper Smelter and Chambishi Copper Smelter.						
Total labour	2 373 including 1 218 contractors						

Lubambe Copper Mine operational statistics

100% basis		F2014	F2013	% change
Waste development	metres	**9 415**	11 434	(18)
Ore development	metres	**9 365**	9 396	
Ore development	tonnes	**484 280**	596 783	(19)
Ore stoping	tonnes	**954 999**	403 178	>100
Ore tonnes mined	tonnes	**1 439 279**	999 961	44
Tonnes milled	tonnes	**1 558 390**	1 046 559	49
Mill head grade	% copper	**1.95**	1.92	
Concentrator recovery	%	**77.6**	71.4	
Copper concentrate produced	tonnes	**57 009**	40 331	41
Copper concentrate sold	tonnes	**82 458**	27 502	>100
Contained metal				
Copper produced	tonnes	**23 791**	14 871	60
Copper sold	tonnes	**33 323**	9 943	>100
Headline loss attributable to ARM (40%)	R million	**(309)**	(135)	–

Refer to pages 199 to 200 for the ARM Copper segmental information.

Operational review

ARM Strategic Services and Exploration

Jan Steenkamp
Chief Executive: ARM Strategic Services & Exploration

Divisional structure

ARM African Rainbow Minerals → 100% → ARM Strategic Services & Exploration → 100% →

- PGMs
- Base metals
- Manganese Ore
- Coal
- Iron ore

ARM Exploration is involved in identifying and assessing exploration and mineral business opportunities in Sub-Saharan Africa.

** Countries where opportunities have been investigated.*

Scorecard

F2014 objectives	F2014 performance	F2015 objectives
Mozambique Rovuma Resources Limitada		
Continuation of diamond drilling to test additional targets.	A number of targets were tested through reconnaissance diamond drilling.	Continuation of diamond drilling to test additional targets.
Ongoing interpretation of geological, geophysical and geochemical data, and further drilling.	Geological mapping completed and results integrated with airborne and ground geophysical and geochemical data.	Assessment of targets through mapping and integration of data is ongoing.
Further resource definition drilling to be undertaken if warranted.	Identification of two untested targets for base metals defined and investigated.	Drilling to continue.
Pre-feasibility studies and economic analysis to be undertaken on potential resources/targets.	Nickel Project evaluated. Base metal targets evaluation in progress.	Evaluation of additional targets to be completed.
New Business and Exploration		
Continue to identify opportunities for participation in Africa with focus on PGMs, base metals, manganese ore, iron ore and coal.	Numerous opportunities evaluated and due diligence investigations undertaken. Negotiations commenced participation in two ferrous projects.	Continuation of business intelligence gathering and evaluation of projects that may provide ARM with the best opportunities.

Review of the year

ARM's growth strategy comprises two parts, namely: strong, continued, growth of the existing assets, pursued by the existing joint venture operations; and a new minerals business growth strategy to develop an expanded, diversified portfolio of development opportunities. In order to support execution of ARM's growth strategy, the Strategic and Services and Exploration Division was created.

The Strategic Services and Exploration division focusses on three areas:

- Projects
- Technical support
- Exploration

Costs for the Strategic and Services and Exploration Division were R81 million (F2013: R88 million).

Projects

The Project team partners with divisions to assist with major capital projects. The team assists with planning, scoping, management and delivery of the projects according to the required specifications. The team manages the people and project resource management in order to ensure that the project is provided with the requisite skills and services. The Project team is currently involved with the R6.7 billion Black Rock Expansion Project, the US$328 million Sakura Ferroalloys Project and the Beeshoek Village Pit Project.

Technical Support

Technical support comprises an experienced, multi-disciplinary team that underpins ARM strategy by providing technical services to all existing and new opportunities.

Exploration

ARM actively pursues new mineral opportunities in Africa based on commodities within ARM's current portfolio. These include iron ore, manganese ore, base metals, PGMs, and coal, as well as their various by-products.

ARM's minimum requirement is that potential partners have successfully completed methodological target generation and concept-driven exploration, and have recorded discovery success. ARM will consider investing in such projects or companies and in partnership would undertake further exploration, studies and evaluation and investments further down the mining value chain.

The agreement with Rovuma Resources Limited, a Mozambican exploration company, is ongoing. Rovuma explores in northern Mozambique and has identified numerous occurrences of copper/zinc and nickel/copper/PGMs.

ARM agreed to continue with the option for the fourth year and to fund exploration at a cost of about US$7 million. ARM will have exclusive rights to exercise options to purchase prospecting and/or mining rights to the resources.

On 29 April 2014 ARM announced that Assmang had entered into a conditional share subscription agreement with IronRidge Resources Limited (IronRidge). One of the conditions of the subscription agreement was the admission of IronRidge to the Alternative Investment Market (AIM) of the London Stock Exchange plc through a GBP25 million capital raising. IronRidge was not successful in securing the GBP25 million.

Operational review

Gold: Harmony

Overview

		F2014	F2013
Gold produced	kg	**36 453**	35 374
	000oz	**1 172**	1 137
Cash operating costs	R/kg	**328 931**	324 979
	US$/oz	**988**	1 146
Financial performance			
Revenue	R million	**15 682**	15 902
Cost of sales	R million	**(16 088)**	(16 448)
Gross loss	R million	**(406)**	(546)
Net loss for the year (including discontinued operations)	R million	**(1 270)**	(2 349)
Total headline earnings per share (includes discontinued operations)	cents per share	**26**	52
Total capital expenditure	R million	**2 528**	3 649
Market performance			
Average gold price received	R/kg	**432 165**	454 725
	US$/oz	**1 299**	1 603
Market capitalisation as at 30 June	R billion	**13.6**	15.6

Harmony Gold Mining Company Limited (Harmony)

Harmony operates and develops world class gold assets in South Africa and Papua New Guinea (PNG). It has nine underground mines, one open pit operation and several surface sources in South Africa. Harmony also has a 50% joint venture in PNG with Newcrest Mining Limited, which includes the Hidden Valley open pit mine, the Golpu exploration project as well as other exploration properties. Harmony also has additional, 100%-owned, PNG exploration areas. Harmony currently employs approximately 34 746 people (including contractors).

For the financial year ended June 2014, Harmony reported a 23% improvement to its operating loss from continuing operations, from R2 022 million (restated) in F2013 to an operating loss of R1 560 million in F2014. The improvement was achieved despite a 5% decrease in Harmony's realised gold price (in R/kg terms) and was mainly due to a 4% increase in gold sold together with good cost control. In the year under review Harmony achieved below inflation increases to its all-in sustaining cost. Corporate and administration costs were reduced by 7% whilst exploration expenditure decreased by 32%.

Harmony's headline earnings from continuing operations increased by R102 million to R114 million in F2014. Basic earnings however were negatively affected by a R1.4 billion impairment most of which related to the Phakisa mine. The impairment of Phakisa mine was due to a change in the life of mine plan during the annual planning process, resulting from the decision not to proceed with the sinking of the proposed decline shaft, following the completion of a feasibility study during the year.

Harmony continues to improve its Papua New Guinea (PNG) assets and is progressing a concept study on a scalable mine at the Golpu project in PNG. The modular approach to developing the Golpu will require less capital and allows for a long-life mine that will be flexible and adaptable.

The ARM statement of financial position at 30 June 2014 reflects a mark-to-market investment in Harmony of R1.98 billion (F2013: R2.27 billion) at a share price of R31.15 per share (F2013: R35.75 per share). Changes in the value of the investment in Harmony, to the extent that they represent a significant or prolonged decline below the cost of the investment, are adjusted through the income statement, net of tax. Gains above the cost are accounted for, net of deferred capital gains tax, through the statement of comprehensive income. Dividends are recognised in the ARM income statement on the last day of registration following dividend declaration.

Harmony's results for the 12 months ended 30 June 2014 can be viewed on Harmony's website at **www.harmony.co.za**

Mineral Resources and Mineral Reserves

Competent Person's Report on Mineral Resources and Mineral Reserves

The report is issued as the annual update of the Mineral Resources and Reserves to inform shareholders and potential investors of the mineral assets held by African Rainbow Minerals Limited (ARM).

An extended version of this report is available on **www.arm.co.za** under the Mineral Resources and Reserves section.

Salient features F2014

ARM Ferrous

Beeshoek Mine	The Measured and Indicated Mineral Resources for Village ore body increased by 9% to 44.09 million tonnes at a grade of 64.36% Fe as a result of recent drilling and update of the resource model.
Khumani Mine	The Mineral Reserve tonnage for King Pit increased from 315.68 at 64.64% Fe to 380.62 million tonnes at 64.47% Fe mainly due to re-optimisation of the pit.
Nchwaning Mine	A total Mineral Reserve of 118.98 million tonnes at 40.9% Mn has been declared for Seam 2 after completion of appropriate mine planning studies.

ARM Platinum

Nkomati Mine	Although, in total, Measured and Indicated Mineral Resources remained almost the same as in 2013, at 241.86 million tonnes, there was significant upgrade of Indicated to Measured Resources resulting in Measured Resources tonnage increasing from 37.19 million tonnes at 0.40% Ni to 79.32 million tonnes at 0.34% Ni. Additional boreholes, reverse circulation drilling data and remodelling accounted for the upgrade.
Two Rivers Mine	UG2 Mineral Resource model was updated after drilling in-fill boreholes and addition of underground sampling data. The Mineral Reserves decreased from 35.10 at 3.57 g/t (6E) to 30.44 million tonnes at 3.69 g/t (6E) due to mining depletion and updating of the reserve model.

ARM Coal

Goedgevonden Coal Mine	Coal 'Run of Mine' (ROM) reserves increased to 371 million tonnes compared to 348 million tonnes reported in 2013.

ARM Copper

Lubambe Mine	Indicated Mineral Resources for Lubambe Extension Target Area increased to 90 million tonnes at 3.73% total copper (TCu) compared to 73 million tonnes at 3.60% TCu reported in 2013 while Inferred Mineral Resources increased to 44 million tonnes at 4.78% TCu from 32 million tonnes at 3.79% TCu reported last year.

F2014 Mineral Resources/Reserves summary

Platinum Group Elements	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)		
	Mt	Grade (g/t)	Mt	Grade (g/t)	Moz
Two Rivers Mine					
UG2	50.63	4.80(6E)	30.44	3.69(6E)	3.61(6E)
Merensky	43.10	3.04(6E)			
Modikwa* Mine					
UG2	139.00	5.89(4E)	58.60	4.63(4E)	8.72(4E)
Merensky	72.00	2.78(4E)			
Nkomati Mine (MMZ+PCMZ)	241.86	0.95(4E)	114.48	0.92(4E)	3.38(4E)
Kalplats Project	69.91	1.48(3E)			

***6E** = platinum+palladium+rhodium+iridium+ruthenium+gold*
***4E** = platinum+palladium+rhodium+gold*
***3E** = platinum+palladium+gold*
** Mineral Resources are inclusive of Mineral Reserves except for Modikwa Mine.*

Nickel	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Ni%	Mt	Ni%
Nkomati Mine (MMZ+PCMZ)	241.86	0.34	114.48	0.31

Manganese	Mineral Resources (Measured and Indicated)			Mineral Reserves (Proved and Probable)		
	Mt	Mn%	Fe%	Mt	Mn%	Fe%
Nchwaning Mine						
Seam 1	136.58	43.1	9.4	102.76	43.2	9.3
Seam 2	182.96	40.7	17.0	118.98	40.9	16.7
Black Rock (Koppie area)						
Seam 1	43.60	40.6	18.1			
Seam 2	26.81	38.6	19.8			
Gloria Mine						
Seam 1	125.68	37.4	4.7	100.52	37.5	4.7
Seam 2	31.55	28.3	9.8			

Iron Ore	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Fe%	Mt	Fe%
Beeshoek Mine				
All pits	110.33	64.02	46.13	64.31
Dumps			7.50	55.17
Khumani Mine				
Bruce	194.87	64.32	169.48	64.28
King	451.53	64.23	380.62	64.47
Dumps			5.59	56.70

Chromite	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Dwarsrivier Mine (LG6 Chromitite Seam)	51.00	38.14	35.02	34.12
Nkomati Mine (Oxidized Massive Chromitite)	1.25	30.64	1.10	25.35
Nkomati Mine (Chromite Stockpiles)			2.51	20.44

Coal	Coal Resources (Measured and Indicated)	Coal Reserves (Proved and Probable)	
		Proved and Probable (ROM)	Proved and Probable (Saleable)
	Mt	Mt	Mt
Goedgevonden Coal Mine	565.0	371.0	223.0

Copper	Mineral Resources (Measured and Indicated)		Mineral Reserves (Proved and Probable)	
	Mt	TCu%	Mt	TCu%
Lubambe Mine	52.1	2.54	43.1	2.24
Lubambe Extension Target Area	90.0	3.73		

Coal hauling operations at Goedgevonden Coal Mine

General statement

ARM's method of reporting Mineral Resources and Mineral Reserves conforms to the South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code), of 2007 as amended in 2009.

The Code sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves in South Africa.

The convention adopted in this report is that Mineral Resources are reported inclusive of that portion of the total Mineral Resource converted to a Mineral Reserve, except for Modikwa Platinum Mine where the Mineral Resources are reported exclusive of the Mineral Reserves. Resources and reserves are quoted as at 30 June 2014. External consulting firms audit the resources and reserves of the ARM operations on a three-to-four-year cycle basis or when substantial geological borehole data has been added to the database.

The classification into Measured, Indicated and Inferred Mineral Resources is done by means of geostatistical parameters such as kriging efficiency, kriging variance, slope of regression and a combination of the number of samples used in estimation and the dynamic search volume. The spacing of boreholes, geological structures and continuity of the mineralisation are also considered in the classification.

The Mineral Resources and Mineral Reserves are reported on a total basis not the attributable beneficial interest that ARM has on the individual projects or mines. When the attributable beneficial interest on a mine or project is less than 100%, the actual percentage of the attributable interest is specified. Maps, plans and reports supporting resources and reserves are available for inspection at ARM's registered office and at the relevant mines.

Rounding of figures may result in computational discrepancies on the Mineral Resources and Reserves tabulations.

Definitions

The definitions of Mineral Resources and Reserves, quoted from the SAMREC Code (2007, as amended in July 2009), are as follows:

A 'Mineral Resource'

is a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model. Mineral Resources are subdivided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated or Measured categories.

An 'Inferred Mineral Resource'

is that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.

An 'Indicated Mineral Resource'

is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

A 'Measured Mineral Resource'

is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

A 'Mineral Reserve'

is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project and a Life-of-Mine Plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

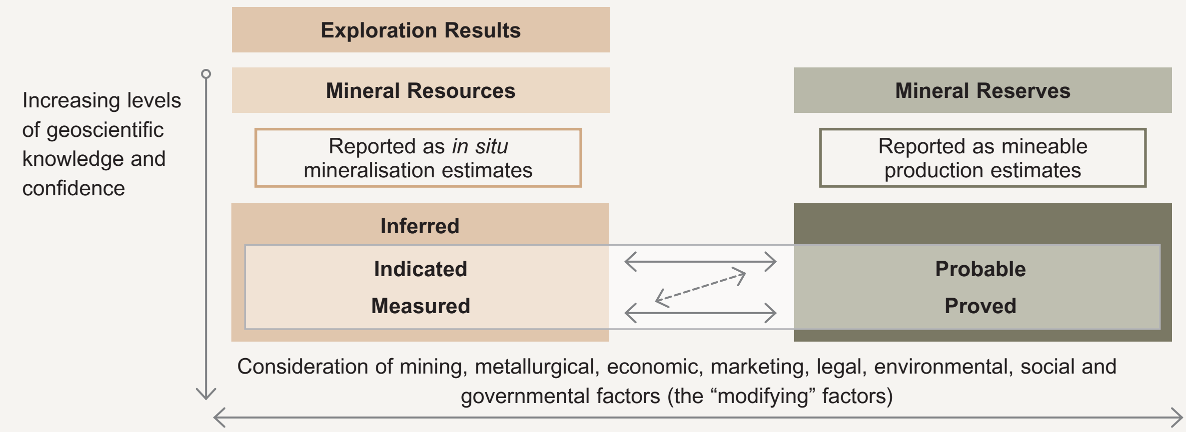
A 'Probable Mineral Reserve'

is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life-of-Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A 'Proved Mineral Reserve'

is the economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life-of-Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Relationship between Exploration Results, Mineral Resources and Mineral Reserves



Competence

The Competent Person with overall responsibility for the compilation of the 2014 Mineral Resources and Reserves Report is Shepherd Kadzviti, Pr.Sci.Nat, an ARM employee. He confirms that the information in this report conforms to the SAMREC code and that it may be published in the form and context in which it was intended.

Shepherd Kadzviti graduated with a BSc and MSc in Geology from the University of Zimbabwe. He later completed a Graduate Diploma in Mining Engineering (GDE) at the University of the Witwatersrand. He worked at RioZim's Renco Gold Mine for 14 years in various capacities of Geologist, Technical Services Superintendent and Mine Manager. In 2005, he joined Anglo American Platinum as an Evaluation Geologist with responsibilities for geological database management and mineral resource estimation. After two years at Union Mine, he was transferred to Anglo American Platinum corporate office where he was appointed Resource Geologist. He then joined African Rainbow Minerals (ARM) as Mineral Resource Specialist in 2008 where he was involved in the evaluation of the various mineral deposits for the group. In 2012, he was appointed Group Mineral Resources Manager for ARM. He is registered with the South African Council for Natural Scientific Professions (SACNASP) as a Professional Natural Scientist (Pri.Sci.Nat) in the field of practice of geological science, registration number 400164/05, and as such is considered to be a Competent Person. SACNASP are based in the Council for Geosciences Buildings, 3rd floor, 280 Pretoria Road, Silverton, 0127, South Africa.

All Competent Persons at the operations have sufficient relevant experience in the type of deposit and in the activity for which they have taken responsibility. Details of ARM's Competent Persons are available from the Company Secretary on written request.

The following Competent Persons were involved in the calculation of Mineral Resources and Reserves. They are employed by ARM or its subsidiaries and joint venture (JV) partners:

M Burger/ **S v Niekerk**	Pr.Sci.Nat Pr.Sci.Nat	Iron Iron
B Ruzive	Pr.Sci.Nat	Manganese
A Pretorius*	Pr.Sci.Nat	Chrome
P J van der Merwe	Pr.Sci.Nat	Chrome/Iron/ Manganese
M Hlangwane	Pr.Sci.Nat	Iron
M Davidson	Pr.Sci.Nat	Nickel
J Woolfe	Pr.Sci.Nat	Nickel/Platinum
R van Rhyn	PLATO	Platinum
P J van der Merwe	Pr.Sci.Nat	Platinum
M Cowell	Pr.Sci.Nat	Platinum
AMEC*		Copper
C Rose	Pr.Sci.Nat	Copper

* External consultants.

Shepherd Kadzviti Pri.Sci.Nat
Group Mineral Resources Manager
24 Impala Road, Chislehurston, Sandton, South Africa

14 October 2014

ARM Ferrous

Assmang operations

ARM's attributable beneficial interest in Assmang operations is 50%. The other 50% is held by Assore Limited.

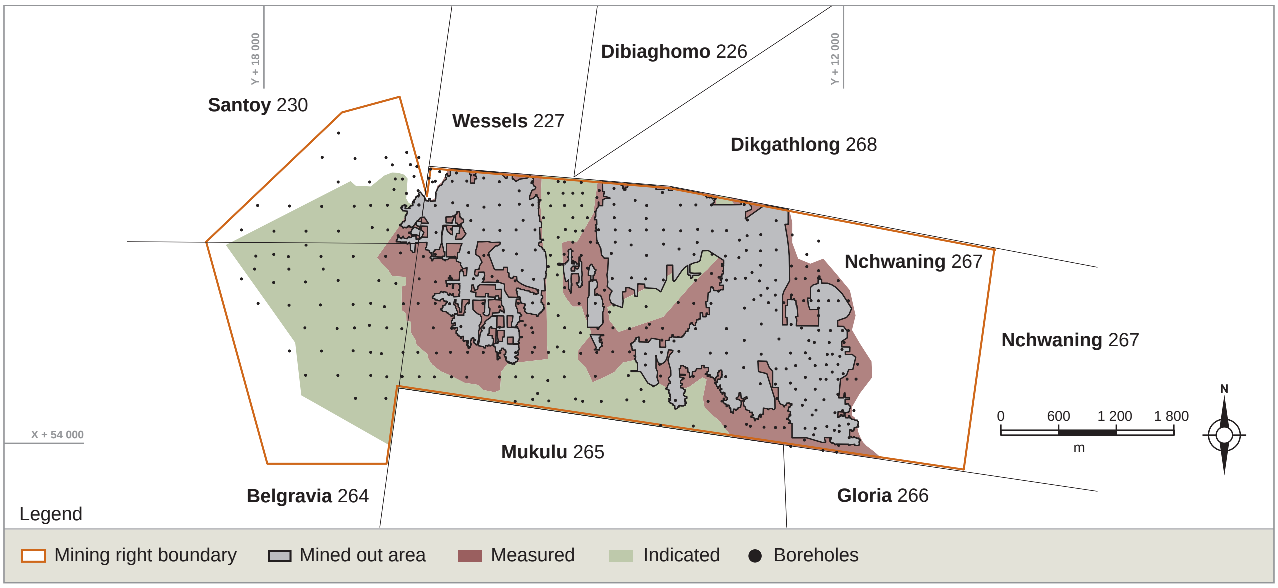
Manganese mines

Nchwaning Mine: Seam 1 Manganese Mineral Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Mn%	Fe%		Mt	Mn%	Fe%
Measured	47.16	44.6	9.8	Proved	35.42	44.7	9.6
Indicated	89.42	42.3	9.2	Probable	67.34	42.4	9.1
Total Resources (Seam 1) 2014	**136.58**	**43.1**	**9.4**	**Total Reserves (Seam 1) 2014**	**102.76**	**43.2**	**9.3**
Total Resources (Seam 1) 2013	136.76	43.7	9.1	Total Reserves (Seam 1) 2013	104.10	43.7	9.1

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: pillar losses, mining losses.
Mineral Resources and Reserves based on 4.5 metres optimum evaluation cut for Seam 1, Nchwaning 3 and 3.5 metres cut for the rest of Nchwaning.

Nchwaning Seam 1 Manganese Mineral Resource classification



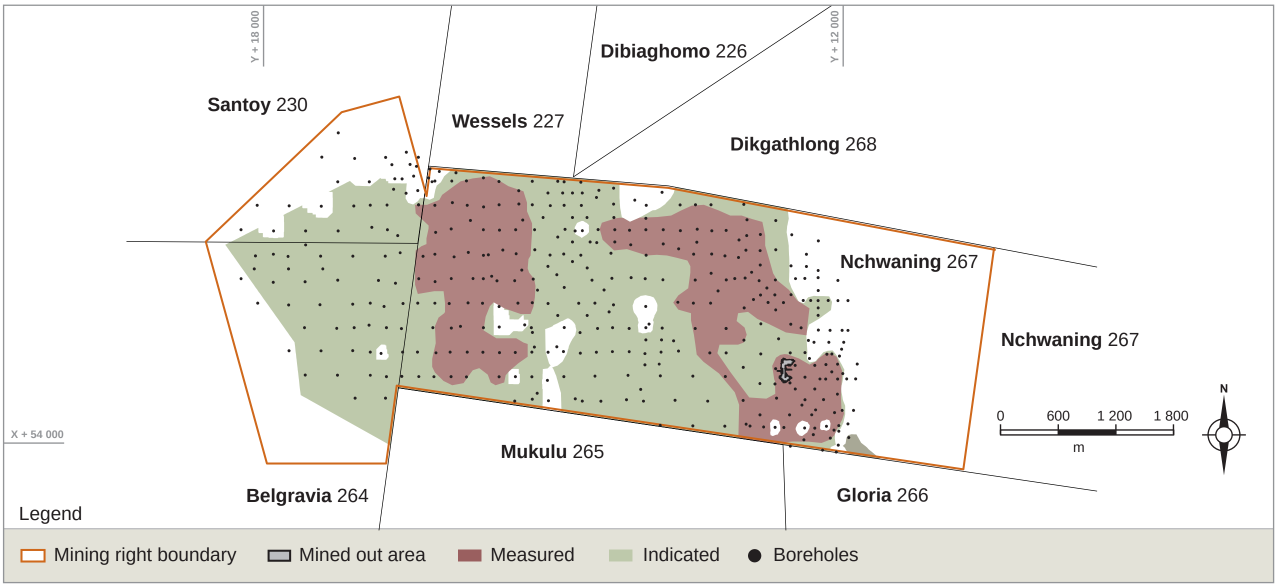
Exploration core logging and splitting at the Black Rock Mining Operations core shed

Nchwaning Mine: Seam 2 Manganese Mineral Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Mn%	Fe%		Mt	Mn%	Fe%
Measured	63.98	41.2	17.1	Proved	39.87	41.4	16.9
Indicated	118.98	40.5	16.9	Probable	79.11	40.6	16.6
Total Resources (Seam 2) 2014	**182.96**	**40.7**	**17.0**	**Total Reserves (Seam 2) 2014***	**118.98**	**40.9**	**16.7**
Total Resources (Seam 2) 2013	180.71	42.4	15.5	Total Reserves (Seam 2) 2013	3.85	44.5	15.6

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: pillar losses, mining losses.
** Seam 2 Reserves increased considerably after completion of Mine Planning studies in 2014.*
Mineral Resources and Reserves based on 3.5 metres optimum evaluation cut.

Nchwaning Seam 2 Manganese Mineral Resource classification



Black Rock (Koppie area): Seam 1 Manganese Mineral Resources

	Mineral Resources		
	Mt	Mn%	Fe%
Measured	9.03	40.3	18.1
Indicated	34.57	40.7	18.1
Total Resources (Seam 1) 2014	**43.60**	**40.6**	**18.1**
Total Resources (Seam 1) 2013	43.60	40.6	18.1

Totals are rounded off.
Resource defined on a 38% Mn cut-off.

Black Rock (Koppie area): Seam 2 Manganese Mineral Resources

	Mineral Resources		
	Mt	Mn%	Fe%
Measured	8.23	37.4	19.8
Indicated	18.58	39.2	19.8
Total Resources (Seam 2) 2014	**26.81**	**38.6**	**19.8**
Total Resources (Seam 2) 2013	26.81	38.6	19.8

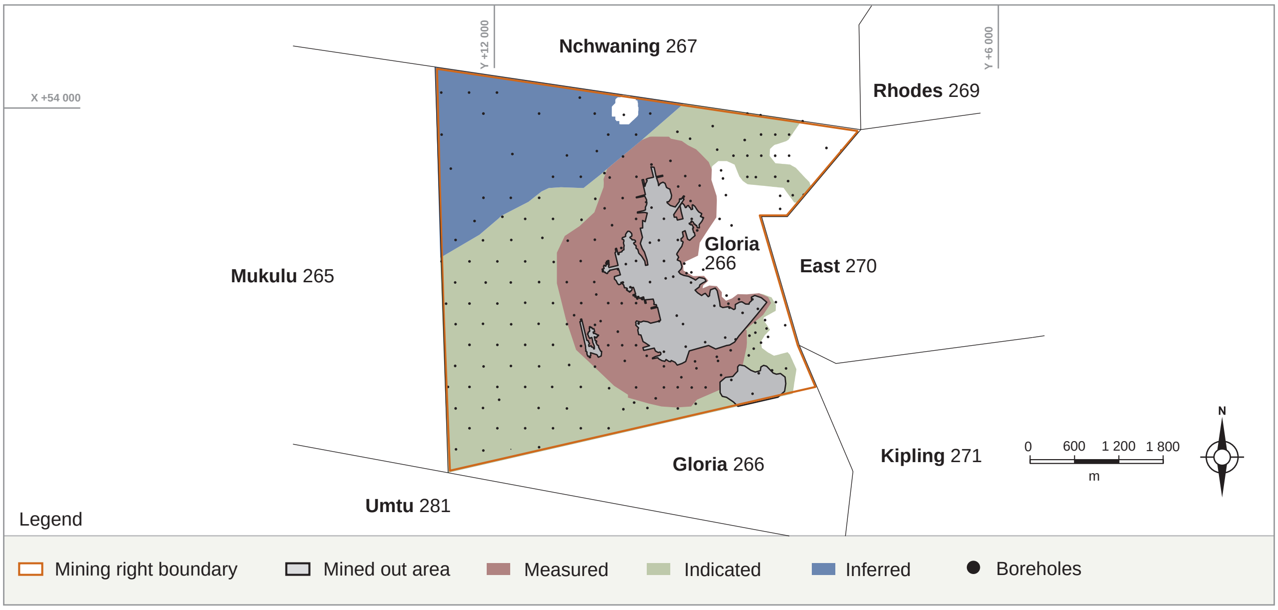
Totals are rounded off.

Gloria Mine: Seam 1 Manganese Mineral Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Mn%	Fe%		Mt	Mn%	Fe%
Measured	41.87	37.4	5.0	Proved	33.46	37.4	5.0
Indicated	83.81	37.4	4.6	Probable	67.06	37.5	4.6
Total Measured and Indicated (Seam 1) 2014	**125.68**	**37.4**	**4.7**	**Total Reserves (Seam 1) 2014**	**100.52**	**37.5**	**4.7**
Total Measured and Indicated (Seam 1) 2013	128.35	37.8	4.7	Total Reserves (Seam 1) 2013	102.64	37.7	4.7
Inferred 2014	**41.36**	**35.9**	**5.1**				
Inferred 2013	46.99	36.8	5.0				

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: pillar losses, mining losses.
Mineral Resources and Reserves based on 3.5 metres optimum evaluation cut.

Gloria Seam 1 Manganese Mineral Resource classification



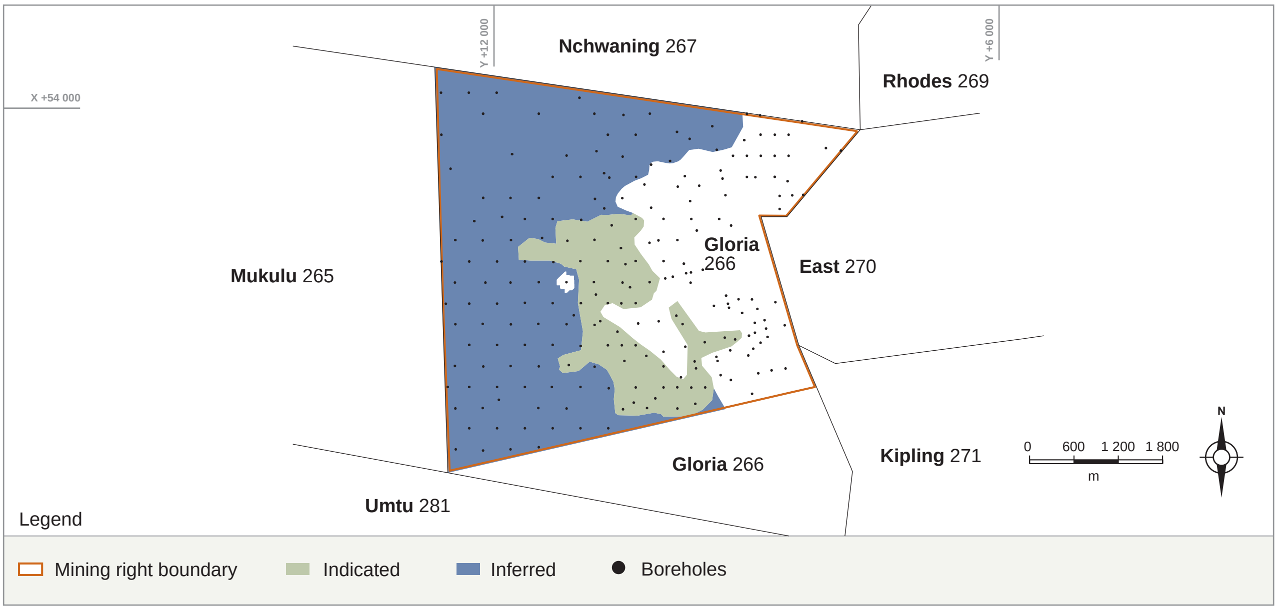
Process plant at Nchwaning Manganese Mine

Gloria Mine: Seam 2 Manganese Mineral Resources

	Mineral Resources		
	Mt	Mn%	Fe%
Measured			
Indicated	31.55	28.3	9.8
Total Measured and Indicated (Seam 2) 2014	**31.55**	**28.3**	**9.8**
Total Measured and Indicated (Seam 2) 2013	29.40	29.9	10.1
Inferred 2014	**123.86**	**29.2**	**10.6**
Inferred 2013	128.24	*	*

Totals are rounded off.
** Grades not stated in the past; assumed to have been similar to Indicated Resource grades.*
Mineral Resources based on 3.5 metres optimum evaluation cut.

Gloria Seam 2 Manganese Mineral Resource classification




Diamond drill core logging at Khumani Iron Ore Mine

Iron ore mines

Beeshoek Iron Ore Mine: Mineral Resources and Reserves

	Measured Resources		Indicated Resources		Inferred Resources		Total Measured and Indicated Resources		Proved Reserves		Probable Reserves		Total Reserves	
Pit/Area	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%
BN Pit	18.71	63.42					18.71	63.42	10.30	63.59			10.30	63.59
HF/HB Pit	16.00	64.10					16.00	64.10	6.87	64.27			6.87	64.27
BF Pit	7.92	63.51	0.23	63.54	0.001	65.24	8.15	63.51	1.02	61.59			1.02	61.59
East Pit	8.33	64.85	0.04	64.23			8.37	64.85	5.49	64.81	0.01	63.64	5.50	64.81
Village Area	31.01	64.39	13.08	64.28	0.700	64.54	44.09	64.36	13.50	64.84	8.94	64.37	22.44	64.65
GF Pit	3.13	63.81	0.09	61.80			3.22	63.75						
HH Ext Pit	0.28	62.63					0.28	62.63						
HL Pit	2.04	64.82	0.02	65.21			2.06	64.82						
West Pit	9.45	63.19			0.050	61.88	9.45	63.19						
Detrital*					2.500	60.00								
Total 2014	**96.87**	**63.99**	**13.46**	**64.25**	**3.251**	**61.01**	**110.33**	**64.02**	**37.18**	**64.29**	**8.95**	**64.37**	**46.13**	**64.31**
Total 2013	108.99	63.54	1.05	62.18	2.731	60.13	110.04	63.53	47.66	63.91	0.09	64.46	47.75	63.91

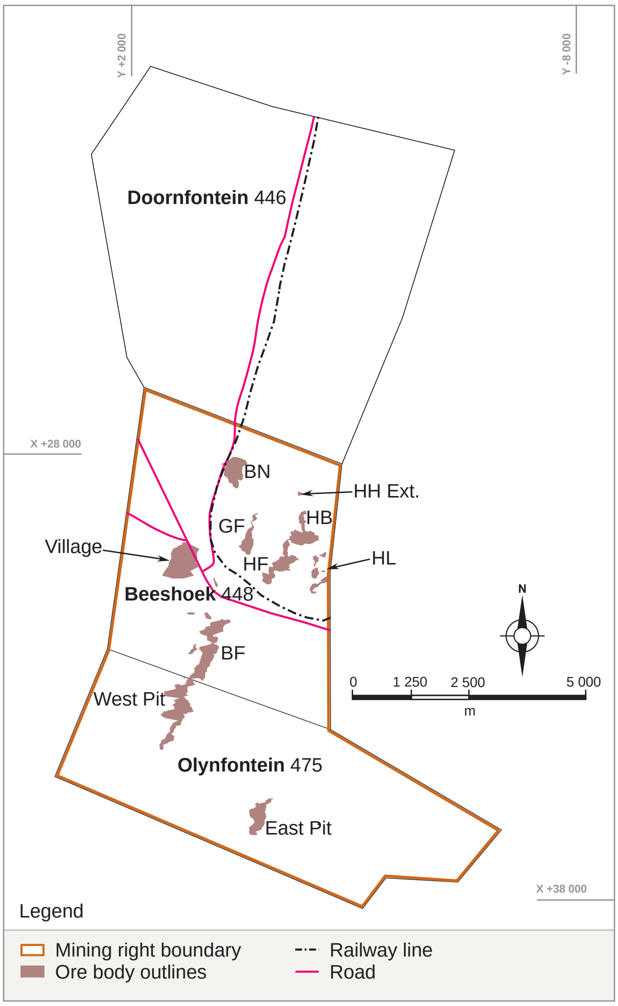
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: economic pit design, customer product specifications, mining dilution.
** Detrital is loose fragmented material occurring in various areas at Beeshoek.*
Cut-off grade 60% Fe.

Beeshoek Dumps

	Proved Reserves		Probable Reserves		Total Reserves	
Area	Mt	Fe%	Mt	Fe%	Mt	Fe%
North Mine (ROM On-Grade)			0.04	64.00	0.04	64.00
North Mine (B Dump Off-Grade)			0.09	55.00	0.09	55.00
North Mine (C Dump)			1.69	55.00	1.69	55.00
South Mine (ROM On-Grade)			0.10	64.00	0.10	64.00
South Mine (B Dump Off-Grade)			0.16	55.00	0.16	55.00
South Mine (C Dump)			5.42	55.00	5.42	55.00
Total 2014 Dumps*			**7.50**	**55.17**	**7.50**	**55.17**
Total 2013 Dumps*			7.04	55.08	7.04	55.08

Totals are rounded off.
** Dumps are beneficiated to produce a saleable product.*

Beeshoek ore body locality map



Beeshoek Mine Iron Ore stockpiles

Khumani Iron Ore Mine: Mineral Resources and Reserves

Pit	Measured Resources		Indicated Resources		Inferred Resources		Total Measured and Indicated Resources		Proved Reserves		Probable Reserves		Total Reserves	
	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%
Bruce A	18.95	64.51	82.26	64.38	0.31	63.79	101.21	64.40	14.70	64.52	77.43	64.41	92.13	64.43
Bruce B	56.20	64.59	24.84	63.50	11.96	64.04	81.04	64.26	45.11	64.37	26.67	63.61	71.78	64.09
Bruce C	12.62	64.10					12.62	64.10	5.57	64.46			5.57	64.46
Total for Bruce Pits	87.77	64.50	107.10	64.18	12.27	64.03	194.87	64.32	65.38	64.41	104.10	64.21	169.48	64.28
King/Mokaning	275.52	64.51	176.01	63.78	19.75	62.27	451.53	64.23	253.89	64.60	126.73	64.20	380.62	64.47
Total 2014	**363.29**	**64.51**	**283.11**	**63.93**	**32.02**	**62.95**	**646.40**	**64.25**	**319.27**	**64.56**	**230.83**	**64.20**	**550.10**	**64.41**
Total 2013	389.55	64.50	292.17	63.88	22.80	63.35	681.72	64.23	340.61	64.57	148.12	64.43	488.73	64.53

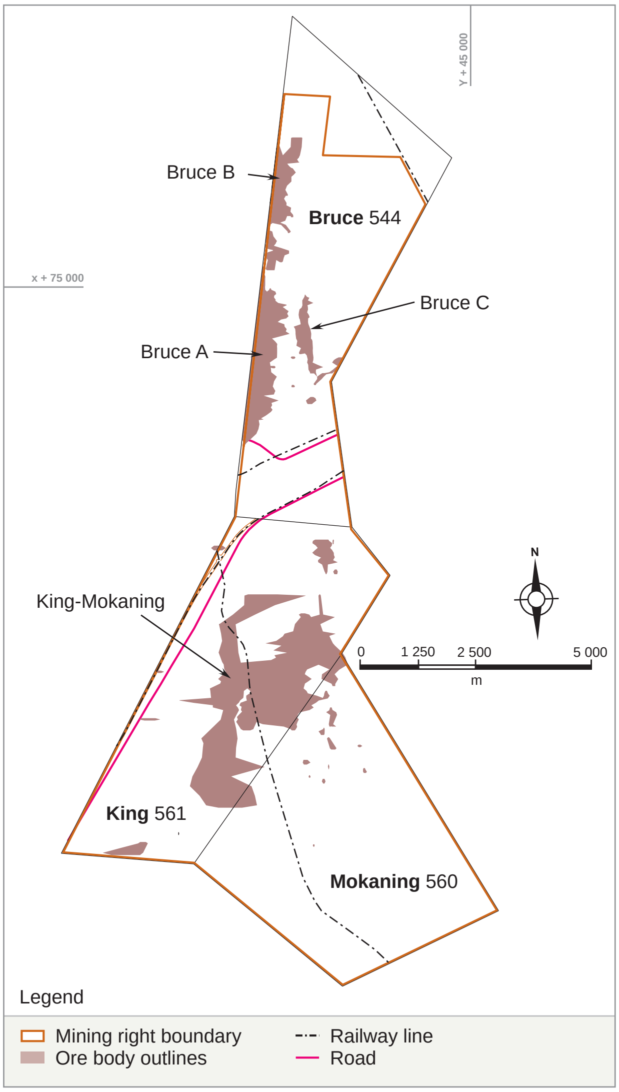
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: economic pit design, customer product specifications, mining dilution.
Cut-off grade 60% Fe.

Khumani Dumps

	Proved Reserves		Probable Reserves		Total Reserves	
Area	Mt	Fe%	Mt	Fe%	Mt	Fe%
Bruce (ROM On Grade)			0.10	64.00	0.10	64.00
Bruce (B Dump Off-grade)			3.70	55.00	3.70	55.00
King (ROM On Grade)			0.82	64.00	0.82	64.00
King (B Dump Off-grade)			0.73	55.00	0.73	55.00
King (Detrital)			0.24	60.00	0.24	60.00
Total 2014 Dumps*			**5.59**	**56.70**	**5.59**	**56.70**
Total 2013 Dumps*			4.94	55.75	4.94	55.75

Totals are rounded off.
** Dumps are beneficiated to produce a saleable product.*

Khumani ore body locality map




The stacker reclaimer ore stock yard at Khumani Iron Ore Mine

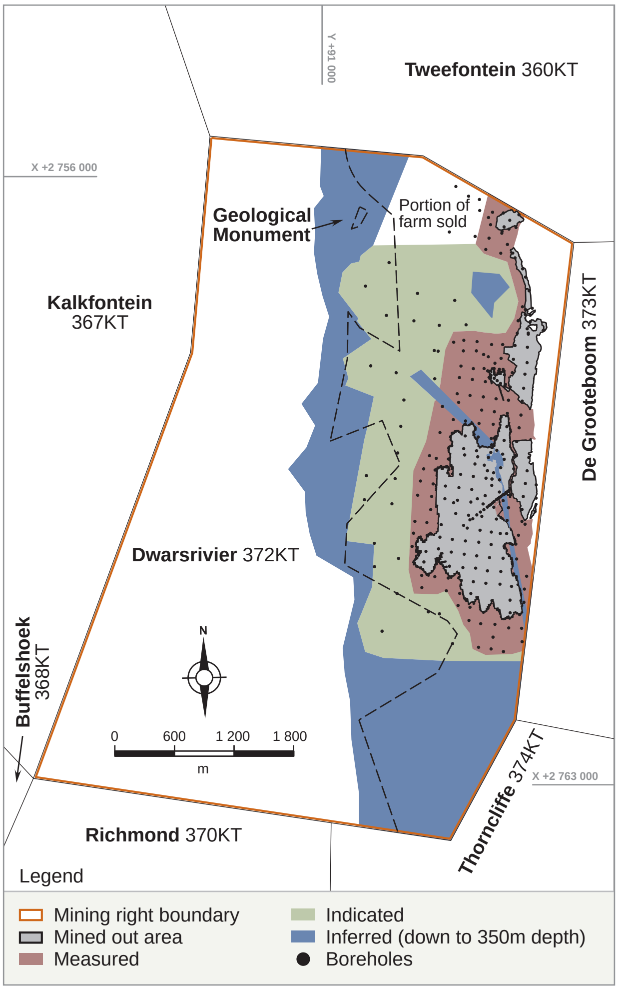
Chromite Mine

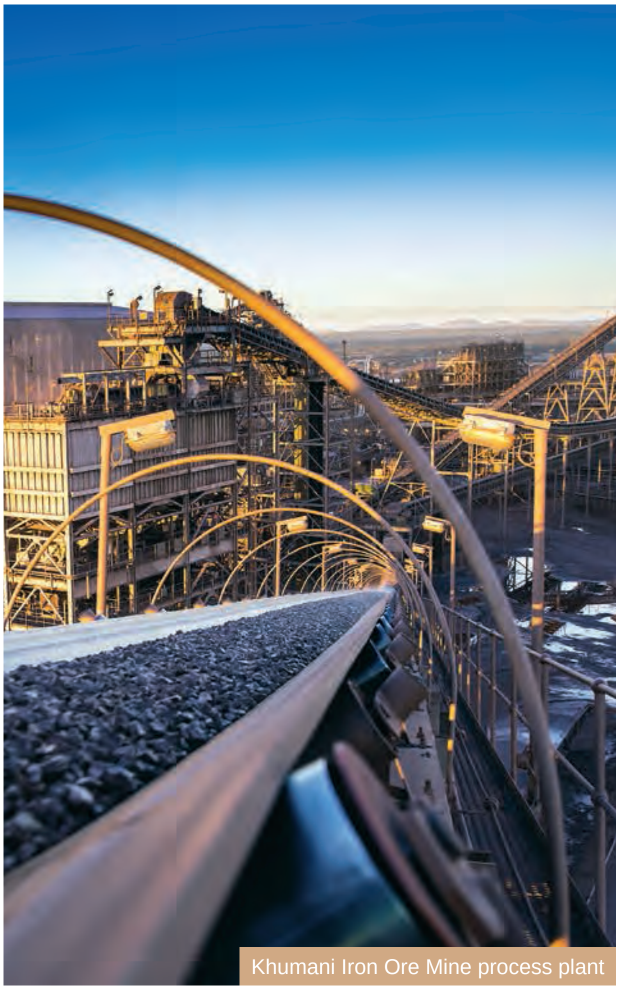
Dwarsrivier Chrome Mine: Mineral Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Cr_2O_3%	FeO%		Mt	Cr_2O_3%	FeO%
Measured	16.42	38.63	22.67	Proved	8.94	34.11	21.22
Indicated	34.58	37.90	22.50	Probable	26.08	34.12	21.33
Total Measured and Indicated 2014	**51.00**	**38.14**	**22.55**	**Total Reserves 2014**	**35.02**	**34.12**	**21.30**
Total Measured and Indicated 2013	53.14	38.10	22.54	Total Reserves 2013	37.31	34.04	21.27
Inferred 2014	**48.01**	**38.35**	**22.96**				
Inferred 2013	48.07	38.35	22.96				

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: pillar losses, mining losses, mining dilution.

Dwarsrivier Chrome Mine: Mineral Resource classification





Khumani Iron Ore Mine process plant

ARM Platinum

Nkomati Nickel-Copper-Cobalt-PGM-Chromite Mine

ARM's attributable beneficial interest in Nkomati operation is 50%. The other 50% is held by Norilsk Nickel Africa (Pty) Limited.

Nkomati Mine: Mineral Resources

	Measured Resources						Indicated Resources						Inferred Resources						Total Resources (Measured and Indicated)					
	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %
Underground Mine																								
MMZ (Cut-off 0.30% Ni)	10.76	0.58	0.20	0.03	1.03		41.64	0.48	0.20	0.02	1.10		1.49	0.35	0.16	0.01	0.36		52.40	0.50	0.20	0.02	1.09	
PCMZ (Cut-off 0.30% Ni)	2.55	0.35	0.11	0.01	0.83	12.31	30.75	0.36	0.12	0.01	0.81	10.66	35.79	0.40	0.10	0.01	0.96	11.03	33.30	0.36	0.12	0.01	0.81	10.79
Open Pit																								
MMZ Pit 3 (Cut-off 0.16% Ni)	40.79	0.35	0.15	0.02	0.90		36.24	0.37	0.16	0.02	0.92								77.03	0.36	0.15	0.02	0.91	
PCMZ Pit 3 (Cut-off 0.16% Ni)	25.22	0.23	0.07	0.01	0.76	11.81	53.91	0.21	0.06	0.01	1.05	13.55							79.13	0.22	0.06	0.01	0.96	13.00
Total 2014 Mineral Resources	**79.32**	**0.34**	**0.13**	**0.02**	**0.87**		**162.54**	**0.34**	**0.13**	**0.01**	**0.99**		**37.28**	**0.40**	**0.10**	**0.01**	**0.94**		**241.86**	**0.34**	**0.13**	**0.02**	**0.95**	
Total 2013 Mineral Resources	37.19	0.40	0.16	0.02	0.99		208.19	0.34	0.14	0.02	0.86		53.98	0.37	0.12	0.02	0.90		245.38	0.35	0.14	0.02	0.88	

***4E** = platinum+palladium+rhodium+gold.*
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Nkomati Mine: Chromite Mineral Resources

	Measured Resources		Indicated Resources		Inferred Resources		Total Resources (Measured and Indicated)	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Total 2014 Oxidized Massive Chromitite Pit 3 (Cut-off 20% Cr_2O_3)	**1.25**	**30.64**					**1.25**	**30.64**
Total 2014 Fresh Massive Chromitite Pit 3 (Cut-off 20% Cr_2O_3)	**3.90**	**29.79**					**3.90**	**29.79**
Total 2013 Oxidized Chromititic Peridotite (PCR) Pit 3 (Cut-off 20% Cr_2O_3)					0.12	12.41		

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Nkomati Mine: Mineral Reserves

	Proved Reserves						Probable Reserves						Total Reserves					
	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %	Mt	Ni%	Cu%	Co%	4E g/t	Cr_2O_3 %
Underground Mine																		
MMZ (underground) Cut-off 0.35% Ni)	2.10	0.58	0.20	0.02	1.03		8.43	0.48	0.20	0.02	1.12		10.53	0.50	0.20	0.02	1.10	
Open Pit																		
MMZ Pits 3 (Cut-off 0.16% Ni)	30.33	0.37	0.14	0.02	0.94		19.09	0.38	0.16	0.02	0.94		49.42	0.37	0.15	0.02	0.94	
PCMZ Pits 3 (Cut-off 0.16% Ni)	27.26	0.23	0.07	0.01	0.74	12.93	27.27	0.22	0.07	0.01	0.99	14.35	54.53	0.22	0.07	0.01	0.87	13.64
Total 2014 Mineral Reserve	**59.69**	**0.31**	**0.11**	**0.02**	**0.85**		**54.79**	**0.32**	**0.12**	**0.02**	**0.99**		**114.48**	**0.31**	**0.12**	**0.02**	**0.92**	
Total 2013 Mineral Reserve	25.04	0.35	0.14	0.02	0.89		87.40	0.33	0.13	0.02	0.89		112.44	0.33	0.13	0.02	0.89	

4E = platinum+palladium+rhodium+gold.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: economic pit design, mining losses, mining dilution, metallurgical, geotechnical.

Nkomati Mine: Chromite Mineral Reserves

	Proved Reserves		Probable Reserves		Total Reserves	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Total 2014 Oxidized Massive Chromitite Pit 3 (Cut-off 20% Cr_2O_3)	**0.59**	**24.81**	**0.51**	**25.97**	**1.10**	**25.35**

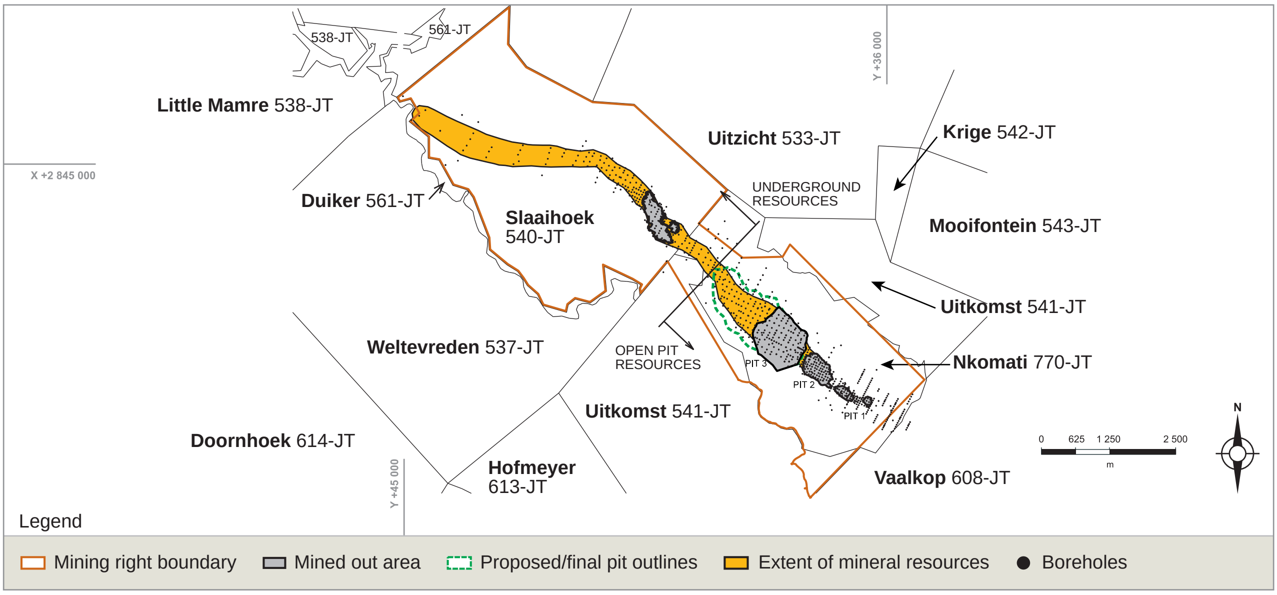
Totals are rounded off.

Chromite Stockpile Mineral Reserves

	Proved Reserves		Probable Reserves		Total Reserves	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%	Mt	Cr_2O_3%
PCR Stockpile	2.30	19.20			2.30	19.20
Uncrushed ROM Stockpile	0.19	34.58			0.19	34.58
Lumpy-Old Fines Dump	0.02	28.85			0.02	28.85
2014 Total Stockpile Reserves	**2.51**	**20.44**			**2.51**	**20.44**
2013 Total Stockpile Reserves	2.75	21.90			2.75	21.90

Totals are rounded off.

Nkomati Mine Mineral Resource locality map



Two Rivers Platinum Mine

ARM's attributable beneficial interest in Two Rivers operations is 55%. The other 45% is held by Impala Platinum.

Two Rivers Mine: UG2 Reef Mineral Resources

	Mineral Resources								
	Mt	Pt g/t	Pd g/t	Rh g/t	Au g/t	4E g/t	6E g/t	Pt Moz	6E Moz
Measured	15.65	2.59	1.38	0.49	0.04	4.50	5.44	1.30	2.74
Indicated	34.98	2.09	1.24	0.40	0.04	3.77	4.52	2.35	5.09
Total Measured and Indicated 2014	**50.63**	**2.24**	**1.28**	**0.43**	**0.04**	**4.00**	**4.80**	**3.65**	**7.82**
Total Measured and Indicated 2013	54.31	2.14	1.19	0.40	0.04	3.77	4.53	3.74	7.90
Inferred 2014	**0.66**	**2.24**	**1.36**	**0.39**	**0.05**	**4.04**	**4.91**	**0.05**	**0.10**

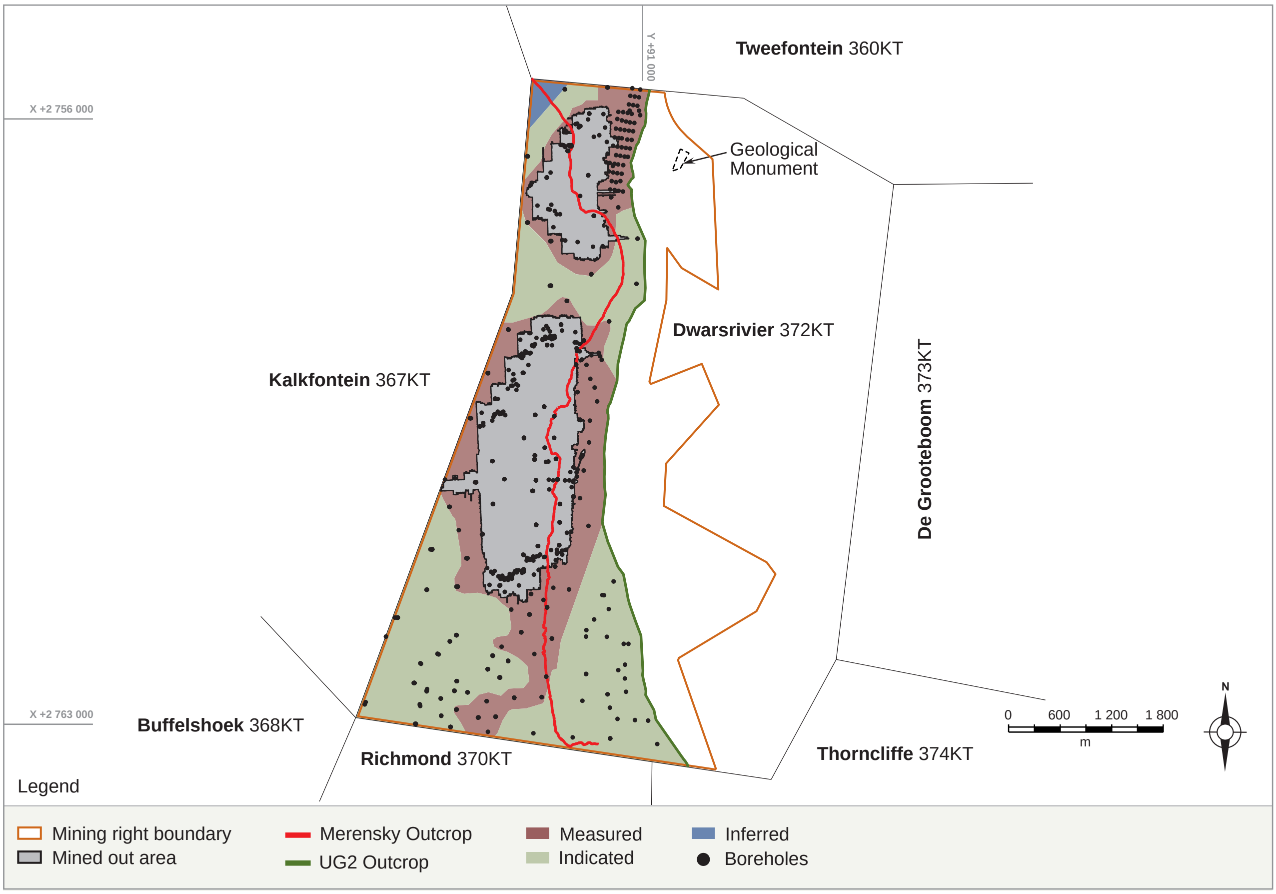
__4E__ = platinum+palladium+rhodium+gold; __6E__ = platinum+palladium+rhodium+iridium+ruthenium+gold.
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Two Rivers Mine: UG2 Reef Mineral Reserves

	Mineral Reserves								
	Mt	Pt g/t	Pd g/t	Rh g/t	Au g/t	4E g/t	6E g/t	Pt Moz	6E Moz
Proved	10.76	1.83	1.01	0.34	0.03	3.21	3.88	0.63	1.34
Probable	19.68	1.66	0.98	0.32	0.03	2.98	3.59	1.05	2.27
Total Reserves 2014	**30.44**	**1.72**	**0.99**	**0.33**	**0.03**	**3.06**	**3.69**	**1.68**	**3.61**
Total Reserves 2013	35.10	1.67	0.93	0.32	0.03	2.95	3.57	1.89	4.03

__4E__ = platinum+palladium+rhodium+gold; __6E__ = platinum+palladium+rhodium+iridium+ruthenium+gold.
Totals are rounded off.
Modifying factors for the conversion of Mineral Resources to Reserves include: mining losses, mining dilution, metallurgical and geotechnical.

Two Rivers Mine UG2 Reef Mineral Resource classification

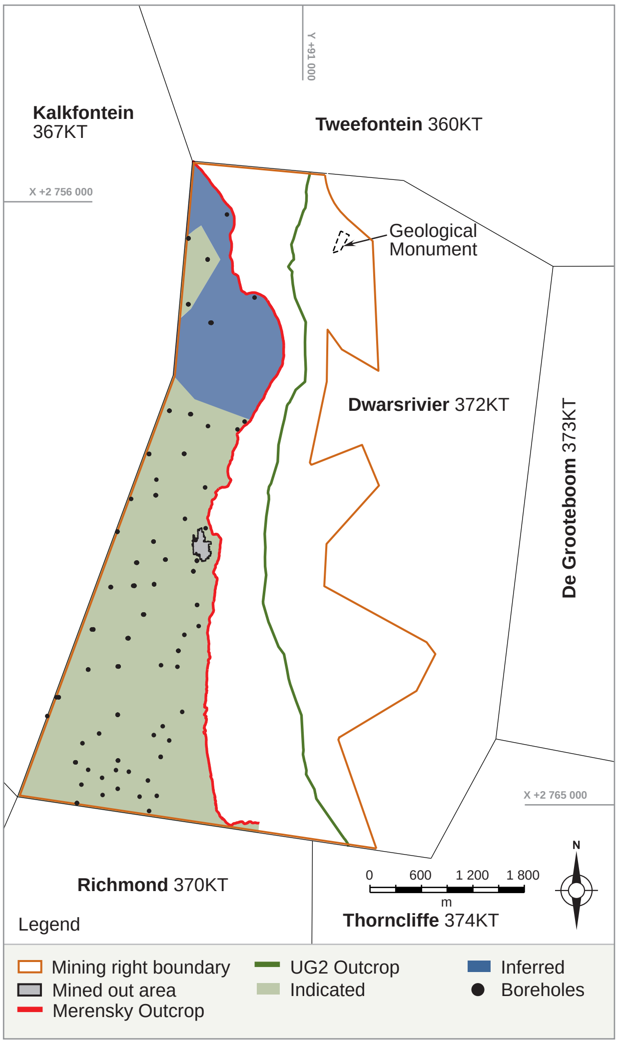


Two Rivers Mine: Merensky Reef Mineral Resources

	Mineral Resources								
	Mt	Pt g/t	Pd g/t	Rh g/t	Au g/t	4E g/t	6E g/t	Pt Moz	6E Moz
Measured									
Indicated	43.10	1.63	0.89	0.09	0.18	2.79	3.04	2.26	4.21
Total Measured and Indicated 2014	**43.10**	**1.63**	**0.89**	**0.09**	**0.18**	**2.79**	**3.04**	**2.26**	**4.21**
Total Measured and Indicated 2013	43.10	1.63	0.89	0.09	0.18	2.79	3.04	2.26	4.21
Inferred 2014	**11.01**	**1.40**	**0.77**	**0.09**	**0.17**	**2.43**	**2.65**	**0.50**	**0.94**
Inferred 2013	11.01	1.40	0.77	0.09	0.17	2.43	2.65	0.50	0.94

__4E__ = platinum+palladium+rhodium+gold; __6E__ = platinum+palladium+rhodium+iridium+ruthenium+gold.
Totals are rounded off.

Two Rivers Mine Merensky Reef Mineral Resource classification



Barring rock at the working face at Two Rivers Mine

Modikwa Platinum Mine

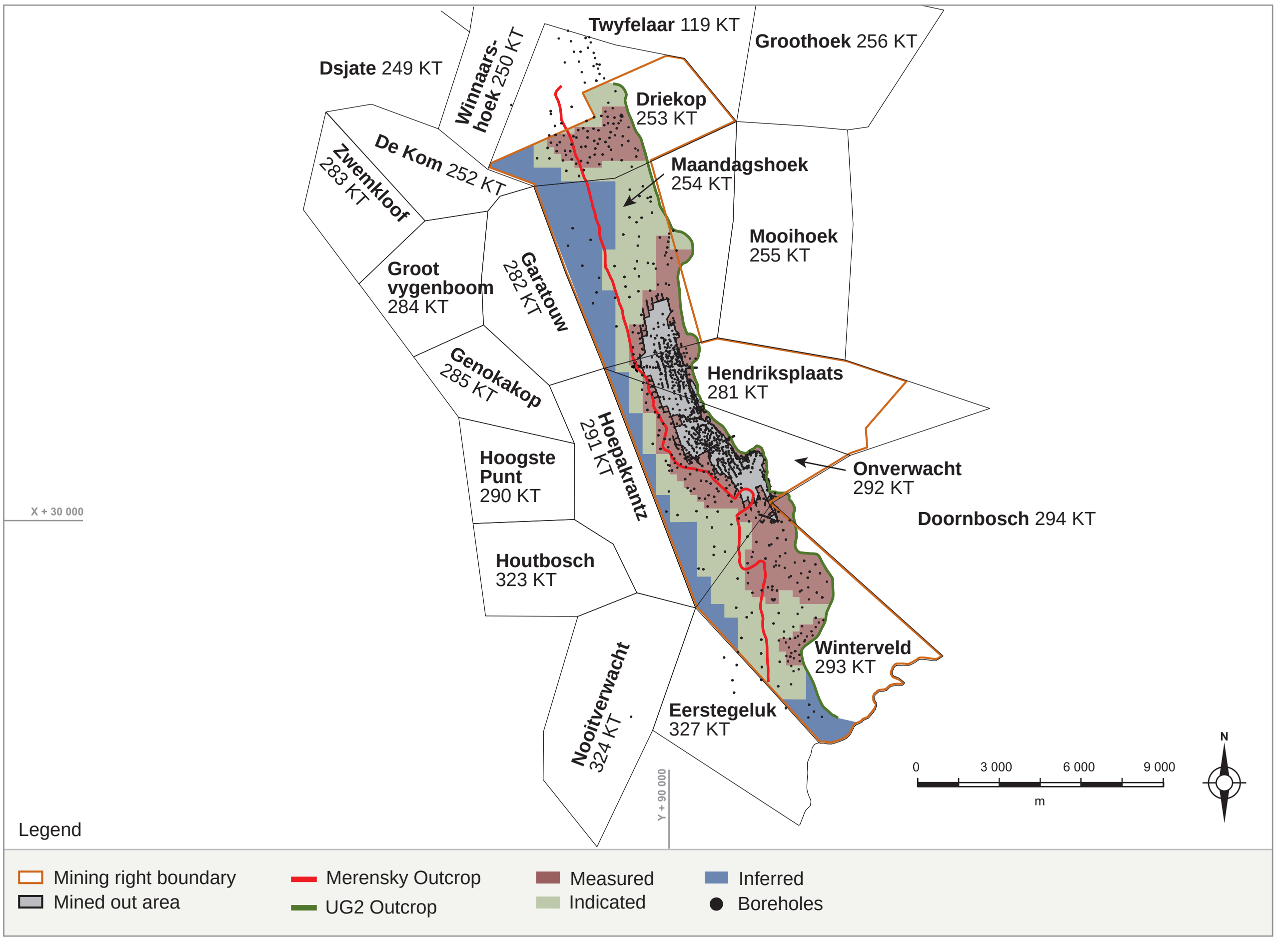
ARM's attributable beneficial interest in Modikwa's operations is 41.5%; 8.5% is held by the Modikwa Communities; and 50% is held by Anglo American Platinum.

Modikwa Mine: UG2 Mineral Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	4E g/t	4E Moz		Mt	4E g/t	4E Moz
Measured	50.60	5.91	9.61	Proved	14.20	4.78	2.18
Indicated	88.40	5.88	16.71	Probable	44.40	4.58	6.54
Total Measured and Indicated 2014	**139.00**	**5.89**	**26.33**	**Total Reserves 2014**	**58.60**	**4.63**	**8.72**
Total Measured and Indicated 2013	141.80	5.89	26.84	Total Reserves 2013	57.40	4.63	8.54
Inferred 2014	**77.30**	**6.19**	**15.38**				
Inferred 2013	76.60	6.19	15.24				

4E *= platinum+palladium+rhodium+gold.*
Mineral Resources are exclusive of Mineral Reserves.
Modifying factors for the conversion of Mineral Resources to Reserves include: mining losses, mining dilution, metallurgical and geotechnical.
Totals are rounded off.

Modikwa Mine UG2 Mineral Resource classification (including Resources converted to Reserves)

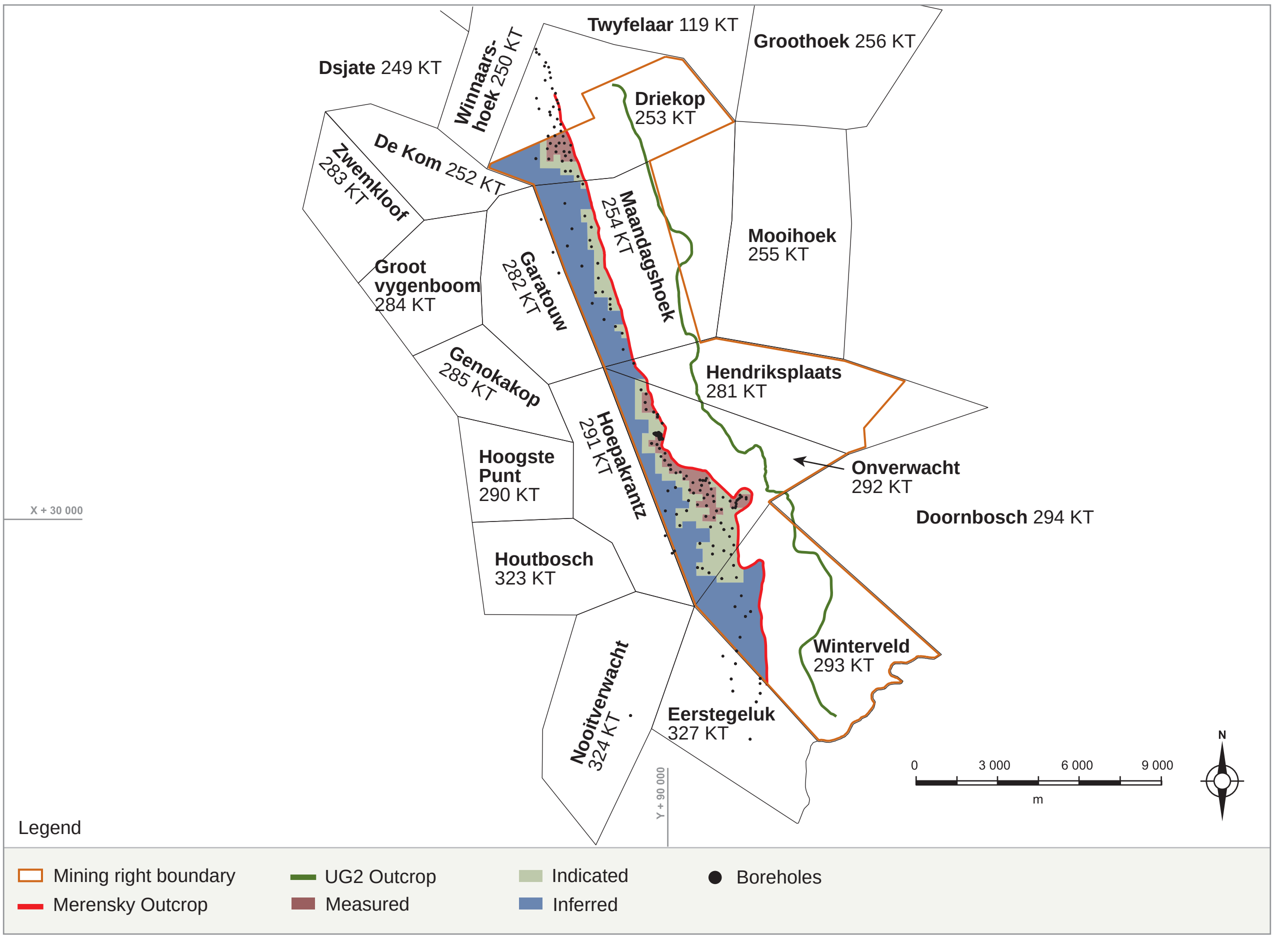


Modikwa Mine: Merensky Reef Mineral Resources

	Mineral Resources		
	Mt	4E g/t	4E Moz
Measured	17.95	2.94	1.70
Indicated	54.05	2.73	4.74
Total Measured and Indicated 2014	**72.00**	**2.78**	**6.44**
Total Measured and Indicated 2013	72.00	2.78	6.44
Inferred 2014	**136.84**	**2.65**	**11.66**
Inferred 2013	136.84	2.65	11.66

***4E** = platinum+palladium+rhodium+gold.*
Totals are rounded off.

Modikwa Mine Merensky Reef Mineral Resource classification



Kalplats Platinum Project

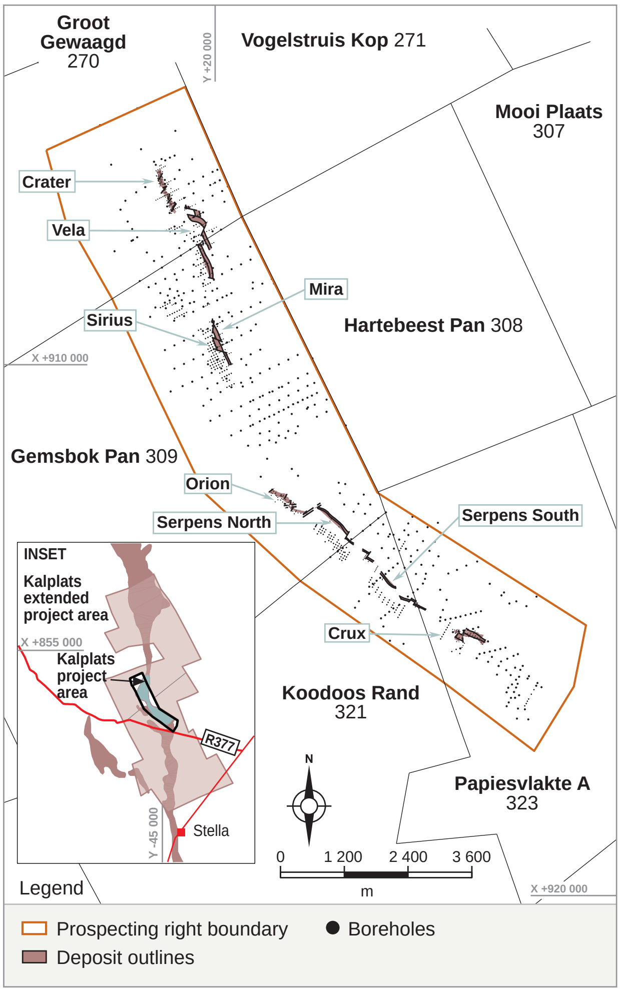
Kalplats PGM Project – ARM Platinum's attributable beneficial interest is 46%. Platinum Australia Limited (PLA) holds 44% and Anglo American Prospecting Services 10%.

Kalplats Mineral Resources

	Measured Resources		Indicated Resources		Total Measured and Indicated Resources			Inferred Resources		Total Mineral Resources		
Deposit	Mt	3E g/t	Mt	3E g/t	Mt	3E g/t	3E Moz	Mt	3E g/t	Mt	3E g/t	3E Moz
Crater	1.34	1.89	6.22	1.85	7.55	1.86	0.45	18.66	2.11	26.22	2.04	1.72
Orion	4.20	1.57	4.01	1.56	8.21	1.57	0.41	3.64	1.61	11.86	1.58	0.60
Crux	7.70	1.55	10.88	1.40	18.58	1.46	0.87	9.46	1.35	28.04	1.42	1.28
Sirius	0.80	1.52	5.31	1.49	6.11	1.49	0.29	3.38	1.27	9.48	1.41	0.43
Mira			2.71	1.42	2.71	1.42	0.12	3.93	1.44	6.63	1.43	0.31
Vela			21.79	1.36	21.79	1.36	0.95	14.87	1.32	36.66	1.34	1.58
Serpens N			4.96	1.41	4.96	1.41	0.22	2.74	1.47	7.70	1.43	0.35
Serpens S								10.76	1.34	10.76	1.34	0.46
Total 2014	**14.04**	**1.59**	**55.88**	**1.46**	**69.91**	**1.48**	**3.33**	**67.44**	**1.57**	**137.36**	**1.53**	**6.74**
Total 2013	14.04	1.59	55.88	1.46	69.91	1.48	3.33	67.44	1.57	137.36	1.53	6.74

***3E** = platinum+palladium+gold.*
Totals are rounded off.
Resources include UM, UUM, LM, MR, LG, MMW and the Main Reef Residual layers, which is the total mineralised width for all seven layers.
Cut off grade of 0.5 g/t 3E has been applied.

Kalplats Platinum Project Deposits Locality Map



Operator in the process plant at Two Rivers Mine

ARM Coal

Goedgevonden Coal Mine

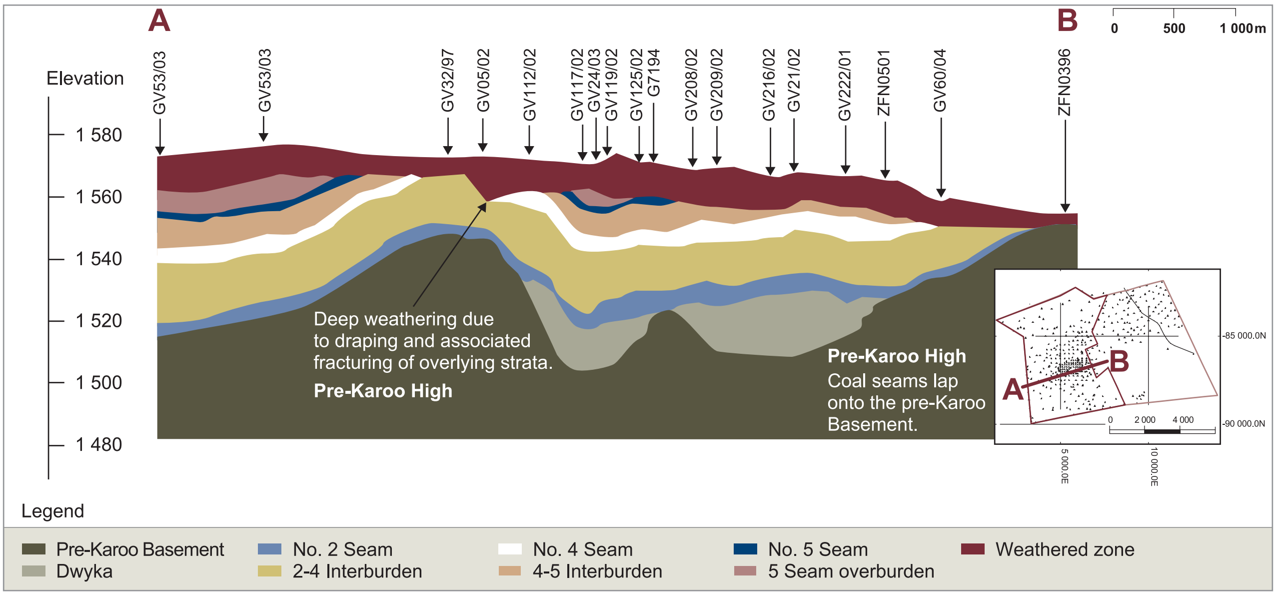
ARM's attributable beneficial interest in Goedgevonden's operations is 26%. The other 74% is held by Glencore Operations South Africa. The Joint Venture with Glencore also includes other coal operations in South Africa, Participating Coal Business (PCB) in which ARM has an economic interest of 20.2%.

Goedgevonden Coal Resources and Reserves

	Coal Resources				Coal Reserves (ROM)			Coal Reserves (Saleable)		
	Measured Mt	Indicated Mt	Measured and Indicated Mt	Inferred Mt	Proved Mt	Probable Mt	Total Reserves Mt	Proved Mt	Probable Mt	Total Reserves Mt
Total 2014	**540**	**25**	**565**	**1**	**360**	**11**	**371**	**217**	**6**	**223**
Total 2013	550	25	575		280	68	348	180	25	205

Totals are rounded off.
Modifying factors for the conversion of Coal Resources to Reserves include: mining losses, economic pit design.
Coal Resources are inclusive of Coal Reserves.

Section showing Goedgevonden Coal Seams



Goedgevonden Coal Mine pit

ARM Copper

The Lubambe Copper Mine

ARM's attributable beneficial interest in Lubambe Copper Mine is 40%. Vale owns 40% and ZCCM-IH 20%.

Lubambe Copper Mine Mineral Resources

	Mt	TCu%	Mt Contained Cu
South Limb			
Measured	0.7	2.55	0.02
Indicated	24.3	2.28	0.55
Total South Limb (Measured and Indicated)	25.0	2.29	0.57
East Limb			
Measured	2.6	2.60	0.07
Indicated	24.5	2.79	0.68
Total East Limb (Measured and Indicated)	27.1	2.77	0.75
Total Measured and Indicated 2014	**52.1**	**2.54**	**1.32**
Total Measured and Indicated 2013	55.8	2.43	1.36
South Limb Inferred	16.5	2.25	0.37
East Limb Inferred	7.7	2.49	0.19
Total Inferred 2014	**24.2**	**2.33**	**0.56**
Total Inferred 2013	23.9	2.23	0.53

Cut-off grade 1% total copper (TCu) and minimum true thickness of 2m.
Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.

Lubambe Copper Mine Mineral Reserves

	Mt	TCu%	Mt Contained Cu
South Limb			
Proved	1.1	1.64	0.02
Probable	18.6	2.04	0.38
Total Reserves South Limb	19.7	2.02	0.40
East Limb			
Proved	1.5	2.64	0.04
Probable	21.9	2.41	0.53
Total Reserves East Limb	23.4	2.42	0.57
Total Reserves 2014	**43.1**	**2.24**	**0.96**
Total Reserves 2013	45.9	2.02	0.93

Cut-off grade 1.5% total copper (TCu) and minimum true thickness of 2m.
Modifying factors for the conversion of Mineral Resources to Reserves include: mining losses, mining dilution and pillar losses.
Totals are rounded off.

Surveyors underground at Lubambe Copper Mine

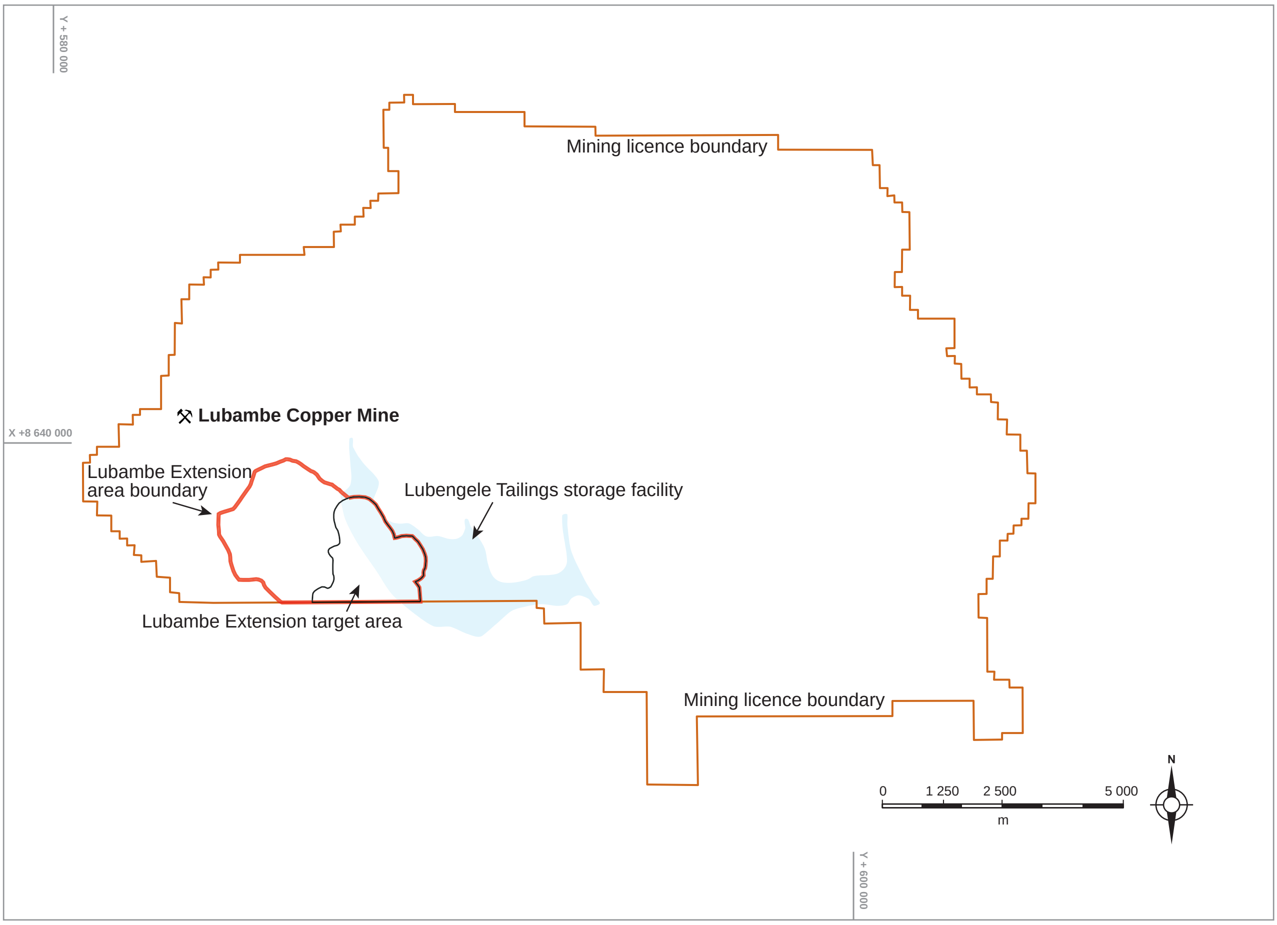
Lubambe Extension Target Area Mineral Resource* (portion of Lubambe Extension area)

	Mt	TCu%	Mt contained Cu
Indicated (2014)	**90.0**	**3.73**	**3.36**
Indicated (2013)	73.0	3.60	2.63
Inferred (2014)	**44.0**	**4.78**	**2.10**
Inferred (2013)	32.0	3.79	1.21

Cut-off grade 1.5% total copper and minimum true thickness of 4m.

* *Lubambe Extension Target Area is the area currently under feasibility studies and is a portion of the Lubambe Extension Area which has overall resources of 90 million tonnes Indicated Resources at 3.73% TCu and 123 million tonnes Inferred Resources at 3.50% TCu.*

Locality map of Lubambe Copper Mine and the Extension Project Area



Gold: Harmony

ARM owns 14.6% of Harmony's issued share capital. Harmony, South Africa's third largest gold producer, is separately run by its own management team. Mineral Resources and Reserves of the Harmony mines are the responsibility of the Harmony team and are published in Harmony's annual report.

Corporate Governance

“Our strategy is also supported by the highest standards of corporate governance which we continue to review to ensure robust controls and alignment of our businesses with global best practice.”

Patrice Motsepe Executive Chairman’s Report

Adhering to the highest standards of corporate governance is fundamental to the sustainability of ARM’s business. ARM’s business practices are conducted in good faith, in the interests of the Company and all its stakeholders, with due observance of the principles of good corporate governance. The unitary Board of Directors (the Board) is the foundation of ARM’s corporate governance systems and is accountable and responsible for ARM’s performance. The Board retains effective control of the business of ARM through a clear governance structure and has established Committees to assist it in accordance with the provisions of ARM’s Board Charter. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common law fiduciary duties. We continue to review our governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to evolving local and global best practice.

Applicable governing frameworks

The Company complies with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct. The principal applicable frameworks include:

JSE Listings Requirements
ARM is a public company listed on the JSE Limited (JSE) and is subject to the JSE Listings Requirements, which were most recently amended with effect from 30 September 2014.

www.jse.co.za

King III
The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

www.iodsa.co.za

Companies Act
The Companies Act 71 of 2008, as amended, by the Companies Amendment Act 3 of 2011 (the Companies Act), and the Regulations promulgated thereunder (the Companies Regulations) came into effect on 1 May 2011.

www.acts.co.za

International <IR> Framework
The International Integrated Reporting Framework came into effect in December 2013.

www.theiirc.org

Mining Charter
ARM is committed to the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) revised in September 2010.

www.dmr.gov.za

Additional external sustainability and management systems, standards and principles

See the Sustainability review on page 30 and the 2014 Sustainability Report available on ARM’s corporate website: **www.arm.co.za**

Additional external financial standards, policies, reporting guidelines and principles

See the accounting policies in the notes to the financial statements on page 187.

ARM supports the implementation of integrated reporting to enhance the assessment and understanding of value creation and the sustainability of global markets through integrated thinking, greater connectivity between risks and outcomes, the promotion of accountability and increased transparency. ARM has been on a journey of integrated reporting since it published its first integrated report in 2010 and continues to embed integrated thinking into its business practice. ARM continues to strive for excellence in reporting and the further integration of the International <IR> Framework principles remains a priority.

King III compliance

ARM supports the principles and practices set out in King III and has taken steps to ensure that it complies with the recommendations and requirements as a consequence thereof. Save for the explanations noted in this report, ARM applies the principles set out in King III. The Company conducts gap analyses on an ongoing basis to assess its compliance level in respect of King III and to identify areas that require improvement. ARM also uses developments and governance trends as opportunities to review its governance structures. With this objective, provisions impacting the divisions and operations have been and are being identified, assessed and addressed. Gaps, if any, are addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Audit and Risk Committee and the divisional audit committees.

Governance framework

Shareholders and other stakeholders

Board governance

Board of Directors
Determines the Company's purpose and values and developing strategies in relation thereto and provides strategic direction and leadership aligned to the Company's value system to ensure the sustainability of the business

Company Secretary

Audit and Risk Committee	Investment Committee	Nomination Committee	Non-executive Directors' Committee	Remuneration Committee	Social and Ethics Committee
Provides oversight of the integrated annual report and financial reporting and monitors the maintenance and safeguarding of assets as well as the financial sustainability of the Company.	Examines proposed investments, potential acquisition and disposals and capital projects above executive management's authority levels prior to recommendation to the Board.	Ensures that the Company has a formal succession plan and assists the Board to identify and source Directors who add value to the Board.	Considers sensitive issues which may not expediently be discussed at Board meetings and affords Non-executive Directors with the opportunity to debate issues at length and to formulate their views before taking them to Board meetings.	Monitors the Company's remuneration policies and ensures that awards are fair and reasonable and that the Company has the optimal remuneration strategy to attract, retain and motivate employees.	Monitors and reviews the Company's safety, health and environmental activities, social and economic development, efforts to combat fraud and corruption, labour practices and the Company's approach to transformation.

Executive management

Executive Committee
Assists the Executive Chairman to implement the strategy and objectives for and vision of ARM

Steering Committee
Assists the Chief Executive Officer with the implementation of approved corporate strategy and other operational matters

Growth & Strategic Development Committee	Management Risk Committee	Information Technology Steering Committee	Treasury Committee	Employment Equity and Skills Development Committee
Evaluates opportunities to actively make progress with the implementation of ARM's growth strategy.	Assists the Audit and Risk Committee and the Social and Ethics Committee with monitoring the implementation of the enterprise risk management policy and annual plan and with identifying the principal risks, opportunities and challenges facing the Company.	Ensures the effective management of information technology and the integrity of financial and other information by supporting the Company to cost effectively achieve its objectives.	Ensures the effective management of the Company's financial capital.	Ensures the attraction and development of human capital to enable and support the Company's long-term strategy.
Refer to the ARM strategy diagram on page 9.	Refer to the Risk report on page 134.	Refer to the IT Steering Committee summary on page 129.	Refer to the Financial Director's report on page 14 and the annual financial statements on page 180.	Refer to the Sustainability Review on pages 30 to 48.

Various departmental, disciplinary, regional, specialist, tactical and project committees and forums.

Divisional/Operational

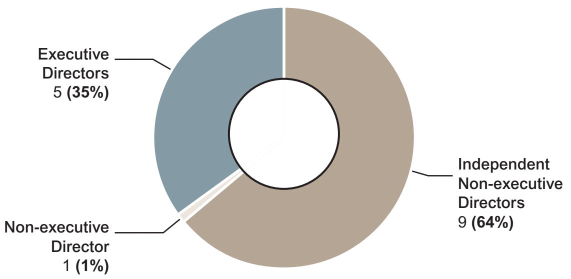
Comment from Integrated Reporting and Assurance Services (IRAS)

"As part of our Independent Third Party Assurance processes, IRAS conducted an assessment of ARM's compliance with the 75 principles contained within the 3rd version of the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III), and found no concerns relative to ARM's assertions that it has reasonably met the 'Apply' recommendations. ARM has asserted that all of the 75 individual King III principles have been deemed 'Apply' with reasonable evidence to support each assertion, including progress over prior year performance." See the complete King III checklist on ARM's corporate website: **www.arm.co.za.** IRAS's comprehensive assurance statement may be found in ARM's 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Board composition

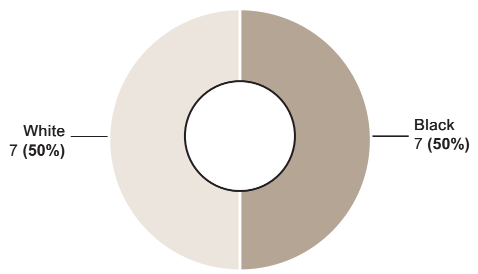
ARM has a unitary Board comprising 14 Directors, the majority of whom are Independent Non-executive Directors.

Mix of directors

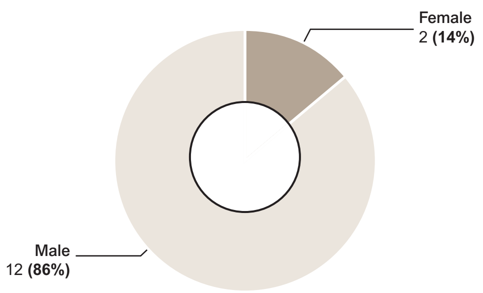


Curricula vitae of the Board members are provided on pages 158 to 161.

Diversity



Gender of directors



Independence

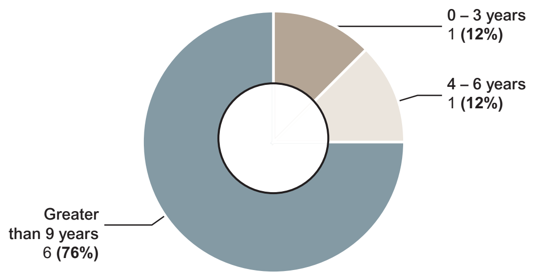
The Board believes that the Independent Non-executive Directors of the Company are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The Independent Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

The classification of Independent Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee in accordance with the guidelines set out in King III. In determining the independence of the Independent Non-executive Directors, character and judgement are considered together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement and with due regard to the criteria for determining independence as set out in King III and the JSE Listings Requirements.

Any term in office exceeding a period of nine years by an Independent Non-executive Director is subject to a rigorous review by the Board. The independence assessment considered relationships or circumstances likely to affect, or appearing to affect, the relevant Independent Director's character and judgment. The Board concluded that in each circumstance the Independent Non-executive Director's independence of character and judgment was not impaired by the length of service.

Length of tenure



Non-executive Directors are not considered independent if they were executives of the Company or a subsidiary within the preceding three financial years.

The independence of Mr Chissano, who receives consultancy fees, was also considered. Given his extensive relationships with leaders of African countries, Mr Chissano assists in the facilitation of high-level business discussions and introductions and his specific assignments are determined by the Executive Chairman and the Chief Executive Officer. The fees paid to Mr Chissano for these services are market-related and are not, in the opinion of the Board, material and as such, the Board is satisfied that this aspect does not impair his independence.

In accordance with the independence requirements of the JSE Listings Requirements, none of the Independent Non-executive Directors participate in any share incentive scheme of the Company.

Executive Chairman and Chief Executive Officer

The roles of the Executive Chairman and the Chief Executive Officer are separate and distinct. Contrary to the independence requirements of King III, Mr PT Motsepe is the Executive Chairman of the Company and a director of African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI) and Botho-Botho Commercial Enterprises (Pty) Ltd (BBCE) which, between them hold 40.86% of the Company's issued share capital. The shares of ARMI and BBCE are all held indirectly by Trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its indirect shareholding in ARM for philanthropic purposes. ARM is satisfied that the non-independence of the Executive Chairman is adequately addressed by the composition of the Board and particularly by the appointment of the Lead Independent Non-executive Director, Dr Manana Bakane-Tuoane, in accordance with and as required by King III.

In addition to the general requirements for the re-election of Directors set out in the Company's Memorandum of Incorporation (the MOI) and discussed below, the Executive Chairman is required to be elected by the Board annually. Mr Motsepe was re-elected as Executive Chairman for a period of one year commencing on 1 January 2014. The Chief Executive Officer is appointed by the Board.

Board Charter

The Board Charter, which was approved in May 2009, was most recently amended by the Board in August 2014 to ensure compliance with King III and the Companies Act. The Board Charter provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations.

The roles and responsibilities of the Board as set out in the Board Charter include the following:

- Determining the Company's purpose, values and identifying its stakeholders and developing strategies in relation thereto;
- Being the focal point for and custodian of good corporate governance by managing the Board's relationship with management, the shareholders of the Company and other stakeholders;
- Providing strategic direction and leadership which is aligned to the Company's value system by reviewing and approving budgets, plans and strategies for ARM and monitoring the implementation of such strategic plans and approving the capital funding for such plans;
- Ensuring that ARM's business is conducted ethically and monitoring the ethics performance of ARM;
- Approving business plans, budgets and strategies which are aimed at achieving ARM's long-term strategy and vision;
- Annually reviewing the Board's work plan;
- Monitoring the operational performance of ARM, including financial and non-financial aspects relating to such performance;
- Ensuring the sustainability of ARM's business;
- Reporting in ARM's Integrated Annual Report on the going concern status of ARM and whether ARM will continue to be a going concern in the next financial year;
- Determining, implementing and monitoring policies, procedures, practices and systems to ensure the integrity of risk management and internal controls in order to protect ARM's assets and reputation;
- Identifying and monitoring key performance indicators of ARM's business and evaluating the integrity of the systems used to determine and monitor such performance;
- Monitoring and ensuring compliance with the Company's policies, codes of best business practice, the recommendations of King III and all applicable laws and regulations;
- Adopting and annually reviewing the Information Technology Governance Framework and receiving independent assurance on such framework;
- Considering, through the Audit and Risk Committee, specific limits for the levels of risk tolerance;
- Defining levels of materiality, thereby reserving certain powers for itself and delegating other matters to the management of the Company;
- Ensuring that the Company's annual financial statements are prepared and are presented before a duly convened Annual General Meeting of the Company;
- Ensuring that a communications policy is established, implemented and reviewed annually and, in addition to its statutory and regulatory reporting requirements that such policy contains accepted principles of accurate and reliable reporting, including being open, transparent, honest, understandable, clear and consistent in ARM's communications with stakeholders;
- Considering recommendations made to the Board by the Nomination Committee in regard to the nomination of new Directors and the re-appointment of retiring Directors, both as Executive Directors and Non-executive Directors;
- Ensuring that the competency and other attributes of the Directors are suitable for their appointment as Directors and the roles which they are intended to perform on the Board and that they are not disqualified in any way from being appointed as Directors;
- Ensuring that appointments to the Board are formal and transparent and comply with all prescribed procedures;
- Ensuring that a succession plan for the Executive Directors and senior management is implemented;
- Selecting and appointing suitable candidates as members of committees of the Board and the chairmen of such committees;
- Ensuring that annual performance evaluations are conducted in respect of the Board, the Executive Chairman, the Chief Executive Officer, other individual Directors and Board committees and their respective chairmen; and
- Ensuring that the Board comprises an appropriate balance of Executive and Non-executive Directors, with the majority of Non-executive Directors being independent and ensuring that the Directors are persons who have the relevant knowledge, skills and experience required for governing the Company efficiently.

The Board Charter also provides for a clear division of responsibilities to ensure a balance of power and authority so that no one Director has unfettered powers of decision-making.

Election, induction, succession and assessment

Election and re-election

The Memorandum of Incorporation requires that one-third of elected Non-executive Directors, who have been in office longest since their last election, retire by rotation at each Annual General Meeting. Being eligible, these Non-executive Directors may seek re-election should they so wish.

Dr R V Simelane and Messrs J A Chissano and Z B Swanepoel are required to retire by rotation. They make themselves available for re-election at the Annual General Meeting to be held on Friday, 5 December 2014.

Mr M W King retired from the Board due to his age, with effect from 6 December 2013. The Board extends its appreciation to Mr King for his immensely valuable contribution over the years.

Directors appointed by the Board between annual general meetings, either to fill a casual vacancy or as an addition to the existing Board, hold office only until the next Annual General Meeting and are eligible for election (but are not included in determining the number of Directors who are to retire by rotation). When appointing Directors upon the recommendation of the Nomination Committee, the Board considers, *inter alia*, whether the candidates have the necessary skills and experience.

The Nomination Committee evaluates nominees and, taking into account their past performance and their contribution made to the Company, recommends such nominees to the Board for recommendation to shareholders for election and re-election at annual general meetings of shareholders, as the case may be.

The Directors' *curricula vitae* are available on pages 158 to 161.

Induction and continuing education

All newly appointed Directors receive a comprehensive information pack, including the Memorandum of Incorporation, the Board Charter, terms of reference of the committees of the Board, Board policies and other documents relating to the Company; key legislation and regulations; as well as corporate governance, financial and reporting documents, including minutes and documents of an administrative nature.

Directors are encouraged to attend courses providing information and training relating to their duties, responsibilities, powers and potential liabilities. Regulatory and legislative updates are provided regularly. The Company holds an annual budget planning workshop and a Bosberaad with senior management and the Board to, *inter alia*, inform Directors about the Company's business. Site visits are also conducted. In F2014, site visits were conducted to the Black Rock Expansion Project and the Lubambe Copper Mine.

Succession

The Company has a succession plan for Executive Directors and senior management, which provides for the sustainability of the business of the Company. The Company continuously strives to improve its talent pool through a comprehensive and focused plan for the management of human capital, including career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Social and Ethics Committee regularly reviews reports on leadership and employment equity programmes, and reports on developments in these areas to the Board. The Remuneration Committee monitors the remuneration framework, which includes incentives to attract and retain management. As a result, the Board is satisfied that the ongoing efforts to strengthen leadership provide short- and long-term management depth.

Assessment

The Board is committed to transparency in assessing the performance of the Board, its committees and individual Directors as well as the governance processes that support Board activities. The effectiveness of the Board and its committees is assessed annually. Independent external advisors assisted the Nomination Committee with the evaluation of the Board, its committees, the Executive Chairman and the Company Secretary.

The Board is of the view that the involvement of independent external advisors assists to ensure a rigorous and impartial evaluation process.

Matters considered in the assessments focus on the effectiveness of the Board, including:

- Board composition
- Board meetings and content
- Roles of the Executive Chairman and the Company Secretary
- Board accountability
- Appointment, induction and training and succession planning
- Performance evaluation and remuneration
- Board Committees
- Interaction: communication and relationships
- Board dynamics and leadership
- Board focus and function: strategy and compliance
- Risk management and internal controls
- Information technology governance
- Accounting and audit
- Non-financial (sustainability) performance
- Balance of power and authority
- Ethics

In the assessment process consideration is also given to the Board's diversity, size and demographics.

The findings of the 2013 assessment were considered by the Board in F2014 and copies of the findings were provided to the external auditors in terms of King III.

The findings of the 2014 assessment will be considered by the Board during the year.

Performance assessments of all of the Executive Directors, including the Executive Chairman and the Chief Executive Officer are undertaken annually and form the basis of their remuneration as discussed in the Remuneration Report starting on page 144.

Board meetings

The Board meets at least four times a year to consider the business and strategy of the Company. The Board reviews reports of the Chief Executive Officer, the Financial Director, divisional chief executives and other senior executives, chairmen of the committees and independent advisors. During the financial year ended 30 June 2014, four Board meetings were held. A meeting attendance schedule is set out below. The quorum for Board meetings is the majority of the Directors.

The Company's annual budget workshop was held in July 2014 as part of the sixth annual Bosberaad (strategy meeting) for Directors and senior management. Members of the Board and senior executives of the Company consider the budget and review the Company's three-year financial plan. During the strategy sessions, the Company's future strategy is considered in detail.

Agendas for Board meetings are prepared by the Company Secretary in consultation with the Executive Chairman, the Chief Executive Officer and the Financial Director. Information provided to the Board is compiled from external sources, such as independent third-party reports and internally from minutes and plans as well as reports relating to for example, safety, health, sustainable development, risk, financial, governance and legal matters likely to affect ARM. Meeting materials are delivered to every Director prior to each meeting.

Advice and information

No restriction is placed on a Director's access to Company information, records, documents and property. Non-executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

Board of Directors: Meeting attendance

	Aug '13	Dec '13	Feb '14	May '14
P T Motsepe (Executive Chairman)	✓	✓	✓	✓
M P Schmidt (Chief Executive Officer)	✓	✓	✓	✓
F Abbott	✓	✓	✓	✓
M Arnold	✓	✓	✓	✓
Dr M M M Bakane-Tuoane (Lead Independent Non-executive Director)	✓	✓	✓	✓
T A Boardman	a	✓	✓	✓
A D Botha	✓	✓	✓	✓
J A Chissano	✓	✓	✓	✓
W M Gule	✓	✓	✓	✓
M W King	✓	✓	**	**
A K Maditsi	✓	✓	✓	✓
D V Simelane	✓	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓
Z B Swanepoel	a	✓	✓	✓
A J Wilkens	✓	✓	✓	✓

*a = apologies ** = Mr M W King retired from the Board due to his age, with effect from 6 December 2013.*

Company Secretary

All Directors have access to the services and advice of the Company Secretary, Ms Alyson N D'Oyley.

The Company Secretary is responsible for developing and maintaining the procedures and processes required for the proper administration of Board proceedings, and supports the Board as a whole and Directors individually by providing guidance as to how to fulfil their responsibilities as Directors in the best interests of the Company. The Company Secretary also guides and advises the Board and is a resource within the Company on, *inter alia*, governance and ethics matters and changes in legislation. To achieve these objectives, independent advisory services are retained by the Company Secretary at the request of the Board or its committees. The Company Secretary oversees the induction of new Directors, as well as the ongoing training of Directors.

The Board appointed the Company Secretary in accordance with the requirements of the Companies Act. The JSE Listings Requirements provide that boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the company secretary. Therefore in August 2014, upon the recommendation of the Nomination Committee, the Board considered details regarding the Company Secretary's competence, qualifications and experience, the salient details of which are set out below as required by the JSE Listings Requirements:

Competence	Qualifications	Experience
Competence evaluation by the Nomination Committee and by the Board.	BCom, LLB and LLM	– Many years experience as a Barrister and Solicitor – Three years experience as a General Counsel at a listed company – Nine years experience as a company secretary

The Board also confirmed that the Company Secretary is not a Director of the Company and maintains an arm's length relationship with the Board.

Board Committees

The Board has established Committees to assist it with fulfilling its responsibilities in accordance with the provisions of the Company's Board Charter. Nonetheless, the Board acknowledges that the delegation of authority to its Committees does not detract from the Board's responsibility to discharge its fiduciary duties to the Company.

The Committees have Terms of Reference, which are reviewed annually. They set out the Committees' roles and responsibilities, functions, scope of authority and composition. The annual review takes into account amendments to applicable legislation and developments in international best practices. Committees report to the Board at each Board meeting and make recommendations in accordance with their Terms of Reference.

In F2014, the Terms of Reference were reviewed by the Committees and minor housekeeping amendments to the Terms of Reference were approved by the Board.

The membership of the Board Committees currently consists solely of Independent Non-executive Directors. Each Committee is chaired by an Independent Non-executive Director. Attendance schedules for committee meetings held in F2014 are included in each Committee report. The Committee Chairmen attend annual general meetings of shareholders to answer any questions.

The Board has established the following permanent Committees: Audit and Risk Committee, Investment Committee, Nomination Committee, Non-executive Directors' Committee, Remuneration Committee and Social and Ethics Committee.

Audit and Risk Committee

Members:
M W King (Chairman until 6 December 2013 upon retirement from the Board)
T A Boardman (Chairman from 6 December 2013)
Dr M M M Bakane-Tuoane
A D Botha
A K Maditsi
Dr R V Simelane

The Audit and Risk Committee is constituted as a statutory committee of the Board in terms of section 94 of the Companies Act and its composition complies with the provisions of that section.

The Audit and Risk Committee comprises five Independent Non-executive Directors, each of whom has extensive relevant experience. In accordance with the guidelines in King III, the Audit and Risk Committee Chairman is an Independent Non-executive Director and the Chief Executive Officer attends Audit and Risk Committee meetings at the Committee's request. The Financial Director is also an invitee at each meeting.

The Board's amendments to the Audit and Risk Committee Terms of Reference, following the 2014 annual review, meet the requirements of the Companies Act.

Based on the Terms of Reference, a comprehensive agenda framework/workplan is prepared to ensure that all tasks assigned to the Audit and Risk Committee are considered at least once a year.

The Audit and Risk Committee performs its review function over all of ARM's operations. To assist the Audit and Risk Committee with its reviews, all operational joint ventures have audit committees. The chairmen of the audit committees of the subsidiaries and joint ventures report to the Audit and Risk Committee, highlighting areas of concern and remedial actions taken by management. In addition, the minutes of audit committee meetings as well as internal and external audit reports of all operations are submitted to the Audit and Risk Committee.

The primary objective of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of ARM's assets; the operation of adequate systems, internal controls and control processes; and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Company. It also oversees financial and other risks in conjunction with the Social and Ethics Committee. In fulfilling its oversight responsibilities, the Audit and Risk Committee reviews and discusses the audited financial statements with management and the external and internal auditors of the Company.

The Audit and Risk Committee has oversight of the Company's financial reporting process on behalf of the Board. Management has primary responsibility for the financial statements and for maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control of such reporting.

The Audit and Risk Committee, after due consideration, is of the view that the independent registered audit firm, which is responsible for expressing an opinion on the conformity of the audited financial statements with International Financial Reporting Standards (IFRS), is independent of the Company and its management.

Upon the recommendation of the Audit and Risk Committee at the Annual General Meeting, shareholders will be requested to re-appoint Ernst & Young Inc. (EY) as external auditors of the Company and to re-appoint Mr E A L Botha as the designated individual auditor. EY and Mr Botha are registered with the JSE in accordance with the JSE Listings Requirements.

The Audit and Risk Committee meets with the internal and external auditors on a regular basis to discuss the results of their examinations, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Committee also discusses the overall scope and plans for the respective audits of the Company's internal and external auditors. The internal and external auditors are invited to attend Audit and Risk Committee meetings.

The principles for the use of external auditors for non-audit services are set out in the formal policy on non-audit services. The Financial Director is authorised to engage the external auditors for non-audit services for which the fee would not exceed R150 000. Matters for which the fee will exceed R150 000 must be pre-approved by the Audit and Risk Committee. The policy also prescribes permitted non-audit services.

In accordance with the JSE Listings Requirements, the Company has a Financial Director, Mr Michael (Mike) Arnold, who was appointed to the Board with effect from 1 August 2009. The Audit and Risk Committee reviews the Financial Director's qualifications and experience annually and is satisfied that the Financial Director has experienced finance executives reporting to him, that the finance function is adequately resourced and that Mr Arnold has the necessary experience and expertise to discharge his responsibilities.

The Management Risk Committee reports to the Audit and Risk Committee and its report is included on page 128 and pages 134 to 143 of this Corporate Governance Report.

During the year under review, the Audit and Risk Committee's performance and effectiveness were evaluated. As a result of that evaluation, the Board is satisfied that the Audit and Risk Committee has complied with its Terms of Reference.

The Audit and Risk Committee acts as a forum for communication between the Board, management and the external and internal auditors. It is required to meet at least six times a year. Seven meetings were held during F2014.

The Report of the Audit and Risk Committee is available on pages 166 and 167.

Audit and Risk Committee: Meeting attendance

	Aug '13	Sept '13	Oct '13	Dec '13	Feb '14	Mar '14	May '14
M W King[1] (Chairman until 6 December 2013)	✓	✓	✓	✓	**	**	**
T A Boardman (Chairman from 6 December 2013)	✓	✓	✓	✓	✓	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓	✓	✓	✓	✓
A D Botha	✓	✓	✓	✓	✓	✓	✓
A K Maditsi	✓	✓	✓	✓	✓	✓	✓
Dr R V Simelane	✓	a	✓	✓	✓	✓	✓

a = apology
*** = retired*
[1] Mr M W King retired from the Board due to his age, with effect from 6 December 2013.

Investment Committee

Members:
Z B Swanepoel (Chairman)
F Abbott
A D Botha
M W King[1]
A K Maditsi

[1] Mr M W King retired from the Board due to his age, with effect from 6 December 2013.

The Investment Committee comprises four Independent Non-executive Directors.

The Investment Committee's purpose is to consider substantial investments proposed by management, including mining projects, acquisitions and disposals of assets, and to make such recommendations to the Board as it considers appropriate. The Investment Committee also reviews the results attained on completion of each project.

The Terms of Reference of the Investment Committee were reviewed without amendment in F2014.

The Investment Committee is required to meet at least once a year. Two meetings were held during F2104.

Investment Committee: Meeting attendance

	Nov '13	Jan '14
Z B Swanepoel (Chairman)	✓	✓
F Abbott	a	✓
A D Botha	✓	a
M W King[1]	✓	**
A K Maditsi	✓	✓

a = apologies
*** = retired*
[1] Mr M W King retired from the Board due to his age, with effect from 6 December 2013.

Nomination Committee

Members:
Dr M M M Bakane-Tuoane (Chairman)
J A Chissano
A K Maditsi
Dr R V Simelane

The Nomination Committee comprises four Independent Non-executive Directors.

For additional information in this regard refer to the section entitled "Board Committees" on page 124 of this Corporate Governance Report.

The Nomination Committee is responsible, *inter alia*, for establishing formal and transparent procedures for the appointment of Directors; recommending to the Board suitable candidates for appointment as members of its committees and the chairmen of such committees; ensuring compliance with those provisions of the MOI governing the rotation of Directors and making recommendations to the Board with regard to the eligibility of retiring Directors of the Company for re-election.

The Nomination Committee is also responsible for developing a formal induction programme for new Directors of the Company, overseeing access by Directors to external continuing professional development programmes for Directors so as to ensure that new Directors are developed through mentorship and training programmes; and ensuring that Directors receive regular briefings on changes in risks, laws and the environment in which ARM operates.

The Nomination Committee assists the Executive Chairman to lead the overall performance evaluation, at least once a year, of the Chief Executive Officer and the other Directors in respect of their roles as Directors as well as evaluations of the Board as a whole and its committees. The Nomination Committee assists the Lead Independent Non-executive Director to lead the annual performance evaluation of the Executive Chairman, with the assistance of the Company Secretary.

The Nomination Committee reviews, from time to time, the structure, composition and size of the Board and makes recommendations to the Board regarding any changes that are considered necessary to enhance the effectiveness of the Board, including recommendations on the general composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board. The Nomination Committee monitors succession planning for the Executive Chairman, the Chief Executive Officer, other Directors and senior management who are not Directors.

The Terms of Reference of the Nomination Committee were most recently updated by the Board in F2013.

In line with JSE guidance, the Nomination Committee is chaired by Dr Bakane-Tuoane, the Lead Independent Non-executive Director. Mr Motsepe, the Executive Chairman, ceased to be a member of the Nomination Committee with effect from 29 August 2012 and now attends committee meetings as an invitee.

In terms of the Terms of Reference of the Nomination Committee at least one meeting must be held per year. During F2014, three meetings were held.

For additional information regarding the succession process, please refer to page 122.

Nomination Committee: Meeting attendance

	Dec '13	Feb '14	May '14
A K Maditsi (Chairman)	✓	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓
J A Chissano	a	✓	a
Dr R V Simelane	✓	✓	✓

a = apologies

Non-executive Directors' Committee

Members:

Dr M M M Bakane-Tuoane (Chairman)
F Abbott
T A Boardman
A D Botha
J A Chissano
W M Gule
A K Maditsi
Dr R V Simelane
Z B Swanepoel

The Non-executive Directors' Committee comprises all of the Non-executive Directors and meets formally on a quarterly basis without management. The meetings are chaired by the Lead Independent Non-executive Director, Dr M M M Bakane-Tuoane.

Terms of Reference of the Non-executive Directors' Committee were approved by the Board in F2011 and most recently amended in F2014. The Committee provides a forum for the Non-executive Directors of the Company to consider and discuss issues of importance to ARM, including the promotion of increased investor confidence, stimulating business growth, reducing fraudulent practices through effective business leadership, fostering sustainable long-term growth in both the social and economic arenas and cultivating and promoting an ethical corporate culture within ARM.

Four meetings were held during F2014.

Non-executive Directors' Committee: Meeting attendance

	Aug '13	Dec '13	Feb '14	May '14
Dr M M M Bakane-Tuoane (Chairman)	✓	✓	✓	✓
F Abbott	✓	✓	✓	✓
T A Boardman	a	✓	✓	✓
A D Botha	✓	✓	✓	✓
J A Chissano	✓	✓	✓	a
W M Gule	✓	✓	✓	✓
M W King[1]	✓	✓	**	**
A K Maditsi	✓	✓	✓	✓
Dr R V Simelane	✓	✓	✓	✓
Z B Swanepoel	a	✓	✓	✓

a = apologies
[1] Mr M W King retired from the Board due to his age, with effect from 6 December 2013.

Remuneration Committee

The Remuneration Report is available on pages 144 to 155. Additional information is available in the Directors' report on pages 172 to 179.

Social and Ethics Committee: Meeting attendance

	Aug '13	Dec '13	Feb '14	May '14
Dr R V Simelane (Chairman)	✓	✓	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓	✓
A K Maditsi	✓	✓	✓	✓

Social and Ethics Committee

Members:
Dr R V Simelane (Chairman)
Dr M M M Bakane-Tuoane
A K Maditsi

The Company's sustainable development philosophy is underpinned by the realisation that there is a need to turn mineral wealth into sustainable economic growth and development. Through its business endeavours, ARM seeks to act as a catalyst for local, national, regional and international development, to make a lasting and important social, economic and environmental contribution to the developing regions in which ARM operates and to achieve and maintain world-class performance standards in the management of safety, health (occupational), the environment, tuberculosis, HIV & Aids and corporate social investment.

The purpose of the Social and Ethics Committee is to monitor and report on the manner and extent to which ARM protects, enhances and invests in the economy, society and the natural environment in which ARM operates in order to ensure that its business practices are sustainable. The Committee also reviews and considers the efficacy of ARM's systems to promote Local Economic Development opportunities to enable Historically Disadvantaged South Africans to develop economically whilst meeting the requirements of mineral rights conversions and other requirements detailed in the Mineral and Petroleum Resources Development Act 28 of 2002, as amended, and other applicable legislation.

The Social and Ethics Committee's Terms of Reference were amended by the Board in May 2011 in compliance with King III. The Sustainable Development Committee was renamed the Social and Ethics Committee in August 2011. The Terms of Reference of the Social and Ethics Committee were most recently reviewed in May 2014.

The Social and Ethics Committee is responsible for:

- Monitoring activities having regard to relevant legislation and other legal requirements and codes of best practice;
- Drawing relevant matters to the attention of the Board; and
- Reporting to the shareholders of the Company at Annual General Meetings.

In particular, the Social and Ethics Committee is responsible for monitoring:

- Social and economic development;
- Good corporate citizenship;
- Environment, health and occupational/employee safety;
- Consumer relationships, as applicable; and
- Labour and employment.

The Social and Ethics Committee's Terms of Reference provide that the committee must have a minimum of three members, the majority of whom must be Independent Non-executive Directors. Currently, the Social and Ethics Committee comprises three Non-executive Directors, all of whom are independent.

Invitees include the Chief Executive Officer of the Company, the divisional chief executives, the Executive: Business Development and Investor Relations, the Executive: Sustainable Development, the Group Executive: Human Resources, the Group Executive: Compliance and Stakeholder Relations and the Group Risk Manager.

Four meetings were held during F2014.

Additional information is available in the Report of the Social and Ethics Committee on pages 156 and 157 of this report, in the Sustainability review on pages 30 to 48 of this report and in the 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Ad hoc Board Committees

The Board has the right to appoint and authorise special *ad hoc* Board Committees, comprising the appropriate Board members, to perform specific tasks as required.

Management committees

The Company has various management committees comprising Executive Directors and senior executives who are considered essential to the functioning of the Company and ensuring the appropriate control and provision of information to the Board.

See page 119 for a summary of how these committees add value to the business.

Executive Committee

The Executive Committee was formed in January 2012 and its members meet 10 times per year. The Executive Committee is chaired by the Executive Chairman. Standard items on the agenda include strategic matters, reports from the Chief Executive Officer and the Financial Director and divisional reports, including safety, stakeholder and operational issues.

Management Risk Committee

Members:

M P Schmidt (Chairman) (Executive Director)
M Arnold (Executive Director)
C Blakey-Milner
N Botes-Schoeman
J M Bräsler
A Joubert
K S Mashalane
B R Mashiane
H L Mkatshana
J M Pistorius
D V Simelane (Executive Director)
J C Steenkamp
P S Thwala
F A Uys
A J Wilkens (Executive Director)

The Management Risk Committee, a management sub-committee of the Audit and Risk Committee, assists the Audit and Risk Committee in discharging its duties relating to risk matters by implementing, co-ordinating and monitoring a risk management plan, policy and processes to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance. The Management Risk Committee's Terms of Reference are reviewed annually and were most recently reviewed without amendment in F2014.

The Management Risk Committee is chaired by the Chief Executive Officer and its membership includes the Financial Director, the chief executives of the divisions, the Group Risk Manager, the Executive: Sustainable Development and the Chief Information Officer. The internal auditors are invited to attend one meeting per year. The Chairman of the Management Risk Committee and the Group Risk Manager attend Audit and Risk Committee meetings and report on the activities of the sub-committee. The Chief Executive Officer and the chairman of the Audit and Risk Committee report on risk matters to the Board. The Group Risk Manager and the Executive: Sustainable Development are invited to attend Board meetings to respond to any risk-related matters raised by the Directors.

The Management Risk Committee met four times during F2014.

Additional information regarding the risk management programme is available in the Risk Report on pages 134 to 143.

Steering Committee

The Steering Committee is charged with the implementation of approved corporate strategy and other operational matters. The Steering Committee is chaired by the Chief Executive Officer and its membership includes Executive Directors and senior management. It meets quarterly or more often as required.

The Steering Committee members are listed on pages 162 and 163.

Growth and Strategic Development Committee

The Growth and Strategic Development Committee evaluates growth opportunities. The Committee, which is chaired by the Executive Director: Growth and Strategic Development, meets fortnightly, or more often as required. Its members include the Chief Executive Officer, the Financial Director, the Chief Executive: ARM Copper, the Chief Executive: ARM Strategic Services and Exploration, the Executive: New Business Development and Investor Relations, the Executive: Legal Compliance and Stakeholder Relations and the Executive: Corporate Development.

Employment Equity and Skills Development Committee

The Employment Equity and Skills Development Committee considers employment equity, transformation and skills development strategies throughout the Company. The Company took a decision to combine the Employment Equity Committee and the Skills Development Management Committee eight years ago as the committees had common goals and addressed issues which are interrelated. The committee is chaired by Mr D V Simelane, an Executive Director and the Chief Executive of ARM Copper. Its members include the Chief Executive Officer, the Financial Director, the Chief Human Resources Officer, the Group Executive: Human Resources, the divisional chief executives, the Executive: Corporate Affairs for ARM Platinum, the Group Executive: Compliance and Stakeholder Relations, the Leader: Transformation and other senior executives. The Committee meets monthly, or more often as required. The Committee Chairman and the Group Executive: Human Resources attend and report at Social and Ethics Committee meetings.

Treasury Committee

The Treasury Committee meets monthly and, if required, more frequently, under the chairmanship of the Financial Director. The Committee membership includes the ARM Finance Executive: Operations, the ARM Finance Executive: Corporate and the Company Financial Manager. Representatives of Andisa Treasury Solutions (Andisa), to whom the treasury function is outsourced, attend meetings by invitation. The Treasury Committee reviews operational cash flows, currency and interest rate exposures as well as funding issues within the Company. While not performing an executive or decisive role in the deliberations, Andisa implements decisions taken when required. Advice is also sought from other advisors on an ongoing basis.

Information Technology Steering Committee

The Information Technology (IT) Steering Committee which was formed in November 2007 implements the IT Governance Framework and the IT strategy adopted by the Board in August 2012, and develops IT policies and procedures. The committee is chaired by Mr J C Steenkamp, formerly an Executive Director and the Chief Executive of ARM Ferrous and currently the Chief Executive: Strategic Services and Exploration. Its members include the Chief Information Officer, the Chief Executive: ARM Ferrous, various senior ARM Ferrous and ARM Strategic Services and Exploration executives, the Executive: Operations Support, senior general managers of Assmang operations and all senior IT project managers from the divisions. The committee meets quarterly or more often as required. The committee chairman and the Chief Information Officer attend and report at Audit and Risk Committee meetings.

Information Management/Technology Governance within the ARM Group

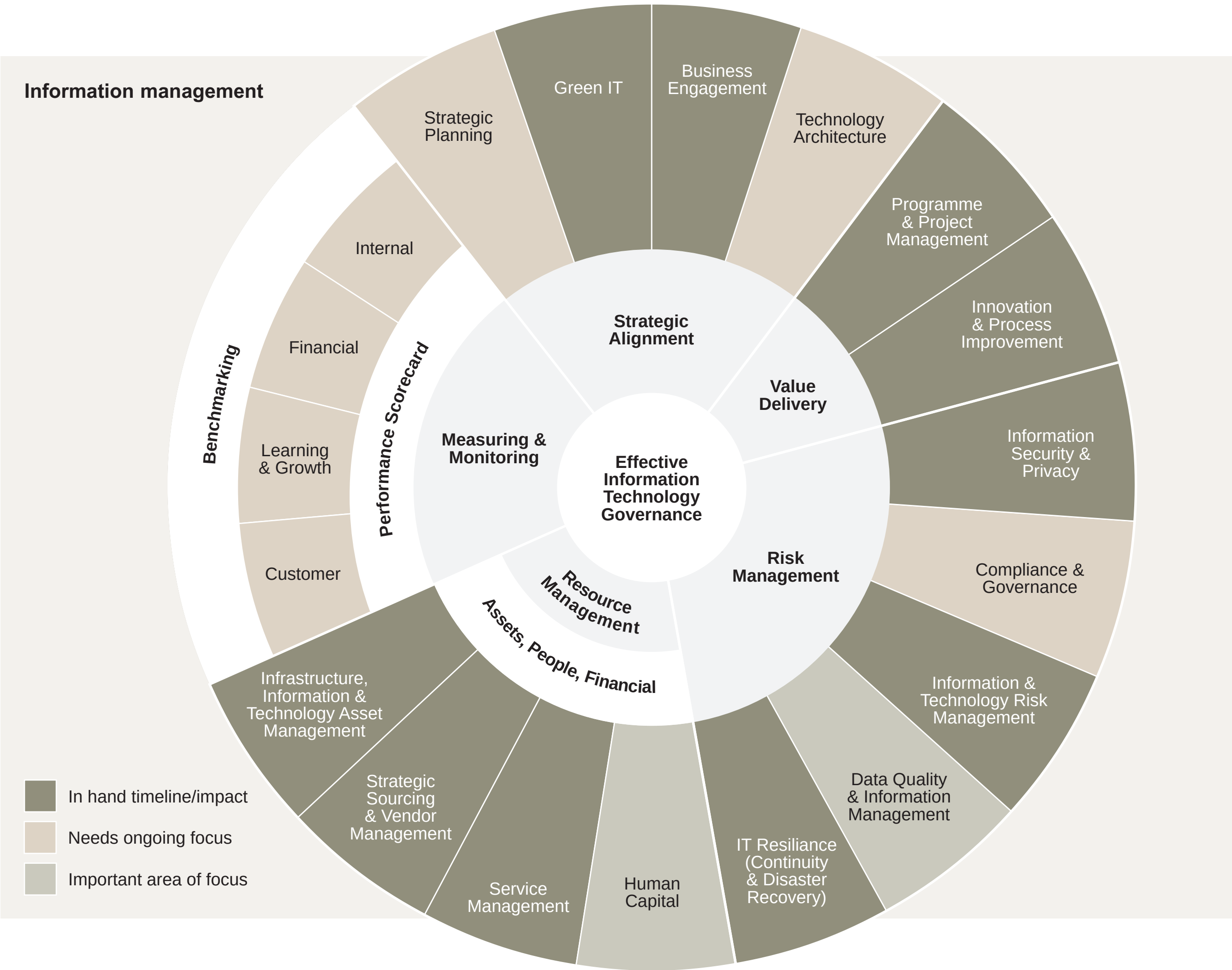
Introduction

Within ARM, the terminology Information Management (IM) is used to describe the management of information as well as the supporting technology and the related applications and data.

IM is one of the cornerstones of ARM's intellectual capital. IM has as its mission the implementation and continuous improvement of appropriate, standardised, proven and integrated information technology and software applications, which provide user-specific information to support all ARM's objectives and enhance its business and safe mining strategy. ARM does not develop any software but makes use of the principle "to buy, not develop". All software is thus configurable according to business processes and associated rules. Information must be accessible from anywhere at any time with any device. This initiative is known as RIFA (Reliable Information For ARM), throughout the Group.

To this end, the Group has continued with its roll-out of an integrated Enterprise Resource Planning (ERP) system, incorporating finance, procurement, inventory, safety and people management, to one system in line with ARM's drive to enhance efficiency. In addition, the Group has commenced with the roll-out of a system that allows for advanced analytics to show trends, enhance planning, forecasting and emerging patterns.

The Board affirms its responsibility for the governance of IM within the Group and has adopted an internationally acknowledged IT Governance Framework. The IM governance model reflects both business and IM requirements, focusing on strategic alignment of IM and business, the value delivered by IM, IM risk management (including information security, IM resilience and legislative and health and safety compliance), resource management and performance management. The business of IM is conducted in accordance with international standards, such as those embodied in the Information Systems Control Association's IT Governance Institute and CoBiT (Control Objectives for Information Technology) frameworks. These are reviewed from time to time to take into account organisational changes, international developments in the field of IM governance, and changing IM-related risk profiles.



Governance of Information Management

Summarised in the diagram above are the key elements of the ARM IM Governance Framework, and the aspects explained below are measured and monitored by the Chief Information Officer on an ongoing basis and are reported on quarterly to the Audit and Risk Committee. The framework used is based on international standards and has been mapped to the IM governance principles contained in the fifth chapter of King III. The Board is comfortable that through the use of this framework the applicable King III principles are being applied.

Strategic alignment

Strategic alignment focuses on ensuring the linkage of business and IM plans; defining, maintaining and validating the IM value proposition; and aligning IM operations with enterprise operations.

Value delivery

Value delivery is about executing the value proposition throughout the delivery cycle, ensuring that IM delivers the promised benefits against the strategy, concentrating on optimising costs and proving the intrinsic value of IM.

Risk management

Risk management requires risk awareness by senior corporate officers, a clear understanding of the enterprise's appetite for risk, understanding of compliance requirements, transparency about the significant risks to the enterprise and embedding of risk management responsibilities into the organisation.

Resource management

Resource management is about the optimal investment in, and the proper management of, critical IM resources: applications, information, infrastructure and people.

Key issues relate to the optimisation of knowledge and infrastructure.

Performance management

Performance measurement tracks and monitors strategy implementation, process performance and service delivery, using for example, balanced scorecards that translate strategy into action to achieve goals measurable beyond conventional accounting.

The business of IM is conducted in accordance with international standards, such as those embodied in the Information Systems Control Association's IT Governance Institute and CoBiT (Control Objectives for Information Technology) frameworks. The Group Chief Information Officer oversees the day-to-day IM operations and the Board has delegated responsibility to the Audit and Risk Committee for overseeing it.

IT Governance Dimension	Objectives and Performance 2014	Objectives 2015
Value delivery	**Objective:** Roll-out and implementation of J D Edwards' ERP (Enterprise Resource Planning) System for the Cato Ridge Smelter facility **Performance:** Project completed by 30 June 2014	Mature and enhance implementation and usage
Risk management Resource management Value delivery	**Objective:** ARM Ferrous – improve performance on internal and external audit and implement all audit findings **Performance:** Completed by June 2014	Continue internal audits to ensure integrity of systems
Resource management	**Objective:** Develop and implement Hyperion Planning for Northern Cape mines **Performance:** Project is 80% complete and remains a work-in-progress	Finalise and sign off the Hyperion Planning implementation by March 2015
Resource management	**Objective:** Continuation of the MAPP Project and module implementation **Performance:** Delivered Employee Self Service solutions in Northern Cape mines and Sandton. Delivered Contingent Worker solutions* to manage contractors Delivered "Org Plus", which is an Organisation Structure design product Delivered "Employee Relations Navigator" software to manage the industrial relations environment	Further develop and implement the following solutions: – Time and Attendance Solution – Learning Management Solution – Performance Management Solution Design the Oracle Fusion Solutions' recruitment, performance management and workforce planning
Resource management	**Objective:** Culture, Team and Individual Development (CTID) process **Performance:** Training completed and developed a Team Charter and Success Model for IM within ARM	Align outcomes into balanced scorecard measurements of employees Manage the outcomes and monitor behaviour due to process
Value delivery	**Objective:** Assisting Lubambe Mine with system requirements **Performance:** Implemented Human Resources Oracle core system and integrated Lubambe into ARM's Wide Area Network connection	Implement Oracle Payroll system Expand Qlikview reporting to management and ARM Executives Further assistance with other systems requirements
Value delivery	**Objective:** Planning of JD Edwards for Nkomati Mine **Performance:** Capital approval process completed and project preparation completed by June 2014	Implementation of JD Edwards at Nkomati Mine in alignment with the template developed for the ARM Group by June 2015
Resource management	**Objective:** Ensure compliance and development of an IM legal compliance register **Performance:** Initiative completed and a legal compliance register has been developed together with EY and KPMG for the IM department	Continuous alignment to applicable legislation and compliance in this regard

Abbreviations:
CTID *Culture, Team and Individual Development*
CoBit *Control Objectives for Information Technology*
ERP *Enterprise Resource Planning*
IM *Information Management*
IT *Information Technology*
MAPP *Managing ARM People Potential*
RIFA *Reliable Information For ARM*
WAN *Wide Area Network*

* *Employee leave management through electronic media.*

Ethics

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All Directors and employees are required to maintain high ethical standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of the Company. These principles are set out in ARM's Code of Conduct (the Code), which was previously known as the Code of Ethics. The Code was amended in F2011 to reflect the Company's obligations under King III and the new Companies Act, and most recently reviewed in 2014. A Code of Conduct online training programme has been rolled out at the corporate office, the ARM Platinum operations and the ARM Ferrous operations.

The Code of Conduct is available on ARM's corporate website: **www.arm.co.za**

Whistleblowers' facility

An independent service provider operates ARM's whistleblowers' facility to enable employees and other stakeholders to report confidentially and anonymously any unethical or risky behaviour. Information about the facility is included in the Code and contact information is posted in each of the Company's offices. Initiatives to heighten awareness of the whistleblowers' facility are implemented on an ongoing basis. Formal procedures in place result in each whistleblowing report being investigated and policy and procedures revised, where applicable, with feedback reports being provided to the operators of the ARM whistleblowers' facility. No material non-compliance incidents were reported during the year under review.

Comment from Sustainability Assurance Provider:

"As part of the scope of work to provide Independent Third Party Assurance over ARM's sustainability reporting, IRAS conducted an assessment of ARM's ethics policies and procedures, in line with King III recommendations. Based on our review, including observations and interviews during visits to selected sites, it appears that ARM employs a comprehensive set of policies (*e.g.* the Code of Conduct), procedures, systems and controls to meet reasonable expectations for the monitoring and manage-ment of ethical compliance throughout its operations."

For more information, go to the IRAS comprehensive assurance statement within ARM's 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Conflicts of interest

The Code includes a policy prohibiting the acceptance of any gift which may be construed as an attempt to influence an employee, regardless of value. The acceptance of any gift is subject to the approval of a member of the executive.

Disclosure

The Code includes a policy regarding communications which encourages complete, accurate and timely communications with the public. A more detailed communications policy is being prepared in accordance with King III.

The Chief Executive Officer, the Financial Director, the Head of Investor Relations and the Company Secretary oversee compliance with the disclosure requirements contained, *inter alia*, in the JSE Listings Requirements.

Internal control and internal audit

The Board, with the assistance of the Audit and Risk Committee, the Management Risk Committee and the internal auditors (outsourced to KPMG Services (Pty) Ltd), reviews the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit and Risk Committee, the internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management. The results of these reviews, together with updates on the corrective action taken by management to improve control systems are reported to the Audit and Risk Committee and the Board.

Going concern

On the recommendation of the Audit and Risk Committee, the Board annually considers the appropriateness of the going concern basis in the preparation of the year-end financial statements.

The Report of the Audit and Risk Committee is available on pages 166 and 167.

Risk management programme

The Risk Report is available on pages 134 to 143.

Legal compliance

The Company has a legal and regulatory compliance policy. Internal and external audits are regularly conducted at all operations and any instances of non-compliance with regulatory requirements are reported to management for corrective action.

Internal and external operational audits are undertaken annually. In addition, ARM Corporate initiates external audits of safety, health and environmental (SHE) performance at all of ARM's operations, which are undertaken biennially. The most recent external SHE audit, conducted in F2014, identified certain areas requiring attention, which are being addressed.

During the year under review, Modikwa paid an administrative fine of R315 000 in terms of the National Environmental Management Act (NEMA) in respect of the Montrose sewage facility. In the case of the Khumani Housing Company Proprietary Limited, a subsidiary of Assmang Proprietary Limited, an administrative fine of R460 000 was imposed, but this has been taken on appeal. The appeal remained unresolved as at 30 June 2014. Dwarsrivier Mine paid an administrative fine of R1 000 000 for rectification processes in terms of section 24G in terms of NEMA, which it had lodged in 2008, and Two Rivers Platinum also paid a consolidated fine of R1 000 000 for rectification in terms of section 24G of NEMA.

The Company did not receive any other administrative penalties nor was it fined nor has it been prosecuted for any anti-competitive practices or non-compliance with any governance or legislative obligations.

Mining Charter

ARM is committed to the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter). The Mining Charter was developed to effect sustainable transformation, growth and development of the mining industry, through a consultative process between government, labour and the mining industry. The Mining Charter was ratified in October 2007 and revised in September 2010. Measures for assessing the contribution of mining companies to the socio-economic goals of the Mining Charter were developed. These include the mining scorecard and focus on nine key elements: ownership, procurement and enterprise development, beneficiation, employment equity, human resource development, mine community development, housing and living conditions, sustainable development and growth of the mining industry and reporting (monitoring and evaluation).

A section describing the progress ARM has made to comply with the requirements of the revised Mining Charter is provided in the 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Dealings in securities and insider trading policy

ARM enforces closed periods in compliance with legislation and regulations. During these times, Directors, officers and designated persons are precluded from dealing in ARM securities. All Directors and employees were provided with relevant extracts from applicable legislation and the Company's procedures in this regard. Directors and employees are reminded of their obligations in terms of insider trading and the penalties for contravening the regulations. Minor amendments to the policy were made in F2014 following the annual review.

The complete policy governing dealings in Company securities and insider trading is available on ARM's corporate website: **www.arm.co.za**

Donations to political parties

ARM supports South Africa's democratic processes and makes contributions to political parties. A policy relating to making donations to political parties has been adopted by the Company. In the year under review, donations were made to political parties in accordance with the policy and the donations budget approved by the Board.

Investor relations and communication with stakeholders

ARM is committed to transparent, comprehensive and objective communication with its stakeholders. The Company maintains a website, which provides information regarding the Company's operations, financial performance and other information. Further to the commitment to transparent stakeholder communities, the Company has an Executive: Business Development, a Senior Executive: Corporate Affairs for ARM, a Group Executive: Compliance and Stakeholder Relations and an Executive: Legal Compliance and Stakeholder Relations.

Shareholders are encouraged to attend the Annual General Meeting and to use it as an opportunity to engage with the Board and senior management. Summaries of the results of decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.

The Company's stakeholder communication policy is included in the Code. The development of a more comprehensive stakeholder communication/engagement policy is in progress.

A management communications policy was finalised in February 2014.

ARM's investor relations department is responsible for communication with institutional shareholders, the investment community and the media. The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors in South Africa, the United Kingdom, North America and Singapore, through investor roadshows and conferences.

Additional information regarding investor relations and communication with stakeholders is available in the Investor Relations report on pages 258 to 261 and in the 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Annual General Meeting

The Notice of Annual General Meeting is available on pages 264 to 270.

Sponsor

Deutsche Securities (SA) Proprietary Limited is the Company's sponsor, in compliance with the JSE Listings Requirements.

Risk report

Risk management

Internal control and Enterprise Risk Management (ERM) policy

ARM's risk management philosophy commits to developing, embedding, cost-effectively implementing and continually reviewing systems of internal control and ERM at all levels within the Company.

Every ARM employee has an important role to play in the implementation of these systems of control.

To implement this policy, ARM:

- strives to protect and improve the health, safety and wellbeing of everyone affected by its operations;
- identifies, evaluates and regularly reviews the risks faced in achieving objectives;
- develops and executes appropriate actions and controls through its formal management framework that supports the achievement of strategic objectives;
- preserves and enhances ARM's assets and earnings potential to safeguard and optimise the Company assets and our shareholders' investment;
- implements and maintains effective internal control and risk management programmes;
- makes environmental management part of all our activities and operates in accordance with the principles and procedures of the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA);
- ensures compliance with all applicable legislation;
- retains risk to optimal capacity, in line with its conservative approach and commitment to protect shareholders' interests;
- accepts, reduces or shares risk and ensures that the residual exposure is within its risk appetite or tolerance; and
- uses secure insurance and re-insurance markets to insure against catastrophic incidents and losses beyond its risk retention capacity.

ARM's Board of Directors has committed ARM to a process of risk management and to sound and effective systems of internal control. These are aligned with the principles of King III and comply with the Companies Act and all relevant codes and regulations.

The objective of these systems and processes is the management and minimising of short-, medium- and long-term risk at all ARM's operations.

ARM expects all subsidiaries, joint ventures, strategic alliances, strategic and functional areas, business units, operations, projects and processes to be subject to this Internal control and Enterprise Risk Management policy.

The ERM process

ARM's annual Risk Management Plan is approved by the Audit and Risk Committee, executed on an ongoing basis by ARM Risk Management and monitored by the Management Risk Committee and the Audit and Risk Committee and joint venture audit committees on a quarterly basis. This plan ensures the implementation within the Company of the Enterprise Risk Management process.

ARM's Enterprise Risk Management process uses a unitary framework of identification and quantification of risks at all levels within the Company. To meet and exceed the risk management standards ARM measures, monitors and benchmarks the effectiveness of mitigation and control performance against its own and international best practice.

The ERM process, which is consistent with ARM's "We do it better" management style, is designed to achieve an ongoing improvement of risk preparedness and effective corporate governance.

ARM's risk profile requires that it adopts a prudent approach to corporate risk and ARM's decisions regarding risk tolerance and risk mitigation reflect this.

ARM selects its controls, mitigating actions and risk interventions, based on their potential to increase the likelihood of ARM fulfilling its stakeholder commitments. Sound management of risks provides ARM with the flexibility to anticipate and respond to changes in its business environment and make informed decisions in uncertain times.

To ensure ARM's responses to risk remain current and dynamic ARM continues to embed ERM and internal control processes in business systems and processes.

Mike Schmidt
Chief Executive Officer

Enterprise Risk Management Framework

The objective of ARM's Enterprise Risk Management Framework (the Framework) is to ensure that ARM is proactive and appropriately prepared for potential risk, challenges and opportunities.

The Framework records ARM's risk management philosophy and policy; sets out the management and reporting functions; processes, roles and responsibilities; provides standards and guidelines; and identifies risk tolerance levels (periodically reviewed by the MRC and approved by the Audit and Risk Committee) for operations, divisions and the Company.

The Framework, which incorporates elements of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Framework and ISO 31 000, places significant emphasis on the integration of risk and assurance; enables competent management assurance of the control environment across risks and processes throughout the enterprise; is interlinked with ARM's management philosophy of ongoing improvement; embodies the underlying premise that every entity exists to provide value for its stakeholders; defines risk as "uncertainties about an enterprise that must be understood and managed to achieve its objectives and add value"; emphasises ARM's overriding policy and philosophy that management of risk is the responsibility of management at every level in ARM; and forms an integral part of the process of managing resources and opportunities within our risk appetite in order to provide reasonable assurance regarding the achievement of our objectives.

As the field of risk management is dynamic, ARM's ERM policy and framework will continually evolve to meet the challenges and changes faced by ARM, its divisions and operations.

The Framework, guided by the Internal control and ERM Policy, executed in terms of the annual Risk Management Plan and reported in terms of the formalised reporting structure seeks to:

Focus on the ongoing identification and recording of risks, challenges and opportunities across the spectrum from long-term strategic planning to process level risks

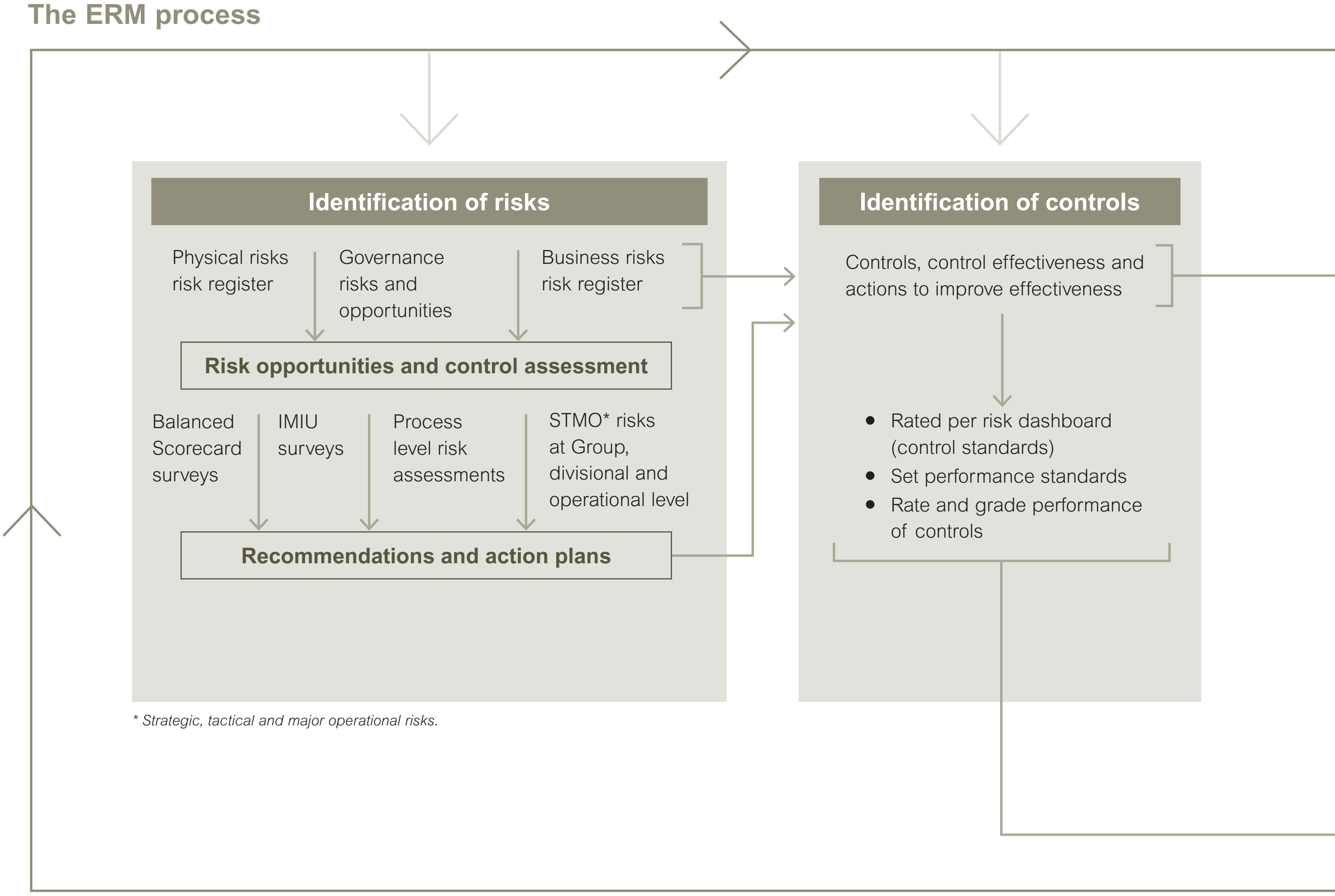
For the specific purpose of ensuring that efficient and effective controls and/or mitigation/elimination strategies are recognised, benchmarked, established and practised

Benchmark control performance in respect of the various processes involved at all our operations

Monitor and encourage improvement in control performance/mitigation strategies consistent with our "We do it better" management style, to provide all levels of management with appropriate assurance of the effectiveness of existing controls and/or improvement initiatives


Two Rivers Platinum Mine

The ERM process



** Strategic, tactical and major operational risks.*

ARM dashboard standards

Use of risk and control dashboard and other metrics in the ERM process

ARM makes extensive use of Risk and Control dashboards and metrics with consistent rating criteria. These provide an appropriate and consistent approach to the presentation of performance of specific controls and the overall control environment.

ARM rating %	Control effectiveness	Descriptions
90 – 100	Optimal	Adequate control framework, minor control effectiveness deficiencies, regarded as housekeeping
80 – 89	Good	Adequate control framework, controls regarded as effective, but improvements were identified (group standard)
70 – 79	Satisfactory	Adequate control framework, but improvements required in the effectiveness of certain key control areas
60 – 69	Inadequate	Inadequate control framework, improvements required in the effectiveness of key control areas. If not addressed, may cause an exposure
Below 59	Poor/weak	Inadequate control framework, controls ineffective. If not addressed, may cause a material exposure. Urgent executive management attention

Acceptance or financing of risk

Governance and continuous improvement processes

Review process
- Risk registers
- Combined assurance
- Previous internal audit results and coverage
- Corporate governance requirements

Annual internal audit plan
(Risk-based audit approach)

Annual risk management plan

Internal audits

Actions include:
- Verification of control effectiveness
- Analysis of findings/recommendations
- Closing the loop (follow-up on internal audit findings/recommendations)

Focus on
- Ongoing risk identification
- Controls and effectiveness
- Risk financing/risk acceptance
- Reporting: providing assurance on governance risk and controls

Reporting, monitoring and assurance on governance, risk and controls

Risk and control reporting

Governance
- Internal audit rated per risk dashboard
- Detailed analysis of audit findings
- Follow-up reviews – closing the loop
- Governance, risk and control reporting

Risk register
- Business risk register – risks, opportunities, controls and effectiveness

Physical risk management
- Balanced Scorecard
- IMIU ratings

Risk financing/Risk acceptance

Quarterly reporting to
- Operational audit committees
- Operations committees
- Management Risk Committee
- ARM Social and Ethics Committee/ operational sustainable development committees
- ARM Audit and Risk Committee (which reports to the ARM Board)

Combined assurance

ARM's risk management initiatives must:
- continue to meet and exceed corporate governance requirements;
- provide an effective and efficient management tool for a continuous improvement process;
- provide evidence of meaningful management assurance that can be relied on by all stakeholders;
- facilitate the ongoing process of moving from exception reporting to performance of controls;
- identify risks (from long-term strategic planning to process level risks), with the specific objective of reviewing and ensuring that appropriate levels of control and mitigation are in place;
- set ARM performance standards and grading/rating performance of control and mitigation strategies;
- constantly reassess risk management initiatives to ensure they are relevant and that they anticipate emerging risks and opportunities; and
- add value to the efficiency and effectiveness of ARM's risk preparedness.

Management of risk in ARM

Accountability structure

The ARM Board tasks the Audit and Risk Committee with the oversight of risk management. In terms of the Board Charter, the Management Risk Committee (MRC) has been established as a sub-committee of the Audit and Risk Committee to assist it with the management of and reporting on risk management processes and procedures. The Audit and Risk Committee Chairman reports to the ARM Board.

The Chief Executive Officer chairs the MRC and its members include the divisional chief executives, the Financial Director, the Executive: Sustainable Development, the Chief Information Officer, the Group Risk Manager and members of the ARM Steering Committee.

The Group Risk Manager reports quarterly to the Management Risk Committee, the Audit and Risk Committee and the Social and Ethics Committee, as well as reporting quarterly to all divisional and joint venture operational committees, divisional audit committees, and divisional social and ethics/sustainable development committees, with the exception of the ARM Coal audit committee.

Integration of risk and assurance

ARM's risk management philosophy and practice champions the integration of risk and assurance. This approach ensures the provision of comprehensive management assurance across financial, business and operational processes; associated risks, challenges and opportunities; and appropriate corporate governance compliance. By providing a practical and effective tool for the management of the specific and overall control environment, it ensures adequate and appropriate risk preparedness.

The enterprise risk management activities of identifying and recording risks (including challenges and opportunities) and corresponding controls and/or mitigation strategies enables focused continuous improvement of the control and mitigation actions and improvement initiatives.

Approach to combined assurance

ARM believes that the focused approach to the integration of risk and assurance, coupled with its ongoing enterprise risk management activities, ensures that a comprehensive combined assurance base is established upon which relevant and appropriate analysis of the overall control environment can be assessed and reported.

In order to enhance the integration and alignment of ARM's management assurance, ARM developed its Combined Assurance Model providing clarity to its "three lines of defence" defining that which constitutes management assurance relative to these three lines of defence.

The "three lines of defence" model (summarized here) defines formal assurance into that provided by:

- **Management:** Policies, procedures, systems, processes, strategies
- **Internal assurance:** Assurance processes internal to ARM but external to the individual operation
- **External assurance:** Assurance provided by external assurers providers including specialists and subject matter experts

This combined assurance process assists in identifying potential gaps and duplication in assurance, providing further input into establishing a control environment that is appropriately related to ARM's risk appetite. Combined assurance enables comprehensive and appropriate management assurance reporting to the divisional and operational audit committees and to the MRC and, through the Audit and Risk Committee, to JV partner and Board structures.

ARM continues to refine its combined management assurance approach and reporting. The objective is to provide a comprehensive risk-based and robust assurance process and ensure that it provides a practical, cost-efficient and effective tool integrated with ARM's enterprise risk management and audit and risk processes.

ARM Annual Risk Management Plan

The Risk Management Plan, approved annually by the Audit and Risk Committee, provides emphasis for ARM's enterprise risk management initiatives for that financial year and ensures implementation of the Internal Control and Enterprise Risk Management Policy.

The Risk Management Plan's initiatives and emphases are determined through an integrated combined assurance review. This review encompasses risk and assurance processes; discussions with internal audit, external audit and independent assurance providers; and is guided by any business imperatives and changes in governance and compliance requirements.

Reporting structure

These risk management initiatives and emphases are then incorporated into the annual Risk Management Plan and reported on within the **structured reporting areas** of the:

Risk register process	Physical risk management	Risk financing insurance	Governance and risk
Addresses emerging and existing business risks, controls and action plans for improvement.	Addresses physical risks, controls and action plans/ recommendations for improvement set against cost-effective international standards.	Addresses the financing and/ or insurance of risks retained.	Addresses risk issues arising out of corporate governance and code of practice.

The risk register

The scope of ARM's principal risk register function extends from addressing strategic, tactical and major operational risks and opportunities to detailed risk assessments at a process level (including specialised functions) across ARM, its divisions, operations and individual processes.

The Enterprise Risk Management specific software captures detailed risk information in a consistent manner and provides a powerful database to enable interrogation of risks, controls and actions captured through the risk register process.

The inclusion and consistent use of value drivers in the identification of risks and their corresponding controls assists in ensuring focus and alignment with the independent assurance provided by ARM's internal audit function (outsourced to KPMG).

The aim of the risk register process is to ensure the identification and recording of relevant risks, challenges and opportunities and in respect of each risk/opportunity to identify and record corresponding controls and mitigation strategies. The efficacy of these controls is considered and rated against ARM's Control Standards during the process.

Action plans to reduce risk

Where improvement in the control environment is considered necessary, the risk register process requires that appropriate action plans or mitigation strategies be identified and implemented to reduce the risk profile and improve the control environment.

This approach to risk ties in with ARM's "We do it better" management approach, which incorporates the principle of continuous improvement.

Rating of control effectiveness

ARM's focus on rating the effectiveness of controls and ensuring the implementation of appropriate mitigating actions and strategies corresponds with the move towards reporting on the performance of controls (measured in terms of risk and control dashboards) and the move away from exception reporting.

Using the risk register process to integrate risk and assurance and maintain the focus on continuous improvement

The detailed risk register information and the outcome and results of the combined assurance reports are provided and discussed at least annually with ARM's internal auditors, in order to:

- ensure that the information is effectively used in the planning of internal audit coverage so that it is comprehensive and provides focus on identified high risk areas;
- enhance the integration of risk and internal audit functions by incorporating a review of specific targeted process level risk assessments (and corresponding controls/strategies) during their annual audit programme; and
- specifically ensure review of the control environment associated with strategic, tactical and major operational risks.

Using the risk register to embed the ERM process

To embed the ERM process, ARM ensures that the risk register process, including the integration of appropriate management assurance and compliance reporting, plays an integral part in the management of all our operations through:

- quarterly risk workshops and reviews;
- quarterly updates of risk registers;
- quarterly presentations of risks and controls;
- annual internal audit planning process;
- external consultants' reports on risk, control and control effectiveness;
- reviews by internal audit of the Enterprise Risk Management Framework and the Internal control and Enterprise Risk Management policy; and
- incorporation of combined assurance processes into the Enterprise Risk Management process.

Physical risk management

ARM addresses and reports on physical risk, control and mitigation strategies separately from business risks to ensure specific and focused attention. These risks and controls are also captured in the risk register process.

It is through independent focused Balanced Scorecard and Benchmarking processes implemented by ARM that the necessary emphasis is encouraged to ensure that physical risk and control initiatives are progressed, monitored and reported.

While ARM's risk management approach (recorded in the Internal control and Enterprise Risk Management Policy) emphasises that ARM's general managers are directly accountable for the management of risk in the area under their individual control, ARM recognises that independent specialist expertise is necessary to guide and assist management in this area.

Appointed external consultants assist ARM's operations with objective independent reports which identify risks, rate and benchmark risk performance and provide appropriate risk improvement recommendations as follows:

Balanced scorecard programme

The physical risk scorecard, developed from a strategic planning and general management application, grades operations against international best practice standards for risks associated with fire and explosion, flooding, mechanical engineering, electrical engineering, planned maintenance, security and risk management organisation.

The scorecard is designed to meet ARM's risk management requirements, ensures alignment and consistency with the risk dashboard rating process and makes possible consistent monitoring and reporting of management assurance to all relevant internal and external stakeholders.

Benchmarking programme

The benchmarking surveys, conducted by International Mining Industry Underwriters, measure each operation against an international benchmark of risk preparedness.

The value of the Balanced Scorecard and Benchmarking surveys to ARM's continuous improvement programme includes:

- providing a reliable measurement of control performance, mitigation strategies and risk protection standards against which ARM can compare risk management performance;
- allowing ARM and its operations to focus on high risk areas;
- helping to continually develop physical risk standards to international norms and ensures that ARM operations continue to meet and exceed international risk standards; and
- focusing attention on risk protection systems – both automatic and manual – to promote consistency with recognised internationally accredited fire standards.

Risk financing/insurance

ARM's risk financing strategy has remained constant over many years and continues to be aggressive in considering the extent of risk self-retained by both the operations and the Company as a whole.

This requires a mature approach to the management of controls and mitigation strategies in order to limit exposure to loss-producing events. This approach is both required and expected of management at all levels and is consistent with ARM's risk management philosophy.

The risk financing strategy focuses on delivering a cost-effective risk financing mechanism that will protect ARM (and its divisions and operating entities) against the financial consequences flowing from chance risk events.

Its aim is to increase the likelihood of ARM succeeding in reducing both the probability of failure and/or uncertainty around achieving its overall objectives.

ARM remains committed to mutually beneficial long-term relationships with our risk partners/underwriters and to continually developing relationships with responsible and financially sound risk carriers.

Processes and principles in place to achieve our strategy:

- identify and quantify each operation's Maximum Potential Loss (MPL) exposures and risk profiles (frequency and severity exposures);
- ensure the availability of detailed and reliable risk and loss information;
- use appropriate forecasting techniques to determine levels of predictability and optimal structure;
- consider potential increased self-assumption of risk (by operations and ARM) to ensure efficient risk financing at all levels;
- remove non-group risk carriers from all but catastrophe exposures;
- provide broad-based insurance protection with appropriate limits, to achieve a consistent approach to risk; and
- use accumulated reserves (within captive and risk financing structures) with innovative structuring, to finance self-retained exposures and, where appropriate, to carry risks of a non-traditional nature.

Risks, opportunities and challenges

In order to make informed decisions and take appropriate action, ARM and its stakeholders identify the issues material to the sustainability of the business. ARM determines these issues at board, executive and operational levels by considering financial and non-financial information, the issues driving our sustainability and their possible impact on ARM and its stakeholders.

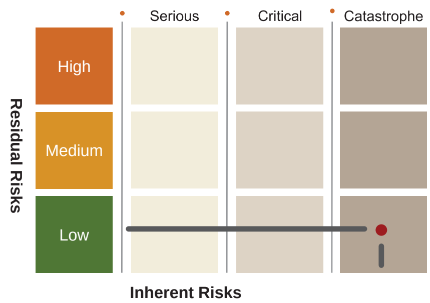
Having determined these material issues, ARM's comprehensive Enterprise Risk Management process includes a detailed identification of risks ranging from process level risk assessments at individual operations, through to strategic, tactical and major operational risks at operational, divisional and Company level.

Quarterly reviews of strategic, tactical and major operational risks include a specific focus on the efficacy of controls (and mitigating strategies) relating to the identified risks; actions that may be required to improve the control effectiveness; record of any change to risk profiles; recognising new and emerging risks and any increased risk velocity (risks that require immediate management focus).

A graphical representation of risks regarded as principal risks, opportunities and challenges is presented hereunder providing ARM's view of Inherent risk (before the application of controls), control effectiveness and the resultant Residual risk profile (after application of controls/mitigation strategies).

Safety and health

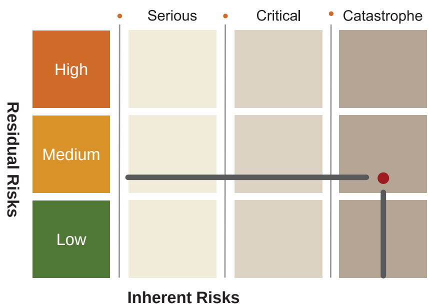
Control effectiveness: Good



Although not significantly exposed to deep level mining operations, ARM is acutely aware of the risks associated with our mining and smelting operations. We value the health and wellbeing of all our employees, and the effectiveness of our safety and health management and reporting structures is paramount. Each divisional chief executive is tasked with ensuring the safety and health of all of our employees and our contractors are appropriately managed. Leading the effectiveness of this function is our Executive: Sustainable Development, who reports directly to our Chief Executive Officer.

Long-term business strategy

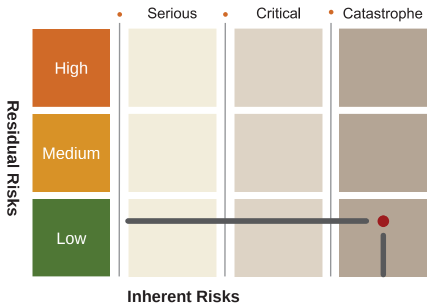
Control effectiveness: Good



To mitigate any risk that our long-term strategic planning may present, ARM has robust but flexible strategy and growth management processes in place. These include a full-time dedicated Growth and Strategic Development Management team which reports to the Growth and Strategic Development Committee, whose members are all senior executives of ARM. Specialist consultants are periodically involved, where appropriate, to provide input, focus and assurance.

Regulatory and legal compliance

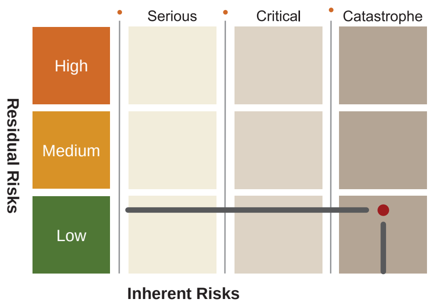
Control effectiveness: **Good**



ARM recognises that ensuring regulatory and legal compliance requires detailed attention in all areas. We give considerable attention to the measurement of and reporting on compliance and providing appropriate management assurance. While the internal control measures we have in place ensure compliance, ARM seeks to continually improve its monitoring, measurement and assurance processes through its continuous improvement management approach.

Key skills

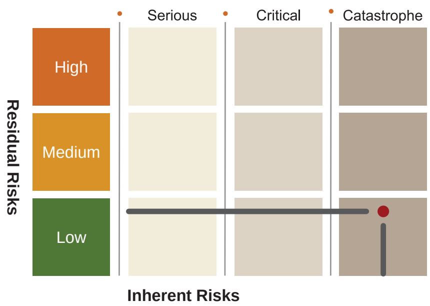
Control effectiveness: **Good**



ARM recognises that its future success depends on our ability to attract, retain and develop suitably skilled and qualified employees. To achieve this, we have attractive short-term and long-term (share-based) incentive schemes which we regularly review and improve. We also have appropriate retention policies, graduate professional programmes and the focused training of artisans for the development of key technical skills we require. ARM continues to strive to be an employer of choice and has been acknowledged as a leading employer in the CRF Institute's "Top Employer" awards for the past four years.

Climate change

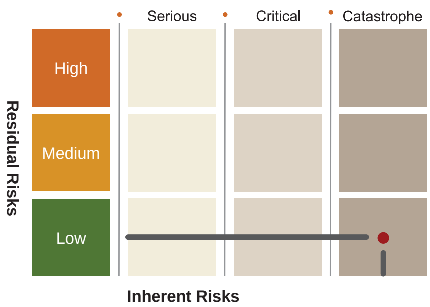
Control effectiveness: **Good**



The ARM Group safety, health, environment and quality (SHEQ) function monitors and provides guidance on SHEQ issues. Action plans include a strategic review of the Group's climate change risks, initiatives and approach. We are aligning our climate change policy with ICMM climate change developments. In developing our climate change policy we are also considering the possible impact of climate change on ARM with the aim of developing a policy that will address its potential long-term impacts. We also continually monitor and improve our sustainable development processes.

Stakeholder relationships

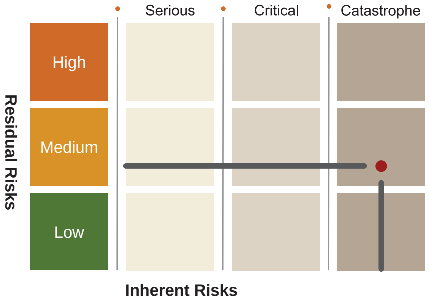
Control effectiveness: **Good**



ARM recognises the risk to its business environment of having ineffective relationships with our various stakeholders. We identify, develop and maintain multiple relationships with various stakeholders at all levels within ARM. Key individuals have responsibility for managing our key relationships at operational, divisional and Group levels.

Labour relations

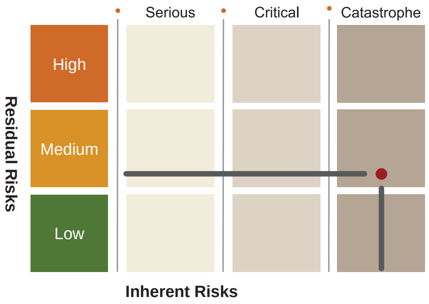
Control effectiveness: Satisfactory



Stakeholder engagement processes associated with labour relations enjoy focused attention and this, together with our approach of regularly engaging with trade unions at branch level, has helped us foster positive labour relations. Specific actions we have taken that have contributed to sound labour relations include ensuring resolution of grievances and concerns; having employment practices that recognise and deliver on transformation imperatives; employing members of local communities; and providing well-structured competitive remuneration packages. See key skills regarding ARM's Top Employer status.

Pressure on margins/continued cost escalation

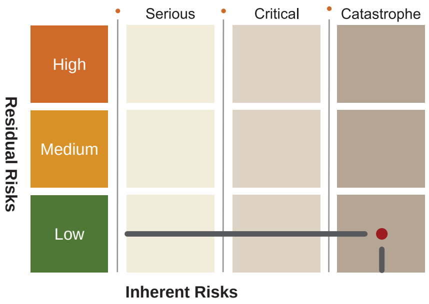
Control effectiveness: Satisfactory



The softening/volatility of commodity prices and continued cost escalation places considerable pressure on margins. ARM counters this with productivity improvements, various cost reduction and efficiency initiatives and increased oversight by operational and executive management through ongoing review of production, costs and control initiatives. ARM strives to be below the 50th percentile of the global cost curve (based on steady-state production) and we benchmark our operations against the global cost curve.

Capital allocation

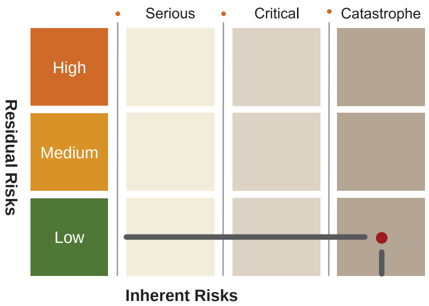
Control effectiveness: Good



In the rigorous Business Planning process the requirement for capital is assessed, prioritised and planned based on criticality assessments to ensure appropriate capital allocation which is best suited to ARM's financial profile.

Effective transformation

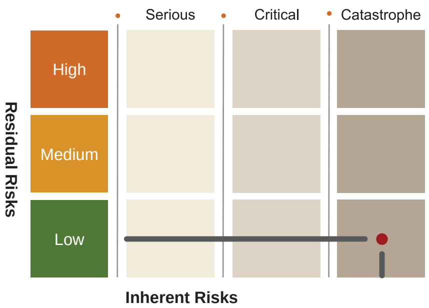
Control effectiveness: Good



Transformation is one of ARM's core values and we actively strive to make a meaningful contribution to transformation in the South African mining industry. We have social and labour plans (SLP), Corporate Social Investment (CSI), Local Economic Development (LED) and enterprise development budgets in place as well as transformation plans and projects. We have introduced improved compliance monitoring of our SLPs. Our smelter operations have approved transformation plans and our mining operations have defined and submitted their SLPs as part of their mining licence applications.

Ethics and reputation

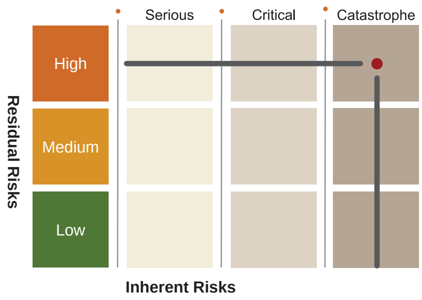
Control effectiveness: Good



ARM's strong commitment to ethical behaviour and the steps we take to encourage and monitor ethical behaviour throughout our operations is detailed on page 132 of this report.

Commodity prices and global demand

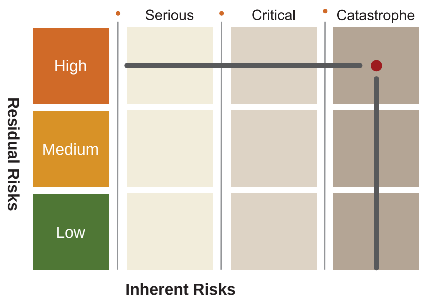
Control effectiveness: Lower control



The volatility of commodity pricing driven by short- and long-term inequalities in global demand/supply relationships continues to be a significant exposure and opportunity for ARM. We mitigate this risk by maintaining a diversified portfolio of commodities and constantly monitoring commodity markets in close collaboration with our joint venture partners to ensure our planning and mitigation processes assist in reducing the impact of these risks.

Exchange rate fluctuation

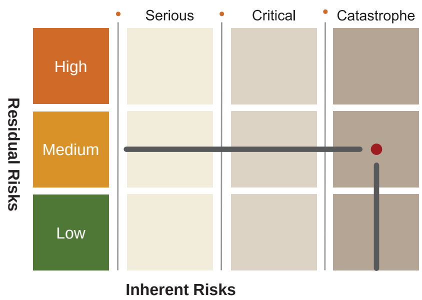
Control effectiveness: Lower control



Changes in the Rand/US$ exchange rate are a risk/opportunity affecting revenue. ARM does not engage in currency hedging other than for the purchase of long lead time capital equipment and where necessary for project funding.

Resource nationalism, political and fiscal risks

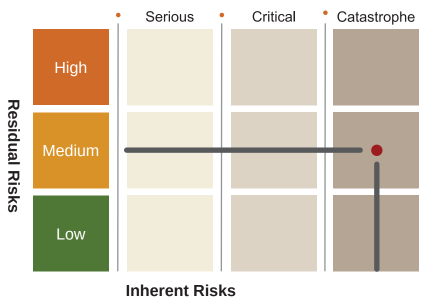
Control effectiveness: Lower control



The risk/opportunity associated with potential changes in legislation, regulations, taxes or royalties affecting the mining industry continue to be considered and monitored by ARM. We maintain relationships with key stakeholders, and are involved in initiatives and represented by the Chamber of Mines on issues associated with the mining industry. We also have regular communication with investors and analysts on major changes affecting the mining industry generally and ARM in particular. Our approach to our relationship with stakeholders associated with these risks is explained under stakeholder relationships.

Infrastructure access and capacity: rail and port logistics

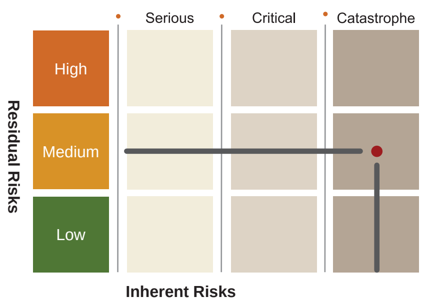
Control effectiveness: Lower control



Logistics constraints and access to rail and port capacity are challenges/opportunities which can affect our ability to meet demand for our commodities and may have a material impact on the timing of strategic export growth initiatives planned for our manganese, iron ore and coal operations. ARM is actively involved in commodity and logistics industry initiatives, including being an active member of a commodity-specific steering committee which regularly meets with Transnet on these issues.

Security of energy supply

Control effectiveness: Lower control



The security of supply of electricity (both in respect of cost and current and future capacity) presents a significant challenge particularly in relation to our ferromanganese smelters which are intensive users of electricity. The considerable increase in electricity costs in South Africa also affects our ability to contain costs. Our operations continue to implement energy-efficiency plans and to explore co-generation opportunities and other alternative energy sources. The ARM Ferrous Division (Assmang) is a member of the Energy Intensive User Group. We have put plans in place to manage and mitigate the risk to and impact on our production of load shedding in the short term and the possibility of reduced baseline allocations in the longer term.

Remuneration report

The Remuneration Committee acknowledges its responsibility to apply the remuneration strategy to ensure a fine balance in attracting and retaining human capital through competitive remuneration practices, while creating shareholder value. The Remuneration Committee does so by formulating a Remuneration policy designed to give effect to the remuneration strategy, support the business objectives within the larger operating environment and offer a balanced remuneration mix within the Company's financial constraints. In so doing, the Remuneration Committee actively engages with best practice corporate governance principles, with specific reference to the principles contained in the King III Report on Corporate Governance for South Africa and the King Code of Governance Principles (collectively, King III). Supporting a progressive Remuneration policy are ARM's talent management, succession planning, human resources development and manpower planning processes, which aim to ensure the appointment of competent and experienced individuals to realise the Company's growth expectations and growth strategy. This forms a critical component of the total Employee Value Proposition and ARM's objective to be an Employer of Choice. We endeavour to achieve commitment and engagement with all employees. Remuneration and benefits significantly contribute towards this proposition.

The elements are discussed in more detail in the 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

ARM recognises that its strategic objectives can only be delivered with the foresight, dedication and hard work of management and employees. It also recognises that the Company competes in a small talent pool and for a limited set of competencies within the global and South African mining industries.

ARM's goal to retain and attract the best employees is only possible with an attractive Employee Value Proposition with focused attention given to elements such as the Company's values, culture, talent management, workforce planning and competitive benefits and remuneration. This can only be achieved with a solid employer brand within the market.

During F2014, ARM was certified as a "Top Employer South Africa 2014/2015" by the CRF Institute in the Netherlands. ARM was audited in the following categories, using international benchmarks to measure against:

- Talent strategy;
- Workforce planning;
- On-boarding;
- Learning and development;
- Performance management;
- Leadership development;
- Career and succession management;
- Compensation and benefits; and
- Culture management.

The categories for each of the above were:

- Policy;
- Strategy;
- Ownership;
- Practices;
- Measurement; and
- Technology and process support.

This indicates that ARM's remuneration and benefits policies and practices compare well against South African and international practices.

During the F2014 reporting period the Remuneration Committee reviewed detailed benchmarking studies prepared by EOH Human Capital and PwC, which covered the mining industry as well as mid- and large-tier companies listed on the JSE, focusing on Total Guaranteed Package, Short-Term Incentives and Long-Term Incentives.

The studies indicated that for the most part, ARM's Executive remuneration was in line with market levels and competitively benchmarked in all three categories. A few issues which were identified, which are summarised below, together with the action taken or proposed:

Issue identified – The Executive Chairman, Chief Executive Officer and Financial Director's total remuneration was below market median benchmarks.

Action taken or proposed action

The Executive Chairman's 2014 base salary was below the market median, nonetheless, the Board agreed that the Executive Chairman's base salary would not be adjusted to market levels in F2015, nor would the Executive Chairman receive a CPI increase. The Chief Executive Officer's salary was below the market median. The Board agreed that the Chief Executive Officer's base salary would not be adjusted upwards to the market median level, however, he would receive a 6% CPI increase in F2015. The Financial Director's base salary was increased by 5.1% to the market median level and a 6% CPI increase was applied for F2015.

Issue identified – It was best practice for separate safety modifiers to be applied to Executive key performance indicators (KPIs) in the mining industry.

Action taken or proposed action

As a result of the review, commencing in F2015, a safety modifier would be applied to Executive KPIs applicable to the short-term bonus incentive scheme. The safety modifier will be based on LTIFR. The method of calculating the safety modifier is still under consideration and will be recommended to the Board for approval.

Issue identified – **Long-term incentive ratio covers and vesting periods for awards made to executive management required review.**

Action taken or proposed action

The Remuneration Committee will review the long-term incentive cover ratios in F2015 as well as the share vesting periods for awards made to Executive Directors and other senior executives in terms of the Share Plan.

In order to address the total remuneration benchmarking findings, the Remuneration Committee made recommendations to the Board which has implemented certain changes as indicated above, but will also conduct further investigations on how best to address these issues during F2015.

In order to acknowledge the sensitivity of executive remuneration, the Board has approved a below Consumer Price Index (CPI) increase of 6% for senior executives, with effect from 1 July 2014. The CPI increases for employees other than senior executives ranged from 6% in the corporate office to 8% to 10% at the operations.

The Remuneration Committee also considered and addressed feedback received from investors during the financial year.

The Remuneration Committee report includes two parts: Part I, which is set out on pages 146 to 155, explains the Remuneration policy; and Part II, which explains the implementation of the Remuneration policy in F2014 and is reviewed by the external auditors, is included in the Directors' report on pages 172 to 179. This approach has been adopted in line with emerging best remuneration disclosure practices.

The Remuneration Committee and ARM remain committed to continuously monitoring the effectiveness and implementation of the Remuneration policy, strategy and practices, and are confident that the Remuneration policy will generate real long-term value for ARM's shareholders.

On behalf of the Remuneration Committee

Alexander K Maditsi
Chairman of the Remuneration Committee

14 October 2014

Part I: Remuneration policy

Remuneration Governance Framework

Composition of the Remuneration Committee

Members:
A K Maditsi (Chairman)
F Abbott
Dr M M M Bakane-Tuoane
T A Boardman
A D Botha

In accordance with King III, the Remuneration Committee consists entirely of Independent Non-executive Directors. The Board considers the composition of the committee to be an appropriate blend of knowledge, skills and experience, and is confident that the Committee's members have a strong blend of expertise and experience in the financial, business and human capital fields.

Functions of the Remuneration Committee and Terms of Reference

Purpose

The purpose of the Remuneration Committee is to assist the Board with its responsibility for setting the Company's remuneration policies to ensure that these policies are aligned with ARM's business strategy and create value for ARM over the long term. The Committee also assists the Board in promoting a culture that supports enterprise and innovation with appropriate short-term and long-term performance-related rewards that are fair and achievable. The Committee considers and recommends remuneration policies for all levels in the Company.

Functions and responsibilities

The Remuneration Committee must perform the functions and responsibilities necessary to fulfil its purpose as stated in the previous paragraph. Its Terms of Reference have been approved by the Board and were updated in F2014 in terms of the annual review. The terms of its mandate include the following:

- ensuring that policies for the remuneration payable to all employees of ARM have been developed and monitoring the implementation of such policies;
- ensuring that, in developing the Company's remuneration policies, the mix of fixed and variable remuneration in cash, shares and other elements of remuneration meets ARM's business needs and promotes its strategic objectives, and that there is an appropriate balance between short-term and long-term incentives;
- ensuring that performance targets in all occupational categories within ARM and its joint ventures are set and monitored;
- ensuring that the Company's remuneration policies are put to a non-binding advisory vote of shareholders at the Annual General Meeting of the Company;
- ensuring that independent third-party advisors are engaged in order to conduct benchmarking of the remuneration of Executive Directors and senior executives;
- reviewing the results of benchmarking surveys of the remuneration packages of Executive Directors and senior executives;
- recommending basic salaries for Executive Directors to the Board for approval;
- reviewing and recommending specific remuneration packages for senior management to the Board for approval including, but not limited to, basic salaries;
- ensuring that remuneration levels accurately reflect the contribution of Executive Directors and senior executives;
- considering and making recommendations to the Board regarding any proposed cash bonus schemes or amendments to any existing cash bonus schemes in respect of the Executive Directors and senior executives;
- ensuring that annual bonuses clearly relate to performance against annual objectives which are consistent with long-term value creation for shareholders and that individual and corporate performance targets, both financial and sustainability-related, are tailored to the needs of ARM's business;
- recommending to the Board cash performance bonuses to be awarded to any of the Executive Directors and senior executives taking cognisance of the respective job descriptions and the performance of ARM against the budgetary and strategic objectives as approved by the Board;
- regularly reviewing ARM's share-based incentive schemes to ensure the continued contribution of Executive Directors and senior executives to shareholder value, and guarding against unjustified windfalls and inappropriate gains from the operation of ARM's share-based incentives;
- considering and making recommendations to the Board regarding any proposed long-term shared-based incentive schemes or amendments to any such existing schemes relating to the Executive Directors and senior executives;
- recommending to the Board awards to be made to Executive Directors and senior executives pursuant to ARM's long-term share-based incentive schemes;
- monitoring long-term (share-based) incentives to ensure that remuneration policies do not encourage behaviour contrary to the Company's risk management policy and strategy;
- satisfying itself as to the accuracy of recorded performance measures that govern the vesting of long-term (shared-based) incentives;
- ensuring that management develops appropriate retirement and pension scheme arrangements for employees of the Company;
- receiving reports from management in regard to all employee benefits, including benefits in kind and other financial arrangements to ensure that they are justified, correctly valued and suitably disclosed;
- ensuring that independent third-party advisors are engaged with regard to the benchmarking and recommendation of Non-executive Directors' fees;
- reviewing the results of benchmarking surveys of the fees payable to Non-executive Directors;
- making recommendations to the Board for submission to an Annual General Meeting of shareholders of the Company regarding Board and committee fees payable to Non-executive Directors;
- making recommendations to the Board for submission to an Annual General Meeting of shareholders of the Company regarding the fee payable to the Lead Independent Non-executive Director;
- ensuring that Non-executive Directors do not receive remuneration contingent upon the performance of ARM; and

- upon being notified by management of the terms of any agreement with any Non-executive Director, making recommendations, if required, to senior executives or to the Board regarding such agreement.

It is also the responsibility of the Remuneration Committee to ensure alignment with the remuneration guidelines of King III. After reviewing the remuneration strategy and policy as well as the implementation thereof, the Remuneration Committee is satisfied that the Company is indeed so aligned.

Remuneration Committee activities

The Remuneration Committee met three times during F2014 as set out below.

Remuneration Committee: Meeting attendance

Committee Member	July 2013	Aug 2013	Oct 2013
A K Maditsi (Chairman)	✓	✓	✓
F Abbott	✓	✓	✓
Dr M M M Bakane-Tuoane	✓	✓	✓
T A Boardman	✓	✓	✓
A D Botha	a	✓	✓

a = apology

The scheduled work plan was followed with the normal cycle of activities that included, but was not limited to, the following:

- The recommendation to the Board of the annual increases in the base salaries of Executive Directors and senior executives;
- The recommendation to the Board of the annual bonuses paid to Executive Directors and senior executives in terms of the Out Performance Bonus Scheme;
- The recommendation to the Board of the annual offers to Executive Directors and senior executives of share-based instruments in terms of The African Rainbow Minerals Share Incentive Scheme (the Scheme) and The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan);
- The recommendation to the Board of the Board retainer and Board and Committee meeting attendance fees for Non-executive Directors, for submission to shareholders;
- The review of the deferred bonus/co-investment awards in terms of the Share Plan;
- The review of the Remuneration policy; and
- The review of the conditions of employment and benefits to ensure that they are reasonable.

A review of the long-term incentive schemes and recommendations to the Board of proposed amendments for submission to shareholders of the Company is more fully described on page 152.

The Chief Executive Officer, Financial Director, Executive Director: Growth and Strategy and the Chief Human Resources Officer attend Remuneration Committee meetings by invitation and assist the Remuneration Committee in its deliberations, except when issues relating to their own remuneration are discussed. No invitees vote at the meetings.

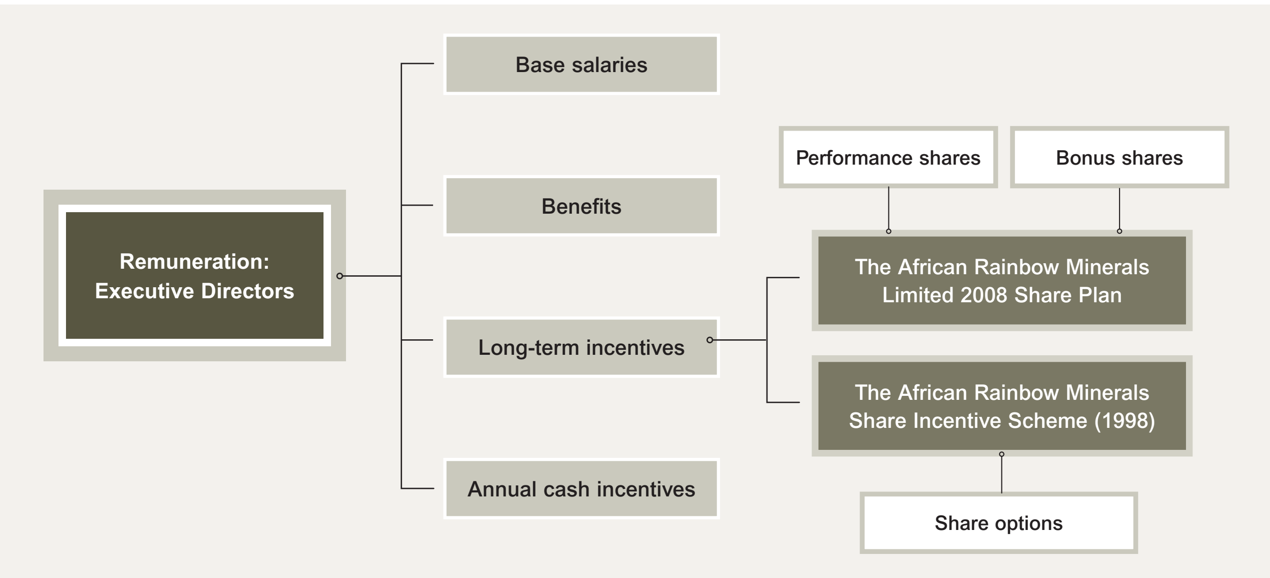
No Director was involved in deciding his or her remuneration. The Chairman of the Remuneration Committee attends annual general meetings to answer any questions from shareholders regarding ARM's Remuneration policy and the implementation thereof.

Advisors to the Remuneration Committee

In F2014, the Remuneration Committee was advised by EOH, PwC and Deloitte, which provided, *inter alia,* advice on and assistance with the design, implementation and verification of calculations pertaining to offers and awards pursuant to the short- and long-term incentive schemes. All short- and long-term incentive calculations are audited by either the Company's internal auditors (KPMG) or at financial year-end by the external auditors, Ernst & Young Inc.

Benchmarking

The advisors also conducted surveys regarding Non-executive Director fees, conditions of employment and benchmarking for other management and employee categories. The comparator group for the benchmarking was selected through a rigorous selection process, in order to ensure the overall competitiveness of ARM's remuneration.



In determining the base salary increases for senior executives, the Committee considered the relevant market data in respect of an industry comparator group.

Stakeholder engagement

The Remuneration Committee recognises the importance of stakeholder engagement with regard to the Remuneration policy and implementation thereof. Therefore, the Remuneration Committee remains committed to proactively maintaining regular, transparent and informative dialogue with ARM's stakeholders.

Non-binding advisory vote

Chapter 2 of King III, which deals with "Boards and directors", requires that a company tables at its annual general meetings its Remuneration policy for discussion by shareholders of the company, who voice their confidence in it through a non-binding advisory vote. This vote enables shareholders to express their views on a company's remuneration policy and on its implementation.

Ordinary resolution number 6 which pertains to Part I of this Remuneration Report and the Company's Remuneration policy, included in the Notice of Annual General Meeting, is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. At the 2013 Annual General Meeting of the Company, the non-binding advistory vote on the Company's Remuneration policy was passed by the Company's shareholders. However, the Board and the Remuneration Committee have taken due cognisance of the concerns raised at the 2013 Annual General Meeting and have endeavoured to address them in the 2014 financial year. The Remuneration Committee will also continue to engage with stakeholders on a regular basis and endeavour to address any concerns in this regard.

Additional information is available in the Notice of Annual General Meeting on pages 264 to 270.

Remuneration philosophy and policy: Executive remuneration

Principles of executive remuneration

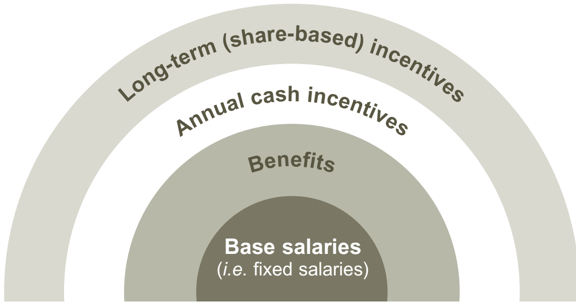
ARM's executive remuneration philosophy aims to attract and retain high-calibre executives and to motivate and reward them for developing and implementing the Company's strategy to deliver consistent and sustainable shareholder value. The Company demonstrates:

- the ability to attract top talent throughout the Group, as 96.36% of all job offers made were accepted;
- the ability to retain that top talent, as the annual turnover is only 1.56% with no turnover in top management;
- a management team that realises the ARM slogan of "We do it better" and consistently achieves and exceeds business targets, meets project budgets and timelines and thereby creates sustainable shareholder value; and
- a management team that has delivered on the Company's strategy since 2005 and achieved its strategic objectives.

The Remuneration policy conforms to best international practice and is based on the following principles:

- **total rewards** are competitive with those offered by other employers in the mining and resources sector;
- **incentive-based rewards** are earned through the achievement of performance targets consistent with shareholder expectations over the short and long term;
- **annual cash incentives**, together with performance measures and targets, which are structured to reward effective operational performance; and
- **long-term (share-based) incentives** that are used to align the long-term interests of management with those of shareholders and that are responsibly implemented so as not to expose shareholders to unreasonable or unexpected financial impact.

Elements of the executive total remuneration package are:



The Remuneration Committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those linked to long term shareholder value creation. The Remuneration Committee considers each element of the remuneration package relative to the market and takes into account the performance of the Company and the individual executive in determining both quantum and design.

For additional information regarding Executive Directors' emoluments for F2014, please refer to Part II of the Remuneration report included in the Directors' report on pages 172 to 178.

The policies relating to the four components of executive remuneration are summarised in the table below.

Policies relating to the four components of executive remuneration

Policy	Basis of delivery
Base salaries:	**Base salaries:**
• Are benchmarked against market practices of other South African mining companies that are comparable in size, business complexity and international scope. • Generally reflect market median levels based on the role and individual skills and experience. • For key individuals, are aligned with the upper quartile of the resource market.	• Are paid monthly in cash. • Are reviewed annually, with changes taking effect on 1 July. • Increases are also determined by Company performance, individual performance and changes in responsibilities. • Form part of and are the major component of a total cost-to-company (TCTC) package, which also include benefits. Participation in short- and long-term incentive schemes is calculated on the basis of and in addition to the TCTC package.
Benefits:	**Benefits:**
Retirement/Pension Fund: • Membership in the ARM Pension Fund is compulsory. Executives, if already members of a recognised industrial pension/retirement fund such as Sentinel, may remain members if they so elect.	*Retirement/Pension Fund:* • Contributions are made by executives from the TCTC base salary. Total contribution to the fund, including risk benefits such as life and disability cover is 22.5% of pensionable salary. • The ARM Pension Fund is: – Managed by eight trustees of whom 50% are appointed by ARM and 50% are elected by the members. – Administered by Alexander Forbes. – A defined contribution fund.
Medical scheme: • It is compulsory to belong to a medical scheme.	*Medical scheme:* • Contributions are made by executives from their TCTC. • Executives may participate in any managed medical aid plan of their choice.
Other benefits and conditions of employment:	**Other benefits and conditions of employment:**
• All other conditions of employment are comparable to those of the mining and resources sector and conditions do not differ from the rest of the employees in the Company. No special or extraordinary conditions are applicable to executives.	• Adjustments are made to the TCTC depending on the benefits selected by employees, e.g. car allowances.
Annual cash incentives:	**Annual cash incentives:**
• Incentivised achievement against annual cost and profitability objectives are rewarded. • Executive Directors and senior executives are allowed, prior to March, the voluntary deferral of either 25%, 33% or 50% of the annual bonus into "co-investment" shares. See page 152 of this Remuneration report for details.	• On-target bonus percentages are established by the Remuneration Committee in terms of ARM's overall reward strategy; however, the Out Performance Bonus payable at year-end depends upon actual Company performance against a weighting of: – targeted profit from operations in each of the operational clusters; and – targeted unit cost of sales in each of the operational clusters. • With effect from 2015, safety will be an additional measure, resulting in an additional bonus or a penalty. • The weighting of the metrics in the bullet points above applied to each executive is in relation to his or her sphere of influence. • The Remuneration Committee establishes thresholds and targets for each metric in accordance with the Board-approved business plan, and reviews the measures annually to ensure that they are appropriate, given the economic climate and the performance expectations for the Company. • Non-executive Directors are not incentivised.

Policy	Basis of delivery
Long-term (share-based) incentives:	**Long-term (share-based) incentives:**
• ARM share-based incentives are based on two schemes: – The African Rainbow Minerals Share Incentive Scheme; and – The African Rainbow Minerals Limited 2008 Share Plan.	• ARM's long-term (share-based) incentives consist of: – performance shares; – bonus shares; and – share options. Performance shares are awarded and bonus shares are granted pursuant to the Share Plan. Share options were offered under the Scheme until the end of F2014. The resulting compound, share-based incentive programme aligns ARM with best international practice; provides for the inclusion of a number of performance conditions, designed to align the interests of executives with those of the Company's shareholders; acts as a retention tool; and rewards executives for Company performance above that of the performance of the economy or the mining and resources sector. All ARM corporate employees at managerial levels are eligible participants.

Annual cash incentives – short-term incentives

ARM's short-term incentives are based on an out-performance bonus scheme, which seeks to reward key employees for sustained out-performance, in terms of absolute targets set for the Company's business performance. Selected executives participate in the out performance bonus scheme, and Non-executive Directors are not eligible for participation in the scheme.

The on-target bonus for a participant is calculated by applying an on-target bonus percentage, set by the Board in ARM's reward strategy, to participants' total cost-to-company package.

ARM's overall financial performance indicators for the Executive Chairman, the Chief Executive Officer and other F-band employees (excluding those from the ARM Ferrous, ARM Platinum and ARM Coal divisions) are weighted as follows:

- 50% – Profit from Operations; and
- 50% – Unit Costs of Sales (a weighted scorecard).

The Threshold for each performance indicator is currently 15% of Target, and the Target is in accordance with the approved business plan; and the Stretch performance percentage is +15% for each performance indicator. Vesting is linear, and thus in the event that the participant achieves -15% of the Target, the participant will receive no bonus; if the Target is achieved, the participant will receive the target percentage for that performance indicator indicated below. Vesting is linear so the vesting will be commensurate to the percentage of the Target achieved, provided that it is above the threshold amount. This percentage will be applied to the participant's total cost-to-company guaranteed package, and will be paid as a cash bonus.

The bonus weighting for financial performance indicators for participants whose role is focused with one of ARM's divisions are calculated as follows:

- 25% – ARM overall Profit from Operations against Target;
- 25% – ARM overall Unit Cost of Sales against Target (a weighted scorecard);
- 25% – Divisional Profit from Operations against Target; and
- 25% – Divisional Unit Cost of Sales against Target (a weighted scorecard).

The performance criteria are subject to revision by the Remuneration Committee, but only under exceptional circumstances. The combined percentage (achieved by participants) will be applied to the participant's total cost-to-company guaranteed package to calculate the cash incentive bonus.

The table below indicates the details of the thresholds, targets and stretch bonus earning potential that a senior executive may receive as a percentage of his or her Total Cost-to-Company (TCTC) as well as the applicable vesting formula:

The short-term incentive on target bonus percentages and the related cap's to bonuses are reflected in the table below:

Position	Paterson Grade	% on target bonus of TCTC	Maximum % bonus of TCTC
Executive Chairman	FU	62%	186%
Chief Executive Officer	FU	50%	150%
Senior executive	FL	45%	135%
Operational Senior Executives in ARM Ferrous, ARM Coal, ARM Copper and ARM Platinum	FL	45%	135%

To encourage sustainability a safety modifier will be introduced in the 2015 financial year, which could affect bonus earning potential. After a bonus has been calculated for each individual, a safety modifier is applied, which is Lost Time Injury Frequency Rate (LTIFR) for each Division or operation, as the case may be. If this target has been met or exceeded, participants will receive an additional 10% of their bonus. If the target has not been met, participants will lose 10% of their bonus.

Long-term incentives

The policy and (share-based) plan rules for share-based incentives are described below:

Performance share method

The performance share method aligns the interests of shareholders and executives by rewarding superior shareholder return in the future and by encouraging executives to build a shareholding in ARM.

In terms of the Share Plan, conditional awards of full value performance shares have been made to executives annually since 2008. These awards vest after a performance period of three years or four years in the case of executives, subject to the Company's achievement of pre-determined performance criteria set by the Remuneration Committee at the time that awards are made.

The Remuneration Committee, in its recommendations to the Board, ensures that the Company awards a combination of performance shares and bonus shares to provide a balanced portfolio approach and to avoid unjustified windfalls.

Performance criteria

Since F2011, as a result of the reduction in the number of constituent members of the FTSE/JSE Index from 20 (RESI 20) to 10 (RESI 10) the performance criteria for the vesting of the performance shares, both prior awards and subsequent awards, are now defined in terms of the achievement of Market Price Appreciation (MPA) performance, in terms of the RESI 10. The performance criteria for the vesting of the performance shares were defined in terms of the achievement of an MPA performance, in comparison to the 10 companies then comprising the constituent members of the FTSE/JSE Resources Index (RESI 10). This approach to performance vesting was selected on the basis that it incentivises the creation of shareholder value. In line with King III, factors such as fluctuations in commodities prices are not used as performance criteria due to the limited control that executives have over such events. Such fluctuations would only be considered to the extent that they impact the affordability of variable pay.

The MPA for this purpose is defined to be the increase in value of a portfolio of shares purchased on a specified date, holding the shares until the third or fourth anniversary of the purchase date, as the case may be, and then selling the portfolio on that day.

Vesting

Conditional performance shares awarded to participants prior to 1 November 2011 and conditional performance shares awarded to participants other than senior executives after 1 November 2011 vest and are settled after a performance period of three years, subject to the achievement of predetermined criteria.

In 2011, the Board, upon the recommendation of the Remuneration Committee, resolved to extend the vesting period of awards made after 1 November 2011 to senior executives from three years to four years and to assess the performance criteria annually commencing after two years. Although the number of performance shares to be settled as a result of the annual performance assessments would have been calculated, they will remain restricted and will only be settled at the end of the four-year period.

Vesting is based on a sliding scale of the meeting of performance conditions. There is no automatic waiving of performance conditions in the event of a change of control, roll over of options or awards for capital reconstruction and early termination of a participant's employment, but it may be appropriate to pro-rate the award made subject to the rules of the relevant Share Incentive Scheme.

Since F2011, additional awards of performance shares may be made in terms of the deferred bonus/co-investment scheme, described below.

Share-based awards are typically awarded on an annual basis in order to reduce the risk of unanticipated outcomes arising out of share price volatility and cyclical factors.

For additional information regarding the implementation of performance share awards, please refer to Part II of this report in the Directors' report on pages 173 to 174 and 177.

Bonus share method

The bonus share method is an additional share-based incentive for those executives who, through their performance on an annual basis, have demonstrated their value to the Company. It also encourages executives to build a shareholding in ARM.

In terms of the Share Plan, annually since 2008, participants have received a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. All bonus shares granted to participants prior to

1 November 2011 and bonus shares subsequently granted to participants other than senior executives vest and are settled after three years, subject to continued employment with the Company.

However, the purpose of the bonus share method is to retain senior executives for the long term and in order to achieve this objective, the Board, upon the recommendation of the Remuneration Committee, resolved in 2011 to extend the vesting period for bonus share grants made to senior executives on or after 1 November 2011. Such bonus shares will vest and be settled after four years, subject to continued employment with the Company.

Since F2011, additional grants of bonus shares may be made in terms of the deferred bonus/co-investment scheme, described below.

For additional information regarding the implementation of bonus share grants, please refer to Part II of this report in the Directors' report on pages 175 and 178.

Share option scheme

Annual allocations of share options in terms of the Scheme were made to executives until the end of F2014, but at a much reduced scale following the adoption of the Share Plan in F2008.

Share options vest in total on the third or fourth anniversary of their allocation. Executives may elect to defer exercising any share option until the eighth anniversary of its allocation after which it lapses.

The Scheme was amended in December 2010 to allow the Company to offer participants the opportunity to net settle share options when they exercise such options.

For additional information regarding the implementation of share option allocations, please refer to Part II of this report in the Directors' report on pages 176 to 178.

Deferred bonus/co-investment scheme

In February 2011, the Remuneration Committee approved a deferred bonus/co-investment scheme, in terms of which senior executives may invest in additional bonus shares which are matched by the Company with performance shares under the existing terms and conditions of the Share Plan.

Senior executives are offered the opportunity, before the end of March each year, to elect that a portion (25%, 33% or a maximum of 50%) of any bonus calculated at the end of the performance year, is deferred and converted into an equivalent number of bonus shares.

Additionally, any portion of the calculated bonus above a certain threshold (Rand) level is to be deferred on a compulsory basis and converted into an equivalent number of bonus shares.

The remainder of the bonus, after any elective or compulsory deferral, will accrue to senior executives and be paid out in cash.

To encourage senior executives to take up the deferral(s), the deferred bonus shares are matched with performance shares according to prescribed ratios.

The vesting period(s) of both deferred bonus shares and matching performance shares will be three years. The performance criteria for the matching performance shares will be identical to that adopted for the Share Plan, but the performance period will remain at three years and there is only one performance assessment.

The deferred bonus share element will be utilised to enhance the retention characteristics of the current reward of Executive Directors and senior executives. The Company is of the view that the deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and promotes the retention of key employees and enhances the performance and shareholder alignment characteristics of the Share Plan.

Although the deferred bonus shares will still be at risk to share price volatility, a high level of reward certainty exists for the grantees, as the only performance criteria associated with the vesting of the bonus shares is a grantee's continued employment. Performance and shareholder alignment will be enhanced by the matching of the deferred bonus shares with additional performance shares in specific ratios that reflect the risk/reward characteristics the Company wishes to operate under.

Proposed amendments to the long-term incentive schemes

In F2015, the Board will recommend that shareholders approve amendments to the Scheme and the Share Plan to increase both the overall limits and the individual limits to allow for the continuing implementation of both the Scheme and the Share Plan for the period up to 31 December 2019, to make certain amendments in relation to the treatment of retiring participants in respect of all future grants in terms of the Share Plan, as well as to update the Scheme and the Plan by replacing references to outdated legislation no longer in force with correct references to current legislation. The current Scheme and Share Plan limits were set in December 2008 and at that time included vested and unvested share options amounting to 5 042 027 options. This effectively meant that the limit available for grants of share options and awards of bonus and performance shares from December 2008 was 5 539 267. This limit is now close to being reached, after seven years of allocations, and needs to be extended. The proposed amendments to the treatment of retiring participants are to provide that retirement does not accelerate the relevant vesting periods in respect of scheme shares or share options.

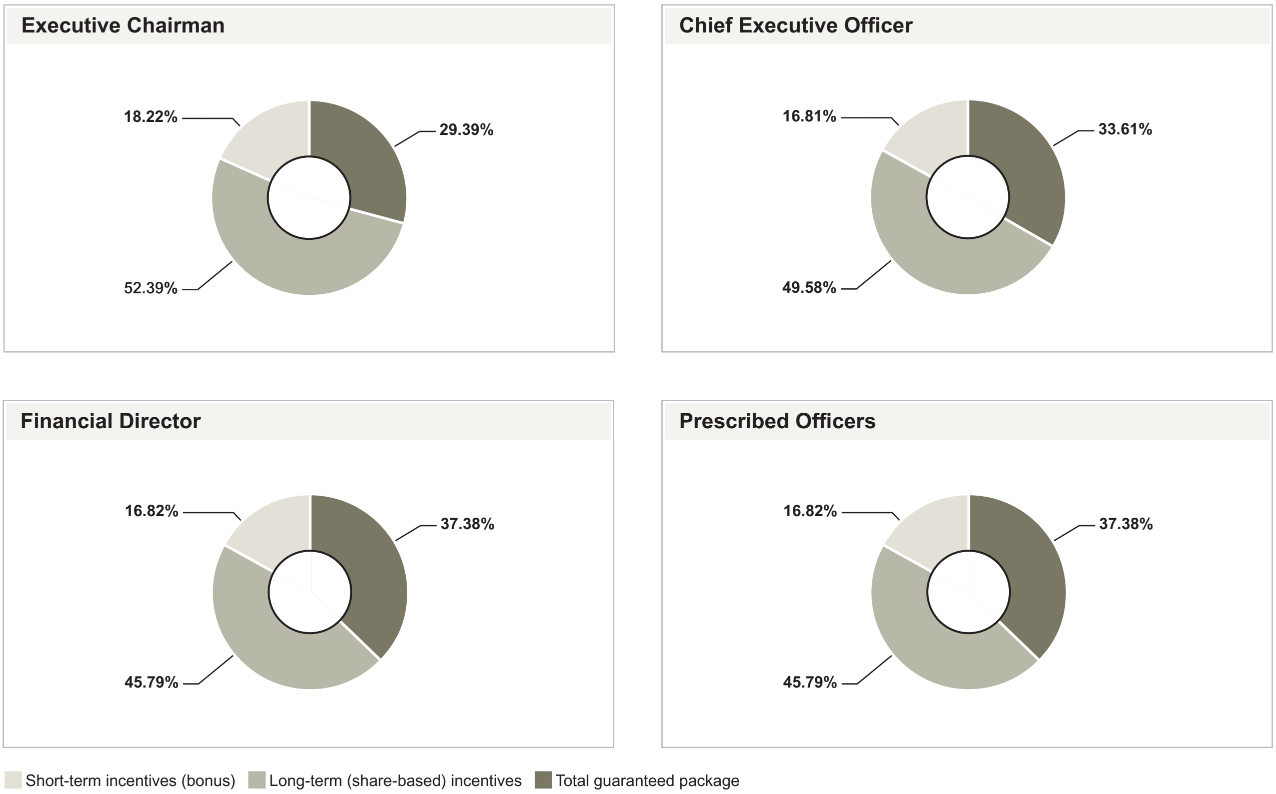
In particular the amendments propose an increase in the aggregate number of shares that may be acquired by all eligible participants through the Scheme and the Share Plan for the period up to 31 December 2019 from 10 581 294 to 15 581 294, and to increase the aggregate number of shares that may be acquired by each eligible participant for the period up to 31 December 2019 from 1 058 129 shares to 1 558 129 shares.

The number of performance shares, bonus shares and share options offered to and accepted by participants, along with an analysis of share-based payments accruing to Executive Directors and to Prescribed Officers, is provided in Part II of this Remuneration report found in the Directors' report on pages 172 to 179.

Pay Mix

The graphs below represents the total remunerative packages of the senior executives, wherein the total guaranteed package, short-term incentives and long-term incentives are expressed as a percentage of total remuneration. The pay mix for senior executives is reviewed regularly by the Remuneration Committee to ensure it supports the Company's Remuneration policy and the Company's strategic objectives.

ARM Theoretical Pay Mix 2014[1]



[1] *Actual earnings and bonuses may differ from year to year.*

Employment contracts

Employment agreements have been entered into between the Company and Executive Directors, namely Messrs P T Motsepe (Executive Chairman), M P Schmidt (Chief Executive Officer), M Arnold (Financial Director), D V Simelane (Chief Executive: ARM Copper) and A J Wilkens (Executive Director: Growth and Strategic Development). Employment agreements have also been entered into between the Company and the Prescribed Officers, namely Messrs A Joubert, L A Shiels, J C Steenkamp and F A Uys. These contracts are subject to a one calendar month's termination notice period by either party. None of these employment contracts is a fixed-term contract. Executive agreements do not include restraint provisions applicable upon termination.

The remuneration paid in terms of the executive employment agreements with the Executive Directors and Prescribed Officers is set out in detail in Part II of this Remuneration Report on page 172 of the Directors' report.

Executive Directors and Prescribed Officers are not paid by the Company for their services and duties as Directors of the Company and therefore do not receive Non-executive Directors' fees. They only receive remuneration in terms of their employment relationship with the Company.

As recommended in King III, the Company has not concluded any agreements with its Executive Directors and Prescribed Officers to pay a fixed sum of money on termination of employment, or to make "balloon payments" in recognition of service to the Company without any performance conditions attached. There is also no automatic entitlement to bonuses or share-based payments in the event of resignation or dismissal for good cause. In the event that contracts are terminated because of a disciplinary procedure, the notice period and terms of payment may be shorter.

There are no other service contracts between the Company and its Executive Directors and Prescribed Officers.

Remuneration policy: Non-executive Directors' remuneration

Non-executive Directors' fees

The Board appoints high-calibre Non-executive Directors who contribute significantly to the Company's strategic direction. On the advice of the Remuneration Committee, which engages independent third-party advisors to assist with the benchmarking of Non-executive Directors' fees against those paid by comparable companies, the Board considers and makes recommendations to shareholders regarding Non-executive Directors' fees payable.

In determining the level of fees, consideration is given, *inter alia*, to the importance of attracting and retaining experienced Non-executive Directors, market dynamics and the increasingly demanding responsibilities of Directors throughout the year as well as the contributions of each Director and their participation in the activities of the Board and its committees.

Board retainers and Board and committee meeting attendance fees are paid quarterly and in arrears. Board attendance fees are paid for *ad hoc* meetings, site visits and seminars. The Company reimburses reasonable travel, subsistence and accommodation expenses to attend meetings, however, office costs, including telecommunication costs, are deemed to be included in the Board retainers. The remuneration for Independent Non-executive Directors does not include remuneration from performance-based shares, nor do Independent Non-executive Directors participate in the share incentive schemes. Although Mr Gule received remuneration for share options which he exercised in 2013 upon retirement, Non-executive Directors do not receive awards or grants of share incentives.

Full details regarding the fees paid to Non-executive Directors in F2014 are provided in Part II of this Remuneration report included in the Directors' report on page 173.

The proposed increases in Non-executive Directors' fees will be put to a vote by shareholders in special resolutions at the Annual General Meeting scheduled to be held on Friday, 5 December 2014. Only once these shareholders' resolutions have been passed, will the proposed fees be paid. The CPI increase is in line with the market and will ensure that ARM retains the skills and experience of its Non-executive Directors.

Please refer to the Notice of Annual General Meeting on pages 264 to 270 for the shareholders' resolutions.

Board retainers and per meeting attendance fees

On the advice of the Remuneration Committee and, in line with King III, the Board recommends an annual retainer and meeting fees for attendance at Board meetings payable to Non-executive Directors for approval by shareholders.

The meeting attendance fees would also be paid for attendance at *ad hoc* Board meetings, site visits and other *ad hoc* meetings in respect of Board matters.

The Board recommends a proposed 6% per annum increase (rounded to the nearest R50) in retainer fees and Board meeting attendance fees to be paid to Non-executive Directors. The proposed increase would be effective 1 July 2014.

Annual Board retainers and meeting attendance fees

	2014/15 Fees (Rand)*		2013/14 Fees (Rand)**	
Retainer and committee	Annual	Per meeting	Annual	Per meeting
Lead Independent Non-executive Director	**469 950**	**18 000**	443 350	17 000
Independent Non-executive Director	**374 900**	**18 000**	353 700	17 000
Non-executive Director	**300 000**	**18 000**	283 000	17 000

* *Effective 1 July 2014 should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2013.*

Committee meeting attendance fees

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an increase in the committee meeting attendance fees payable to Non-executive Directors of 6% per annum (rounded to the nearest R50) for all committees, as set out in the table below. The proposed increases would be effective 1 July 2014. The fees provide remuneration for preparation for and attendance at committee meetings as well as *ad hoc* committee and committee planning meetings.

Committee meeting attendance fees

		2014/15 per meeting fees (Rand)*	2013/14 per meeting fees (Rand)**
Audit and Risk Committee			
	Chairman	**93 700**	88 400
	Member	**37 500**	35 400
Investment Committee, Nomination Committee, Remuneration Committee and Social and Ethics Committee			
	Chairman	**36 800**	34 700
	Member	**24 500**	23 100

* *Effective 1 July 2014, should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2013.*

Fee for the Lead Independent Non-executive Director

On the advice of the Remuneration Committee, the Board recommends that the shareholders approve a 6% per annum increase to R469 950 (rounded to the nearest R50) in the annual retainer to be paid to the Lead independent Non-executive Director, with effect from 1 July 2014.

Service contracts: Non-executive Directors

In addition to Directors' fees, Non-executive Directors may receive advisory fees in terms of agreements or other service contracts, concluded at market rates, for defined and pre-approved services.

Agreements have been entered into between the Company and Messrs Chissano and Gule to perform services on behalf of the Company. The renewable contracts are subject to one calendar month's termination notice period by either party.

There are no other service contracts between the Company and its Non-executive Directors.

No agreements to pay a fixed sum of money on the termination of any contracts have been concluded between the Company and any of its Non-executive Directors.

Details regarding amounts paid in F2014 in terms of service contracts with Non-executive Directors are provided in Part II of this Remuneration report included in the Directors' report on page 173.

Report of the Social and Ethics Committee

This report is provided by the Social and Ethics Committee (Committee) in terms of Regulation 43(5)(c) of the Companies Regulations promulgated in terms of the Companies Act 71 of 2008, as amended (the Companies Act).

Composition and Terms of Reference

This statutory Committee was established on 23 August 2011. It was previously called the Sustainable Development Committee. With effect from 1 May 2012, the Committee's Terms of Reference were amended by the Board of Directors (the Board) to elaborate on the Committee's role and responsibilities in terms of the Companies Act. Pursuant to the 2014 annual review, minor amendments were made to the Committee's Terms of Reference. The Committee adds value by monitoring and overseeing those functions set out in the Companies Act as well as assuming responsibility for those matters assigned to it by the Board.

Information on the composition of the Social and Ethics Committee, its Terms of Reference and its procedures are set out more fully in the Corporate Governance report on page 127 of the 2014 Integrated Annual Report, of which this report forms a part.

At the Annual General Meeting, the Committee Chairman will report to shareholders on the Company's performance with respect to relevant legislation and codes of best practice, social and economic development, labour, and safety, health and the environment.

Purpose and functions

Legislation and Codes of Best Practice

The Committee is responsible for monitoring the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice in the areas set out in the Companies Act. In respect of legal and regulatory requirements, during the year under review, the Committee, *inter alia*:

- discharged those regulatory obligations of a social and ethics committee as prescribed by Regulation 43(5) of the Companies Regulations;
- monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding sustainable development matters;
- considered reports provided by management regarding compliance with legal and regulatory requirements in terms of the Company's Legal and Regulatory Compliance Policy;
- received reports regarding the on going Competition Act compliance training programme and annual compliance certification;
- participated in training provided by independent parties in respect of (i) the amendments to the B-BBEE Codes of Good Practice; and (ii) the role of social and ethics committees and global best practices in monitoring corporate social investment;
- received a report regarding the biennial safety, health and environmental internal audits, including compliance with the National Environmental Management Act and the National Water Act; and
- monitored compliance with the Mining Charter and the Department of Trade and Industry targets as well as the Company's status in respect of standards of best practice, including International Council on Mining and Metals Guidelines and membership requirements.

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All the Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of ARM. These principles are set out in ARM's Code of Conduct. The Committee received and considered reports regarding the Code of Conduct online training programme, which was introduced at the Company's corporate office and ARM Platinum during F2012 and at ARM Ferrous during F2013.

The Company reviewed its initiatives to counteract risks of fraud, bribery and corruption. As more fully described on page 132 of the Corporate Governance report, the Company has a whistle-blowers' policy and the committee received reports regarding the results of investigations of calls made to the independent whistleblowers' hotline facility.

Social and Economic Development

ARM seeks to make a significant contribution towards addressing challenges confronting South Africa, including poverty alleviation, job creation, education, welfare and healthcare. The Committee monitored and reviewed the implementation of policies regarding adding value to and giving to the communities in which ARM operates, including:

- Corporate Social Responsibility;
- Local Economic Development, including infrastructure, enterprise development, and community development projects committed to under the social and labour plans; and
- the ARM Broad-based Economic Empowerment Trust projects.

The Committee specifically focused on commitments in the priority areas identified by the Committee, *i.e.* (i) health, (ii) education, (iii) sporting events, (iv) community capacity building, (v) arts and culture, (vi) job creation, and (vii) infrastructure.

Human capital

ARM is committed to fair labour practices and freedom of association. The Company's policies are aimed at eliminating unfair discrimination and promoting equality in line with, *inter alia*, the South African Constitution, the Labour Relations Act, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act, and all other applicable legislation and the industry charter that governs employment relationships taking cognisance of the Universal Declaration on Human Rights, United Nations Global Compact, the Fundamental Human Rights Conventions of the International Labour Organisation and the International Labour Organisation Protocol on decent work and working conditions. The Committee monitored and reviewed the implementation of labour policies, including:

- attraction, retention and development of skills to support the Company's growth plan;
- employment equity;
- employee turnover;
- learnerships and bursaries;
- educational training and development of its employees; and
- literacy.

Safety, Health and Environment

ARM is committed to providing its employees with a safe and healthy work environment. The Committee monitored and reviewed the implementation of safety, health and wellness policies, including:

- safety performance;
- occupational health and wellness; and
- Tuberculosis, HIV & Aids.

The most significant environmental issues confronting ARM are climate change and the management of natural resources. The Committee monitored and reviewed the management of amongst others:

- environmental management;
- water management;
- land use management (rehabilitation and biodiversity management);
- climate change effects; and
- the status of ARM's participation in the Carbon Disclosure Project.

Additional information is available in the Sustainability review on pages 30 to 48 of this report and in the 2014 Sustainability Report available on ARM's corporate website: **www.arm.co.za**

Based on the foregoing, we are of the opinion that the Social and Ethics Committee has executed its duties and responsibilities during the financial year in accordance with the Companies Regulations and its Terms of Reference.

On behalf of the Social and Ethics Committee

Dr Rejoice V Simelane
Chairman of the Social and Ethics Committee

14 October 2014

Board of Directors

Patrice Motsepe (52) Executive Chairman

BA (Legal), LLB

Appointed to the Board in 2003. Patrice Motsepe became Executive Chairman during 2004. Patrice was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and subsequently took over Anglovaal Mining (Avmin). In 2002 he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was the winner of the Ernst & Young Best Entrepreneur of the Year Award. He is also the Non-executive Chairman of Harmony and the Deputy Chairman of Sanlam. He is also President of Mamelodi Sundowns Football Club.

Mike Schmidt (56) Chief Executive Officer

Mine Managers Certificate, MDP, Pr Cert Eng

Appointed to the Board in 2011. Mike Schmidt joined ARM as Executive: Platinum Operations in July 2007 after 13 years with Lonmin Platinum where he was Vice President Limpopo operations at the time he left the company. Prior to that, he was employed by Hartebeestfontein Gold Mining Company. Mike was appointed as the Chief Executive Officer Designate of ARM and an Executive Director of the Company with effect from 1 September 2011. He has been the Chief Executive Officer of ARM since 1 March 2012.

Mike Arnold (57) Financial Director

BSc Eng (Mining Geology), BCompt (Hons), CA(SA)

Appointed to the Board in 2009. Mike Arnold's working career started in the mining industry in 1980 when he was employed as a geologist at Anglo American Corporation. He qualified as a Chartered Accountant (SA) in 1987 and completed his articles at a large South African auditing firm. Mike joined ARM in 1999 as the Group Financial Manager of Avgold Limited and in 2003 was appointed as its Financial Director. In 2004, Mike was appointed Executive Finance of ARM. Most recently, he was appointed as the Chief Financial Officer of ARM in 2008.

Dan Simelane (52) Executive Director and Chief Executive: ARM Copper

BA (Law), LLB, LLM (International Business Law), Higher Tax Diploma

Appointed to the Board on 1 July 2013. Dan Simelane has over 15 years of experience in the mining industry. He has served in the following companies as a Senior Tax Consultant, Legal Advisor, Executive or Director: Arthur Andersen, Swaziland Electricity Board, Anglovaal Mining Limited, TEAL Exploration & Mining Limited, African Rainbow Minerals Limited and Harmony Gold Mining Company Limited.

He is currently the Chief Executive of ARM Copper, a division of ARM. He sits on a number of boards, including the Premier Soccer League and Mamelodi Sundowns Football Club.

André Wilkens (65) Executive Director: Growth and Strategic Development

Mine Managers Certificate of Competency, MDPA (Unisa), RMIIA, Mini-MBA (Oil and Gas Executives)

Appointed to the Board in 2004. André Wilkens was appointed the Chief Executive Officer of ARMgold in 1998. He was then appointed the Chief Operating Officer of Harmony following the merger of ARMgold with Harmony in 2003. André subsequently served as Chief Executive of ARM Platinum, a division of ARM. André was appointed as Chief Executive Officer of ARM in 2004 and appointed to its Board in the same year. With the appointment of ARM's Chief Executive Officer on 1 March 2012, André became the Executive Director: Growth and Strategic Development based in the office of the Executive Chairman. The balance of André's 45 years' mining experience was gained with Anglo American Corporation of South Africa, where he commenced his career in 1969 and culminated in his appointment as Mine Manager at Vaal Reefs in 1991.

Dr Manana Bakane-Tuoane (66) Lead Independent Non-executive Director, Chairman of the Nomination Committee and of the Non-executive Directors' Committee and Member of the Remuneration Committee and the Social and Ethics Committee

BA (Economics and Statistics), MA (Econ), PhD (Econ)

Appointed to the Board in 2004. Dr Manana Bakane-Tuoane became the Lead Independent Non-executive Director in 2009. Manana has extensive experience in the economics field. Her 20-year career in the academic field included lecturing at various institutions, including the University of Botswana, Lesotho and Swaziland (UBLS), National University of Lesotho (NUL), University of Saskatchewan (Sectional Lecturer), and the University of Fort Hare, as Head of Department and Associate Professor. During this part of her career she was seconded to work in the public service, where she has held various senior management positions since 1995. Concurrent with the above, Manana has been a member and office bearer of several international organisations, including Winrock International and the African Economic Research Consortium (AERC). She serves as a non-executive director of Sanlam Limited and certain Sanlam trusts. Manana is also a Special Advisor (Economics) to the South African Minister of Environmental Affairs.

Frank Abbott (59) Independent Non-executive Director and Member of the Investment Committee, Non-executive Directors' Committee and the Remuneration Committee

BCom, CA(SA), MBL

Appointed to the Board in 2004. Frank Abbott joined the Rand Mines Group in 1981, where he obtained broad financial management experience at an operational level. He was a director of various listed gold mining companies and was appointed as financial director of Harmony Gold Mining Company in 1997. Frank was appointed financial director of ARM in 2004 and retired in 2009. He is now an Independent Non-executive Director of ARM. Frank was appointed as the Financial Director of Harmony with effect from 7 February 2012.

Tom Boardman (64) Independent Non-executive Director, Chairman of the Audit and Risk Committee and Member of the Non-executive Directors' Committee and the Remuneration Committee

BCom, CA(SA)

Appointed to the Board in 2011. Tom Boardman was Chief Executive of Nedbank Group Limited from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Limited, one of South Africa's leading private and investment banking companies which was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which he sold to Pick 'n Pay in 2006. The Boardmans chain of stores is now owned by Edcon. Prior to this he was Managing Director of Sam Newman Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloitte. He is a non-executive director of Nedbank Group, Woolworths Holdings and Royal Bafokeng Holdings. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish investment company. He is a director of The Peace Parks Foundation and is the Chairman of The David Rattray Foundation and serves as a trustee on a number of other charitable foundations.

Board of Directors *continued*

Anton Botha (61) **Independent Non-executive Director and Member of the Audit and Risk Committee, the Investment Committee, the Non-executive Directors' Committee and the Remuneration Committee**

BCom (Marketing), BProc, BCom (Hons), SEP (Stanford)

Appointed to the Board in 2009. Anton Botha is a co-founder, director and co-owner of Imalivest, a private investment group that manages proprietary capital provided by its owners, the Imalivest Flexible Funds and a private hedge fund. He also serves as a non-executive director on the boards of the JSE Limited, the University of Pretoria, Vukile Property Fund Limited (Chairman), Sanlam Limited and certain Sanlam subsidiaries. He is a past president of the AHI (Afrikaanse Handelsinstituut). Anton spent most of his career as Chief Executive Officer of Gensec Limited, building it into a leading South African investment banking group that became a wholly-owned subsidiary of Sanlam Limited in 2000.

Alex Maditsi (52) **Independent Non-executive Director, Chairman of the Remuneration Committee and Member of the Audit and Risk Committee, the Investment Committee, the Nomination Committee, the Non-executive Directors' Committee and the Social and Ethics Committee**

BProc, LLB, H Dip Co Law, LLM

Appointed to the Board in 2004. Alex Maditsi is the Managing Director of Copper Moon Trading (Pty) Ltd. Previously he was employed by Coca-Cola South Africa as a Franchise Director for South Africa. He was Country Manager for Kenya, Senior Director Operations Planning and Legal Director for Coca-Cola Southern and East Africa. Prior to joining Coca-Cola, Alex was the Legal Director for Global Business Connections in Detroit, Michigan. He also spent time at Lewis, White and Clay, The Ford Motor Company and Schering-Plough in the USA, practising as an attorney. Alex was a Fulbright Scholar and a member of the Harvard LLM Association. Alex's directorships include Bidvest Group and Sterling Debt Recovery.

Joaquim Chissano (74) **Independent Non-executive Director and Member of the Nomination Committee and the Non-executive Directors' Committee**

PhD

Appointed to the Board in 2005. Joaquim Chissano is a former President of Mozambique who has served that country in many capacities, initially as a founding member of the Frelimo movement during that country's struggle for independence. Subsequent to independence in 1975 he was appointed foreign minister and on the death of Samora Machel in 1986 assumed the office of President. Frelimo contested and won the multiparty elections in 1994 and 1999, returning Joaquim to the presidency on both occasions. He declined to stand for a further term of office in 2004. His presidency commenced during a devastating civil war and ended with the economy in the process of being reconstructed. He served a term as chairman of the African Union from 2003 to 2004. Joaquim is also a non-executive director on Harmony's board. In 2006, Joaquim was awarded the annual Chatham House Prize, which is awarded for significant contributions to the improvement of international relations. He was the recipient of the inaugural Mo Ibrahim Prize for Achievement in African Leadership in 2007.

Dr Rejoice Simelane (62) Independent Non-executive Director, Chairman of the Social and Ethics Committee and Member of the Audit and Risk Committee, the Nomination Committee and the Non-executive Directors' Committee

BA (Econ and Acc), MA, PhD (Econ), LLB (UNISA)

Appointed to the Board in 2004. Rejoice Simelane commenced her career at the University of Swaziland, as a lecturer in Economics. Between 1998 and 2001 she worked at the National Department of Trade and Industry and at the National Treasury. She later served in the capacity of Special Adviser, Economics, to the then Premier of Mpumalanga until mid-2004, when she assumed the position of Chief Executive of Ubuntu-Botho Investments. Rejoice's board directorships include Sanlam Limited and Mamelodi Sundowns Football Club. A recipient of a CIDA Scholarship and a Fulbright Fellow, she also served as a member of the Presidential Economic Advisory Panel (PEAP) under former President Mbeki until 2009. In addition, she was a member of the Advisory Board of the Bureau for Economic Policy Analysis (BEPA) of the University of Pretoria.

Mangisi Gule (62) Non-executive Director and Member of the Non-executive Directors' Committee

BA (Hons) Wits, P & DM (Wits Business School)

Appointed to the Board in 2004. Mangisi Gule was appointed Chief Executive of ARM Platinum on 27 February 2005 and in May 2007 he was appointed Chief Executive of ARM Coal, a role which he held until August 2012. Mangisi was Executive Director: Corporate Affairs until 30 June 2013. He has been a Non-executive Director of the Company since 1 July 2013. Mangisi has extensive experience in the field of management, training, human resources, communications, corporate affairs and business development. Apart from his qualifications in business management from Wits Business School, Mangisi has proven experience in leadership and mentorship. He has been a lecturer, as well as chairman of various professional bodies and a member of various executive committees and associations. He has also been an executive director and board member for ARMgold as well as an executive director and board member of Harmony.

Bernard Swanepoel (53) Independent Non-executive Director and Chairman of the Investment Committee and Member of the Non-executive Directors' Committee

BSc (Min Eng), BCom (Hons)

Appointed to the Board in 2003. Bernard Swanepoel started his career with Gengold in 1983, culminating in his appointment as General Manager of Beatrix Mines in 1993. He joined Randgold in 1995 as Managing Director of the Harmony Mine. He was appointed Chief Executive Officer of Harmony in 1997. In August 2007 he left Harmony to start To-the-Point Growth Specialists. Bernard is a Non-executive board member of Sanlam Limited. He is the Non-executive Chairman of Village Main Reef.

Steering Committee

Mike Schmidt
Chief Executive Officer

Mike Arnold
Financial Director

Dan Simelane
Executive Director and Chief Executive: ARM Copper

Alyson D'Oyley
Company Secretary

André Joubert
Chief Executive: ARM Ferrous

Benny Boshielo
Executive: ARM Platinum Corporate Affairs

Busi Mashiane
Group Executive: Human Resources

Chris Blakey-Milner
Group Risk Manager

Claus Schlegel
Executive: Exploration and New Business, ARM Exploration

Director Matlala
Leader: Transformation

Francois Uys
Chief Executive: ARM Platinum

Imrhan Paruk
Executive: Corporate Development

Jan Steenkamp
Chief Executive: ARM Strategic Services and Exploration

Johan Pistorius
Chief Information Officer

Jongisa Magagula
Corporate Development and Head of Investor Relations

Mandla Tobela
Executive Legal: ARM Ferrous

Mark Bräsler
Executive: Operations Support

Nerine Botes-Schoeman
Executive: Sustainable Development

Pierre Joubert
Executive: ARM Copper Operations

Princess Thwala
Group Executive: Compliance and Stakeholder Relations

Rilette Avenant-Buys
Executive: Logistics

Sandile Langa
Executive Legal: Compliance and Stakeholder Relations

Steve Mashalane
Senior Executive: ARM Corporate Affairs

Stompie Shiels
Executive: Business Development

Thando Mkatshana
Chief Executive: ARM Coal

Zandile Moseke
Human Resources Manager: Corporate

Contents

165 – 257 Annual financial statements

Directors' responsibility

Directors' responsibility for the annual financial statements

The Company's Directors are responsible for the overall co-ordination of the preparation and fair presentation to shareholders of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 71 of 2008, as amended. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Audit and Risk Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Company and Group annual financial statements. A description of the Audit and Risk Committee's functions is included in this Integrated Annual Report.

The Board considers that in preparing the financial statements the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in accordance with IFRS. The Directors are satisfied that the annual financial statements of the Company and the Group fairly present the results of operations and the financial position for the Company and the Group at year-end and that the additional information included in this Integrated Annual Report is accurate and consistent with the financial statements.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of the Company and Group. The Audit and Risk Committee has satisfied itself that the external auditors were independent of the Company.

The consolidated and separate annual financial statements on pages 165 to 257, were approved by the Board and are signed on its behalf by:

Patrice Motsepe
Executive Chairman

Mike Schmidt
Chief Executive Officer

Johannesburg
14 October 2014

Certificate of the Company Secretary

In my capacity as Company Secretary, I hereby confirm, to the best of my knowledge and belief, that in terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, for the year ended 30 June 2014, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices which are required for a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Alyson D'Oyley
Company Secretary

Johannesburg
14 October 2014

Report of the Audit and Risk Committee

This report is provided by the Audit and Risk Committee appointed in respect of the F2014 financial year of ARM in compliance with section 94 of the Companies Act 71 of 2008, as amended (the Companies Act).

Information on the membership and composition of the Audit and Risk Committee, its Terms of Reference and its procedures is described more fully in the Corporate Governance report on pages 124 and 125 of this Integrated Annual Report, of which the annual financial statements form a part.

Execution of functions of the Audit and Risk Committee

The Audit and Risk Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference as they relate to ARM's accounting, internal auditing, internal control, risk and financial reporting practices.

During the year under review:

In respect of the external auditor and the external audit, the Audit and Risk Committee, *inter alia*:

- ensured that the appointment of the external auditor complied with the Companies Act and all applicable legal and regulatory requirements for the appointment of the external auditor. The Audit and Risk Committee confirms that the external auditor and designated auditor are accredited by the JSE;
- approved the external audit plan and the budgeted audit fees payable to the external auditor;
- reviewed and evaluated the effectiveness of the external auditor and its independence;
- obtained and accepted an annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor;
- pre-approved all permissible non-audit services provided by the external auditor in terms of its Policy on the Approval of Audit Services and the Pre-approval of Non-Audit Services; and
- recommended to shareholders that Ernst & Young Inc. be re-appointed as the external auditor and that Mr E A L Botha be re-appointed as the designated auditor for the financial year ending 30 June 2014.

In respect of the financial statements, the Audit and Risk Committee, *inter alia*:

- confirmed the going concern status of the Company and Group as the basis of preparation of the interim, provisional and annual financial statements;
- examined and reviewed the interim, provisional and annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the Board;
- ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year of the Company and of the Group;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the Independent Auditor's Report;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- considered management's recommendation to the Board on the dividend paid to shareholders; and
- met separately with management, the external auditor and the internal auditor.

In respect of internal control and internal audit, the Audit and Risk Committee, *inter alia*:

- reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal auditor;
- reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control, including financial controls, business risk management and maintaining effective internal control systems:
  - the internal auditors' report on internal financial controls for the year ended 30 June 2014, based on negative assurance, delivered an assessment of "Acceptable with room for improvement". Control improvement opportunities identified were primarily of a housekeeping nature. The internal auditors specifically confirmed that, based on the scope of their assignment, no material breakdown in internal financial controls had come to their attention; and
  - the internal auditors' report on internal controls and enterprise risk management for the year ended 30 June 2014, based on negative assurance, delivered an assessment of "Acceptable with room for improvement". Based on their scope, the internal auditors confirmed that no material breakdown in internal controls had come to their attention.
- the Audit and Risk Committee has considered the effectiveness of the systems of internal financial controls of the Company and its business entities taking into consideration reports by management and the above-mentioned reports by the internal auditors thereon and have also considered the reports by the external auditors on the annual financial statements; and
- based on the above, the Audit and Risk Committee concluded that nothing had come to its attention that would suggest that the internal financial controls were not effective for the year ended 30 June 2014. In addition, the Audit and Risk Committee has considered the accounting practices and the annual financial statements of the Company and Group and consider these to be fair and reasonable.

In respect of risk management, the Audit and Risk Committee, in its oversight role of the Management Risk Committee:

- reviewed the Enterprise Risk Management Framework setting out ARM's policies and processes on risk assessment and risk management and implementation thereof throughout the Group;
- ensured that the Company has applied a combined assurance model to provide a coordinated approach to all assurance activities;
- reviewed the communication of risks to stakeholders in the Integrated Annual Report; and
- considered and reviewed the findings and recommendations of the Management Risk Committee.

In respect of legal and regulatory requirements to the extent that they may have an impact on the financial statements, the Audit and Risk Committee, *inter alia*:

- reviewed with management and, to the extent deemed necessary, internal and/or external counsel, legal matters that could have a material impact on the Company and Group;
- discharged those statutory obligations of an audit committee as prescribed by section 94 of the Companies Act;
- monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

The Audit and Risk Committee also considered the experience and expertise of the Financial Director and concluded that these were appropriate.

Qualifications of Audit and Risk Committee members*

Audit and Risk Committee member**	Academic qualifications	Membership on other ARM Board Committees***	Date first appointed to ARM Board	Date first appointed to Audit and Risk Committee
T A Boardman (Chairman)	BCom, CA(SA)	Member of the Remuneration Committee	1 February 2011	1 February 2011
Dr M M M Bakane-Tuoane	BA (Econ & Stats), MA (Econ), PhD (Econ)	Lead Independent Non-executive Director and a member of the Social and Ethics Committee, the Remuneration Committee and Chairman of the Nomination Committee and the Non-executive Directors' Committee	30 April 2004	4 July 2008
A D Botha	BCom (Marketing), BProc, BCom (Hons), SEP (Stanford)	Member of the Remuneration Committee and the Investment Committee	1 August 2009	9 June 2010
A K Maditsi	BProc, LLB, H Dip Co Law, LLM	Chairman of the Remuneration Committee and a member of the Nomination Committee, the Social and Ethics Committee and the Investment Committee	30 April 2004	12 July 2004
Dr R V Simelane	BA (Econ and Acc), MA, PhD (Econ), LLB	Chairman of the Social and Ethics Committee and a member of the Nomination Committee	30 April 2004	12 July 2004

* *The curricula vitae of the Audit and Risk Committee members may be found in the 2014 Integrated Annual Report.*
** *All of the current members of the Audit and Risk Committee are Independent Non-executive Directors.*
*** *All of the Audit and Risk Committee members are members of the Non-executive Directors' Committee.*

Independence of external auditor

The Audit and Risk Committee is satisfied that Ernst & Young Inc. is independent of ARM. The conclusion was arrived at, *inter alia*, after taking into account the following factors:

- representations made by Ernst & Young Inc. to the Audit and Risk Committee;
- the external auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company;
- the external auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor; and
- the external auditor's independence was not prejudiced as a result of any previous appointment as auditor.

Following our review of the annual financial statements for the year ended 30 June 2014, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards as issued by the International Accounting Standards Board, and fairly present the consolidated and separate results of operations, cash flows, and the financial position of ARM. On this basis, the Audit and Risk Committee recommended the Company and Group annual financial statements of ARM as set out in the 2014 Integrated Annual Report to the Board for approval. The Board subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

On behalf of the Audit and Risk Committee

T A Boardman
Chairman of the Audit and Risk Committee

14 October 2014

Independent Auditor's report

To the Shareholders of African Rainbow Minerals Limited

Report on the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of African Rainbow Minerals Limited set out on pages 169 to 250 which comprise the statements of financial position as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Rainbow Minerals Limited as at 30 June 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act in South Africa

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.
Director – Ernest Adriaan Lodewyk Botha
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road
Johannesburg

South Africa

14 October 2014

Directors' report

The Directors have pleasure in presenting their report on the annual financial statements of African Rainbow Minerals Limited (ARM or the Company) for the year ended 30 June 2014.

Nature of business

ARM is a niche, diversified South African mining company with excellent long-life, low unit cost operations in key commodities. ARM, its subsidiaries, joint arrangements and associates explore, develop, operate and hold interests in the mining and minerals industry. The current operational focus is on precious metals, base metals, ferrous metals and alloys, which include platinum group metals, nickel, copper, iron ore, manganese ore, chrome ore, ferromanganese and ferrochrome alloys. ARM has an investment in Harmony Gold Mining Company Limited. ARM's partners at the various South African operations are Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited, Norilsk Nickel Africa (Pty) Ltd and Glencore Operations South Africa (Pty) Ltd (previously Xstrata South Africa (Pty) Ltd).

ARM's assets in the rest of Africa are held in a 50:50 incorporated joint operation with Vale SA. Zambian Consolidated Copper Mines Investment Holdings, a state-controlled company, owns 20% of the Lubambe Copper Mine and exploration area together with Vale and ARM.

Holding company

The Company's largest shareholder is African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI), holding 40.49% of the issued ordinary share capital of the Company as at 30 June 2014. The sole shareholder of ARMI is Ubuntu-Ubuntu Commercial Enterprises (Pty) Ltd, the shares of which are held by Trusts all of which, except The Motsepe Foundation, own those shares for the benefit of Mr P T Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its indirect shareholding in ARM for philanthropic purposes.

In addition, 0.38% of the issued share capital of ARM is held by Botho-Botho Commercial Enterprises (Pty) Ltd, all the shares of which are beneficially owned by Trusts which Trusts, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family.

ARM is one of the largest black-controlled mineral resource companies in South Africa. ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act 28 of 2002, and the Broad-Based Socio-Economic Charter for the South African Mining Industry (the Mining Charter). To this end and for the benefit of Historically Disadvantaged South Africans (HDSAs), the Company created the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust), which owns 28 614 740 ARM shares. A rigorous process of allocating 20.4 million units equivalent to approximately 10% of ARM's issued share capital to various trust beneficiaries has been completed. The beneficiaries include several South African communities and community leaders, church groups, union representatives, a women's upliftment trust and seven regional upliftment trusts. The ARM BBEE Trust distributed R26 million to beneficiaries during the past year arising from ARM's Dividend No 7.

Review of operations

The reader is referred to reviews by the Executive Chairman, the Chief Executive Officer, the Financial Director and the review of operations, which report on the Group's activities and results for the year ended 30 June 2014, on pages 6 to 20 and 50 to 94.

Corporate governance

The Board is committed to high standards of corporate governance. These standards are evident throughout the Company's systems of internal controls, practices, policies and procedures. They provide the framework for innovation while ensuring the sustainability of the business. The Board continuously reviews governance matters and control systems to ensure that these are in line with international best practices. The Board considers that, for the year under review, the Company applied the principles of King III.

For details of how the Company applies the King III principles, see the comprehensive King III checklist on ARM's corporate website: **www.arm.co.za**

Financial results

The consolidated and separate financial statements and accounting policies appear on pages 180 to 250 of this report. The results for the year ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), requirements of the South African Companies Act 71 of 2008, as amended, in the SAICA Financial Reporting Guides as issued by the Accounting Practice Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited. The consolidated and separate financial statements fairly present the state of affairs of the Company and adequate accounting records have been maintained.

Borrowings and cash

Total interest-bearing borrowings at 30 June 2014 amounted to R3.50 billion, which is lower than the F2013 restated amount of R3.99 billion. Borrowings mainly decreased at the Company. Cash and cash equivalents increased by R185 million to R2.1 billion as at 30 June 2014. As a result ARM is in a net debt position of R1.35 billion (F2013 restated: net debt position of R2.03 billion).

ARM's borrowings are fully described in notes 16, 21 and 37 to the financial statements.

ARM's borrowing powers are in accordance with its Memorandum of Incorporation (MOI) and are unlimited subject to any regulation that may be made by the Company in general meeting. There are no borrowing power provisions in its MOI.

Going concern

To make a determination as to whether the Company is considered to be a going concern, the Directors have considered facts and assumptions, including the Company's cash flow forecasts for the period to the end of June 2015. The Board believes that the Company has adequate resources to continue business in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements.

Directors' report continued

Taxation

The latest tax assessment for the Company relates to the year ended June 2012.

All tax submissions up to and including June 2012 have been submitted. The tax return for June 2013 will be submitted during F2015.

Subsidiaries, joint arrangements, associates and investments

The Company's direct and indirect interests in its principal subsidiaries, joint arrangements, associates and investments are reflected in separate schedules presented on pages 249 to 250.

The Financial Director's report on page 14 includes an outline of the findings on the impact of accounting standards IFRS 10 and IFRS 11 on the accounting treatment of its jointly controlled entities.

Dividend

The eighth annual gross dividend of 600 cents per share declared on Thursday, 28 September 2014 in respect of the year ended 30 June 2014 (F2013: 510 cents per share) amounted to a distribution of approximately R1.3 billion.

The dividend was subject to Dividend Withholding Tax, introduced with effect from 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- the dividend has been declared out of income reserves;
- the South African Dividends Tax (Dividends Tax) rate is 15% (fifteen percent);
- there are no Secondary Tax on Companies credits utilised;
- the gross local dividend amount was 600 cents per ordinary share for shareholders exempt from the Dividends Tax;
- the net local dividend amount was 510 cents per ordinary share for shareholders liable to pay the Dividends Tax;
- as at the date of the dividend declaration, ARM had 216 747 811 ordinary shares in issue; and
- ARM's income tax reference number is 9030/018/60/1.

A gross dividend of 600 cents per ordinary share, being the dividend for the year ended 30 June 2014 was paid to shareholders on Monday, 6 October 2014. In accordance with the requirements of section 4 of the Companies Act 71 of 2008, as amended, the Board determined that the solvency and liquidity requirements prescribed therein were met for the payment of the dividend.

Capital expenditure

Capital expenditure for F2014 amounted to R1.16 billion (F2013 restated: R1.54 billion). Full details are set out in the Financial Director's report on pages 14 to 20 and in the Operational reviews on pages 50 to 94.

Events after the reporting date

No significant events have occurred subsequent to the reporting date that could materially affect the reported results.

Share capital

The share capital of the Company, both authorised and issued, is set out in note 15 to the annual financial statements. No share repurchases took place during the year under review.

Shareholder analysis

A comprehensive analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 5% of the ordinary shares of the Company at 30 June 2014, is set out in the Investor Relations report on pages 258 to 261.

Directorate

The composition of the Board is set out on page 120. *Curricula vitae* of the Directors may be found on pages 158 to 161.

Mr W M Gule ceased his role as Chief Executive: ARM Coal on 3 September 2012, and was the Executive Director: Corporate Affairs until his retirement on 30 June 2013. Mr Gule became a Non-executive Director of the Company with effect from 1 July 2013. Mr D V Simelane, Chief Executive of ARM Copper, became an Executive Director of the Company with effect from 1 July 2013.

The Memorandum of Incorporation provides for one-third of the previously elected Non-executive Directors to retire by rotation. The Non-executive Directors affected by this requirement are Dr R V Simelane and Messrs J A Chissano and Z B Swanepoel each of whom is available for re-election. Mr M W King retired on 6 December 2013 due to his age. Mr D V Simelane who was appointed to the Board on 1 July 2013 was elected by the shareholders at the 6 December 2013 Annual General Meeting.

Operators underground at Black Rock Nchwaneng Manganese Mine

Interests of Directors

The direct and indirect beneficial and non-beneficial interests of the Directors of the Company in the issued share capital of the Company were as follows:

	30 June 2014				30 June 2013			
	Direct		Indirect		Direct		Indirect	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
P T Motsepe	–	–	88 570 345	–	–	–	88 540 712	–
M Arnold	11 801	–	–	–	13 787	–	–	–
A D Botha	–	–	22 450	–	–	–	17 450	–
M P Schmidt	–	–	14 543	–	11 171	–	–	–
A J Wilkens	75 748	–	329 178	–	59 739	–	329 178	–
Total	87 549	–	88 936 516	–	84 697	–	88 887 340	–

During F2014, Mr W M Gule acquired and sold 15 103 shares. Mr Gule does not hold any shares in the Company. Mr Gule retired as an Executive Director on 30 June 2013. He became a Non-executive Director of the Company with effect from 1 July 2013.

Mr D V Simelane became an Executive Director of the Company on 1 July 2013. As at the date of appointment, Mr Simelane held 6 736 shares in the Company. In settlement of bonus and performance shares during October 2013, Mr Simelane acquired a further 3 319 shares in the Company. Mr Simelane sold 10 055 shares in March 2014.

On 9 September 2014, Mr P T Motsepe exercised 254 468 share options and transferred the shares he thus acquired by subscription to Botho-Botho Commercial Enterprises (Pty) Ltd (BBCE). All the shares of BBCE are held and beneficially owned by trusts, which trusts, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its shareholding in BBCE for philanthropic purposes. The average issue price was R73.99 per share option. The market value was R170 per share option.

No other Directors acquired a direct or indirect beneficial or non-beneficial interest in the issued share capital of the Company between 30 June 2014 and the date of this report.

Directors' report continued

Remuneration Report: Part II

Directors' remuneration: Executive Directors and Prescribed Officers

The remuneration of Executive Directors consists of base salaries, benefits, annual cash incentives, and long-term (share-based) incentives. Executive Directors do not receive Directors' fees. Additional information regarding the fixed and variable components of Executive Directors' remuneration packages is detailed in the Remuneration report found on pages 144 to 154.

The table below sets out the emoluments paid to Executive Directors and Prescribed Officers during the years ended 30 June 2014 and 30 June 2013.

The Board has determined the Prescribed Officers of the Company in terms of section 66(10) of the Companies Act 71 of 2008, as amended, and as further described in section 38 of the Regulations thereto.

Emoluments paid to Executive Directors and Prescribed Officers

All figures in R000	Salary F2014	Pension scheme contri-butions F2014	Allow-ances F2014	Total gross annual package F2014[4]	Accrued bonus F2014	Total F2014	Total gross annual package F2013[4]	Accrued bonus F2013	Total F2013
Executive Directors									
P T Motsepe	8 193	–	2	**8 195**	2 574	**10 769**	7 807	4 199	12 006
M P Schmidt	5 694	521	196	**6 411**	3 932	**10 343**	6 231	3 208	9 439
M Arnold	3 999	406	110	**4 515**	2 493	**7 008**	4 400	4 068	8 468
D V Simelane[1]	2 807	248	253	**3 308**	869	**4 177**	–	–	–
A J Wilkens	6 186	–	120	**6 306**	1 705	**8 011**	6 171	2 781	8 952
Total for Executive Directors	26 879	1 175	681	**28 735**	11 573	**40 308**	24 609	14 256	38 865
Prescribed Officers[2]									
A Joubert	3 258	368	155	**3 781**	1 432	**5 213**	3 682	1 692	5 374
L A Shiels	2 850	336	69	**3 255**	1 826	**5 081**	3 174	2 980	6 154
J C Steenkamp	5 180	602	394	**6 176**	3 410	**9 586**	6 001	5 563	11 564
F Uys[3]	2 912	293	51	**3 256**	2 377	**5 633**	–	–	–
Total for Prescribed Officers	14 200	1 599	669	**16 468**	9 045	**25 513**	12 857	10 235	23 092
Total for Executive Directors and Prescribed Officers	41 079	2 774	1 350	**45 203**	20 618	**65 821**	37 466	24 491	61 957

[1] Mr D V Simelane, Chief Executive of ARM Copper, became an Executive Director on 1 July 2013.
[2] Prescribed Officers are disclosed in terms of the Companies Act, section 30(4)(a).
[3] Mr F A Uys was appointed the Chief Executive of ARM Platinum, with effect from 1 September 2013 and became a Prescribed Officer of the Company in F2014 due to the performance of the division in F2014.
[4] Total gross annual package before bonuses.

The accrued bonuses indicated for F2014 are based upon performance in F2014. The bonuses earned by Executive Directors and Prescribed Officers were generally lower than those paid in the previous year. These bonuses were earned based on a combination of profit and unit cost performance targets at operations. While operational performance in F2014 exceeded targets in the ARM Ferrous and ARM Platinum divisions, the underperformance against targets at ARM Copper and ARM Coal negatively impacted results. The net overall result was that bonuses paid were close to on-target percentages. The Board approved the final bonuses upon the recommendation of the Remuneration Committee.

The Company enters into employment agreements with Executive Directors and senior executives on a total cost-to-company basis. Executive Directors and senior executives structure their total salary packages to allow for pension contributions, medical aid contributions, travel allowances and other benefits in accordance with their individual requirements.

Directors' remuneration: Non-executive Directors

The remuneration of Non-executive Directors consists of Directors' fees. Board and committee retainers and attendance fees are paid quarterly and in arrears. Additional information regarding Board and committee fees may be found in the Remuneration report on pages 154 and 155.

The Board has agreed to recommend an increase in Non-executive Directors' fees, effective from 1 July 2014, to ensure that Non-executive Directors' fees remain competitive. At the Annual General Meeting, shareholders will be requested to approve the increase in Directors' fees and the Lead Independent Non-executive Director's fee, as set out in the Notice of Annual General Meeting.

The table below sets out the emoluments paid to Non-executive Directors during the years ended 30 June 2014 and 30 June 2013.

Emoluments paid to Non-executive Directors

All figures in R000	Board and committee fees	Other*	Total F2014	Total F2013
Non-executive Directors[1]				
Dr M M M Bakane-Tuoane	1 180	–	**1 180**	997
F Abbott	548	–	**548**	511
T A Boardman	881	–	**881**	784
A D Botha	824	–	**824**	834
J A Chissano	428	550	**978**	988
W M Gule[2]	351	240	**591**	–
M W King[3]	598	–	**598**	1 122
A K Maditsi	1 085	–	**1 085**	971
Dr R V Simelane	963	–	**963**	878
Z B Swanepoel	559	–	**559**	565
Total for Non-executive Directors	7 417	790	**8 207**	7 650

** Additional information may be found under the heading "Service Contracts: Non-executive Directors" on page 155 of the Remuneration report.*
[1] Payments for the reimbursement of out-of-pocket expenses have been excluded.
[2] Mr W M Gule retired as an Executive Director on 30 June 2013. He became a Non-executive Director of the Company with effect from 1 July 2013.
[3] Mr M W King retired due to his age on 6 December 2013.

Performance shares

Conditional awards of full value ARM shares are made to eligible participants pursuant to The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan). Performance shares are settled after a three- or four-year period subject to the Company's achievement of prescribed performance criteria over this period.

The total number of performance shares awarded in October 2013 and May 2014 was 374 198. In September 2013 and May 2014, an additional 2 393 and 4 349 performance shares, respectively, were awarded in terms of the achievement against set performance criteria and were settled. During the year under review, 125 430 performance shares vested and were settled, including 8 778 performance shares, held by employees who either retired or were retrenched during the year, were settled; and 12 838 performance shares were forfeited. The total number of performance shares as at 30 June 2014 was 1 044 082.

Between 30 June 2014 and the date of this report, 6 664 performance shares were settled and 2 590 were forfeited.

Directors' report continued

The number of performance shares awarded to Executive Directors, Non-executive Directors and Prescribed Officers is summarised below.

Performance shares

	Executive Directors		
	P T Motsepe	M Arnold	D V Simelane[3]
	Number of shares		
Opening balance as at 1 July 2013	99 992	32 114	19 690
Performance shares awarded			
25 October 2013[1]	21 431	–	–
29 October 2013[2]	40 314	21 096	8 425
Performance shares settled	(12 786)	(3 545)	(2 666)
Performance shares forfeited	–	–	–
Closing balance as at 30 June 2014[4]	**148 951**	**49 665**	**25 449**

[1] Performance shares awarded in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual award of performance shares in terms of the Share Plan.
[3] Mr D V Simelane was appointed as an Executive Director on 1 July 2013.
[4] No performance shares were awarded or settled between 30 June 2014 and the date of this report.

	Executive Directors		Non-executive Director
	M P Schmidt	A J Wilkens	W M Gule[3]
	Number of shares		
Opening balance as at 1 July 2013	61 757	87 572	20 443
Performance shares awarded			
25 October 2013[1]	16 371	14 194	–
29 October 2013[2]	33 344	15 727	–
Performance shares settled	(2 742)	(12 859)	(8 778)
Performance shares forfeited	–	–	(11 665)
Closing balance as at 30 June 2014[4]	**108 730**	**104 634**	**–**

[1] Performance shares awarded in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual award of performance shares in terms of the Share Plan.
[3] Mr W M Gule retired as an Executive Director on 30 June 2013. He became a Non-executive Director of the Company with effect from 1 July 2013.
[4] No performance shares were awarded or settled between 30 June 2014 and the date of this report.

	Prescribed Officers			
	A Joubert	L A Shiels	J C Steenkamp	F A Uys[4]
	Number of shares			
Opening balance as at 1 July 2013	36 659	18 093	49 646	17 028
Performance shares awarded				
25 October 2013[1]	8 633	–	–	–
29 October 2013[2]	9 628	5 897	15 727	8 425
Performance shares settled	(2 742)	(2 742)	(7 074)	–
Closing balance as at 30 June 2014[3]	**52 178**	**21 248**	**58 299**	**25 453**

[1] Performance shares awarded in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual award of performance shares in terms of the Share Plan.
[3] No performance shares were awarded or settled between 30 June 2014 and the date of this report.
[4] Mr F A Uys was appointed the Chief Executive of ARM Platinum with effect from 1 September 2013.

Bonus shares

Pursuant to the Share Plan, eligible participants grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares are only settled to participants after three or four years, as the case may be, conditional on continued employment.

The total number of bonus shares granted in October 2013 was 334 579. During the year under review, 127 830 bonus shares vested and were settled; including 16 733 bonus shares, held by employees who either retired or were retrenched during the year, were settled and 983 bonus shares were forfeited. The total number of bonus shares as at 30 June 2014 was 825 111.

Between 30 June 2014 and the date of this report, 10 325 bonus shares were settled and none were forfeited.

The number of bonus shares granted to Executive Directors, Non-executive Directors and Prescribed Officers is summarised below.

Bonus shares

	Executive Directors		
	P T Motsepe	M Arnold	D V Simelane[3]
	Number of shares		
Opening balance as at 1 July 2013	103 653	25 643	14 687
Bonus shares granted			
25 October 2013[1]	21 431	–	–
29 October 2013[2]	31 235	10 361	7 590
Bonus shares settled	(16 847)	(3 696)	(2 779)
Closing balance as at 30 June 2014[4]	**139 472**	**32 308**	**19 498**

[1] Bonus shares granted in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual grant of bonus shares in terms of the Share Plan.
[3] Mr D V Simelane was appointed as an Executive Director on 1 July 2013.
[4] No bonus shares were granted or settled between 30 June 2014 and the date of this report.

	Executive Directors		Non-executive Director
	M P Schmidt	A J Wilkens	W M Gule[3]
	Number of shares		
Opening balance as at 1 July 2013	37 376	83 014	16 733
Bonus shares granted			
25 October 2013[1]	16 371	14 194	–
29 October 2013[2]	21 245	14 170	–
Bonus shares settled	(2 790)	(13 406)	(16 733)
Closing balance as at 30 June 2014[4]	**72 202**	**97 972**	**–**

[1] Bonus shares granted in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual grant of bonus shares in terms of the Share Plan.
[3] Mr W M Gule retired as an Executive Director on 30 June 2013. He became a Non-executive Director of the Company with effect from 1 July 2013.
[4] No bonus shares were granted or settled between 30 June 2014 and the date of this report.

	Prescribed Officers			
	A Joubert	L A Shiels	J C Steenkamp	F A Uys[4]
	Number of shares			
Opening balance as at 1 July 2013	32 605	14 715	45 385	–
Bonus shares granted				
25 October 2013[1]	8 633	–	–	–
29 October 2013[2]	8 618	5 313	14 170	6 954
Bonus shares settled	(2 440)	(2 859)	(7 562)	–
Closing balance as at 30 June 2014[3]	**47 416**	**17 169**	**51 993**	**6 954**

[1] Bonus shares granted in terms of the Company's deferred bonus/co-investment scheme.
[2] Annual grant of bonus shares in terms of the Share Plan.
[3] No bonus shares were granted or settled between 30 June 2014 and the date of this report.
[4] Mr F A Uys was appointed the Chief Executive of ARM Platinum with effect from 1 September 2013.

Directors' report continued

Share option scheme

Annual allocations of share options in terms of The African Rainbow Minerals Share Incentive Scheme (the Scheme) are made to eligible participants, but at a much reduced scale following the adoption of the Share Plan. No share options will be allocated after the end of F2014. Schedules of share option entitlements accruing to Executive Directors and Prescribed Officers and the transactions that occurred during the year to 30 June 2014 are set out below.

Schedule of share option entitlements

	Executive Directors					
	P T Motsepe[1]		M Arnold		D V Simelane[2]	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2013	409 483	101.21	148 392	112.66	71 807	141.88
Options granted during F2014	20 223	200.75	11 245	200.75	8 238	200.75
Options exercised	–		(51 301)		(45 665)	
Average issue price per option				73.93		124.64
Gross sale price per option				196.84		212.75
Options cancelled: net settlement mechanism	–		(30 851)	73.97	–	
Closing balance as at 30 June 2014	**429 706**	**105.90**	**77 485**	**166.50**	**34 380**	**178.88**
Grant date of options						
1 November 2006	254 468[1]	73.99	–	–	–	–
16 October 2007	85 880	139.73	21 598	139.73	–	–
21 May 2008	–	–	3 914	279.50	–	–
5 December 2008	16 068	96.20	6 397	96.20	–	–
15 October 2009	10 707	155.20	5 316	155.20	4 572	155.20
15 October 2010	–	–	6 287	178.49	4 727	178.49
9 November 2011	19 396	182.67	9 959	182.67	7 489	182.67
15 October 2012	22 964	168.37	12 769	168.37	9 354	168.37
29 October 2013	20 223	200.75	11 245	200.75	8 238	200.75

[1] *Share options exercised and acquired by subscription. Mr P T Motsepe exercised 254 468 share options between 1 July 2014 and the date of this report and transferred the shares he acquired by subscription to Botho-Botho Commercial Enterprises (Pty) Limited (BBCE). All the shares of BBCE are held and beneficially owned by trusts, which trusts, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family.*

[2] *Mr D V Simelane was appointed as an Executive Director on 1 July 2013.*

	Executive Directors				Non-executive Director	
	M P Schmidt		A J Wilkens		W M Gule[1]	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2013	104 441	120.52	366 609	103.49	31 982	158.58
Options granted during F2014	15 963	200.75	15 378	200.75	–	–
Options exercised	(20 000)		(137 303)		(7 160)	
Average issue price per option		139.73		73.99		96.20
Gross sale price per option		204.57		200.32		202.00
Options cancelled: net settlement mechanism	–		(80 534)	73.99	–	
Closing balance as at 30 June 2014	**100 404**	**160.92**	**164 150**	**151.75**	**24 822**	**172.26**
Grant date of options						
15 June 2005	–	–	–	–	–	–
1 November 2006	–	–	1 877	73.99	–	–
16 October 2007	35 464	139.73	66 557	139.73	–	–
5 December 2008	6 397	96.20	19 011	96.20	–	–
15 October 2009	4 262	155.20	12 668	155.20	4 771	155.20
15 October 2010	4 863	178.49	12 072	178.49	4 863	178.49
9 November 2011	15 328	182.67	19 124	182.67	7 704	182.67
15 October 2012	18 127	168.37	17 463	168.37	7 484	168.37
29 October 2013	15 963	200.75	15 378	200.75	–	–

[1] *Mr W M Gule retired as an Executive Director on 30 June 2013. He became a Non-executive Director of the Company with effect from 1 July 2013.*

	Prescribed Officers							
	A Joubert		L A Shiels		J C Steenkamp		F A Uys[1]	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2013	28 654	171.73	125 481	107.13	288 020	103.57	8 464	168.37
Options granted during F2014	9 415	200.75	6 590	200.75	15 378	200.75	8 238	200.75
Options exercised	–		(106 971)		(175 220)		–	
Average issue price per option		–		95.26		73.99		
Gross sale price per option		–		198.07		200.34		
Closing balance as at 30 June 2014	**38 069**	**178.91**	**25 100**	**182.34**	**128 178**	**155.68**	**16 702**	**184.34**
Grant date of options								
16 October 2007	–	–	–	–	51 020	139.73	–	–
5 December 2008	–	–	–	–	12 006	96.20	–	–
15 October 2009	5 103	155.20	–	–	8 000	155.20	–	–
15 October 2010	4 863	178.49	4 863	178.49	9 408	178.49	–	–
9 November 2011	7 997	182.67	6 163	182.67	14 903	182.67	–	–
15 October 2012	10 691	168.37	7 484	168.37	17 463	168.37	8 464	168.37
29 October 2013	9 415	200.75	6 590	200.75	15 378	200.75	8 238	200.75

[1] *Mr F A Uys was appointed the Chief Executive of ARM Platinum with effect from 1 September 2013.*

Vesting dates

Performance shares

All performance shares conditionally awarded prior to 1 November 2011: Performance shares vest and are settled after a performance period of three years subject to the achievement of predetermined performance criteria.

Performance shares conditionally awarded to participants other than senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of three years subject to the achievement of predetermined performance criteria.

Performance shares conditionally awarded to senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of four years subject to the achievement of predetermined performance criteria.

The schedule of vesting dates may be found below.

Schedule of performance share vesting dates

	Number of shares
Performance shares outstanding at 30 June 2014	**1 044 082**
Vesting on	
30 September 2014	83 822
10 November 2014	62 855
4 April 2015	15 090
11 October 2015	65 247
10 November 2015	158 814
16 October 2015	71 502
4 April 2016	13 489
27 April 2016	4 380
16 October 2016	194 685
27 October 2016	87 391
30 October 2016	69 509
22 May 2017	9 900
30 October 2017	207 398

Directors' report continued

Bonus shares

Bonus shares granted prior to 1 November 2011: Bonus shares vest and are settled after three years subject to continued employment.

Bonus shares granted to participants other than senior executives after 1 November 2011: Bonus shares vest and are settled after three years subject to continued employment.

Bonus shares granted to senior executives after 1 November 2011: Bonus shares vest and are settled after four years subject to continued employment.

The schedule of vesting dates may be found below.

Schedule of bonus share vesting dates

	Number of shares
Bonus shares outstanding at 30 June 2014	**825 111**
Vesting on	
30 September 2014	90 086
10 November 2014	36 699
10 November 2015	136 038
11 October 2015	65 247
16 October 2015	43 434
16 October 2016	119 028
27 October 2016	87 391
30 October 2016	85 758
16 October 2017	161 430

Share options

Options granted before 1 December 2008: No options may be exercised prior to the first anniversary of the issue date relative to such options. Up to a third of such options may be exercised each year until the third anniversary of the issue date.

Options granted after 1 December 2008: No options may be exercised prior to the third anniversary of the issue date relative to such options.

Options granted to senior executives 1 November 2011 and 30 June 2014: No options may be exercised prior to the fourth anniversary of the issue date relative to such options.

Options may not be exercised later than the eighth anniversary of the issue date, after which such options lapse.

The schedule of vesting dates may be found below.

Schedule of option vesting dates

	Number of options	Average issue price per option
Options outstanding at 30 June 2014	**2 263 792**	**R150.29**
Vested		
2 November 2007	76 902	R73.99
6 June 2008	12 666	R119.00
17 October 2008	115 233	R139.73
2 November 2008	76 902	R73.99
16 April 2009	9 024	R271.00
22 May 2009	1 304	R279.50
6 June 2009	12 666	R119.00
17 October 2009	134 677	R139.73
2 November 2009	131 085	R73.99
16 April 2010	9 024	R271.00
22 May 2010	1 304	R279.50
6 June 2010	17 001	R119.00
17 October 2010	137 803	R139.73
2 November 2010	56 685	R73.99
16 April 2011	9 027	R271.00
22 May 2011	1 306	R279.50
6 June 2011	4 333	R119.00
2 November 2011	64 492	R73.99
6 December 2011	111 469	R96.20
6 June 2012	4 334	R119.00
16 October 2012	113 441	R155.20
27 April 2013	4 808	R195.60
16 October 2013	162 944	R155.20
2 April 2014	6 857	R195.60
Vesting on		
10 November 2014	124 060	R182.67
3 April 2015	14 293	R182.19
10 November 2015	150 675	R182.67
3 April 2016	6 861	R182.19
16 October 2015	167 451	R168.37
27 April 2016	5 609	R181.00
16 October 2016	188 059	R168.37
30 October 2016	157 288	R200.75
22 May 2017	12 199	R191.14
30 October 2017	162 010	R200.75

Share incentive movements

	Options		Performance shares[1]		Bonus shares[1]	
	F2014	F2013	F2014	F2013	F2014	F2013
Opening balance as at 1 July 2013	2 933 275	3 168 450	808 152	606 639	619 345	413 700
Exercised	(862 118)	(572 593)	–	–	–	–
Settled	–	–	(125 430)	(189 224)	(127 830)	(13 153)
Granted/awarded/granted	331 497	368 834	374 198	420 875	334 579	233 265
Forfeited/cancelled	(138 862)	(31 416)	(12 838)	(30 138)	(983)	(14 467)
Closing balance as at 30 June 2014	2 263 792	2 933 275	1 044 082	808 152	825 111	619 345
Subsequent to year-end:						
Exercised/settled	(262 468)	–	(6 664)	–	(10 325)	–
Granted/awarded/granted	–	–	–	–	–	–
Forfeited/cancelled	–	–	(2 590)	–	–	–
Balance as at the date of this report	2 001 324	2 933 275	1 034 828	808 152	814 786	619 345

[1] *Conditional.*

External auditors

Ernst & Young Inc. (EY) continued in office as external auditors for the Company. At the Annual General Meeting, shareholder approval will be sought for the re-appointment of EY as ARM's external auditors for the 2014 financial year and confirmation of Mr E A L Botha as the individual registered auditor.

Company Secretary

Ms Alyson D'Oyley is the Company Secretary of ARM. Her business and postal addresses appear on the inside back cover of this report. Additional information regarding the office of the Company Secretary during the year are set out on page 123.

Special resolutions

The following special resolutions were passed by shareholders of ARM at the Annual General Meeting held on 6 December 2013:

- Remuneration of Non-executive Directors; and
- Adoption of amendments to the Memorandum of Incorporation.

The following special resolution adopting a new Memorandum of Incorporation was passed by shareholders of the below mentioned company:

Company	Registration number	Date passed
ARM Coal (Pty) Ltd	2006/0040077/07	30 June 2014

Listings

The Company's shares are listed on the JSE Limited (JSE) under General Mining under the JSE share code: ARI.

A sponsored Level 1 American Depositary Receipt (ADR) programme is also available to investors for over-the-counter or private transactions under the ticker symbol AFRBY.

Strate (Share Transactions Totally Electronic)

The Company's shares were dematerialised on 5 November 2001. Should shareholders wish to trade certificated ARM (previously Avmin) shares on the JSE they are urged to deposit them with a CSDP (Central Securities Depository Participant) or qualifying stockbroker, as soon as possible. Trading in the Company's shares on the JSE is only possible if they exist in electronic format in the Strate environment. If members have any queries, they should contact the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, whose details are reflected on the inside back cover of this report.

Convenience translations into United States Dollars

To assist users of this report, translations of convenience into United States Dollars are provided for in the Company's financial statements. These translations are based upon average rates of exchange for income statement and cash flow statement items and at those rates prevailing at year-end for statement of financial position items. These statements are found on pages 251 to 257.

Statements of financial position

at 30 June 2014

	Notes	Group F2014 Rm	Group Restated* F2013 Rm	Group Restated* 1 July 2012 Rm	Company F2014 Rm	Company F2013 Rm
Assets						
Non-current assets						
Property, plant and equipment	3	**11 752**	11 309	10 242	**2 058**	2 110
Investment property	4	**12**	12	12	**–**	–
Intangible assets	5	**166**	178	190	**–**	–
Deferred tax assets	17	**381**	327	3	**380**	326
Loans and long-term receivables	6	**73**	90	114	**607**	377
Financial assets	7	**2**	3	30	**–**	–
Inventories		**–**	–	141	**–**	–
Investment in associate	8	**1 267**	1 420	1 354	**432**	432
Investment in joint venture	9	**14 305**	12 506	10 943	**259**	259
Other investments	10	**2 119**	2 391	4 959	**6 459**	6 311
		30 077	28 236	27 988	**10 195**	9 815
Current assets						
Inventories	11	**934**	1 096	557	**378**	326
Trade and other receivables	12	**3 291**	2 290	1 566	**1 390**	744
Taxation	35	**5**	22	26	**–**	–
Financial asset	7	**1**	39	–	**–**	–
Cash and cash equivalents	13	**2 150**	1 965	1 335	**1 069**	911
		6 381	5 412	3 484	**2 837**	1 981
Assets held for sale	14	**–**	191	–	**–**	–
Total assets		**36 458**	33 839	31 472	**13 032**	11 796
Equity and liabilities						
Capital and reserves						
Ordinary share capital	15	**11**	11	11	**11**	11
Share premium	15	**4 108**	3 996	3 937	**4 108**	3 996
Other reserves		**1 258**	769	571	**832**	443
Retained earnings		**21 311**	19 294	18 681	**5 961**	5 062
Equity attributable to equity holders of ARM		**26 688**	24 070	23 200	**10 912**	9 512
Non-controlling interest		**1 511**	1 393	1 205	**–**	–
Total equity		**28 199**	25 463	24 405	**10 912**	9 512
Non-current liabilities						
Long-term borrowings	16	**2 420**	3 293	2 216	**–**	564
Deferred tax liabilities	17	**1 911**	1 680	1 638	**533**	374
Long-term provisions	18	**558**	560	569	**180**	174
		4 889	5 533	4 423	**713**	1 112
Current liabilities						
Trade and other payables	19	**1 741**	1 599	1 277	**865**	616
Short-term provisions	20	**479**	494	210	**191**	215
Taxation	35	**68**	51	136	**66**	50
Overdrafts and short-term borrowings						
– interest-bearing	21	**1 082**	699	1 021	**27**	33
– non-interest-bearing	21	**–**	–	–	**258**	258
		3 370	2 843	2 644	**1 407**	1 172
Total equity and liabilities		**36 458**	33 839	31 472	**13 032**	11 796

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Income statements

for the year ended 30 June 2014

	Notes	Group F2014 Rm	Group Restated* F2013 Rm	Company F2014 Rm	Company F2013 Rm
Revenue	24	**10 863**	8 209	**5 943**	4 662
Sales	24	**10 004**	7 342	**3 032**	2 244
Cost of sales	25	**(7 531)**	(5 866)	**(2 111)**	(1 811)
Gross profit		**2 473**	1 476	**921**	433
Other operating income	26	**961**	992	**742**	806
Other operating expenses	27	**(1 763)**	(1 294)	**(1 124)**	(958)
Profit from operations before exceptional items		**1 671**	1 174	**539**	281
Income from investments	28	**119**	131	**2 313**	1 823
Finance costs	29	**(259)**	(199)	**(53)**	(43)
Loss from associate**	8	**(374)**	(14)	**–**	–
Income from joint venture***	9	**3 549**	3 063	**–**	–
Profit before taxation and exceptional items		**4 706**	4 155	**2 799**	2 061
Exceptional items excluding tax	30	**(616)**	(2 457)	**(627)**	(2 655)
Profit/(loss) before taxation		**4 090**	1 698	**2 172**	(594)
Taxation	31	**(546)**	84	**(171)**	344
Profit/(loss) for the year		**3 544**	1 782	**2 001**	(250)
Attributable to:					
Non-controlling interest		**255**	148		
Equity holders of ARM		**3 289**	1 634	**2 001**	(250)
		3 544	1 782	**2 001**	(250)
Additional information					
Headline earnings (R million)	33	**4 108**	3 737		
Headline earnings per share (cents)	32	**1 900**	1 735		
Basic earnings per share (cents)	32	**1 521**	759		
Diluted headline earnings per share (cents)	32	**1 886**	1 723		
Diluted basic earnings per share (cents)	32	**1 510**	753		
Number of shares in issue at end of year (thousands)		**216 748**	215 625		
Weighted average number of shares in issue (thousands)		**216 268**	215 357		
Weighted average number of shares used in calculating diluted earnings per share (thousands)	32	**217 784**	216 914		
Net asset value per share (cents)	32	**12 313**	11 163		
EBITDA (R million)		**2 620**	1 982		
Dividend declared after year-end (cents per share)	32	**600**	510	**600**	510

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*
*** Impairment included in loss from associate R132 million (F2013: Rnil).*
**** Impairment included in income from joint venture R187 million (F2013: R112 million).*

Statements of comprehensive income

for the year ended 30 June 2014

Group	Notes	Available-for-sale reserve Rm	Other Rm	Retained earnings Rm	Total share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
For the year ended 30 June 2013 restated*							
Profit for the year to 30 June 2013		–	–	1 634	1 634	148	1 782
Other comprehensive income that may be reclassified to the income statement in subsequent periods							
Reclassification adjustment due to impairment of available-for-sale listed investment		(170)	–	–	(170)	–	(170)
Deferred tax on above		31	–	–	31	–	31
Net impact of revaluation of listed investment	10	(139)	–	–	(139)	–	(139)
Foreign exchange movements on loans to a foreign Group entity		–	57	–	57	–	57
Deferred tax on unrealised foreign exchange movements on loans to a foreign Group entity		–	(16)	–	(16)	–	(16)
Cash flow hedge reserve	8	–	(32)	–	(32)	–	(32)
Foreign currency translation reserve movement		–	227	–	227	–	227
Total other comprehensive (loss)/income		(139)	236	–	97	–	97
Total comprehensive (loss)/income for the year		(139)	236	1 634	1 731	148	1 879
For the year ended 30 June 2014							
Profit for the year to 30 June 2014		**–**	**–**	**3 289**	**3 289**	**255**	**3 544**
Other comprehensive income that may be reclassified to the income statement in subsequent periods							
Revaluation of listed investment	10	**334**	**–**	**–**	**334**	**–**	**334**
Deferred tax on above		**(62)**	**–**	**–**	**(62)**	**–**	**(62)**
Net impact of revaluation of listed investment		**272**	**–**	**–**	**272**	**–**	**272**
Cash flow hedge reserve	8	**–**	**31**	**–**	**31**	**–**	**31**
Foreign currency translation reserve movement		**–**	**73**	**–**	**73**	**–**	**73**
Total other comprehensive income		**272**	**104**	**–**	**376**	**–**	**376**
Total comprehensive income for the year		**272**	**104**	**3 289**	**3 665**	**255**	**3 920**

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Company	Notes	Available-for-sale reserve Rm	Retained earnings Rm	Total Rm
For the year ended 30 June 2013				
Loss for the year to 30 June 2013		–	(250)	(250)
Other comprehensive income that may be reclassified to the income statement in subsequent periods				
Reclassification adjustment due to impairment of available-for-sale listed investment		82	–	82
Deferred tax on above		(15)	–	(15)
Net impact of revaluation of listed investment	10	67	–	67
Total other comprehensive income		67	–	67
Total comprehensive income/(loss) for the year		67	(250)	(183)
For the year ended 30 June 2014				
Profit for the year to 30 June 2014		**–**	**2 001**	**2 001**
Other comprehensive income that may be reclassified to the income statement in subsequent periods				
Revaluation of listed investment	10	**334**	**–**	**334**
Deferred tax on above		**(62)**	**–**	**(62)**
Net impact of revaluation of listed investment		**272**	**–**	**272**
Total other comprehensive income		**272**	**–**	**272**
Total comprehensive income for the year		**272**	**2 001**	**2 273**

Statements of changes in equity

for the year ended 30 June 2014

Group	Notes	Share capital and premium Rm	Available-for-sale reserve Rm	Other* Rm	Retained earnings Rm	Total share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
Balance at 30 June 2012 restated**		3 948	139	432	18 681	23 200	1 205	24 405
Profit for the year to 30 June 2013		–	–	–	1 634	1 634	148	1 782
Other comprehensive (loss)/income		–	(139)	236	–	97	–	97
Total comprehensive (loss)/ income for the year		–	(139)	236	1 634	1 731	148	1 879
Share-based payments		–	–	133	–	133	–	133
Share options exercised	15	27	–	–	–	27	–	27
Bonus and performance shares issued to employees	15	32	–	(32)	–	–	–	–
Dividend paid	32	–	–	–	(1 021)	(1 021)	–	(1 021)
Contribution by ZCCM		–	–	–	–	–	40	40
Balance at 30 June 2013 restated**		**4 007**	**–**	**769**	**19 294**	**24 070**	**1 393**	**25 463**
Profit for the year to 30 June 2014		**–**	**–**	**–**	**3 289**	**3 289**	**255**	**3 544**
Other comprehensive income		**–**	**272**	**104**	**–**	**376**	**–**	**376**
Total comprehensive income for the year		**–**	**272**	**104**	**3 289**	**3 665**	**255**	**3 920**
Share-based payments		**–**	**–**	**167**	**–**	**167**	**–**	**167**
Share options exercised	15	**62**	**–**	**–**	**–**	**62**	**–**	**62**
Bonus and performance shares issued to employees	15	**50**	**–**	**(50)**	**–**	**–**	**–**	**–**
Dividend paid	32	**–**	**–**	**–**	**(1 102)**	**(1 102)**	**–**	**(1 102)**
Dividend paid to Impala Platinum		**–**	**–**	**–**	**–**	**–**	**(236)**	**(236)**
Acquisition of non-controlling interest of Kalumines***	14	**–**	**–**	**–**	**(170)**	**(170)**	**99**	**(71)**
Sale of subsidiary	36	**–**	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Balance at 30 June 2014		**4 119**	**272**	**986**	**21 311**	**26 688**	**1 511**	**28 199**

** Other reserves consist of the following:*

	F2014 Rm	F2013 Rm	F2012 Rm
General reserve	**28**	32	32
Insurance contingency	**14**	14	14
Share-based payments	**569**	452	351
Cash flow hedge reserve	**–**	(31)	1
Foreign exchange on loans to foreign Group entity	**61**	61	20
Foreign currency translation reserve	**328**	255	28
Premium paid on purchase of non-controlling interest	**(14)**	(14)	(14)
Total	**986**	769	432

*** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*
**** Part of assets held for sale at 30 June 2013.*

Company	Notes	Share capital and premium Rm	Available-for-sale reserve Rm	Other* Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2012		3 948	(67)	342	6 333	10 556
Loss for the year to 30 June 2013		–	–	–	(250)	(250)
Other comprehensive income		–	67	–	–	67
Total comprehensive income/(loss) for the year		–	67	–	(250)	(183)
Bonus and performance shares issued to employees	15	32	–	(32)	–	–
Dividend paid	32	–	–	–	(1 021)	(1 021)
Share-based payments		–	–	133	–	133
Share options exercised	15	27	–	–	–	27
Balance at 30 June 2013		**4 007**	**–**	**443**	**5 062**	**9 512**
Profit for the year to 30 June 2014		**–**	**–**	**–**	**2 001**	**2 001**
Other comprehensive income		**–**	**272**	**–**	**–**	**272**
Total comprehensive income for the year		**–**	**272**	**–**	**2 001**	**2 273**
Dividend paid	32	**–**	**–**	**–**	**(1 102)**	**(1 102)**
Share-based payments		**–**	**–**	**167**	**–**	**167**
Share options exercised	15	**62**	**–**	**–**	**–**	**62**
Bonus and performance shares issued to employees	15	**50**	**–**	**(50)**	**–**	**–**
Balance at 30 June 2014		**4 119**	**272**	**560**	**5 961**	**10 912**

** Other reserves consist of the following:*

	F2014 Rm	F2013 Rm	F2012 Rm
General reserve	**35**	35	35
Share-based payments	**525**	408	307
Total	**560**	443	342

Statements of cash flows

for the year ended 30 June 2014

	Notes	Group F2014 Rm	Group Restated* F2013 Rm	Company F2014 Rm	Company F2013 Rm
Cash flow from operating activities					
Cash receipts from customers		9 950	7 618	3 040	2 578
Cash paid to suppliers and employees		(7 877)	(6 053)	(2 653)	(2 233)
Cash generated from operations	34	2 073	1 565	387	345
Interest received		99	62	48	27
Interest paid		(113)	(115)	(35)	(47)
Dividends received		1	64	431	237
Dividends received from joint venture		1 750	1 500	1 750	1 500
Dividend paid to non-controlling interest – Impala Platinum		(236)	–	–	–
Dividend paid		(1 102)	(1 021)	(1 102)	(1 021)
Taxation paid	35	(395)	(286)	(112)	(134)
Net cash inflow from operating activities		2 077	1 769	1 367	907
Cash flow from investing activities					
Additions to property, plant and equipment to maintain operations		(724)	(544)	(167)	(82)
Additions to property, plant and equipment to expand operations		(409)	(1 063)	(3)	(8)
Proceeds on disposal of property, plant and equipment	14	118	1	–	–
Proceeds on disposal of subsidiary	36	1	–	1	–
Transfer of cash on disposal of subsidiary	36	(16)	–	–	–
Additional investment in associate	8	(189)	(112)	–	–
Investment in RBCT	10	(20)	(26)	–	–
Decrease/(increase) in loans and receivables		17	24	(532)	(391)
Net cash outflow from investing activities		(1 222)	(1 720)	(701)	(481)
Cash flow from financing activities					
Proceeds on exercise of share options		62	28	62	28
Long-term borrowings raised		–	802	–	150
Long-term borrowings repaid		(728)	(212)	(564)	–
Short-term borrowings repaid		(93)	(144)	(3)	(2)
Net cash (outflow)/inflow from financing activities		(759)	474	(505)	176
Net increase in cash and cash equivalents		96	523	161	602
Cash and cash equivalents at beginning of year		1 569	998	881	279
Foreign currency translation on cash balance		4	48	–	–
Cash and cash equivalents at end of year	13	1 669	1 569	1 042	881
Cash generated from operations per share (cents)	32	959	727	179	159

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Notes to the financial statements
for the year ended 30 June 2014

1. Accounting policies

Statement of compliance

The Group and Company annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as adopted by the International Accounting Standards Board (IASB), requirements of the South African Companies Act 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practice Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.

Impact of new standards

During the current financial year, the following new and revised accounting standards were adopted by ARM but have had no financial impact on the financial statements other than as noted below and certain disclosure changes:

Standard	Subject	Effective date
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendment)	1 January 2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interest in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19	Employee Benefits (Amendment)	1 January 2013
IAS 27	Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28	Investment in Associate and Joint Ventures (as revised in 2011)	1 January 2013
IAS 34	Interim Financial Reporting (Amendment)	1 January 2013
Circular 2/2013	Headline Earnings	31 July 2013

The adoption of these amendments had no significant effect on the Group financial statements, except for IFRS 11 Joint Arrangements and IAS 28 Investment in Associate and Joint Ventures (refer note 2) and changes in accounting policy below.

Changes in accounting policy

IFRS 11 removes the option to account for joint ventures using proportionate consolidation. Instead, joint arrangements that meet the definition of joint ventures must be accounted for using the equity method. For a joint operation, the operator recognises its assets, liabilities, income and expenses and/or relative share thereof.

The application of IFRS 11 and IAS 28 impacted the Group's accounting of its interest in its joint venture, Assmang Proprietary Limited. The Group has a 50% interest in Assmang Proprietary Limited which is jointly controlled by African Rainbow Minerals Limited and Assore Limited.

Prior to the adoption of IFRS 11, Assmang Proprietary Limited was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expense was proportionately consolidated in the consolidated financial statements.

Upon adoption of IFRS 11 the Group has determined its interest in Assmang Proprietary Limited to be classified as a joint venture under IFRS 11 and it is required to be accounted for using the equity method.

The transition was applied retrospectively as required by IFRS 11 and the comparative figures have been restated.

There is no impact on the net assets, earnings or headline earnings of the Group.

The effect of applying IFRS 11 on the Group's financial statements are shown in detail in note 2.

Basis of preparation

The Group and Company financial statements for the year have been prepared under the supervision of the financial director, Mr M Arnold CA(SA).

The principal accounting policies as set out below are consistent in all material aspects with those applied in the previous years, except for the above-mentioned new and revised standards, and comply with IFRS.

The Group and Company financial statements have been prepared on the historical cost basis except for certain financial instruments that are fairly valued by mark-to-market.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) unless otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of African Rainbow Minerals Limited and its subsidiaries, joint operations, joint ventures and associates at 30 June each year.

Notes to the financial statements continued
for the year ended 30 June 2014

Inter-company transactions and balances
Consolidation principles relating to the elimination of inter-company transactions and balances and adjustments for unrealised inter-company profits are applied in all intra-group dealings, for all transactions with subsidiaries, joint operations, associated companies or joint ventures.

Subsidiary companies
Subsidiary companies are investments in entities in which the Company has control over the financial and operating decisions of the entity.

Subsidiaries are consolidated in full from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases.

Non-controlling interest represents the portion of income statement and equity not held by the Group and is presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance. Before 1 January 2009, losses in subsidiaries were carried by the Group only.

Investments in subsidiaries in the Company financial statements are accounted for at cost less impairment.

Joint operations
Joint operations are a type of a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. The Group accounts for joint operations, its assets, liabilities, income, expenses and cash flows and/or share thereof.

Unincorporated joint operations are recognised in the Company financial statements on the same basis as above.

Joint operations are accounted for in the Company financial statements at cost less impairment.

Investment in associate and joint ventures
An associate is an investment in an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Joint ventures are a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

At Group level, investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in the associates and joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures, less any impairment in value. The income statement reflects the Group's share of the post-acquisition profit after tax of the associate or joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment losses.

Investments in associates or joint ventures in the Company financial statements are accounted for at cost less impairment.

Business combinations
The acquisition method of accounting is used to account for the acquisition of subsidiaries, joint operations, joint ventures and associates by the Group. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interest is measured at each business combination at either the proportionate share of the identifiable net assets or at fair value.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested for impairment on an annual basis. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

When an acquisition is achieved in stages and control is achieved, the fair values of all the identifiable assets and liabilities are recognised. The difference between the previous equity held interest value and the current fair value for the same equity is recognised in the income statement.

When there is a change in the interest of a subsidiary that does not result in the loss of control, the difference between the fair value of the consideration transferred and the change in non-controlling interest is recognised directly in the statement of changes in equity.

Current taxation
The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantially enacted at reporting date that are applicable to the taxable income. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, or in other comprehensive income in which case the tax amounts are recognised directly in equity or other comprehensive income.

Deferred taxation
A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability and its tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the reporting date and is not discounted.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax arising on investments in subsidiaries, associates, joint operations, and joint ventures is recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred taxation asset

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except for (a) where the VAT incurred on a purchase of an asset or service cannot be recovered from the taxation authorities; and (b) receivables and payables that are stated with the VAT included. The net amount of VAT recoverable or payable is included under receivables or payables in the statement of financial position.

Provisions

Provisions are recognised when the following conditions have been met:

- a present legal or constructive obligation to transfer economic benefits as a result of past events exists; and
- a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Environmental rehabilitation obligation

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration, is based on current legal requirements and existing technology and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of assets.

Decommissioning

The present value of estimated decommissioning obligations, being the cost to dismantle all structures and rehabilitate the land on which it is located that arose through establishing the mine, is included in long-term provisions. The unwinding of the obligation is included in the income statement under finance cost. The initial related decommissioning asset is recognised in property, plant and equipment.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Restoration

The present value of the estimated cost of restoration, being the cost to correct damage caused by on going mining operations, is included in long-term provisions. This estimate is revised annually and any movement is expensed in the income statement. Expenditure on on going rehabilitation is charged to the income statement under cost of sales as incurred.

Environmental rehabilitation trust fund

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds is carried at cost in the Company. These funds are consolidated as ARM Group companies are the sole contributors to the funds and exercise full control through the respective boards of trustees. The balances are included under restricted cash.

Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings. The recognition methods adopted are disclosed in the individual policy statements associated with each item. The Group does not apply hedge accounting, except where it recognised its share of an associate's cash flow hedge reserve as part of the equity accounted investment in the associate.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs except in the case of financial assets recorded at fair value through the income statement.

Financial assets at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Loans and receivables are measured at amortised cost less impairment losses or reversals which are recognised in the income statement.

Available-for-sale financial assets are measured at fair value with gains and losses being recognised directly in

Notes to the financial statements continued

for the year ended 30 June 2014

equity. Impairment losses are recognised in the income statement.

Any impairment reversals on debt instruments classified as available-for-sale are recognised in the income statement.

Impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment are recognised directly in equity.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence as a result of one or more events that has occurred after the initial recognition, that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is an indication that an impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the income statement.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in comprehensive income.

Financial liabilities

Financial liabilities at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Financial guarantees

Financial Guarantee Contracts that are not considered to be insurance contracts, are initially recognised at fair value and subsequently remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Derivative instruments

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the income statement.

Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash that is subject to legal or contractual restrictions on use is included in cash but indicated as restricted.

Investments

Investments, other than investments in subsidiaries, associates, joint operations and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in fair values of available-for-sale investments are reflected in the available-for-sale reserve. On disposal of an investment, the balance in the revaluation reserve is recognised in the income statement. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date.

Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost. All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date the Group commits to purchasing the asset.

Receivables

Trade receivables, which generally have 30 – 90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the effective interest rate.

Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the income statement. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

Payables

Trade and other payables are not interest-bearing and are initially recorded at fair value and subsequently at amortised cost and classified as financial liabilities at amortised cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Offsetting of financial instruments

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

Intangible assets

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production or units of export sales. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investment property

Investment properties are carried at cost and depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. Where the residual value exceeds the carrying amount, amortisation is continued at a zero charge until its residual value subsequently decreases to an amount below the carrying amount. Where the building has changed from owner occupied to investment property in order to earn rentals and for capital appreciation, the cost deemed is the carrying amount if applicable. An impairment is taken in the income statement when the recoverable amount is less than the carrying amount.

Property, plant and equipment

Property, plant and equipment other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are carried at cost. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

Mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, site preparation and pre-production stripping costs, as well as the decommissioning thereof, are capitalised when it is probable that the future economic benefits will flow to the entity and it can be measured reliably. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Capitalised development costs are classified under mine development and decommissioning assets and are recognised at cost. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves from which future economic benefits will be realised, resulting in these assets being carried at cost less depreciation and any impairment losses. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

Notes to the financial statements continued

for the year ended 30 June 2014

Production stripping costs

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Subsequent stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a "stripping activity asset", if:

a. future economic benefits (being improved access to the ore body) are probable;
b. the component of the ore body for which access will be improved can be accurately identified; and
c. the costs associated with the improved access can be reliably measured.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset included under mine development and decommissioning asset. If all the criteria are not met, the production stripping costs are charged to the income statement as operating costs.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible. As a result, the stripping activity asset is carried at cost less depreciation and any impairment losses.

Mineral rights

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

Plant and machinery

Mining plant and machinery is depreciated on the units-of-production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in depreciation calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items provided these meet the definition of property, plant and equipment. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the income statement.

Mine properties

Mine properties (including houses, schools and administration blocks) are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

Furniture, equipment and vehicles

Furniture, equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

Finance leases

Finance leases are depreciated on a straight-line basis over their expected useful lives or the lease term, if less, to estimated residual values.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development; and
- the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Depreciation rates

Depreciation rates that are based on units-of-production take into account proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

The annual depreciation rates generally used in the Group are:

- furniture and equipment 10% to 33%;
- mine properties 4% to 7%;
- motor vehicles 20%;
- mine development plant and machinery, and mineral rights and land 10 to 25 years;
- investment properties 2%; and
- intangible assets over life-of-mine to a maximum of 25 years.

Exploration expenditure

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Company utilises several different sources of information and also differentiates projects by levels of risks, including:

- degree of certainty over the mineralisation of the ore body;
- commercial risks, including but not limited to country risk; and
- prior exploration knowledge available about the target ore body.

Exploration expenditure on Greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on Brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a pre-feasibility study that future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available for sale in its present condition. For the sale to be highly probable, management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair value less cost to sell and are not depreciated.

Impairment of non-financial assets

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. The recoverable amount is the higher of fair value less cost of disposal or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate.

Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the income statement. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

Intangible assets with an indefinite life are tested annually for impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the income statement as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

- Consumables and maintenance spares are valued at weighted average cost.
- Ore stockpiles are valued at weighted average cost.
- Finished products are valued at weighted average cost.
- Houses are valued at their individual cost.
- Work-in-progress is valued at weighted average cost, including an appropriate portion of direct overhead costs.
- Unallocated overhead costs due to below normal capacity are expensed as short workings.
- Raw materials are valued at weighted average cost.
- By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

Foreign currency translations

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency.

Notes to the financial statements continued
for the year ended 30 June 2014

Foreign entities
Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date.
- Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.
- Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.
- Fair value adjustments of the foreign entity are translated at the rate prevailing on date of valuation.
- Goodwill is considered to relate to the reporting entity and is translated at the closing rate.
- Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the income statement.

Foreign currency transactions and balances
Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the income statement.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to control the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Employee benefits
The Group operates two defined contribution pension schemes, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Other long-term benefits
The Group provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

Share-based payments
The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using an option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Equity-settled options expense is recognised over the expected vesting period.

Broad-Based Black Economic Empowerment (BBBEE) transactions
When entering into BBBEE share-based transactions any excess of the fair value of the shares over the consideration received is recognised as an expense in that period.

Revenue recognition
Revenue, which includes by-products, is recognised when the risks and rewards of ownership have been transferred and when it is probable that the economic benefits associated with a transaction flow to the Group and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

Dividend income
Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

Mining products
Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the sale price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) and CIF (cost insurance freight) are recognised on the date of loading.

In the case of certain commodities the final sale price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

Rental income
Rental income on investment properties is accounted for on a straight-line basis over the term of the operating lease.

Interest
Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

Cost of sales
All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

Early settlement discounts and rebates
These are deducted from revenue and cost of inventories when applicable.

Reinsurance
Premiums are disclosed on a gross basis in other operating income. Claims are presented on a gross basis in receivables and payables. The Group cedes insurance risk in the normal course of business for the majority of its business.

Segment reporting
An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Significant accounting judgements and estimates
The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, amongst others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described below.

Capitalised stripping costs
Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a "stripping activity asset". Judgement is required to distinguish between these two activities at each of the surface operations.

The ore bodies need to be identified in its various separately identifiable components for each of its surface mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions, and the type of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the depreciable lives of the stripping activity asset.

Production start date
The phase of each mine construction project is assessed to determine when a mine moves into the production phase. The criteria used to assess the start date are determined by the unique nature of each mine's construction project and include factors such as the complexity of a plant and its location. Various relevant criteria are considered to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- the level of capital expenditure compared to the construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce inventory in saleable form; and
- ability to sustain on going production of inventory.

Notes to the financial statements continued

for the year ended 30 June 2014

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalisable costs related to mining asset additions or improvements, production phase stripping costs capitalisable as stripping activity asset(s), and exploration expenditure that meets the criteria for capitalisation.

Mine rehabilitation provisions

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the income statement.

Other resources and reserves estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production depreciation methodologies are available to choose from; the Group adopts a run-of-the-mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

Impairment of assets

Each cash-generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

Asset useful life and residual values

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

Share-based payments

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

Definitions

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. For cash flow purposes overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

Active markets

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

Basic earnings per share

Basic earnings divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings comprise earnings for the year, adjusted for profits/losses as a remeasurement in accordance with the requirements of Circular 2 of 2013 issued by the South African Institute of Chartered Accountants. Adjustments against earnings take account of attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Amortised cost
This is calculated using the effective interest method less any provision for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value
Where an active market is available, it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; or other valuation models.

Effective interest method
This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

New standards
The following new standards and/or amendments have been issued but are only applicable for future periods.

Standard	Subject	Effective date
IFRS 7	Financial Instruments: Disclosures (Amendment)	1 January 2014
IFRS 9	Financial Instruments: Classification and measurement (Amendment)	1 January 2018
IFRS 10	Consolidated Financial Statements (Amendment)	1 January 2014
IFRS 11	Accounting for Aqusitions of Interest in Joint Operations (Amendment)	1 January 2016
IFRS 12	Disclosure of Interest in Other Entities (Amendment)	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)	1 January 2016
IAS 16 and IAS 41	Agriculture: Bearer Plants (Amendment)	1 January 2016
IAS 19	Employee Benefits (Amendment)	1 July 2014
IAS 27	Equity Method of Separate Financial Statements (Amendment)	1 January 2016
IAS 27	Special Financial Statements (Amendment)	1 January 2014
IAS 32	Financial Instruments Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Impairment of Assets – Recoverable amount disclosure for non-financial assets of impaired assets	1 January 2014
IAS 39	Financial Instruments – Novation of derivatives and continuation of hedge accounting (Amendment)	1 January 2014
IFRIC 21	Levies	1 January 2014

Impact of above
The impact of the above standards or interpretations are still being assessed.

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information

Business segments

For management purposes, the Group is organised into the following operating divisions. The operating divisions are ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal, ARM Copper and ARM Corporate. ARM Strategic Services and Exploration, Corporate and other and Gold are included in ARM Corporate and tabled in note 2.4.

ARM has a strategic holding in Harmony (gold) of 14.6% (F2013: 14.6%).

Platinum comprises Two Rivers Platinum Mine as a 55% subsidiary and ARM Mining Consortium Limited through which ARM holds an effective 41.5% interest in the Modikwa Platinum Mine.

Nickel comprises Nkomati Mine as a 50% joint operation for both its nickel and chrome operation. In the corporate structure Nickel is included under ARM Platinum.

ARM Ferrous comprises Assmang as a 50% joint venture. Assmang comprises iron ore, manganese and chrome operations.

ARM Coal, a 51% joint operation, comprises a 10.2% participating investment in the existing coal operations of GOSA (the participating coal business or PCB) and a 26% joint operation interest in the Goedgevonden Mine (GGV). In addition, ARM has a direct 10% participating investment in the PCB.

ARM Copper comprises an effective 40% share in the Lubambe Copper Mine and an effective 50% shareholding in the Lusaka Kabwe Project. Both these are held in the 50:50 Vale/ARM joint operation. The effective 30% shareholding in the Kalumines Copper Project was sold during December 2013.

ARM Exploration is involved in identifying and assessing exploration and mineral business opportunities largely in sub-Saharan Africa.

The commodity groupings predominantly reflect the risks and rewards of trading and the operating divisions are therefore identified as the reporting segments.

2. Primary segmental information continued

2.1 Year to 30 June 2014

	ARM Platinum Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Copper Rm	ARM Corporate Rm	Total Rm	*IFRS Adjust-ment Rm	Total per IFRS financial state-ments Rm
Sales	7 986	13 781	961	1 085	(28)	23 785	(13 781)	**10 004**
Cost of sales	(5 811)	(7 733)	(724)	(1 048)	73	(15 243)	7 712	**(7 531)**
Other operating income	79	176	24	36	752	1 067	(106)	**961**
Other operating expenses	(531)	(1 228)	(3)	(319)	(910)	(2 991)	1 228	**(1 763)**
Segment result	1 723	4 996	258	(246)	(113)	6 618	(4 947)	**1 671**
Income from investments	36	225	–	–	83	344	(225)	**119**
Finance cost	(51)	(27)	(89)	(2)	14	(155)	27	**(128)**
Finance cost ZCCM:								
Shareholders' loan								
Vale/ARM joint operation	–	–	–	(38)	–	(38)	–	**(38)**
Finance cost ARM:								
Shareholders' loan								
Vale/ARM joint operation	–	–	–	(93)	–	(93)	–	**(93)**
Loss from associate**	–	–	(374)	–		(374)	–	**(374)**
Income from joint venture***	–	11	–	–	–	11	3 538	**3 549**
Exceptional items	(2)	(260)	5	2	(621)	(876)	260	**(616)**
Taxation	(506)	(1 361)	(48)	(3)	25	(1 893)	1 347	**(546)**
Non-controlling interest	(319)	–	–	73	(9)	(255)	–	**(255)**
Consolidation adjustment	–	(35)	–	–	35	–	–	**–**
Contribution to basic earnings	881	3 549	(248)	(307)	(586)	3 289	–	**3 289**
Contribution to headline earnings	883	3 736	(120)	(309)	(82)	4 108	–	**4 108**
Other information								
Segment assets, including investment in associate	10 807	18 749	3 468	3 530	4 348	40 902	(4 444)	**36 458**
Investment in associate			1 267			1 267		**1 267**
Investment in joint venture							14 305	**14 305**
Segment liabilities	2 280	1 936	1 636	826	1 538	8 216	(1 936)	**6 280**
Unallocated liabilities (tax and deferred tax)						4 542	(2 563)	**1 979**
Consolidated total liabilities						12 758	(4 499)	**8 259**
Cash inflow/(outflow) from operations	1 894	5 584	406	(158)	(69)	7 657	(5 584)	**2 073**
Cash inflow/(outflow) from operating activities	1 386	4 485	407	(158)	(1 308)	4 812	(2 735)	**2 077**
Cash outflow from investing activities	(690)	(2 382)	(305)	(204)	(23)	(3 604)	2 382	**(1 222)**
Cash outflow from financing activities	(104)	–	(152)	–	(503)	(759)	–	**(759)**
Capital expenditure	731	1 753	129	299	6	2 918	(1 753)	**1 165**
Amortisation and depreciation	650	892	117	176	6	1 841	(892)	**949**
Impairment	–	260	183	–	–	443	(260)	**183**
EBITDA	2 373	5 888	375	(70)	(107)	8 459	(5 839)	**2 620**

** Includes IFRS 11 adjustments related to ARM Ferrous.*
*** Impairment included in loss from associate R132 million.*
**** Impairment included in income from joint venture R187 million.*

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information continued

2.1 Year to 30 June 2013 restated

	ARM Platinum Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Copper Rm	Arm Corporate Rm	Total Rm	*IFRS adjust-ment Rm	Total per IFRS financial state-ments Rm
Sales	6 344	12 458	929	69	–	19 800	(12 458)	7 342
Cost of sales	(5 102)	(7 293)	(656)	(132)	46	(13 137)	7 271	(5 866)
Other operating income	87	312	37	11	776	1 223	(231)	992
Other operating expenses	(294)	(1 058)	(2)	(91)	(907)	(2 352)	1 058	(1 294)
Segment result	1 035	4 419	308	(143)	(85)	5 534	(4 360)	1 174
Income from investments	21	137	–	–	110	268	(137)	131
Finance cost	(56)	(26)	(82)	(20)	(35)	(219)	26	(193)
Finance cost Implats:								
Shareholders' loan Two Rivers	(3)	–	–	–	–	(3)	–	(3)
Finance cost ARM:								
Shareholders' loan Two Rivers	(3)	–	–	–	–	(3)	–	(3)
Loss from associate	–	–	(14)	–	–	(14)	–	(14)
Income from joint venture**	–	3	–	–	–	3	3 060	3 063
Exceptional items	–	(182)	(3)	–	(2 454)	(2 639)	182	(2 457)
Taxation	(285)	(1 245)	(63)	(6)	454	(1 145)	1 229	84
Non-controlling interest	(182)	–	–	34	–	(148)	–	(148)
Consolidation adjustment	–	(43)	–	–	43	–	–	–
Contribution to basic earnings	527	3 063	146	(135)	(1 967)	1 634	–	1 634
Contribution to headline earnings	527	3 194	148	(135)	3	3 737	–	3 737
Other information								
Segment assets, including investment in associate	9 913	16 775	3 631	3 581	4 208	38 108	(4 269)	33 839
Investment in associate			1 420			1 420		1 420
Investment in joint venture							12 506	12 506
Segment liabilities	2 008	1 724	1 717	919	2 001	8 369	(1 724)	6 645
Unallocated liabilities (tax and deferred tax)						4 277	(2 546)	1 731
Consolidated total liabilities						12 646	(4 270)	8 376
Cash generated from operations	1 159	4 747	390	(48)	64	6 312	(4 747)	1 565
Cash inflow/(outflow) from operating activities	988	3 979	219	(48)	(890)	4 248	(2 479)	1 769
Cash outflow from investing activities	(654)	(2 041)	(169)	(888)	(9)	(3 761)	2 041	(1 720)
Cash (outflow)/inflow from financing activities	(149)	–	(155)	144	634	474	–	474
Capital expenditure	735	1 951	41	753	9	3 489	(1 951)	1 538
Amortisation and depreciation	676	885	106	21	5	1 693	(885)	808
Impairment	–	156	–	–	–	156	(156)	–
EBITDA	1 711	5 304	414	(122)	(80)	7 227	(5 245)	1 982

* *Includes IFRS 11 adjustments related to ARM Ferrous.*

** *Impairment included in income from joint venture R112 million.*

The ARM Platinum segment is analysed further into Two Rivers Platinum Mine. ARM Mining Consortium (which includes Modikwa Platinum Mine) and Nkomati Nickel Mine.

2. Primary segmental information continued

2.2 Year to 30 June 2014

	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum Total Rm
External sales	3 032	3 725	1 229	**7 986**
Cost of sales	(2 110)	(2 566)	(1 135)	**(5 811)**
Other operating income	47	15	17	**79**
Other operating expenses	(343)	(172)	(16)	**(531)**
Segment result	626	1 002	95	**1 723**
Income from investments	15	11	10	**36**
Finance cost	(5)	(44)	(2)	**(51)**
Exceptional items	(2)	–	–	**(2)**
Taxation	(192)	(288)	(26)	**(506)**
Non-controlling interest	–	(306)	(13)	**(319)**
Contribution to basic earnings	442	375	64	**881**
Contribution to headline earnings	444	375	64	**883**
Other information				
Segment and consolidated assets	3 885	3 999	2 923	**10 807**
Segment liabilities	871	982	427	**2 280**
Unallocated liabilities (tax and deferred tax)				**1 558**
Consolidated total liabilities				**3 838**
Cash generated from operations	492	1 220	182	**1 894**
Cash inflow from operating activities	508	705	173	**1 386**
Cash outflow from investing activities	(164)	(240)	(286)	**(690)**
Cash outflow from financing activities	–	(104)	–	**(104)**
Capital expenditure	129	317	285	**731**
Amortisation and depreciation	179	399	72	**650**
EBITDA	805	1 401	167	**2 373**

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information continued

2.2 Year to 30 June 2013

	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum Total Rm
External sales	2 244	2 868	1 232	6 344
Cost of sales	(1 810)	(2 216)	(1 076)	(5 102)
Other operating income	54	21	12	87
Other operating expenses	(168)	(114)	(12)	(294)
Segment result	320	559	156	1 035
Income from investments	9	4	8	21
Finance cost	(3)	(50)	(3)	(56)
Finance cost Implats: Shareholders' loan Two Rivers	–	(3)	–	(3)
Finance cost ARM: Shareholders' loan Two Rivers	–	(3)	–	(3)
Taxation	(94)	(146)	(45)	(285)
Non-controlling interest	–	(162)	(20)	(182)
Contribution to basic earnings	232	199	96	527
Contribution to headline earnings	232	199	96	527
Other information				
Segment and consolidated assets	3 316	3 823	2 774	9 913
Segment liabilities	608	1 037	363	2 008
Unallocated liabilities (tax and deferred tax)				1 354
Consolidated total liabilities				3 362
Cash generated from operations	306	693	160	1 159
Cash inflow from operating activities	314	539	135	988
Cash outflow from investing activities	(80)	(427)	(147)	(654)
Cash outflow from financing activities	–	(149)	–	(149)
Capital expenditure	94	498	143	735
Amortisation and depreciation	254	350	72	676
EBITDA	574	909	228	1 711

2. Primary segmental information continued

2.3 Pro forma analysis of the ARM Ferrous segment on a 100% basis

	Iron Ore Division Rm	Manganese Division Rm	Chrome Division Rm	Ferrous Total Rm	ARM share Rm	*IFRS adjust-ment Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2014							
Sales	17 667	8 286	1 608	27 561	13 781	(13 781)	–
Other operating income	744	166	27	937	176	(176)	–
Other operating expense	(2 020)	(821)	(201)	(3 042)	(1 228)	1 228	–
Operating profit	8 332	1 474	184	9 990	4 996	(4 996)	–
Contribution to earnings	6 357	684	128	7 169	3 584	(35)	**3 549**
Contribution to headline earnings	6 356	1 058	128	7 542	3 771	(35)	**3 736**
Other information							
Consolidated total assets	26 145	11 246	1 027	38 418	18 749	(4 444)	**14 305**
Consolidated total liabilities	6 087	2 545	516	9 148	1 936	(1 936)	–
Capital expenditure	2 058	1 340	244	3 642	1 753	(1 753)	–
Amortisation and depreciation	1 295	450	80	1 825	892	(892)	–
Cash inflow from operating activities	**3 510	1 650	310	5 470	4 485	(4 485)	–
Cash outflow from investing activities	(1 845)	(2 681)	(237)	(4 763)	(2 382)	2 382	–
EBITDA	9 627	1 924	264	11 815	5 888	(5 888)	
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				20 638		(20 638)	–
Investment in joint venture				1 663		(1 663)	–
Other non-current assets				781		(781)	–
Current assets							–
Inventories				4 427		(4 427)	–
Trade and other receivables				4 823		(4 823)	–
Financial assets				112		(112)	–
Cash and cash equivalents				5 976		(5 976)	–
Non-current liabilities							–
Other non-current liabilities				5 986		(5 986)	–
Current liabilities							–
Trade and other payables				2 232		(2 232)	–
Short-term provisions				585		(585)	–
Taxation				346		(346)	–

* *Includes consolidation and IFRS 11 adjustments.*

** *Dividend paid amounting to R3.5 billion included in cash flows from operating activities.*

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information continued

2.3 Pro forma analysis of the ARM Ferrous segment on a 100% basis

	Iron Ore Division Rm	Manganese Division Rm	Chrome Division Rm	Ferrous Total Rm	ARM share Rm	*IFRS adjust-ment Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2013 restated							
Sales	15 690	7 349	1 876	24 915	12 458	(12 458)	–
Other operating income	854	283	22	1 159	312	(312)	–
Other operating expense	(1 576)	(767)	(312)	(2 655)	(1 058)	1 058	–
Operating profit/(loss)	7 466	1 547	(179)	8 834	4 419	(4 419)	–
Contribution to earnings	5 517	827	(134)	6 210	3 106	(43)	3 063
Contribution to headline earnings	5 531	940	1	6 472	3 237	(43)	3 194
Other information							
Consolidated total assets	23 185	10 412	776	34 373	16 775	(4 269)	12 506
Consolidated total liabilities	5 985	2 454	332	8 771	1 724	(1 724)	–
Capital expenditure	2 709	1 216	132	4 057	1 951	(1 951)	–
Amortisation and depreciation	1 180	531	102	1 813	885	(885)	–
Cash inflow/(outflow) from operating activities	**3 694	1 305	(50)	4 949	3 979	(3 979)	–
Cash outflow from investing activities	(2 791)	(1 155)	(127)	(4 073)	(2 041)	2 041	–
EBITDA	8 646	2 078	(77)	10 647	5 304	(5 304)	–
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				19 445		(19 445)	–
Investment in joint venture				238		(238)	–
Other non-current assets				579		(579)	–
Current assets							
Inventories				4 118		(4 118)	–
Trade and other receivables				5 724		(5 724)	–
Cash and cash equivalents				5 268		(5 268)	–
Non-current liabilities							
Other non-current liabilities				5 564		(5 564)	–
Current liabilities							
Trade and other payables				2 145		(2 145)	–
Short-term provisions				505		(505)	–
Taxation				558		(558)	–

* *Includes consolidation and IFRS 11 adjustments.*

** *Dividend paid amounting to R3 billion included in cash flows from operating activities.*

2. Primary segmental information continued

2.4 Additional information

ARM Corporate as presented in the table on pages 199 and 200 is analysed further into Corporate and other, ARM Exploration and Gold segments

	ARM Exploration Rm	*Corporate and other Rm	Gold Rm	Total ARM Corporate Rm
Year to 30 June 2014				
Sales	–	(28)	–	**(28)**
Cost of sales	–	73	–	**73**
Other operating income	–	752	–	**752**
Other operating expenses	(81)	(829)	–	**(910)**
Segment result	(81)	(32)	–	**(113)**
Income from investments	–	83	–	**83**
Finance cost	–	14	–	**14**
Exceptional items	–	6	(627)	**(621)**
Taxation	–	(92)	117	**25**
Non-controlling interest	–	(9)	–	**(9)**
Consolidation adjustments		35		**35**
Contribution to basic earnings	(81)	5	(510)	**(586)**
Contribution to headline earnings	(81)	(1)	–	**(82)**
Other information				
Segment assets, including investment in associate	–	2 366	1 982	**4 348**
Segment liabilities	–	1 538	–	**1 538**
Cash outflow from operating activities	(81)	(1 227)	–	**(1 308)**
Cash outflow from investing activities	–	(23)	–	**(23)**
Cash outflow from financing activities	–	(503)	–	**(503)**
Capital expenditure	–	6	–	**6**
Amortisation and depreciation	–	6	–	**6**
EBITDA	(81)	(26)	–	**(107)**
Year to 30 June 2013 restated				
Cost of sales	–	46	–	46
Other operating income	–	776	–	776
Other operating expenses	(88)	(819)	–	(907)
Segment result	(88)	3	–	(85)
Income from investments	–	46	64	110
Finance cost	–	(35)	–	(35)
Exceptional items	–	–	(2 454)	(2 454)
Taxation	–	(30)	484	454
Consolidation adjustment	–	43	–	43
Contribution to basic earnings	(88)	27	(1 906)	(1 967)
Contribution to headline earnings	(88)	27	64	3
Other information				
Segment assets, including investment in associate	–	1 933	2 275	4 208
Segment liabilities	–	2 001	–	2 001
Cash (outflow)/inflow from operating activities	(88)	(866)	64	(890)
Cash outflow from investing activities	–	(9)	–	(9)
Cash inflow from financing activities	–	634	–	634
Capital expenditure	–	9	–	9
Amortisation and depreciation	–	5	–	5
EBITDA	(88)	8	–	(80)

* *Corporate, other companies and consolidation adjustments.*

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information continued

2.5 Impact of accounting policy change on: Group statement of financial position

	As at 30 June 2014			As at 30 June 2013		
	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm
Assets						
Non-current assets						
Property, plant and equipment	11 752	21 845	(10 093)	11 309	20 636	(9 327)
Investment property	12	12	–	12	12	–
Intangible assets	166	166	–	178	179	(1)
Deferred tax assets	381	381	–	327	327	–
Loans and long-term receivables	73	370	(297)	90	285	(195)
Financial assets	2	118	(116)	3	98	(95)
Investment in associate	1 267	1 267	–	1 420	1 420	–
Investment in joint venture	14 305	–	14 305	12 506	–	12 506
Other investments	2 119	2 119	–	2 391	2 391	–
	30 077	26 278	3 799	28 236	25 348	2 888
Current assets						
Inventories	934	3 228	(2 294)	1 096	3 222	(2 126)
Trade and other receivables	3 291	5 759	(2 468)	2 290	4 667	(2 377)
Taxation	5	61	(56)	22	22	–
Financial asset	1	57	(56)	39	39	–
Cash and cash equivalents	2 150	5 630	(3 480)	1 965	4 632	(2 667)
	6 381	14 735	(8 354)	5 412	12 582	(7 170)
Assets held for sale	–	–	–	191	191	–
Total assets	36 458	41 013	(4 555)	33 839	38 121	(4 282)
Equity and liabilities						
Capital and reserves						
Ordinary share capital	11	11	–	11	11	–
Share premium	4 108	4 108	–	3 996	3 996	–
Other reserves	1 258	1 253	5	769	769	–
Retained earnings	21 311	21 311	–	19 294	19 294	–
Equity attributable to equity holders of ARM	26 688	26 683	5	24 070	24 070	–
Non-controlling interest	1 511	1 511	–	1 393	1 393	–
Total equity	28 199	28 194	5	25 463	25 463	–
Non-current liabilities						
Long-term borrowings	2 420	2 420	–	3 293	3 293	–
Deferred tax liabilities	1 911	4 321	(2 410)	1 680	3 951	(2 271)
Long-term provisions	558	1 028	(470)	560	959	(399)
	4 889	7 769	(2 880)	5 533	8 203	(2 670)
Current liabilities						
Trade and other payables	1 741	2 898	(1 157)	1 599	2 678	(1 079)
Short-term provisions	479	772	(293)	494	746	(252)
Taxation	68	298	(230)	51	332	(281)
Overdrafts and short-term borrowings	1 082	1 082	–	699	699	–
	3 370	5 050	(1 680)	2 843	4 455	(1 612)
Total equity and liabilities	36 458	41 013	(4 555)	33 839	38 121	(4 282)

2. Primary segmental information continued

2.5 Impact of accounting policy change on:

Group income statement

	For the year ended 30 June 2014			For the year ended 30 June 2013		
	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm
Sales	10 004	24 005	(14 001)	7 342	19 844	(12 502)
Cost of sales	(7 531)	(15 443)	7 912	(5 866)	(13 115)	7 249
Gross profit	2 473	8 562	(6 089)	1 476	6 729	(5 253)
Other operating income	961	803	158	992	960	32
Other operating expenses	(1 763)	(2 737)	974	(1 294)	(2 152)	858
Profit from operations before exceptional items	1 671	6 628	(4 957)	1 174	5 537	(4 363)
Income from investments	119	346	(227)	131	268	(137)
Finance costs	(259)	(286)	27	(199)	(225)	26
Loss from associate	(374)	(374)	–	(14)	(14)	–
Income from joint venture	3 549	–	3 549	3 063	–	3 063
Profit before taxation and exceptional items	4 706	6 314	(1 608)	4 155	5 566	(1 411)
Exceptional items	(616)	(876)	260	(2 457)	(2 639)	182
Profit before taxation	4 090	5 438	(1 348)	1 698	2 927	(1 229)
Taxation	(546)	(1 894)	1 348	84	(1 145)	1 229
Profit for the period	3 544	3 544	–	1 782	1 782	–
Attributable to:						
Non-controlling interest	255	255	–	148	148	–
Equity holders of ARM	3 289	3 289	–	1 634	1 634	–
	3 544	3 544	–	1 782	1 782	–
Additional information						
Headline earnings (R million)	4 108	4 108	–	3 737	3 737	–
Headline earnings per share (cents)	1 900	1 900	–	1 735	1 735	–
Basic earnings per share (cents)	1 521	1 521	–	759	759	–
Fully diluted headline earnings per share (cents)	1 886	1 886	–	1 723	1 723	–
Fully diluted basic earnings per share (cents)	1 510	1 510	–	753	753	–
Net asset value per share (cents)	12 313	12 313	–	11 163	11 163	–
EBITDA (R million)	2 620	8 473	(5 853)	1 982	7 230	(5 248)

Notes to the financial statements continued

for the year ended 30 June 2014

2. Primary segmental information continued

2.5 Impact of accounting policy change on:

Group statement of cash flows

	For the year ended 30 June 2014			For the year ended 30 June 2013		
	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm	Current accounting policy Rm	Previous accounting policy Rm	Difference Rm
Cash flow from operating activities						
Cash receipts from customers	9 950	23 570	(13 620)	7 618	19 611	(11 993)
Cash paid to suppliers and employees	(7 877)	(15 922)	8 045	(6 053)	(13 299)	7 246
Cash generated from operations	2 073	7 648	(5 575)	1 565	6 312	(4 747)
Interest received	99	312	(213)	62	199	(137)
Interest paid	(113)	(114)	1	(115)	(115)	–
Dividends received	1	–	1	64	64	–
Dividends received from joint venture	1 750	–	1 750	1 500	–	1 500
Dividends paid to non-controlling interest	(236)	(236)	–	–	–	–
Dividends paid	(1 102)	(1 102)	–	(1 021)	(1 021)	–
Taxation paid	(395)	(1 714)	1 319	(286)	(1 191)	905
Net cash inflow from operating activities	2 077	4 794	(2 717)	1 769	4 248	(2 479)
Cash flow from investing activities						
Additions to property, plant and equipment to maintain operations	(724)	(2 249)	1 525	(544)	(1 452)	908
Additions to property, plant and equipment to expand operations	(409)	(837)	428	(1 063)	(2 224)	1 161
Proceeds on disposal of property, plant and equipment	118	171	(53)	1	23	(22)
Proceeds on disposal of subsidiary	1	1	–	–	–	–
Transfer of cash on disposal of subsidiary	(16)	(16)	–	–	–	–
Additional investment in associate	(189)	(189)	–	(112)	(112)	–
Investment in RBCT	(20)	(20)	–	(26)	(26)	–
Decrease in loans and receivables	17	17	–	24	30	(6)
Net cash outflow from investing activities	(1 222)	(3 122)	1 900	(1 720)	(3 761)	2 041
Cash flow from financing activities						
Proceeds on exercise of share options	62	62	–	28	28	–
Long-term borrowings raised	–	–	–	802	802	–
Long-term borrowings repaid	(728)	(728)	–	(212)	(212)	–
Short-term borrowings repaid	(93)	(93)	–	(144)	(144)	–
Net cash (outflow)/inflow from financing activities	(759)	(759)	–	474	474	–
Net increase in cash and cash equivalents	96	913	(817)	523	961	(438)
Cash and cash equivalents at beginning of year	1 569	4 236	(2 667)	998	3 227	(2 229)
Foreign currency translation on cash balances	4	–	4	48	48	–
Cash and cash equivalents at end of year	1 669	5 149	(3 480)	1 569	4 236	(2 667)

2 Primary segmental information continued

2.6 Geographical segments

	Group F2014 Rm	Group Restated F2013 Rm
The Group operates principally in South Africa, however, the Vale/ARM joint operation operates principally in Zambia, and other countries.		
Assets by geographical area in which the assets are located are as follows:		
– South Africa	**27 609**	26 089
– Europe	**1 204**	1 281
– Americas	**193**	203
– Far and Middle East	**3 891**	2 724
– Zambia	**3 299**	3 004
– Other	**262**	538
	36 458	33 839
Sales by geographical area		
– South Africa	**5 102**	4 320
– Europe	**3 152**	2 289
– Far and Middle East	**595**	599
– Other	**1 155**	134
	10 004	7 342
Sales to major customers		
The only segment that is affected by the requirement to show this analysis is the platinum segment and the breakdown is as follows:		
Rustenburg Platinum Mines Limited	**1 229**	1 232
Impala Platinum Limited	**3 725**	2 868
Capital expenditure		
– South Africa	**866**	785
– Rest of Africa	**299**	753
	1 165	1 538

Notes to the financial statements continued
for the year ended 30 June 2014

Group	Mine development and decommissioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Mine properties Rm	Furniture equipment and vehicles Rm	Finance leases Rm	Total Property, plant and equipment Rm
3. Property, plant and equipment								
Cost								
Restated								
Balance at 30 June 2012	5 938	3 682	243	1 969	353	721	313	13 219
Additions	1 059	258	20	–	49	92	60	1 538
Reclassifications	(79)	12	16	–	–	51	–	–
Change in estimates*	(9)	(53)	(22)	–	(12)	(3)	–	(99)
Scrapping	–	(6)	–	–	–	–	–	(6)
Disposals	–	(13)	–	–	–	(33)	(30)	(76)
Realignment of currencies	339	48	4	–	27	5	–	423
Balance at 30 June 2013	7 248	3 928	261	1 969	417	833	343	**14 999**
Additions	398	479	82	–	45	78	83	**1 165**
Reclassifications	(899)	936	–	156	(156)	–	–	**37**
Change in estimates*	–	–	9	–	–	–	–	**9**
Disposals	(3)	–	–	–	–	(52)	(15)	**(70)**
Realignment of currencies	179	23	2	–	10	2	–	**216**
Balance at 30 June 2014	6 923	5 366	354	2 125	316	861	411	**16 356**
Accumulated amortisation, depreciation and impairment								
Restated								
Balance at 30 June 2012	1 484	678	71	182	1	430	183	3 029
Charge for the year	307	234	23	51	1	101	79	796
Disposals	–	(13)	–	–	–	(33)	(30)	(76)
Reclassifications	4	(7)		–	–		3	–
Asset held for sale	(9)	(49)	(21)	–	–	(3)	–	(82)
Scrapping	–	(3)	–	–	–	–	–	(3)
Realignment of currencies	2	18	4	–	–	2	–	26
Balance at 30 June 2013	1 788	858	77	233	2	497	235	**3 690**
Charge for the year	349	316	20	55	–	100	97	**937**
Reclassifications	–	37	–	1	(1)	–	–	**37**
Disposals	(1)	–	–	–	–	(52)	(15)	**(68)**
Realignment of currencies	–	7	–	–	–	1	–	**8**
Balance at 30 June 2014	2 136	1 218	97	289	1	546	317	**4 604**
Carrying value at 30 June 2013	5 460	3 070	184	1 736	415	336	108	11 309
Carrying value at 30 June 2014	4 787	4 148	257	1 836	315	315	94	**11 752**

** Change in estimates relates to the fair value adjustment made on the compensation for potential loss of future income/(loss) payable by Two Rivers to Assmang (refer note 18).*

3. Property, plant and equipment continued

a. Borrowing costs

No borrowing costs were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2014 (F2013: R16 million).

b. Capital work-in-progress

The pre-stripping cost asset included under mine development and decommissioning assets amounts to R212 milliion (F2013: R152 million).

c. Pledged assets

The carrying value of assets pledged as security for loans amounts to R3.6 billion (F2013: R3 billion). Refer to note 16 for security granted in respect of loans to Two Rivers and ARM Coal. The carrying value of plant and machinery held under finance leases at year-end was R94 million (F2013: R108 million). Leased assets are pledged as security for the related finance lease.

d. Exploration and evaluation assets

These assets are included under mine development and decommissioning assets and amount to R173 million (F2013: R242 million).

Company	Mine development and decommissioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Furniture equipment and vehicles Rm	Total Property, plant and equipment Rm
Cost						
Balance at 30 June 2012	829	1 880	35	144	194	3 082
Additions	80	14	–	–	9	103
Derecognition	(2)	–	–	–	–	(2)
Balance at 30 June 2013	907	1 894	35	144	203	**3 183**
Additions	123	–	3	–	9	**135**
Disposal	(3)	–	–	–	–	**(3)**
Balance at 30 June 2014	1 027	1 894	38	144	212	**3 315**
Accumulated amortisation, depreciation and impairment						
Balance at 30 June 2012	450	311	4	–	49	814
Charge for the year	170	75	2	–	12	259
Balance at 30 June 2013	620	386	6	–	61	**1 073**
Charge for the year	89	82	2	–	12	**185**
Disposal	(1)	–	–	–	–	**(1)**
Balance at 30 June 2014	708	468	8	–	73	**1 257**
Carrying value at 30 June 2013	287	1 508	29	144	142	2 110
Carrying value at 30 June 2014	319	1 426	30	144	139	**2 058**

a. Borrowing costs

No borrowing costs were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2014 (F2013: Rnil).

b. Capital work-in-progress

Included in mine development and decommissioning assets above are R212 million (F2013: R152 million) of assets relating to pre-stripping at Nkomati.

A register containing details of mineral and mining rights and land and buildings is available for inspection during business hours at the registered address of the Company by members or their duly authorised agents.

Notes to the financial statements continued

for the year ended 30 June 2014

	Group F2014 Rm	Group Restated F2013 Rm
4. Investment property		
Cost	**20**	20
Accumulated depreciation and impairment	**(8)**	(8)
Carrying value	**12**	12

The investment property is situated at 56 Main Street, Johannesburg South Africa.

Currently this property is 32% (F2013: 30%) occupied with current lease contracts terminating between 2014 and 2017. Annual rental escalations are between 8% and 10%.

Refer to note 26 for rental income derived from this property.

The depreciation for the year was less than R1 million.

	RBCT entitlement Rm	Other Rm	Total Rm
5. Intangible assets			
Group			
Cost			
Balance at 30 June 2012	220	1	221
Balance at 30 June 2013	220	1	221
Balance 30 June 2014	220	1	**221**
Accumulated amortisation			
Balance at 30 June 2012	31	–	31
Charge for the year	12	–	12
Balance at 30 June 2013	43	–	**43**
Charge for the year	12	–	**12**
Balance at 30 June 2014	55	–	**55**
Carrying value at 30 June 2013	177	1	178
Carrying value at 30 June 2014	165	1	**166**

Finite life intangible assets which are amortised comprise of: (i) the RBCT entitlement held by the Goedgevonden joint operation of R165 million (F2013: R177 million) and (ii) R1 million (F2013: R1 million) relating to patents, trademarks and software.

There are no indefinite life intangible assets. The export rights relating to the investment in RBCT are amortised on a units of export sales method. The remaining amortisation period of the RBCT entitlement is limited to 21 years (F2013: 22 years).

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
6. Loans and long-term receivables				
Long-term receivables	**73**	90	**607**	377
Total	**73**	90	**607**	377
Long-term loans held are as follows:				
ARM Platinum (Modikwa)	**17**	17	**–**	–
ARM Coal (refer note 8)	**–**	–	**9**	9
ARM Coal (GOSA)	**56**	73	**–**	–
ARM Coal (Corporate)	**–**	–	**598**	368
	73	90	**607**	377
The ARM Coal (GOSA) loan relates to a loan to RBCT for the construction of the phase V expansion of RBCT.				
ARM Platinum (Modikwa) is a loan due by the communities (non-controlling interest) around the Modikwa Mine and will be repaid as and when a dividend is declared from ARM Mining Consortium.				
7. Financial assets				
Structured investment	**–**	39	**–**	–
Arranger's fee	**3**	3	**–**	–
	3	42	**–**	–
Less: Transfer to short-term financial assets	**(1)**	(39)	**–**	–
Total	**2**	3	**–**	–

The investment was a structured product, invested with ABSA Bank Limited, over a fixed term made with the strategic intention to attract, retain, motivate and reward eligible senior employees at Two Rivers Rnil (F2013: R39 million). The investment capital growth was linked to the JSE Top 40 index growth. The investment maturity dates were not applicable (F2013: 29 November 2013). This asset was carried at fair value through the profit and loss (refer note 26). During 2012 a US Dollar denominated loan was taken up with Standard Finance (Isle of Man) Limited in terms of which an arranger's fee was paid. This arranger's fee is amortised over the 60 month period of the loan starting from April 2012.

Notes to the financial statements continued
for the year ended 30 June 2014

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
8. Investment in associate				
Through ARM's 51% investment in ARM Coal, the Group holds an effective 10.2% investment in the existing coal operations (PCB) of GOSA.				
Opening balance	951	862	–	–
Original investment (10.2%)	400	400	–	–
Additional investment (ATCOM and ATC collieries)*	9	9	–	–
Additional investment	313	201	–	–
Retained income	245	252	–	–
Cash flow hedge	(16)	–	–	–
Additional investment	189	112	–	–
Loss for the current year	(189)	(7)	–	–
Cash flow hedge current year	16	(16)	–	–
	967	951	–	–
ARM invested directly in 10% of the existing coal operations (PCB) of GOSA on 1 September 2007.				
Opening balance	607	630	432	432
Original investment	400	400	400	400
Additional investment (ATCOM and ATC collieries)	32	32	32	32
Retained income	191	198	–	–
Cash flow hedge	(16)	–	–	–
Loss for the current year	(185)	(7)	–	–
Cash flow hedge current year	16	(16)	–	–
	438	607	432	432
Less: dividend received prior years	(138)	(138)	–	–
Total investment	1 267	1 420	432	432
Total loss for the year	(374)	(14)		
Total cash flow hedge for the year	32	(32)		
** Treated as a long-term loan and receivable in ARM Company which eliminates on consolidation (refer note 6).*				
PCB at 100%				
Sales	6 639	8 128		
Statement of financial position				
Non-current assets	24 935	22 795		
Current assets	2 438	4 581		
Total assets	27 373	27 376		
Less:				
Non-current liabilities	19 868	19 415		
Current liabilities	1 230	933		
Net assets	6 275	7 028		

	Group		Company	
	F2014 Rm	Restated F2013 Rm	**F2014 Rm**	F2013 Rm
9. Investment in joint venture				
The investment relates to ARM Ferrous and comprises Assmang as a joint venture which includes iron ore, manganese and chrome operations				
Opening balance	**12 506**	10 943	**259**	259
Income for the period	**3 584**	3 106	**–**	–
Consolidation adjustment	**(35)**	(43)	**–**	–
Net income for the period	**3 549**	3 063	**–**	–
Less: dividend received for the period	**(1 750)**	(1 500)	**–**	–
Closing balance	**14 305**	12 506	**259**	259
Company column for F2013 was restated out of investments note 10 to investment in joint venture R259 million.				

ARM Ferrous and consolidated adjustments statement of financial positions at 1 July 2012 include the following line items:

	ARM Ferrous	Con-solidated adjustment	Total
Assets			
Non-current assets			
Property, plant and equipment	8 817	(352)	8 465
Intangible assets	1	–	1
Loans and long-term receivables	107	–	107
Financial assets	44	–	44
	8 969	(352)	8 617
Current assets			
Inventories	1 901	–	1 901
Trade and other receivables	2 004	36	2 040
Cash and cash equivalents	2 229	–	2 229
	6 134	36	6 170
Total assets	15 103	(316)	14 787
Liabilities			
Non-current liabilities			
Deferred tax liabilities	2 238	(99)	2 139
Long-term provisions	323	–	323
	2 561	(99)	2 462
Current liabilities			
Trade and other payables	1 005	36	1 041
Short-term provisions	253	–	253
Taxation	88	–	88
	1 346	36	1 382
Net assets – (opening balance above)	11 196	(253)	10 943

Notes to the financial statements continued

for the year ended 30 June 2014

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
10. Other investments				
Listed investment*				
Opening balance	**2 275**	4 868	**2 275**	4 868
Unrealised available-for-sale reserve and impairment	**(293)**	(2 593)	**(293)**	(2 593)
Available-for-sale reserve in other comprehensive income	**334**	–	**334**	–
Available-for-sale reserve in other comprehensive income reclassified	**–**	(139)	**–**	67
Impairment of listed investment** (refer note 30)	**(627)**	(2 454)	**(627)**	(2 660)
Total – listed investment classified as available-for-sale	**1 982**	2 275	**1 982**	2 275
Market value of listed investment	**1 982**	2 275	**1 982**	2 275
(Determined by reference to market share price)				
Unlisted joint operations				
Investment in joint operation*** (refer page 250)			**1 941**	1 941
Loans**** (refer page 250)			**1 125**	728
RBCT	**126**	106		
Preference shares	**11**	10		
Unlisted – subsidiary companies				
Cost of investments (refer page 249)			**611**	567
Loans**** (refer page 249)			**800**	800
Total unlisted investments	**137**	116	**4 477**	4 036
Total carrying amount investments	**2 119**	2 391	**6 459**	6 311

Investments in unquoted equity instruments are measured at cost. Their market value cannot be measured reliably due to the significant uncertainties which exist in estimating parameters such as exchange rates, commodity prices and general market conditions. Market value of listed investment is determined by reference to market share price at 30 June 2014 and 30 June 2013.

Kingfisher Insurance Company Limited holds R11 million (F2013: R10 million) preference shares in various financial institutions.

Investments valued at cost amount to R611 million (F2013: R567 million) as reflected above in the Company column.

Certain listed and unlisted shares have been pledged as security for the ARM corporate loan which at 30 June 2014 was Rnil (F2013: R567 million) (refer note 16). The book value of the pledged shares amounts to R1 339 million (F2013: R1 631 million).

A report on investments appears on pages 248 to 250.

* *Harmony 63 632 922 shares at R31.15 per share (F2013: R35.75 per share).*

** *The impairment was due to a significant decline in the share price below cost. For additional information please refer to the Financial Director's report on page 20.*

*** *ARM Coal Proprietary Limited, and Vale/ARM joint operation.*

**** *These loans are interest-free with no fixed terms of repayment except for:*

(i) the loan to Venture Building Trust of R55 million (F2013: R55 million) bears interest at 2% below the prime bank overdraft rate, which is currently 7% (F2013: 6.5%) pa;

(ii) Vale/ARM joint operation loans included under joint operations R1 125 million which currently bears interest at LIBOR plus 5% (F2013: R728 million beared interest at LIBOR plus 5%).

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
11. Inventories				
Ore stockpiles	**432**	599	**235**	199
Consumable stores	**334**	304	**94**	85
Work-in-progress	**41**	58	**24**	32
Finished goods	**127**	135	**25**	10
	934	1 096	**378**	326

Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.

Value of inventories carried at net realisable value is Rnil (F2013: R311 million).

Refer to note 25 for the expense of inventory written down or up and the amount of inventories expensed during the year.

Inventories to the value of R90 million (F2013: R120 million) have been pledged as security for loans in ARM Coal Proprietary Limited (refer note 16).

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
12. Trade and other receivables				
Trade receivables	**355**	166	**181**	29
Related parties (refer note 43)	**2 658**	1 865	**1 201**	676
Other receivables	**278**	259	**8**	39
	3 291	2 290	**1 390**	744

Trade and other receivables are non-interest – bearing and are generally on 30 – 90 day payment terms.

Payment terms which vary from the norm are:
- PGM's which are paid approximately four months after delivery
- 20% of nickel delivered which is paid approximately five months after delivery

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Debtors analysis				
Outstanding on terms' normal cycle	**2 447**	2 232	**577**	677
Outstanding longer than 30 days outside normal cycle	**29**	–	**–**	–
Outstanding longer than 60 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than 90 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than +120 days outside normal cycle*	**815**	67	**813**	67
Less: provisions for impairments	**–**	(9)	**–**	–
Total	**3 291**	2 290	**1 390**	744

** No provision has been raised in F2014 on debtors outstanding longer than 120 days (F2013: Rnil) as the balance is considered recoverable. Total provision at year-end amounted to Rnil (F2013: R9 million).*

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Provision for impairments				
Opening balance	**9**	8	**–**	1
(Sold)/foreign exchange/(release) for the year	**(9)**	1	**–**	(1)
Closing balance	**–**	9	**–**	–

Notes to the financial statements continued

for the year ended 30 June 2014

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
13. Cash and cash equivalents				
Cash at bank and on deposit	**1 295**	1 182	**962**	802
Restricted cash				
– Rehabilitation trust funds (refer note 23)	**117**	121	**52**	51
– Other	**738**	662	**55**	58
Cash and cash equivalents per statement of financial position	**2 150**	1 965	**1 069**	911
Less: overdrafts (refer note 21)	**(481)**	(396)	**(27)**	(30)
Cash and cash equivalents per statement of cash flows	**1 669**	1 569	**1 042**	881
The cash is held as follows per statement of financial position:				
African Rainbow Minerals Limited	**746**	579	**746**	579
ARM Finance Company SA	**63**	60	**–**	–
ARM Coal Proprietary Limited	**–**	4	**–**	–
ARM Platinum Proprietary Limited	**28**	125	**–**	–
Kingfisher Insurance Co Limited	**137**	134	**–**	–
Nkomati	**216**	223	**216**	223
Two Rivers Platinum Proprietary Limited	**9**	9	**–**	–
Vale/ARM joint operation	**92**	45	**–**	–
Venture Building Trust Proprietary Limited	**4**	2	**–**	–
Restricted cash*	**855**	784	**107**	109
	2 150	1 965	**1 069**	911

Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.

** Restricted cash includes:*
- *The ARM trust of R27 million (F2013: R30 million) and cash held by Mannequin Insurance PCC Limited (Cell AVL 18) amounting to R548 million (F2013: R492 million) in terms of an insurance contract.*
- *Guarantees issued by ARM Coal to DMR amounting to R40 million (F2013: R35 million).*
- *Guarantees issued by Two Rivers to DMR and Eskom amounting to R84 million (F2013: R53 million).*
- *Guarantees issued by Nkomati to DMR and Eskom amounting to R59 million (F2013: R27 million).*
- *Guarantees issued by Modikwa to DMR amounting to R77 million (F2013: R60 million).*

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
14. Assets held for sale				
Fixed assets	**–**	18	**–**	–
Ore stockpiles	**–**	173	**–**	–
	–	191	**–**	–

The decision to exit the Kalumines project in the Democratic Republic of the Congo (DRC) was concluded after the end of the previous financial year.

The mining licence was handed back to Gecamines (our 40% partner) and Gecamines paid a settlement fee for the mining of ore and for geological drilling carried out by the partners.

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Assets at 30 June 2013	191	–	–	–
Now controlling interest paid (refer statement of equity – group)	(71)	–	–	–
Foreign exchange	(6)	–	–	–
Cash from transaction	114	–	–	–
Other entities proceeds	4	1	–	–
Total cash per cashflow	118	1	–	–

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
15. Share capital and share premium				
Share capital				
Authorised				
500 000 000 (F2013: 500 000 000) ordinary shares of 5 cents each	**25**	25	**25**	25
	25	25	**25**	25
Issued				
Opening balance	**11**	11	**11**	11
1 122 839 (F2013: 773 076)* shares issued	**–**	–	**–**	–
216 747 811 (F2013: 215 624 972) ordinary shares of 5 cents each	**11**	11	**11**	11
Share premium	**4 108**	3 996	**4 108**	3 996
– Balance at beginning of the year	**3 996**	3 937	**3 996**	3 937
– Premium on shares issued	**112**	59	**112**	59
Total issued share capital and share premium	**4 119**	4 007	**4 119**	4 007

** The movement in issued shares was less than R1 million.*

	Group		Company	
16. Long-term borrowings				
Secured				
Loan facility (Two Rivers – mine housing project)	**58**	75	**–**	–
This loan is repayable in bi-annual instalments which commenced on 9 July 2008, and a final instalment due at 30 September 2017. The interest rate was linked to the prime overdraft rate until completion of the project, and is now linked to JIBAR. At year-end the rate was 8.38% (F2013: 7.35%).				
The loan is secured by a mortgage bond over the property and a cession of insurances.				
Loan facility (ARM Corporate)	**–**	567	**–**	567
This loan facility is for an amount of R2 250 million and is repayable in August 2015. The interest rate has a JIBAR base with an additional margin between 2.3% and 3.5%. At 30 June 2014 no amount was drawn against this facility therefore the rate was not applicable (F2013: 7.35%). This loan has been secured by a pledge of shares (refer note 10).				
Loan facility (ARM Finance Company SA)	**850**	795	**–**	–
This loan facility is for US$80 million for the development of the Lubambe Copper Project. The interest rate is LIBOR plus 3.65% with repayments commencing from December 2014 in quarterly instalments with a final repayment in September 2017. At year-end an amount of US$80 million had been drawn on this facility (F2013: US$80 million). ARM company has guaranteed this loan.				
Leases (Vale/ARM joint operation)	**12**	–	**–**	–
Finance leases over property, plant and equipment with a book value of R13 million (F2013: Rnil) bear interest between 8% and 15% (F2013: nil) and are payable in varying monthly instalments over a maximum period of 24 months which commenced in September 2013 and a final payment due in January 2016 (refer note 39).				

Notes to the financial statements continued

for the year ended 30 June 2014

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
16. Long-term borrowings continued				
Loan facility (Vale/ARM joint operation) (partner loan) This loan is from ZCCM – IH relating to their 20% contribution to the funding of Lubambe Copper Mine Limited. The loan forms part of the inter-company loan agreements which each of the shareholders have with Lubambe Copper Mine Limited. The funding carries interest at a six-month LIBOR rate plus 5%. The LIBOR rates for the period under review varied between 0.32% and 0.42% (F2013: 0.41% and 0.86%). The loan is repayable in 12 equal quarterly instalments each year on 31 March, 30 June, 30 September and 31 December commencing 30 September 2014, with final settlement on 30 June 2017.	**452**	398	**–**	–
Leases (Two Rivers) Finance leases over property, plant and equipment with a book value of R81 million (F2013: R108 million) bear interest at 7% (F2013: 7%) linked to JIBAR and are payable in varying monthly instalments over a maximum period of 60 months which commenced in 30 November 2008 and a final payment due 30 March 2016 (refer note 39).	**109**	119	**–**	–
Loan facility (ARM Coal – partner loan) The following loans are with Glencore Operations South Africa (GOSA) Proprietary Limited and relate to the acquisition and development of the GGV Thermal Coal Mine.				
ARM Coal – GGV acquisition loan (partner loan) Interest is charged at prime bank overdraft rate. The loan is repayable over 20 years as and when positive cash flows are generated with final repayment in 2026.	**341**	418	**–**	–
ARM Coal – GGV project facility phase 1 loan (partner loan) The phase 1 project facility bears interest at prime bank overdraft rate after the interest holiday expires in 2014 and is repayable by August 2024 from positive cash flows.	**761**	761	**–**	–
ARM Coal – GGV project facility phase 2 loan (partner loan) The phase 2 project facility bears interest at prime bank overdraft rate and is repayable by June 2024 from positive cash flows.	**192**	196	**–**	–

These are secured by:

- a cession in favour of GOSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint operation;
- a cession in favour of GOSA creating a first ranking security interest over all the preference shares in GOSA held by ARM Coal;
- a cession in favour of GOSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint operation account;
- mortgage bonds to be registered by ARM Coal in favour of GOSA over all immovable property of ARM Coal; and
- notarial bonds to be registered by ARM Coal in favour of GOSA over all movable assets owned by ARM Coal.

16. Long-term borrowings continued

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Unsecured				
ARM Coal – RBCT phase V (partner loan)	**132**	153	**–**	–
This loan is with GOSA and bears interest at the prime bank overdraft rate plus 0.5% and is repayable by October 2020 from positive cash flows.				
Total borrowings	**2 907**	3 482	**–**	567
Less: repayable within one year included in short-term borrowings (refer note 21)	**(487)**	(189)	**–**	(3)
Total SA Rand long-term borrowings	**2 420**	3 293	**–**	564
Held as follows:				
– African Rainbow Minerals Limited	**–**	564	**–**	564
– ARM Finance Company SA	**659**	735	**–**	–
– ARM Coal Proprietary Limited – GGV acquisition loan (partner loan)	**257**	404	**–**	–
– ARM Coal Proprietary Limited – GGV project facility phase 1 (partner loan)	**682**	761	**–**	–
– ARM Coal Proprietary Limited – GGV project facility phase 2 (partner loan)	**165**	187	**–**	–
– ARM Coal Proprietary Limited – RBCT phase V (partner loan)	**105**	140	**–**	–
– Two Rivers Platinum Proprietary Limited	**88**	104	**–**	–
– Vale/ARM joint operation	**12**	–	**–**	–
– Vale/ARM joint operation – ZCCM (partner loan)	**452**	398	**–**	–
	2 420	3 293	**–**	564

Repayments schedule – undiscounted cash flows, excluding accounting adjustments

Group	Total borrowings F2014 Rm	Repayable during the year ending 30 June F2015 Rm	F2016 Rm	F2017 Rm	F2018 Rm	F2019 – onwards Rm
Secured loans						
Loan facility Two Rivers – mine housing project	**58**	17	16	16	9	–
ARM Coal – GGV acquisition loan (partner loan)	**341**	84	38	117	102	–
ARM Coal – GGV project facility phase 1 loan (partner loan)	**761**	79	67	134	134	347
ARM Coal – GGV project facility phase 2 loan (partner loan)	**192**	27	24	24	33	84
Loan facility – ARM Finance Company SA	**850**	191	287	308	64	–
Loan facility – Vale/ARM joint operation (partner loan)	**452**	–	151	151	150	–
Finance lease – Vale/ARM joint operation	**12**	–	12	–	–	–
Finance leases – Two Rivers	**109**	62	34	13	–	–
Total secured loans	**2 775**	460	629	763	492	431
Unsecured loans						
ARM Coal – RBCT phase V (partner loan)	**132**	27	20	27	42	16
Total unsecured loans	**132**	27	20	27	42	16
Total borrowings at 30 June 2014	**2 907**	487	649	790	534	447

	F2013	F2014	F2015	F2016	F2017	F2018 – onwards
Total borrowings at 30 June 2013	3 482	189	482	1 081	481	1 249

Notes to the financial statements continued

for the year ended 30 June 2014

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
17. Deferred taxation				
Deferred tax assets				
Provisions	1	2	–	1
Deferred capital gains tax on impairment of listed investment	601	484	601	484
Deferred capital gains tax on revaluation of listed investment	(221)	(159)	(221)	(159)
Deferred tax assets	381	327	380	326
Deferred tax liabilities				
Property, plant and equipment	2 055	1 821	579	423
Intangible assets	46	50	–	–
Provisions	(295)	(233)	(85)	(73)
Inventories	82	34	–	–
Post-retirement healthcare provisions	(23)	(23)	(23)	(23)
Unrealised related party foreign currency	46	31	62	47
Deferred tax liabilities	1 911	1 680	533	374
Reconciliation of opening and closing balance				
Opening deferred tax liabilities	1 680	1 460	374	442
Opening deferred tax assets	(327)	(3)	(326)	–
Net deferred tax liabilities opening balance	1 353	1 457	48	442
Temporary differences from:	177	(104)	105	(394)
Property, plant and equipment	234	426	156	109
Intangible assets	(4)	(3)	–	–
Provisions	(61)	(79)	(11)	(59)
Revaluation of investments – directly in equity	62	–	62	–
Impairment of listed investment	(117)	(484)	(117)	(484)
Inventories	48	12	–	–
Post-retirement healthcare provisions	–	1	–	1
Unrealised related party foreign currency	15	23	15	39
Total deferred tax	1 530	1 353	153	48
Deferred tax liabilities	1 911	1 680	533	374
Deferred tax assets	(381)	(327)	(380)	(326)

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits after taking possible future uncertainties into account. Future taxable profits are estimated based on approved business plans which include various estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm

18. Long-term provisions

	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
Environmental rehabilitation obligation				
Provision for decommissioning				
Balance at beginning of year	**218**	218	**22**	25
Provision for the year	**–**	(10)	**11**	(4)
Unwinding discount rate	**9**	4	**2**	1
Realignment of currency	**3**	6	**–**	–
Balance at end of year	**230**	218	**35**	22
Provision for restoration				
Balance at beginning of year	**96**	109	**52**	34
Unwinding of discount rate	**8**	4	**2**	1
Subsidiary sold (refer note 36)	**(16)**	–	**–**	–
Realignment of currency	**2**	2	**–**	–
Provision for the year	**15**	(19)	**(4)**	17
Balance at end of year	**105**	96	**50**	52
Total environmental rehabilitation obligation	**335**	314	**85**	74

The net present value of current rehabilitation liabilities is based on discount rates taking into consideration long bond yield rates of approximately 8.1% (F2013: approximately 9.22%), inflation rates of approximately 6.1% in line with the South African Reserve Bank long-term inflation target of between 3% to 8% (F2013: 3% – 8%) and life of mines of between 3 and 25 years (F2013: 3 and 25 years). The US Dollar denominated entity discount rate was 3.3% (F2013: 3.3%) and inflation of 2.1% (F2013: 2.1%) was used. Refer to note 23 for amounts held in trust funds.

These provisions are based upon estimates of cash flows which are expected to occur at the end of life of mines.

These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation.

	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
Post-retirement healthcare benefits				
Balance at beginning of year	**82**	87	**82**	87
Benefits paid	**(7)**	(6)	**(7)**	(6)
Interest cost	**7**	1	**7**	1
Balance at end of year (refer note 41)	**82**	82	**82**	82
Other long-term provisions				
Balance at beginning of year	**164**	155	**18**	8
Change in estimate of variable purchase price for mine properties	**5**	(23)	**–**	–
Payments made during the year	**(7)**	–	**(5)**	–
Transfer to short-term provisions (refer note 20)	**(91)**	(53)	**(17)**	–
Provision for the year	**70**	85	**17**	10
Balance at end of year	**141**	164	**13**	18
Total long-term provisions at end of year	**558**	560	**180**	174

Other long-term provisions include: long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees; compensation for potential loss of future income payable by Two Rivers to Assmang due to Two Rivers having a tailings dam on part of the mining area of Assmang.

Notes to the financial statements continued

for the year ended 30 June 2014

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
19. Trade and other payables				
Trade	**1 144**	1 154	**780**	468
Related parties (refer note 43)	**47**	1	**47**	1
Other	**550**	444	**38**	147
Total trade and other payables	**1 741**	1 599	**865**	616
Trade and other payables are generally non-interest-bearing and are typically on 30 – 90 day payment terms.				
20. Short-term provisions				
Bonus provision				
Balance at beginning of year	**308**	144	**187**	83
Provision for the year	**241**	306	**159**	188
Payments made during the year	**(272)**	(167)	**(206)**	(84)
Transfer from long-term provision (refer note 18)	**19**	21	**17**	–
Realignment of currency	**1**	4	**–**	–
Balance at end of year	**297**	308	**157**	187
Leave pay provision				
Balance at beginning of year	**97**	65	**28**	24
Provision for the year	**27**	41	**9**	8
Payments made during the year	**(15)**	(10)	**(3)**	(4)
Realignment of currency	**1**	1	**–**	–
Balance at end of year	**110**	97	**34**	28
Other provisions				
Balance at beginning of year	**89**	–	**–**	–
Provision for the year	**–**	57	**–**	–
Payments made	**(93)**	–	**–**	–
Realignment of currency	**4**	–	**–**	–
Transfer from long-term provision (refer note 18)	**72**	32	**–**	–
Balance at end of year	**72**	89	**–**	–
Total short-term provisions	**479**	494	**191**	215

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on a combination of total pensionable salary packages multiplied by the leave days due at year-end.

21. Overdrafts and short-term borrowings

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Overdrafts	481	396	27	30
Loans from subsidiaries – non-interest bearing (refer page 249)	–	–	258	258
Short-term borrowings – partner loans (refer note 43)	114	114	–	–
Current portion of long-term borrowings (refer note 16)	487	189	–	3
	1 082	699	285	291
Overdrafts and short-term borrowings are held as follows:				
– African Rainbow Minerals Limited	–	3	–	3
– ARM Mining Consortium Limited	24	–	–	–
– Anglo Platinum Limited (partner loan)	114	114	–	–
– ARM Coal Proprietary Limited	217	36	–	–
– ARM Finance Company SA	191	60	–	–
– Two Rivers Platinum Proprietary Limited	379	443	–	–
– Vale/ARM joint operation	130	13	–	–
– Other	27	30	27	30
– Loans from subsidiaries	–	–	258	258
	1 082	699	285	291
Overdrafts are held as follows:				
– ARM Mining Consortium Limited	24	–	–	–
– Two Rivers Platinum Proprietary Limited	300	353	–	–
– Vale/ARM joint operation	130	13	–	–
– Other	27	30	27	30
	481	396	27	30
Unutilised short-term borrowing and overdraft facilities				
– African Rainbow Minerals Limited	500	430	500	430
– ARM Mining Consortium Limited	76	100		
– Two Rivers Platinum Proprietary Limited	200	147		
	776	677	500	430

All of the above overdraft facilities are reviewed annually. Overdrafts accrue interest at floating rates. Short-term borrowings accrue interest at market-related rates and loans from subsidiaries (which are dormant) are interest free as they are payable on demand.

Notes to the financial statements continued

for the year ended 30 June 2014

22. Joint operations

The share of the following joint operations has been incorporated into the Group results:

- 51% share in ARM Coal Proprietary Limited which includes the ARM Coal 51% interest in the Goedgevonden joint operation.
- 50% share in Modikwa joint operation which is held as a 83% subsidiary through ARM Mining Consortium and is consolidated as a subsidiary.
- 50% share in Vale/ARM joint operation.

The Company results include the share of the following unincorporated joint operation:

- 50% share in the Nkomati Nickel and Chrome Mine.

The share of joint operations in the financial statements are:

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
Income statements				
Sales	**6 307**	4 474	**3 032**	2 244
Cost of sales	**(5 017)**	(3 674)	**(2 110)**	(1 810)
Other operating income	**124**	114	**47**	54
Other operating expenses	**(681)**	(273)	**(343)**	(168)
Income from investments	**25**	17	**15**	9
Finance costs	**(229)**	(108)	**(5)**	(3)
Loss from associate	**(374)**	(14)		–
Exceptional items	**5**	(3)	**(2)**	–
Profit before tax	**160**	533	**634**	326
Taxation	**(269)**	(208)	**(192)**	(94)
(Loss)/profit for the year after taxation	**(109)**	325	**442**	232
Non-controlling interest	**60**	14	**–**	–
Attributable to equity holders of ARM	**(49)**	339	**442**	232
Statements of financial position				
Non-current assets	**10 882**	10 728	**2 007**	2 023
Current assets	**2 924**	2 574	**1 878**	1 259
Non-current liabilities (interest-bearing)	**1 673**	1 890	**–**	–
Non-current liabilities (non-interest-bearing)	**1 544**	1 382	**599**	458
Current liabilities (non-interest-bearing)	**1 473**	1 346	**846**	538
Current liabilities (interest-bearing)	**371**	49	**–**	–
Statements of cash flows				
Net cash inflow from operating activities	**930**	620	**508**	314
Net cash outflow from investing activities	**(959)**	(1 284)	**(164)**	(80)
Net cash outflow from financing activities	**(152)**	(11)	**–**	–

	Group F2014 Rm	Group Restated F2013 Rm	Company F2014 Rm	Company F2013 Rm
23. Environmental rehabilitation trust funds				
Balance at beginning of year	121	106	51	47
Contributions	6	10	–	2
Interest earned	6	5	1	2
Subsidiary sold	(16)	–	–	–
Total (included in cash and cash equivalents) (refer note 13)	117	121	52	51
Total environmental rehabilitation obligations (refer note 18)	335	314	85	74
Less: amounts in trust funds (see above)	(117)	(121)	(52)	(51)
Unfunded portion of liability	218	193	33	23
Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources as required of R116 million (F2013: R94 million) (refer note 38).				
24. Sales				
Sales – mining and related products	10 004	7 342	3 032	2 244
Made up as follows:				
Local sales	5 103	4 321	–	–
Export sales	3 816	2 952	3 032	2 244
Foreign sales	1 085	69	–	–
	10 004	7 342	3 032	2 244
Revenue	10 863	8 209	5 943	4 662
Sales – mining and related products	10 004	7 342	3 032	2 244
Interest received (refer note 28)	118	67	132	86
Dividends received (refer note 28)	1	64	2 181	1 737
Fees received	589	588	598	595
Property rental income	9	6	–	–
Royalty received	17	12	–	–
Net insurance premiums received	125	130	–	–
25. Cost of sales				
Amortisation and depreciation	940	778	177	252
Staff costs	1 716	1 371	179	217
– salaries and wages	1 489	1 181	165	206
– pension – defined contribution	142	115	14	11
– long service benefits	7	11	–	–
– medical aid	78	64	–	–
Consultants, contractors and other	211	379	18	9
Electricity	411	294	106	95
Inventories written down	5	85	5	–
Raw materials, consumables used and change in inventories	3 377	2 163	1 555	1 168
Railage and road transportation	298	207	–	–
Provisions – long-term	59	72	13	27
– short-term	147	179	56	31
Distribution costs	–	14	–	–
Other costs	367	324	2	12
	7 531	5 866	2 111	1 811

Notes to the financial statements continued
for the year ended 30 June 2014

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
26. Other operating income				
Fees received	**589**	588	**598**	596
Unrealised foreign exchange gains	**61**	84	**61**	142
Realised foreign exchange gains	**73**	40	**40**	35
Commission received	**6**	6	**6**	6
Insurance income received	**125**	130	**–**	–
Insurance income loss of revenue	**–**	4	**–**	–
Rental income from investment property (refer note 4)	**2**	2	**–**	–
Structured investment (refer note 7)	**–**	13	**–**	–
Other	**105**	125	**37**	27
	961	992	**742**	806
27. Other operating expenses				
Auditors Remuneration – Audit fees	**13**	10	**6**	6
– Other	**1**	1	**1**	1
Consulting fees	**31**	37	**31**	37
Exploration*	**81**	88	**81**	88
Depreciation	**9**	30	**8**	7
Distribution cost	**308**	104	**176**	104
Direct operating expenses of investment property	**4**	5	**–**	–
Insurance	**189**	190	**9**	9
Operating lease payments	**4**	3	**–**	–
Rent paid	**2**	6	**8**	12
Mineral royalty tax	**302**	106	**97**	8
Staff cost	**281**	252	**226**	218
– salaries and wages	**266**	237	**213**	203
– pension – defined contribution	**8**	8	**8**	8
– long service rewards	**–**	1	**–**	1
– training	**7**	6	**5**	6
Realised foreign exchange loss	**9**	14	**9**	14
Unrealised foreign exchange loss	**14**	1	**14**	1
Provisions – long-term	**5**	–	**–**	–
– short-term	**121**	170	**112**	165
Secretarial and financial services	**3**	3	**3**	3
Share-based payments expensed	**167**	133	**167**	133
Other	**219**	141	**176**	152
	1 763	1 294	**1 124**	958

** In addition, attributable exploration expenditure amounting to R9 million (F2013: R11 million) is included in income from joint venture.*

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
28. Income from investments				
Dividend income – listed	–	64	–	64
– unlisted (refer note 43)	1	–	2 181	1 673
Interest received – subsidiary companies and joint operations (refer note 43)	–	–	69	66
– environmental trust funds (refer note 23)	6	5	1	2
– short-term bank deposits and other	112	62	62	18
	119	131	2 313	1 823
29. Finance cost				
Interest on finance leases	9	10	–	–
Gross interest paid long- and short-term borrowings and overdrafts	238	197	50	41
Unwinding of discount rate	12	8	3	2
Less: capitalised (refer note 3)	–	(16)	–	–
	259	199	53	43
30. Exceptional items				
Profit/(loss) on sale of property, plant and equipment	6	–	(1)	–
Profit on sale of subsidiary	5	–	1	5
Unrealised impairment of available-for-sale listed investment	(627)	(2 454)	(627)	(2 660)
Scrapping of property, plant and equipment	–	(3)	–	–
Exceptional items per income statement	(616)	(2 457)	(627)	(2 655)
Impairment on property, plant and equipment accounted for directly in associate – ARM Coal	(183)	–	–	–
Loss on sale of property, plant and equipment accounted for directly in joint venture – Assmang	–	(26)	–	–
Impairment on property, plant and equipment accounted for directly in joint venture – Assmang	(260)	(156)	–	–
Exceptional items before taxation effect	(1 059)	(2 639)	(627)	(2 655)
Taxation accounted for in associate – ARM Coal	51	–	–	–
Taxation accounted for in joint venture – Assmang	73	51	–	–
Taxation on impairment of available-for-sale investment	117	484	117	484
Taxation on other exceptional items	(1)	1	–	–
Total amount adjusted for headline earnings	(819)	(2 103)	(510)	(2 171)

Notes to the financial statements continued

for the year ended 30 June 2014

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
31. Taxation				
South African normal taxation				
– current year	423	247	128	90
– mining	322	126	54	–
– non-mining	101	121	74	90
– prior year	8	(42)	–	(40)
Foreign tax	–	7	–	–
Total current taxation	431	212	128	50
Deferred taxation	115	(296)	43	(394)
Total taxation	546	(84)	171	(344)
Attributable to:				
Profit before exceptional items	662	452	288	140
Exceptional items (refer note 30)	(116)	(536)	(117)	(484)
	546	(84)	171	(344)
Amounts recognised directly in other comprehensive income:				
Unrealised gain on available-for-sale financial asset	62	–	62	–
Unrealised foreign exchange movements on loans to a foreign Group entity	–	14	–	–
	62	14	62	–
Total movement in deferred tax	177	(282)	105	(394)

South African mining tax is calculated based on taxable income less capital expenditure.

Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure.

31. Taxation continued

	Group F2014 %	Group Restated F2013 %	Company F2014 %	Company F2013 %
Reconciliation of rate of taxation:				
Standard rate of Company taxation	**28**	28	**28**	28
Adjusted for:				
Disallowed expenditure	**5**	5	**12**	(15)
Exempt income	**–**	(1)	**(29)**	82
Capital Gains Tax	**(1)**	12	**(3)**	(44)
Exempt net associate and joint venture income	**(22)**	(50)	**–**	–
Foreign entity loss	**3**	3	**–**	–
Prior year under provision	**–**	(2)	**–**	7
Effective rate of taxation	**13**	(5)	**8**	58
Reconciliation of rate of taxation before exceptional items				
Standard rate of Company taxation				
Adjusted for:	**28**	28	**28**	28
Disallowed expenditure	**5**	3	**4**	4
Exempt income	**–**	–	**(22)**	(23)
Exempt net associate and joint venture income	**(21)**	(21)	**–**	–
Foreign entity loss	**2**	1	**–**	–
Prior year under provision	**–**	(1)	**–**	(2)
Effective rate of taxation	**14**	10	**10**	7
	Rm	Rm	**Rm**	Rm
Profit before taxation and exceptional items per income statement	**4 706**	4 155	**2 799**	2 061
Taxation per income statement	**546**	(84)	**171**	(344)
Taxation on exceptional items (refer note 30)	**116**	485	**117**	484
Tax – excluding tax on exceptional items	**662**	401	**288**	140
	%	%	**%**	%
Percentage on above	**14**	10	**10**	7
	Rm	Rm	**Rm**	Rm
Estimated assessed losses available for reduction of future taxable income	**823**	449	**–**	–
No deferred tax asset has been raised on the estimated assessed losses of R823 million (F2013: R449 million) in the Vale/ARM joint operation group.				
Unredeemed capital expenditure available for reduction of future mining income*	**3 570**	3 944	**–**	664

** Deferred tax has been raised on these estimated tax benefits except for the Vale/ARM joint operation.*

The unredeemed capital expenditure in the Vale/ARM joint operation is R2 275 million (F2013: R1 992 million).

The Company had unutilised credits in respect of STC of Rnil at 30 June 2014 (F2013: R993 million).

The post year-end dividend declared will bear withholding tax at 15% (F2013: 15%).

The latest tax assessment for the Company relates to the year ended June 2012.

All returns up to and including June 2012 have been submitted.

Notes to the financial statements continued

for the year ended 30 June 2014

	Group F2014	Group Restated F2013
32. Calculations per share		
The calculation of basic earnings per share is based on basic earnings of R3 289 million (F2013: R1 634 million) and a weighted average of 216 268 thousand (F2013: 215 357 thousand) shares in issue during the year.		
The calculation of headline earnings per share is based on headline earnings of R4 108 million (F2013: R3 737 million), and a weighted average of 216 268 thousand (F2013: 215 357 thousand) shares in issue during the year.		
The calculation of diluted basic earnings per share is based on basic earnings of R3 289 million (F2013: R1 634 million), with no reconciling items to derive at diluted earnings, and a weighted average of 217 784 thousand (F2013: 216 914 thousand) shares, calculated as follows:		
Weighted average number of shares used in calculating basic earnings per share (thousands)	**216 268**	215 357
Potential ordinary shares due to share options granted (thousands)	**1 516**	1 557
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**217 784**	216 914
The calculation of diluted headline earnings per share is based on headline earnings of R4 108 million (F2013: R3 737 million) with no reconciliation items to derive at diluted headline earnings and a weighted average of 217 784 thousand (F2013: 216 914 thousand) shares.		
The calculation of net asset value per share is based on net assets of R26 688 million (F2013: R24 070 million) and the number of shares at year-end of 216 748 thousand (F2013: 215 625 thousand) shares. The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R2 073 million (F2013: R1 565 million) and the weighted average number of shares in issue of 216 268 thousand (F2013: 215 357 thousand).		
Dividend per share		
After the year-end a dividend of 600 cents per share (F2013: 510 cents per share, F2012: 475 cents per share) was declared and paid which approximates R1 300 million (F2013: R1 100 million, F2012: R1 021 million). This dividend was declared on 4 September 2014 (F2013: 2 September 2013, F2012: 3 September 2012), before approval of the financial statements but was not recognised as a distribution to owners during the period to June 2014.		
	Rm	Rm
33. Headline earnings		
Basic earnings attributable to equity holders of ARM	**3 289**	1 634
– Impairment on property, plant and equipment in associate – ARM Coal	**183**	–
– Profit on sale of subsidiary	**(5)**	–
– Unrealised impairment of available-for-sale listed investment	**627**	2 454
– Impairments of property, plant and equipment joint venture – Assmang	**260**	156
– Scrapping of property, plant and equipment	**–**	3
– (Profit)/loss on disposal of property, plant and equipment	**(6)**	26
	4 348	4 273
– Taxation on impairment of available-for-sale investment	**(117)**	(484)
– Taxation accounted for directly in associate and joint venture	**(124)**	(51)
– Taxation on other exceptional items	**1**	(1)
Headline earnings	**4 108**	3 737

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
34. Reconciliation of net profit before tax to cash generated from operations				
Profit from operations before exceptional items	**1 671**	1 174	**539**	282
Loss from associate	**(374)**	(14)	**–**	–
Income from joint venture	**3 549**	3 063	**–**	–
Exceptional items	**(616)**	(2 457)	**(627)**	(2 655)
Profit from operations after exceptional items	**4 230**	1 766	**(88)**	(2 373)
Adjusted for:	**(1 198)**	789	**1 126**	3 135
– Amortisation and depreciation of property, plant and equipment	**949**	808	**185**	259
– Long and short-term provisions	**332**	416	**181**	223
– Impairment of listed investment	**627**	2 454	**627**	2 660
– Impairment of property, plant and equipment	**–**	3	**–**	–
– Inventory written off	**5**	85	**5**	–
– Profit on disposal of property, plant and equipment	**(6)**	–	**1**	–
– Profit on disposal of investment	**(5)**	–	**(1)**	(5)
– Unrealised foreign exchange gains	**(47)**	(84)	**(47)**	(141)
– Loss from associate	**374**	14	**–**	–
– Income from joint venture	**(3 549)**	(3 063)	**–**	–
– Share based payments expense	**167**	133	**167**	133
– Structured investment	**(2)**	(13)	**–**	–
– Other non-cash flow items	**(43)**	36	**8**	6
Cash from operations before working capital changes	**3 032**	2 555	**1 038**	762
Decrease/(increase) in inventories	**179**	(620)	**(56)**	(157)
Increase in receivables	**(978)**	(635)	**(672)**	(331)
(Decrease)/increase in payables and provisions	**(160)**	265	**77**	71
Cash generated from operations	**2 073**	1 565	**387**	345
35. Taxation paid				
Balance at beginning of year	**29**	109	**50**	134
Current taxation as per income statement (refer note 31)	**431**	212	**128**	50
Normal tax	**431**	212	**128**	50
Other	**(2)**	(6)	**–**	–
Balance at end of year	**(63)**	(29)	**(66)**	(50)
Tax payable	**(68)**	(51)	**(66)**	(50)
Tax receivable	**5**	22	**–**	–
Taxation paid	**395**	286	**112**	134
36. Sale of shares of subsidiary				
Shares in a subsidiary were sold for R1 million.				
Assets and liabilities sold				
Cash and cash equivalents (refer statements of cash flows)	**16**	–	**–**	–
Liabilities (refer note 18)	**(16)**	–	**–**	–
General reserve (refer statement of changes in equity – Group)	**(4)**	–	**–**	–
Profit on disposal (refer note 30)	**5**	–	**1**	–
Net proceeds (refer statements of cash flows)	**1**	–	**1**	–

Notes to the financial statements continued
for the year ended 30 June 2014

37. Financial instruments and risk management

The Group is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Group does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

a. Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Group's cash flows to foreign exchange currency risks (refer note 37 j for sensitivity analysis).

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars or Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Group against these risks include forward sale and purchase contracts as well as forward exchange contracts.

The use of these derivative instruments is considered when appropriate.

Below is a summary of amounts included in the statement of financial positions denominated in a foreign currency.

	Foreign currency amount	Year-end exchange rate
Financial assets		
Foreign currency denominated items included in receivables:		
30 June 2014	US$132 million	10.63
30 June 2013*	US$62 million	9.93
Foreign currency denominated items included in cash and cash equivalents:		
30 June 2014	US$14 million	10.63
30 June 2013*	US$9 million	9.93
Financial liabilities		
Foreign currency denominated items included in payables:		
30 June 2014	US$13 million	10.63
30 June 2013*	US$38 million	9.93
Foreign currency denominated items included in long-term borrowings:		
30 June 2014	US$104 million	10.63
30 June 2013*	US$114 million	9.93
Foreign currency denominated items included in overdrafts and short-term borrowings:		
30 June 2014	US$30 million	10.63
30 June 2013*	US$7 million	9.93

* *Restated.*

Foreign currency contract

The fair value movement to close the open effective FECs at year-end was reported in the statement of comprehensive income resulting in R31 million (F2013: R32 million loss) being recorded, at Group level, for the share of the cashflow hedge reserve in the PCB. In the previous year under review Glencore took out a number of foreign exchange contracts (FECs) whereby US Dollar revenue was hedged to a maximum of the forecast net local South African Rand operating costs of the Participating Coal Business (PCB) for a period of 12 months forward.

37. Financial instruments and risk management continued

b. Liquidity risk management

The Group's executives meet regularly to review long- and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2014 and 2013 based on undiscounted cash flows.

	Group F2014			
	Within one year	2 – 5 years	Over 5 years	Total
Long-term borrowings (refer notes 16 and 21)	487	1 973	447	2 907
Trade and other payables (refer note 19)	1 741	–	–	1 741
Overdrafts and short-term borrowings (refer note 21)	595	–	–	595
Total	2 823	1 973	447	5 243

	Group F2013 restated			
	Within one year	2 – 5 years	Over 5 years	Total
Long-term borrowings (refer notes 16 and 21)	189	2 044	1 249	3 482
Trade and other payables (refer note 19)	1 599	–	–	1 599
Overdrafts and short-term borrowings (refer note 21)	510	–	–	510
Total	2 298	2 044	1 249	5 591

	Group	
	F2014 Rm	Restated F2013 Rm
Overdrafts and short-term borrowings held as follows:		
ABSA Bank Limited	253	293
Nedbank Limited	150	150
The Standard Bank of South Africa Limited	–	16
Other	348	90
Partner loans short-term	114	114
Partner loans long-term (included in R487 million, F2013: R189 million transfer to short-term)	217	36
	1 082	699

Notes to the financial statements continued

for the year ended 30 June 2014

37. Financial instruments and risk management continued

c. **Credit risk**

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Group minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties.

The maximum exposure is the carrying amounts disclosed in note 12.

Major trade receivables include Impala Platinum R1 063 million (F2013: R803 million), Rustenburg Platinum Mines R394 million (F2013: R386 million) and Norilsk Nickel R1 085 million (F2013: R604 million).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 13.

The available-for-sale financial assets (which is the Harmony investment) exposure is the carrying value of these assets as per note 10.

	Group	
	F2014	Restated F2013
Cash and cash equivalents are held at the following financial institutions:		
ABSA Bank Limited	**387**	516
Barclays Private Clients International	**148**	492
Investec Limited	**63**	50
First Rand Limited	**182**	192
Lloyds Bank Plc	**200**	–
Nedbank Limited	**175**	208
Rand Merchant Bank	**73**	–
Stanlib Collective Investments Limited	**399**	307
Standard Chartered	**200**	–
The Standard Bank of South Africa Limited	**166**	87
Other	**157**	113
	2 150	1 965

d. **Treasury risk management**

The treasury function is outsourced to Andisa Capital Proprietary Limited (Andisa), specialists in the management of third-party treasury operations.

Together with ARM financial executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A Treasury Committee, consisting of senior managers in the Company including the Financial Director and representatives from Andisa, meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Group.

The committee reviews the treasury operation's dealings to ensure compliance with Group policies and counterparty exposure limits.

e. **Commodity price risk**

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings.

Most of these prices are US Dollar based and are internationally determined in the open market. From these base prices, contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

The Nkomati, Two Rivers and Modikwa operations recognise revenue at the month end during which delivery of concentrate has occurred, at the closing spot price for the contained metal. There is a risk that the spot price does not realise when the metal price fixes on out-turn at the refinery. Management is of the opinion that this method of revenue recognition is the most appropriate as opposed to using forward prices as an estimate. The risk is that where there are significant changes in metal prices after a reporting period end that the next reporting period is impacted. The value of accounts receivable for these three entities included in trade and other receivables (refer note 12) amounts to R2 542 million (F2013: R1 793 million). Refer to the sensitivity calculations which follow note j below on page 240.

37. Financial instruments and risk management continued

f. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (refer to note 37 j for sensitivity analysis).

The Group manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk.

		Book value at year-end Rm	Maturity date	Effective interest rate
Financial assets				
Year ended 30 June 2014				
Cash – financial institutions	US$15 million	**155**	**Overnight**	**0 – 2%**
– financial institutions		**1 335**	**call deposit**	**0 – 6%**
– fixed		**660**	**July-15**	**4 – 7%**
		2 150		
Year ended 30 June 2013 restated				
Cash – financial institutions	US$9 million	88	Overnight	0 – 2%
– financial institutions		1 189	call deposit	2 – 7%
– fixed		688	July-13	4 – 7%
		1 965		

Financial liabilities	Book value at year-end Rm	Maturity date	Year-end rate
Year ended 30 June 2014			
Long-term borrowings			
Leases	**109**	**2016**	**7% linked to JIBAR**
Leases	**12**	**2015**	**8% to 15%**
Loan facility (Two Rivers – mine housing project)	**58**	**2017**	**5.6% linked to JIBAR**
Loan facility (ARM Finance Company SA)	**850**	**2018**	**LIBOR plus 3.65%**
Loan facility (Vale/ARM joint operation) (partner loan)	**452**	**2017**	**Libor plus 5%**
ARM Coal – RBCT phase V (partner loan)	**132**	**2021**	**Prime plus 0.5%**
ARM Coal – GGV acquisition loan (partner loan)	**341**	**2026**	**Prime**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**761**	**2024**	**Interest-free till 2014 therafter prime**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**192**	**2024**	**Prime**
	2 907		
Less: transferred to short-term	**(487)**		
Total	**2 420**		

Notes to the financial statements continued

for the year ended 30 June 2014

37. Financial instruments and risk management continued

f. **Interest rate risk** continued

Summary of variable and fixed rates

	Total Rm	Transfer to short-term Rm	Long-term Rm	
Variable rates	**2 907**	**487**	**2 420**	
Fixed rates	**–**	**–**	**–**	
Total	**2 907**	**487**	**2 420**	
Year ended 30 June 2013 restated				
Long-term borrowings				
Leases	119		2016	7% linked to JIBAR
Loan facility (Two Rivers – mine housing project)	75		2017	5.6% linked to JIBAR
Loan facility (ARM Corporate)	567		2015	7.35%
Loan facility (ARM Finance Company SA)	795		2018	LIBOR plus 3.65%
Loan facility (Vale/ARM joint operation)	398		2018	LIBOR plus 5%
ARM Coal – RBCT phase V (partner loan)	153		2021	Prime plus 0.5%
ARM Coal – GGV acquisition loan (partner loan)	418		2026	Prime
ARM Coal – GGV project facility phase 1 loan (partner loan)	761		2024	Interest-free till 2014 therafter prime
ARM Coal – GGV project facility phase 2 loan (partner loan)	196		2025	Prime
	3 482			
Less: transferred to short-term	(189)			
Total	3 293			

Summary of variable and fixed rates

	Total Rm	Transfer to short-term Rm	Long-term Rm	
Variable rates	3 482	189	3 293	
Fixed rates	–	–	–	
Total	3 482	189	3 293	

Short-term financial liabilities

	Book value at year-end	Repricing date	Maturity date	
Year ended 30 June 2014				
– Financial institutions	**751**	**30/06/2014**	**30/06/2014**	**Variable rate between 5% and 7%**
– Anglo American Platinum (partner loan)	**114**			**No interest**
– ARM Coal (partner loan)	**217**			**Variable rate between 0% and prime plus 0.5%**
Total	**1 082**			
Year ended 30 June 2013 restated				
– Financial institutions	585	30/06/2013	30/06/2013	Variable rate between 5% and 7%
– Anglo American Platinum (partner loan)	114			No interest
Total	699			

37. Financial instruments and risk management continued

g. **Fair value risk**

Except for interest-free loans given by the Company to its subsidiaries, the carrying amounts of trade receivables, cash and cash equivalents and trade and other payables approximate fair value because of the short-term duration of these instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining the level of confidence in the valuation technique used.
Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2 – A technique where all inputs that have an impact on the value are observable, either directly or indirectly.
Level 3 – A technique where all inputs that have an impact on the value are not observable.

Financial instruments by categories

		Group F2014				Company F2014			
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm	At fair value though profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 10)	1	11	1 982	1 993	1 993	–	1 982	1 982	1 982
Trade and other receivables*	2	2 542	–	2 542	2 542	1 085	–	1 085	1 085

		Group F2013 restated				Company F2013			
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm	At fair value though profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 10)	1	10	2 275	2 285	2 285	–	2 275	2 275	2 275
Trade and other receivables*	2	1 793	–	1 793	1 793	604	–	604	604

** For inputs used refer note 37 j.*

Notes to the financial statements continued

for the year ended 30 June 2014

37. Financial instruments and risk management continued

h. Acquisition risk

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

i. Capital risk management

The management and maintenance of capital in ARM is a central focus of the Board and senior management especially as ARM has a declared policy of growth. The ability to continue as a going concern and to safeguard assets while optimally funding expansion is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to Life of Mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial position plus debt.

j. Sensitivity

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year-end.

It is relevant to note that the accounts receivable balance in (e) above of R2 542 million (F2013: R1 793 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R10.63 (F2013: R9.93), (ii) platinum price of $1 486/oz (F2013: $1 342/oz), (iii) palladium price of $843/oz (F2013: $658/oz), rhodium of $1 115/oz (F2013: $1 000/oz), a nickel price of $19 070/tonne (F2013: $13 710/tonne) and copper price of $7 014/tonne (F2013: $7 004/tonne).

The sensitivity was applied to profit or loss before taxation and non-controlling interest. There is no other impact on equity.

	Group	
	F2014 Rm	Restated F2013 Rm
The increase in profit before tax if:		
The Rand/US Dollar exchange rate weakens by R1	**195**	180
The price of nickel increases by 10%	**117**	61
The price of PGM increases by 10%	**138**	120
The interest rate increases by 1%	**(19)**	1
The decrease in profit before tax if:		
The Rand/US Dollar exchange rate strengthens by R1	**(195)**	(180)
The price of nickel decreases by 10%	**(117)**	(61)
The price of PGM decreases by 10%	**(138)**	(120)
The interest rate decreases by 1%	**19**	(1)

The interest change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long- or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

38. Commitments and contingent liabilities

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
Commitments				
Commitments in respect of capital expenditure:				
Approved by directors				
– contracted for	359	425	–	36
– not contracted for	7	120	7	120
Total commitments	366	545	7	156
Commitments allocated as follows:				
ARM Mining Consortium Limited	192	59	–	–
ARM Coal Proprietary Limited	55	13	–	–
Nkomati	7	156	7	156
Two Rivers Platinum Proprietary Limited	39	3	–	–
Vale/ARM joint operation	73	314	–	–
	366	545	7	156

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be financed from operating cash flows and by utilising available cash and borrowing resources.

Disputes

ARM Mining Consortium has made an application against the Department of Mineral Resources (DMR) and third-party respondents requesting the court to order the DMR to reassess applications for the prospecting rights brought by Modikwa JV that had been earlier rejected. The pleadings are not yet closed and no trial date has as yet been allocated.

Assmang Proprietary Limited (Assmang) has instituted review proceedings against the DMR and Razita Mining Resources Proprietary Limited (Razita) requesting the court to review and set aside the DMR's decision to grant a prospecting right to Razita over an area that overlaps with Assmang's Beeshoek mining area. It is expected that the review application will be set down for hearing in the first quarter of 2015.

Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of ARM's share of the guarantees issued to bankers by Assore to secure a short-term export finance agreement facility of R180 million (F2013: R180 million) by Assmang. Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2014 were Rnil (F2013: Rnil).

Guarantees to the Department of Mineral Resources for rehabilitation provision amounting to R116 million (F2013: R94 million).

Guarantees to Eskom amounting to R39 million (F2013: R39 million).

Notes to the financial statements continued

for the year ended 30 June 2014

39. Leases

	Group			
	F2014 Rm		Restated F2013 Rm	
Finance Leases (refer note 3)	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**77**	**70**	81	76
After one year but not more than five years	**54**	**51**	47	45
Total minimum lease payments	**131**	**121**	128	121
Less: Amounts representing finance charges	**(10)**	**–**	(7)	–
Present value of minimum lease payments	**121**	**121**	121	121
Operating leases – Group as lessor				
This is in respect of office building rentals received (refer note 4)				
Within one year	**1**		1	
After one year but not more than five years	**1**		5	
Total minimum lease payments	**1**		6	

	Group	
	F2014 Rm	Restated F2013 Rm
Operating leases – Group as lessee		
This is in respect of office building rentals paid		
Straight-lined and cash flows		
Within one year	**2**	1
After one year but not more than five years	**3**	1
Total	**5**	2

40. Retirement plans

The Group facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R150 million (F2013: R123 million).

41. Post-retirement healthcare benefits

The Group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised.

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
The post-retirement healthcare benefits are provided for in the following entity.				
African Rainbow Minerals Limited	**82**	82	**82**	82
	82	82	**82**	82

The liability is assessed periodically by an independent actuary. The assumptions used for African Rainbow Minerals Limited are as follows:

- A real discount rate of 2% per annum.
- An increase in healthcare costs at a rate of between 7% and 9% per annum.
- A 1% change in the net discount rate used is estimated to have an impact of plus 8.6% or less 7.5% (F2013: plus 9.1% or less 7.9%) on the liability.
- The average expected working lifetime of eligible members was six years (F2013: six years) at the date of the valuation in 2014.

The provisions raised in respect of post-retirement healthcare benefits amounted to R82 million (F2013: R82 million) at the end of the year. For movements refer note 18.

The liabilities raised based on present values of the post-retirement benefit, have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in F2014 and the next one will be in F2017.

At retirement members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively the Group will continue to fund a portion of the retiring employee's medical aid contributions.

Notes to the financial statements continued

for the year ended 30 June 2014

42. Share-based payment plans

Equity-settled plan

The Company uses three plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.

Share options

The Company grants share options to certain employees under a share incentive scheme. The exercise price of the options is equal to the market price of the shares on the date of the grant. Before July 2008 the options start to vest one year after the grant date in three equal tranches over three years and from 1 July 2008 the options vest after three years. Both schemes are subject to continued employment.

The contract life of each option is eight years from the grant date.

	F2014 Share options	F2013 Share options	F2014 Average price cents	F2013 Average price cents
Outstanding at beginning of year	**2 933 275**	3 168 450	**12 414**	10 585
Granted during the year	**331 497**	368 834	**20 040**	16 856
Forfeited during the year	**(138 862)**	(31 416)	**10 443**	17 526
Exercised during the year	**(862 118)**	(572 593)	**8 836**	3 620
Outstanding at end of year	**2 263 792**	2 933 275	**15 017**	12 414
Exercisable at end of year	**1 275 287**	2 084 932		
Range of strike prices of options exercised (cents)			**5 to 17 849**	5 to 17 849
Range of strike prices of outstanding options (cents)			**7 300 to 27 950**	3 700 to 27 950

Bonus shares method

Annually, eligible employees receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares will be settled to participants after three or four years, conditional on continued employment. The bonus share method of the plan provides an additional element of share-based retention to executives and senior management who through their performance, on an annual basis, have demonstrated their value to the Company, and by further encouraging executives and senior management to build up a shareholding in ARM.

	F2014 Bonus shares	F2013 Bonus shares
Outstanding at beginning of year	**619 345**	413 700
Granted during the year	**334 579**	233 265
Forfeited during the year	**(983)**	(14 467)
Shares vested	**(127 830)**	–
Shares vested*	**–**	(13 153)
Outstanding at end of year	**825 111**	619 345

** This represents shares that vested during the period as a result of no-fault terminations.*

Performance shares method

Annual conditional awards of full value shares are made to eligible employees. Performance shares vest after a three or four-year period subject to continued employment and the Company's achievement against a weighted combination of challenging performance measures over this period, selected from:

- comparative total shareholder return in relation to a peer group;
- return on capital employed against a prescribed target; and
- growth in headline earnings per share in relation to an inflation index.

The selection of performance metrics has been made on the basis that, individually or in combination, they clearly foster the creation of shareholder value.

The performance share method closely aligns the interest of shareholders, executives and senior management by rewarding superior shareholder and financial performance in the future, and by encouraging executives and senior management to build up a shareholding in ARM.

42. Share-based payment plans continued

	F2014 Performance shares	F2013 Performance shares
Outstanding at beginning of year	**808 152**	606 639
Awarded during the year	**374 198**	345 754
Additional award based on achievements above set performance criteria	**–**	75 121
Additional award settled (see above)	**–**	(75 121)
Forfeited during the year	**(12 838)**	(30 138)
Shares vested	**(125 430)**	(111 543)
Shares vested*	**–**	(2 560)
Outstanding at end of year	**1 044 082**	808 152

** This represents shares that vested during the period as a result of no-fault terminations.*

The fair value of shares granted in these plans are estimated as at the date of the grant using an independent valuer that used the Cox-Rox Rubinstein binomial tree model taking into account the terms and conditions upon which the options were granted. The following table lists the range of inputs to the models used on the grant date for the years ended 30 June 2014 and 30 June 2013.

	F2014	F2013
Dividend yield %	**2.42**	2.64
Expected volatility %	**31.58**	31.62
Risk-free interest rate %	**7.96**	6.93
Expected life of options (years)	**1 – 8**	1 – 8
Weighted average share price (cents)	**19 307**	17 633
Fair value of options issued during the year (R million)	**24**	23
Fair value of options per option issued during the year (cents) – Oct – 3 year vesting period	**7 401**	6 218
Fair value of options per option issued during the year (cents) – Oct – 4 year vesting period	**7 360**	6 178
Fair value of options per option issued during the year (cents) – May – 3 year vesting period	**6 716**	–
Fair value of options per option issued during the year (cents) – April – 3 year vesting period	**–**	12 851
The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.		
The effect on the income statement for Group and Company was a charge of (R million)	**167**	133

Notes to the financial statements continued
for the year ended 30 June 2014

43. Related party transactions

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations.

A report on investments in subsidiaries, associated companies, joint ventures and joint operations that indicates the relationship and degree of control exercised by the Company, appears on pages 248 to 250.

Transactions between the Company, its subsidiaries, associated companies, joint ventures and joint operations relate to fees, insurances, dividends, rents and interest and are regarded as intra-Group transactions and eliminated on consolidation.

	Group		Company	
	F2014 Rm	Restated F2013 Rm	F2014 Rm	F2013 Rm
Amounts accounted in the income statement relating to transactions with related parties				
Joint Venture				
Assmang Proprietary Limited				
– Provision of services	**576**	578	**576**	578
– Dividends received	**1 750**	1 500	**1 750**	1 500
Joint Operation				
ARM Coal Proprietary Limited				
– Interest received			**18**	22
– Dividend received			**142**	173
Vale/ARM joint operation – interest			**47**	37
Subsidiaries				
Venture Building Trust Proprietary Limited – Interest received			**4**	4
Two Rivers Platinum Proprietary Limited				
– Dividend received			**289**	–
– Interest received			**–**	3
– Provision of services			**2**	2
Amounts outstanding at year-end (owing to)/receivable by ARM on current account				
Joint Venture				
Assmang – debtor	**116**	72	**116**	72
Joint Operations				
Anglo Platinum – debtor	**394**	386	**–**	–
Norilsk Nickel – creditor	**(47)**	(1)	**(47)**	(1)
Norilsk Nickel – debtor	**1 085**	604	**1 085**	604
Anglo Platinum – short-term borrowing	**(114)**	(114)	**–**	–
Vale/ARM – ZCCM – long-term borrowing	**(452)**	(398)	**–**	–
Glencore Operations SA – long-term borrowing	**(1 209)**	(1 492)	**–**	–
Glencore Operations SA – short-term borrowing	**(217)**	(36)	**–**	–
Subsidiary				
Impala Platinum – debtor	**1 063**	803	**–**	–
Key management personnel: Senior management compensation				
Salary	**14**	19	**14**	19
Accrued bonuses	**8**	16	**8**	16
Pension scheme contributions	**1**	2	**1**	2
Reimbursive allowances	**1**	2	**1**	2
Total	**24**	39	**24**	39

43. Related party transactions continued

Share options	Number of options	Average price cents	Average gross selling price cents
Held on 1 July 2012	344 907	12 271	
Exercised during the year	(26 150)	6 085	17 868
Granted during the year	58 201	16 837	
Held on 1 July 2013	376 958	13 499	
Exercised during the year	(35 642)	13 565	19 746
Granted during the year	35 815	20 075	
Staff movements	(100 461)	15 039	
Held on 30 June 2014	276 670	13 784	

Bonus and performance shares	Number of bonus shares	Number of performance shares
Held on 1 July 2012	68 282	105 439
Granted/awarded during the year	47 507	69 919
Additional performance shares awarded based on achievements above set performance criteria	–	11 544
Settled during the year	(1 946)	(40 394)
Held on 30 June 2013	113 843	146 508
Granted/awarded during the year	44 920	49 590
Additional performance shares awarded based on achievements above set performance criteria	–	2 393
Settled during the year	(10 920)	(17 214)
Staff movements	(44 626)	(42 139)
Held on 30 June 2014	103 217	139 138

Details relating to directors emoluments, share options and shareholdings in the Company are disclosed in the Directors' report.

Shareholders

The principal shareholders of the Company are detailed in the Shareholder Analysis report on page 260.

ARM 's executive chairman, Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Mr Motsepe's director's emoluments, share options and shareholding in the Company are disclosed in the Directors' report.

	Group		Company	
	F2014 Rm	F2013 Rm	**F2014 Rm**	F2013 Rm
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton	**1**	1	**1**	1

This rental is similar to rentals paid to third parties in the same area for similar buildings.

44. Events after reporting date

Please refer to events after reporting date included on page 170 of the Director's report.

45. Major shareholders and shareholder spread

Please refer to major shereholders at 30 June 2014 on page 260 of the Investor Relations report and shareholder spread at 30 June 2014 on page 259 of the Investor Relations report.

Report on subsidiary companies
for the year ended 30 June 2014

	Company	
	F2014 Rm	F2013 Rm
Investments		
Unlisted (refer note 10)	**611**	567
Amounts owing by subsidiaries (refer note 10)	**800**	800
Amounts owing to subsidiaries (refer note 21)	**(258)**	(258)
	1 153	1 109
Income from subsidiaries		
Fees – management advisory services	**2**	2
Dividend	**289**	–
	291	2
Members' aggregate interest in profits after taxation of subsidiaries		
Profits	**758**	477

Principal subsidiary companies

for the year ended 30 June 2014

Name	Class	Issued capital amount Rm F2014	Issued capital amount Rm F2013	Direct interest in capital % F2014	Direct interest in capital % F2013	Book value of the Company's interest: Shares Rm F2014	Shares Rm F2013	Indebtedness by/(to) Rm F2014	Indebtedness by/(to) Rm F2013
African Rainbow Minerals Platinum Proprietary Limited platinum mining	Ord	–	–	100	100	257	257	739	739
African Rainbow Minerals Finance Company SA – Financing	Ord	–	–	100	100	158	114	–	–
Anglovaal Air Proprietary Limited air charter operator	Ord	–	–	100	100	89	89	(212)	(212)
Atscot Proprietary Limited investment company	Ord	1	1	100	100	10	10	(23)	(23)
Avmin Limited mining investment	Ord	–	–	100	100	–	–	(17)	(17)
Bitcon's Investments Proprietary Limited investment company	Ord	–	–	100	100	2	2	(2)	(2)
Jesdene Limited share dealer	Ord	–	–	100	100	–	–	6	6
Kingfisher Insurance Co Limited insurance	Ord	–	–	100	100	35	35	–	–
Letaba Copper & Zinc Corp Limited prospecting company	Ord	1	1	94	94	–	–	–	–
Mannequin Insurance PCC Limited (Cell AVL18)* insurance	Ord	4	4	100	100	4	4	–	–
Prieska Copper Mines Limited investment company (sold in current year)	Ord	–	27	–	97	–	–	–	–
Sheffield Minerals Proprietary Limited investment company	Ord	–	–	100	100	–	–	(4)	(4)
South African Base Minerals Limited investment company	Ord	–	–	100	100	–	–	–	–
Two Rivers Platinum Proprietary Limited platinum mining	Ord	100	100	55	55	55	55	–	–
Venture Building Trust Proprietary Limited property investment	Ord	–	–	100	100	1	1	55	55
Total value of unlisted investment in subsidiaries (refer note 10)						611	567		
Amounts owing to subsidiaries (refer note 21)								(258)	(258)
Amounts owing by subsidiaries (refer note 10)								800	800

Notes

Ord – Ordinary shares.

Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.

** Incorporated in Guernsey and has a December year-end. Reviewed June figures are consolidated.*

Principal associate companies, joint ventures, joint operations and other investments

Name of company	Group Number of shares held F2014	Group Number of shares held F2013	Company Number of shares held F2014	Company Number of shares held F2013	Group Effective percentage holding F2014	Group Effective percentage holding F2013	Group Value of investment F2014 Rm	Group Value of investment F2013 Rm	Company Value of investment F2014 Rm	Company Value of investment F2013 Rm	Company Indebtedness by F2014 Rm	Company Indebtedness by F2013 Rm
Associated companies												
Unlisted												
Lucas Block Minerals Limited (1936)												
Ordinary shares of 200 cents per share	**121**	121	**121**	121	**30**	30	**–**	–	**–**	–	**–**	–
Glencore Operations South Africa Proprietary Limited*												
Non-convertible participating preference shares of 100 cents per share	**384**	384	**384**	384	**20.2**	20.2	**1 343**	1 154	**432**	432	**607**	377
Investment in other companies												
Listed												
Harmony Gold Mining Company Limited												
Ordinary shares of 50 cents per share	**63 632 922**	63 632 922	**63 632 922**	63 632 922	**14.6**	14.6	**1 982**	2 275	**1 982**	2 275	**–**	–
Unlisted												
Business Partners Limited	**323 177**	323 177	**323 177**	323 177	**0.2**	0.2	**–**	–	**–**	–	**–**	–
Joint operations and partnerships												
ARM Coal Proprietary Limited (including Goedgevonden)	**–**	–	**51**	51	**51**	51	**–**	–	**409**	409	**–**	–
Modikwa joint operation*	**–**	–	**–**	–	**41.5**	41.5	**–**	–	**–**	–	**–**	–
Nkomati joint operation**	**–**	–	**–**	–	**50**	50	**–**	–	**–**	–	**718**	1 068
Vale/ARM joint operation					**40**	40	**–**	–	**1 532**	1 532	**1 125**	728
– Investment held directly by ARM	**–**	–	**1 150**	1 150								
– Investment held indirectly by ARM	**–**	–	**532**	532								
Joint venture												
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture)	**–**	–	**1 774 103**	1 774 103	**50**	50	**–**	–	**259**	259	**–**	–

** December year-end, audited June figures are consolidated.*
*** Eliminates on a company level, as Nkomati joint operation is an unincorporated joint operation.*

Convenience translation into US Dollars

For the benefit of international investors, the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group presented in South African Rands and set out on pages 180 to 186, have been translated into United States Dollars and are presented on this page and pages 252 to 255. This information is only supplementary and is not required by any accounting standard and does not represent US GAAP.

The statement of financial position is translated at the rate of exchange ruling at the close of business at 30 June each year and the income statements and statement of cash flows are translated at the average exchange rates for the years reported, except for the opening and closing cash balances of cash flows which are translated at the rate ruling at the close of business at 30 June each year.

The statement of comprehensive income is translated at the average rate of the years reported.

The statement of changes in equity is translated at the rate ruling at the close of business at 30 June each year.

	F2014 R/US$	F2013 R/US$
The following exchange rates were used:		
Statement of financial position	R10.63	R9.93
Income statement and statement of cash flows	R10.36	R8.83

The US Dollar denominated statement of financial position, income statements, statement of comprehensive income, statement of changes in equity and statements of cash flows should be read in conjunction with the accounting policies of the Group as set out on pages 187 to 197 and with the notes to the financial statements on pages 198 to 247.

Statement of financial position
at 30 June 2014

US Dollar convenience translation

	Note	Group F2014 US$m	Group Restated* F2013 US$m
Assets			
Non-current assets			
Property, plant and equipment	3	**1 106**	1 139
Investment property	4	**1**	1
Intangible assets	5	**16**	18
Deferred tax assets	17	**36**	33
Loans and long-term receivables	6	**7**	9
Investment in associate	8	**119**	143
Investment in joint venture	9	**1 346**	1 259
Other investments	10	**199**	241
		2 830	2 843
Current assets			
Inventories	11	**88**	110
Trade and other receivables	12	**310**	231
Taxation	35	**–**	2
Financial asset	7	**–**	4
Cash and cash equivalents	13	**202**	198
		600	545
Assets held for sale	14	**–**	19
Total assets		**3 430**	3 407
Equity and liabilities			
Capital and reserves			
Ordinary share capital	15	**1**	1
Share premium	15	**386**	402
Other reserves		**118**	77
Retained earnings		**2 005**	1 943
Equity attributable to equity holders of ARM		**2 510**	2 423
Non-controlling interest		**142**	140
Total equity		**2 652**	2 563
Non-current liabilities			
Long-term borrowings	16	**228**	332
Deferred tax liabilities	17	**180**	169
Long-term provisions	18	**52**	56
		460	557
Current liabilities			
Trade and other payables	19	**165**	162
Short-term provisions	20	**45**	50
Taxation	35	**6**	5
Overdrafts and short-term borrowings – interest-bearing	21	**102**	70
		318	287
Total equity and liabilities		**3 430**	3 407

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Income statement
for the year ended 30 June 2014

US Dollar convenience translation

	Note	Group F2014 US$m	Group Restated* F2013 US$m
Revenue	24	**1 049**	930
Sales	24	**966**	831
Cost of sales	25	**(727)**	(664)
Gross profit		**239**	167
Other operating income	26	**93**	112
Other operating expenses	27	**(170)**	(147)
Profit from operations before exceptional items		**162**	132
Income from investments	28	**11**	15
Finance costs	29	**(25)**	(23)
Loss from associate	8	**(36)**	(2)
Income from joint venture	9	**342**	347
Profit before taxation and exceptional items		**454**	469
Exceptional items	30	**(59)**	(278)
Profit before taxation		**395**	191
Taxation	31	**(53)**	10
Profit for the year		**342**	201
Attributable to:			
Non-controlling interest		**25**	17
Equity holders of ARM		**317**	184
		342	201
Additional information			
Headline earnings (US$ million)	33	**397**	423
Headline earnings per share (US cents)	32	**183**	197
Basic earnings per share (US cents)	32	**147**	85
Diluted headline earnings per share (US cents)	32	**182**	195
Diluted basic earnings per share (US cents)	32	**146**	85

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Statement of comprehensive income

for the year ended 30 June 2014

US Dollar convenience translation

	Notes	Availible-for-sale reserve US$m	Other US$m	Retained earnings US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
		Group					
For the year ended 30 June 2013 restated*							
Profit for the year to 30 June 2013		–	–	184	184	17	201
Other comprehensive income that may be reclassified to the income statement in subsequent periods							
Reclassification adjustment due to impairment of available-for-sale listed investment		(19)	–	–	(19)	–	(19)
Deferred tax on above		4	–	–	4	–	4
Net impact of revaluation of listed investment	10	(15)	–	–	(15)	–	(15)
Foreign exchange movements on loans to a foreign Group entity		–	6	–	6	–	6
Deferred tax on unrealised foreign exchange movements on loans to a foreign Group entity		–	(2)	–	(2)	–	(2)
Cash flow hedge reserve	8	–	(4)		(4)	–	(4)
Foreign currency translation reserve movement		–	26	–	26	–	26
Total other comprehensive (loss)/income		(15)	26	–	11	–	11
Total comprehensive (loss)/income for the year		(15)	26	184	195	17	212
For the year ended 30 June 2014							
Profit for the year to 30 June 2014		**–**	**–**	**317**	**317**	**25**	**342**
Other comprehensive income that may be reclassified to the income statement in subsequent periods							
Revaluation of listed investment	10	**32**	**–**	**–**	**32**	**–**	**32**
Deferred tax on above		**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Net impact of revaluation of listed investment		**26**	**–**	**–**	**26**	**–**	**26**
Cash flow hedge reserve	8	**–**	**3**	**–**	**3**	**–**	**3**
Foreign currency translation reserve movement		**–**	**7**	**–**	**7**	**–**	**7**
Total other comprehensive income		**26**	**10**	**–**	**36**	**–**	**36**
Total comprehensive income for the year		**26**	**10**	**317**	**353**	**25**	**378**

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Statement of changes in equity

for the year ended 30 June 2014

US Dollar convenience translation

		Group						
	Notes	Share capital and premium US$m	Available-for-sale reserve US$m	Other US$m	Retained profit US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
Balance at 30 June 2012 restated*		483	17	53	2 289	2 842	148	2 990
Profit for the year to 30 June 2013		–	–	–	184	184	17	201
Other comprehensive (loss)/income		–	(15)	26	–	11	–	11
Total comprehensive (loss)/income for the year		–	(15)	26	184	195	17	212
Translation adjustments		(87)	(2)	(13)	(414)	(516)	(30)	(546)
Share-based payments		–	–	15	–	15	–	15
Share options exercised	15	3	–	–	–	3	–	3
Bonus and performance shares issued to employees	15	4	–	(4)	–	–	–	–
Dividend paid	32	–	–	–	(116)	(116)	–	(116)
Contribution by ZCCM		–	–	–	–	–	5	5
Balance at 30 June 2013 restated*		**403**	**–**	**77**	**1 943**	**2 423**	**140**	**2 563**
Profit for the year to 30 June 2014		**–**	**–**	**–**	**317**	**317**	**25**	**342**
Other comprehensive income		**–**	**26**	**10**	**–**	**36**	**–**	**36**
Total comprehensive income for the year		**–**	**26**	**10**	**317**	**353**	**25**	**378**
Share-based payments		**–**	**–**	**16**	**–**	**16**	**–**	**16**
Share options exercised		**6**	**–**	**–**	**–**	**6**	**–**	**6**
Bonus and performance shares issued to employees	15	**5**	**–**	**(5)**	**–**	**–**	**–**	**–**
Dividend paid	15	**–**	**–**	**–**	**(106)**	**(106)**	**–**	**(106)**
Dividend paid to Impala Platinum	32	**–**	**–**	**–**	**–**	**–**	**(23)**	**(23)**
Acquisition of non-controlling interest of Kalumines**	14	**–**	**–**	**–**	**(16)**	**(16)**	**10**	**(6)**
Translation adjustment		**(27)**	**(1)**	**(5)**	**(133)**	**(166)**	**(10)**	**(176)**
Balance at 30 June 2014		**387**	**25**	**93**	**2 005**	**2 510**	**142**	**2 652**

* *Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*
** *Part of the assets held for sale at 30 June 2013.*

Statement of cash flows
for the year ended 30 June 2014

US Dollar convenience translation

	Note	Group F2014 US$m	Group Restated* F2013 US$m
Cash flow from operating activities			
Cash receipts from customers		960	863
Cash paid to suppliers and employees		(760)	(686)
Cash generated from operations	34	200	177
Translation adjustment		(11)	(32)
Interest received		10	7
Interest paid		(11)	(13)
Dividends received		–	7
Dividends received from joint venture		169	170
Dividend paid to non-controlling interest – Impala Platinum		(23)	–
Dividend paid		(106)	(116)
Taxation paid	35	(38)	(32)
Net cash inflow from operating activities		190	168
Cash flow from investing activities			
Additions to property, plant and equipment to maintain operations		(70)	(62)
Additions to property, plant and equipment to expand operations		(39)	(120)
Proceeds on disposal of property, plant and equipment	14	11	–
Transfer of cash on disposal of subsidiary	36	(2)	–
Additional investment in associate	8	(18)	(13)
Investment in RBCT	10	(2)	(3)
Decrease in loans and receivables		2	3
Net cash outflow from investing activities		(118)	(195)
Cash flow from financing activities			
Proceeds on exercise of share options		6	3
Long-term borrowings raised		–	91
Long-term borrowings repaid		(70)	(24)
Short-term borrowings repaid		(9)	(16)
Net cash (outflow)/inflow from financing activities		(73)	54
Net (decrease)/increase in cash and cash equivalents		(1)	27
Cash and cash equivalents at beginning of year		158	131
Cash and cash equivalents at end of year	13	157	158
Cash generated from operations per share (US cents)	32	92	82

** Restated after adoption of IFRS 11 Joint Arrangements (refer notes 1 and 2).*

Financial summary and statistics

for the year ended 30 June 2014

US Dollar convenience translation

	Group										
	F2014 US$m	Restated F2013 US$m	F2012 US$m	F2011 US$m	F2010 US$m	F2009 US$m	F2008 US$m	F2007 US$m	F2006 US$m	F2005 US$m	F2004 US$m
Income statement											
Sales	**966**	831	2 256	2 131	1 452	1 118	1 725	854	722	883	563
Headline earnings	**397**	423	444	483	226	257	550	168	72	55	7
Basic earnings per share (US cents)	**147**	86	207	226	113	150	292	81	46	36	125
Headline earnings per share (US cents)	**183**	197	208	227	106	121	261	81	35	27	5
Dividend declared after year-end per share (US cents)	**56**	51	58	67	26	23	51	n/a	n/a	n/a	n/a
Statement of financial position											
Total assets	**3 430**	3 407	4 327	4 791	3 682	3 304	3 178	2 576	2 041	1 769	1 831
Cash and cash equivalents	**202**	198	437	543	396	455	340	150	61	43	57
Shareholders' equity	**2 652**	2 563	2 990	3 280	2 416	2 171	2 002	1 587	1 452	1 199	1 271
Statement of cash flows											
Cash generated from operations	**200**	177	768	857	451	739	709	352	194	267	97
Net cash outflow from investing activities	**(118)**	(195)	(525)	(484)	(306)	(346)	(330)	(374)	(226)	(133)	(100)
Net cash (outflow)/ inflow from financing activities	**(738)**	54	22	(85)	(96)	(19)	(24)	217	140	(88)	41
JSE Limited performance											
Ordinary shares (US cents)											
– high	**2 316**	2 367	2 561	3 376	2 714	3 217	4 205	1 917	816	612	696
– low	**1 380**	1 574	2 046	2 092	1 542	842	1 414	739	500	411	471
– year-end	**1 759**	1 508	2 035	2 788	2 099	1 683	3 576	1 747	674	511	543

Investor relations report

ARM's primary listing is on the JSE Limited. The Company also has a sponsored Level 1 American Depositary Receipt (ADR) programme under the ticker symbol AFRBY which is available to investors for over-the-counter or private transactions.

Share information

Ticker code	ARI
Sector	General Mining
Nature of business	ARM is a diversified mining and minerals company with assets in ferrous metals and alloys, platinum group metals nickel, thermal coal, and copper. ARM holds an interest in the gold mining sector through its 14.6% shareholding in Harmony.
Issued share capital at 30 June 2014	216 747 811 shares
Market capitalisation at 30 June 2014	R40.5 billion
	US$3.8 billion
Closing share price at 30 June 2014	R187.03
12 month high (1 July 2013 – 30 June 2014)	R239.90
12 month low (1 July 2013 – 30 June 2014)	R143.00
Average volume traded for the 12 months	447 224 shares per day

Shareholders' diary

Annual General Meeting	Friday, 5 December 2014
Financial year-end	June 2015
Integrated annual report issued	Beginning of November 2014
Interim results announcement	March 2015
Provisional results announcement	September 2015

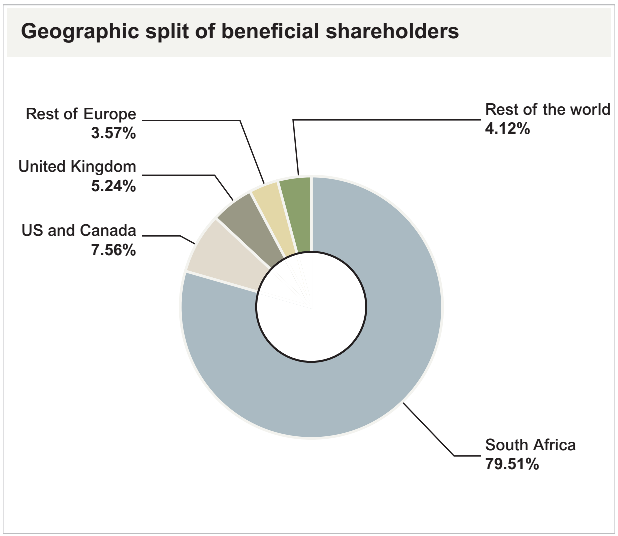
Shareholder analysis

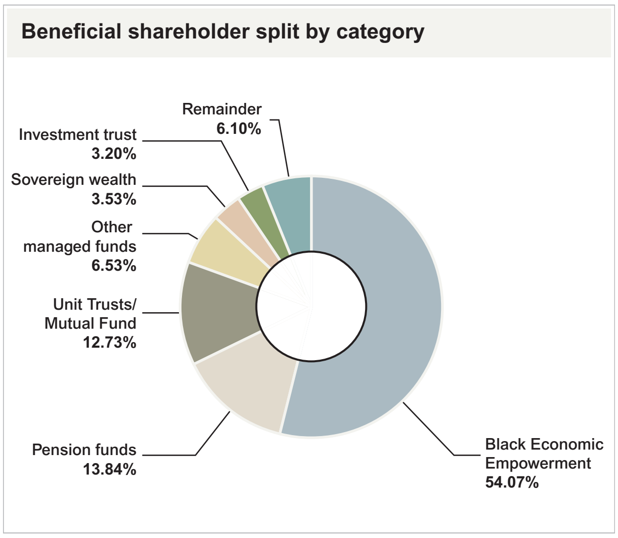
Shares held	Number of shareholders	% of shareholders	Number of shares held	% of issued share capital
1 to 1 000 shares	4 189	75.03	1 066 922	0.49
1 001 to 10 000 shares	841	15.06	2 879 340	1.33
10 001 to 100 000 shares	425	7.61	13 736 000	6.34
100 001 to 1 000 000 shares	111	1.99	35 347 747	16.31
1 000 001 shares and above	17	0.31	163 717 802	75.53
Total	5 583	100.00	216 747 811	100.00

Distribution of shareholders	Number of shares held	% of issued share capital
Black Economic Empowerment	117 185 085	54.07
Pension Funds	30 000 933	13.84
Unit Trusts/Mutual Fund	27 596 973	12.73
Other Managed Funds	14 148 613	6.53
Sovereign Wealth	7 649 719	3.53
Investment Trust	6 940 659	3.20
Insurance Companies	3 868 474	1.78
Custodians	2 293 265	1.06
Private Investors	2 105 294	0.97
Exchange-Traded Fund	429 003	0.20
American Depository Receipts	399 689	0.19
Hedge Fund	118 356	0.05
Charity	88 100	0.04
Local Authority	82 497	0.04
University	46 500	0.02
Foreign Government	35 640	0.02
Stock Brokers	30 950	0.01
Remainder	3 728 061	1.72
Total	216 747 811	100.00

Public/non-public shareholders	Number of shareholders	% of total shareholders	Number of shares held	% of issued share capital
Non-public shareholders	8	0.14	117 612 461	54.26
Public shareholders	5 575	99.86	99 135 350	45.74
Total	5 583	100.00	216 747 811	100.00

Investment management and beneficial interest (more than 3%)	Number of shares held	%
PIC	13 303 805	6.14
BlackRock Inc	10 628 007	4.90
Allan Gray Investment Council	7 460 152	3.44
Total	31 391 964	14.48





Top 20 shareholders

	Shareholder	Number of shares held	% holding of shares in issue
1	African Rainbow Minerals & Exploration	87 750 417	40.49
2	ARM Broad-Based Empowerment Trust	28 614 740	13.20
3	PIC	13 303 805	6.14
4	BlackRock Inc	10 628 007	4.90
5	Allan Gray Investment Council	7 460 152	3.44
6	Kagiso Asset Management (Pty) Ltd	5 667 183	2.61
7	Dimensional Fund Advisors	4 541 388	2.10
8	The Vanguard Group Inc	2 983 954	1.38
9	GIC Asset Management Pte Ltd (SG)	2 753 077	1.27
10	Coronation Asset Management (Pty) Ltd	2 588 145	1.19
11	Investec Asset Management	2 578 258	1.19
12	Momentum Investments	2 436 986	1.12
13	Fairtree Capital Pty Ltd	1 788 881	0.83
14	Jennison Associates LLC	1 672 192	0.77
15	Abax Investments	1 547 911	0.71
16	Old Mutual Asset Managers	1 438 120	0.66
17	J.P. Morgan Asset Management	1 369 123	0.64
18	STANLIB Asset Management	1 366 556	0.63
19	AQR Capital Management LLC	1 344 957	0.62
20	State Street Global Advisors Ltd	1 170 341	0.54

Share liquidity

Number of shares traded on the JSE Limited during F2014*

Month	Volume
July 2013	8 035 514
August 2013	8 937 647
September 2013	7 957 551
October 2013	7 746 784
November 2013	8 655 638
December 2013	4 693 140
January 2014	10 001 730
February 2014	8 130 495
March 2014	13 591 644
April 2014	9 024 250
May 2014	10 440 040
June 2014	13 697 031
Total	**110 911 464**

* *Source: JSE Limited*

Investor relations

Jongisa Magagula

Head of Investor Relations and Corporate Development
Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: jongisa.magagula@arm.co.za

Betty Mollo

Manager: Investor Relations and Corporate Development
Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: betty.mollo@arm.co.za

The 2014 ARM Integrated Annual Report and the Sustainability Report are available in electronic format on the Company's website at **www.arm.co.za**. Printed copies can also be requested from the Company Investor Relations Department.

Glossary of terms and acronyms

1H	First six months of the financial year
2H	Second six months of the financial year
3E	Platinum, palladium and gold
4E	Platinum, palladium, rhodium and gold
6E	Platinum, palladium, rhodium, gold, ruthenium and iridium
Anglo Platinum	Anglo American Platinum Limited
a	The a referred to in tabulation and graphic analysis refers to actual numbers
ARM	African Rainbow Minerals Limited
ARM BBEE Trust	ARM Broad-Based Economic Empowerment Trust
ARMI	African Rainbow Minerals & Exploration Investments Proprietary Limited
Assmang	Assmang Proprietary Limited
Assore	Assore Limited
ATC	Arthur Taylor Collieries
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
Btu – lb	British Thermal Unit per pound
C1 cash cost	Cash cost net of revenue from by-products
C2012	Calendar year starting 1 January 2012 ending 31 December 2012
C2013	Calendar year starting 1 January 2013 ending 31 December 2013
C2014	Calendar year starting 1 January 2014 ending 31 December 2014
CO_2	Carbon dioxide
COM	Chamber of Mines
CPI	Consumer Price Index
CPIX	Consumer Price Index, excluding interest
CSA	Coal Supply Agreement
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DEAT	Department of Environmental Affairs and Tourism
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources
DoH	Department of Health
DoL	Department of Labour
DRC	Democratic Republic of the Congo
DWAF	Department of Water Affairs and Forestry
DWEA	Department of Water and Environmental Affairs
e	The e referred to in tabulation and graphic analysis refers to estimated numbers
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, amortisation, excluding exceptional items and income from associates and income from joint venture
EIA	Environmental Impact Assessment
EMPR	Environmental Management Programme Report
F2013	Financial year starting 1 July 2012 ending 30 June 2013
F2014	Financial year starting 1 July 2013 ending 30 June 2014
FOB	Free on board
FOG	Fall of ground
FOR	Free on rail
FTSE	Financial Times and London Stock Exchange
GAR	Gross as received
GHG	Greenhouse gas
GOSA	Glencore Operations South Africa Proprietary Limited
Goedgevonden/GGV	Goedgevonden Thermal Coal Mine
Harmony/Harmony Gold	Harmony Gold Mining Company Limited
HDSA	Historically Disadvantaged South African
HIV	Human immuno-deficiency virus
IAS	International Accounting Standards
IBC	Inside back cover
ICMM	International Council on Mining and Metals

IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
Impala Platinum/Implats	Impala Platinum Holdings Limited
IRS	Impala Refining Services Limited
JO	Joint Operation
JORC Code	Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code
JSE	JSE Limited
JV	Joint venture
Kalplats AOI	Kalplats Area Of Influence
King II	King Report on Corporate Governance in South Africa 2002
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
LED	Local Economic Development
LoM	Life-of-mine
LTI	Lost Time Injuries
LTIFR	Lost Time Injury Frequency Rate – A rate expressed per 200 000 man-hours for a work-related injury that results in the employee being unable to attend work at his/her place of work, performing his/her assigned duties on the next calendar day (whether a scheduled work day or not) after the day of injury. If the appointed medical professional advises that the injured person is unable to attend work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a lost time injury is deemed to have occurred.
MHSA	Mine Health and Safety Act
Mining Charter	Broad-Based Socio-Economic Empowerment Charter signed in 2002
MIG	Main Insert Grinding
MMZ	Main Mineralised Zone
MOSH	Mining Industry Occupational safety and Health
MPRDA	Minerals and Petroleum Resources Development Act
MSB	Massive Sulphide Body
Mt	Million tonnes
Mtpa	Million tonnes per annum
NPI	Nickel Pig Iron
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers
OHSA	Occupational Health and Safety Act
PCB	Participating Coal Business
PCMZ	Peridotite Chromotitic Mineralised Zone
PCR	Chromotitic Peridotite Resource
PGMs	Platinum Group Metals
PLA	Platinum Australia
RBCT	Richards Bay Coal Terminal
RIFR	Reportable Injury Frequency Rate
ROM	Run of Mine
SAMREC Code	South African Code for Reporting Mineral Resources and Mineral Reserves
SARS	South African Revenue Service
SHE	Safety, Health and Environment Department
SLP	Social Labour Plans
SME	Small and Medium-sized Enterprise
SMME	Small, Medium and Micro Enterprise
STC	Secondary Tax on Companies
tCO_2	Tonnes of carbon dioxide
tCO_2e	Tonnes of carbon dioxide equivalent
TFR	Transnet Freight Rail
UASA	United Association of South Africa
UG2	Upper group 2 – second level of three chrometite layers
Vale	Vale SA (formerly Companhia Vale do Rio Doce)
VCT	Voluntary counselling and testing
WHIMS	Wet High Intensity Magnetic Separation Plant
ZCCM-IH	Zambia Consolidated Copper Mines Investment Holdings plc

Notice of annual general meeting

AFRICAN RAINBOW MINERALS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE share code: ARI
ADR ticker symbol: AFRBY
ISIN: ZAE000054045
("ARM" or "the Company")

Notice is hereby given that the 81st Annual General Meeting of shareholders of the Company will, subject to any cancellation, postponement or adjournment, be held on Friday, 5 December 2014 at 14:00 South African time, in Boardroom 6/7, Sandton Convention Centre, 161 Maude Street (at the corner of Fifth and Maude Streets), Sandton, for the following business to be transacted and considering and, if deemed fit, approving, with or without modification, the resolutions set out below.

The record date for the purposes of Section 59(1)(a) of the Companies Act 71 of 2008 (as amended) ("the Companies Act") for shareholders to be entitled to receive the Notice of Annual General Meeting is Friday, 24 October 2014.

The record date for the purposes of Section 59(1)(b) of the Companies Act for shareholders to be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to participate in and vote at the Annual General Meeting is Friday, 28 November 2014 ("voting record date"). The last day to trade in the Company's shares in order to be recorded as a shareholder by the voting record date is Friday, 21 November 2014.

Presentation of financial statements

To present the annual financial statements of the Company and the Group, for the most recent financial year which ended on 30 June 2014 as set out on pages 180 to 250 in the 2014 Integrated Annual Report, including the Directors', Audit and Risk Committee and Independent Auditor's reports.

Social and Ethics Committee Report

To present the report of the Social and Ethics Committee in terms of Regulation 43(5)(c) of the Regulations promulgated in terms of the Companies Act.

Re-election of Non-executive Directors

Ordinary resolutions numbers 1 – 3 are proposed to re-elect Directors who retire by rotation as Non-executive Directors of the Company in accordance with the provisions of the Company's Memorandum of Incorporation and who, being eligible, offer themselves for re-election. These Directors' *curricula vitae* appear in the 2014 Integrated Annual Report on pages 160 and 161. The Board of Directors of the Company (the "Board") recommends the re-election of these Directors.

Ordinary resolution number 1
– Re-election of Mr J A Chissano

1. "Resolved that Mr J A Chissano, who retires by rotation in terms of the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

In order for this resolution to be approved, the support of a majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 2
– Re-election of Dr R V Simelane

2. "Resolved that Dr R V Simelane, who retires by rotation in terms of the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

In order for this resolution to be approved, the support of a majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Ordinary resolution number 3
– Re-election of Mr Z B Swanepoel

3. "Resolved that Mr Z B Swanepoel, who retires by rotation in terms of the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

In order for this resolution to be approved, the support of a majority of votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Re-appointment of external auditors and re-appointment of designated auditor

Ordinary resolution number 4
– Re-appointment of auditors and re-appointment of designated auditor

Ordinary resolution number 4 is proposed to approve the re-appointment of Ernst & Young Inc. as the external auditors of the Company and to re-appoint Mr E A L Botha as the person designated to act on behalf of the external auditors for the financial year ending 30 June 2015 and to remain in office until the conclusion of the next Annual General Meeting.

5. "Resolved that the re-appointment of Ernst & Young Inc. as the external auditors of the Company be and is hereby approved and that Mr E A L Botha be and is hereby re-appointed as the designated auditor for the financial year ending 30 June 2015 and to remain in office until the conclusion of the next Annual General Meeting."

In order for this resolution to be approved, the support of a majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Re-election of Audit and Risk Committee members

Ordinary resolution number 5
– Re-election of Audit and Risk Committee members

Ordinary resolution number 5 is proposed to re-elect Audit and Risk Committee members in terms of section 94(2) of the Companies Act and the King Report on Governance for South Africa 2009 (collectively, "King III") as more fully explained in the Annexure on page 267. The *curricula vitae* of those Independent Non-executive Directors offering themselves for re-election as members of the Audit and Risk Committee are included on pages 160 and 161 of the 2014 Integrated Annual Report.

5. "Resolved that shareholders re-elect, each by way of a separate vote, the following Independent Non-executive Directors, as members of the Audit and Risk Committee, with effect from the end of this Annual General Meeting:

   5.1 Mr T A Boardman
   5.2 Dr M M M Bakane-Tuoane
   5.3 Mr A D Botha
   5.4 Mr A K Maditsi
   5.5 Dr R V Simelane*

   ** Subject to her re-election as a Director pursuant to Ordinary Resolution number 2 above.*

In order for each of these resolutions to be approved, the support of a majority of votes cast in respect of each of these resolutions by shareholders present or represented by proxy at the Annual General Meeting is required.

Remuneration policy

Ordinary resolution number 6 – Non-binding advisory vote on ARM's Remuneration policy

Ordinary resolution number 6 is proposed for the purpose set out in the Annexure on page 267.

6. "Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's Remuneration report, including the Remuneration policy, as set out in the 2014 Integrated Annual Report on pages 144 to 155."

In order for this resolution to be approved, the support of a majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Amendments to the Company's Share Incentive Schemes – Increase of overall and individual limits and treatment of retiring participants

Ordinary resolutions numbers 7 and 8 are proposed for the purposes set out in the Annexure on pages 267 and 268.

Ordinary resolution number 7 – Amendment to the Scheme

7. "Resolved that the ninth amending deed to The African Rainbow Minerals Share Incentive Scheme, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved."

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company's 2014 Integrated Annual Report; (ii) the Scheme and the registered amendments to the Scheme; (iii) the proposed ninth amendment to the Scheme; and (iv) a consolidated version of the Scheme, as previously amended, incorporating the proposed amendments to the Scheme.

In order for this resolution to be approved, the support of at least 75% of the voting rights exercised on this resolution is required, excluding voting rights attaching to securities owned or controlled by persons who are existing participants in the Scheme which have been acquired in terms of the Scheme as well as the securities held by the Scheme.

Ordinary resolution number 8 – Amendment to the Share Plan

8. "Resolved that the 2014 amended version of The African Rainbow Minerals Limited 2008 Share Plan, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved."

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company's 2014 Integrated Annual Report; (ii) the Share Plan; and (iii) the proposed amendments to the Share Plan.

In order for this resolution to be approved, the support of at least 75% of the voting rights exercised on this resolution is required, excluding voting rights attaching to securities owned or controlled by persons who are existing participants in the Share Plan which have been acquired in terms of the Share Plan as well as the securities held by the Share Plan.

Remuneration of Non-executive Directors

Special resolutions numbers 1 – 4 are proposed to ensure that Non-executive Directors' fees attract and retain Non-executive Directors.

Special resolution number 1 – Increase in annual retainer fees

9. "Resolved that with effect from 1 July 2014, the annual retainer fees for Non-executive Directors be increased by 6% per annum (rounded to the nearest R50) from R353 700 to R374 900 per annum for Independent Non-executive Directors and from R283 000 to R300 000 per annum for Non-executive Directors."

In order for this resolution to be approved, the support of at least 75% of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Special resolution number 2 – Increase in the Board meeting attendance fees

10. "Resolved that with effect from 1 July 2014, the per Board meeting attendance fees for Non-executive Directors be increased by 6% per annum (rounded to the nearest R50) from R17 000 to R18 000 per meeting."

The Board meeting attendance fees are also paid for attendance at *ad hoc* Board meetings, site visits and other *ad hoc* meetings in respect of Board matters.

In order for this resolution to be approved, the support of at least 75% of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Special resolution number 3 – Increase in the Committee meeting attendance fees

11. "Resolved that with effect from 1 July 2014, the per Committee meeting attendance fees for Non-executive Directors be increased as follows:

Notice of annual general meeting continued

	2014/2015 per Meeting Fees (Rand)*	2013/14 per Meeting Fees (Rand)**
Audit and Risk Committee		
Chairman	93 700	88 400
Member	37 500	35 400
Investment Committee, Nomination Committee, Remuneration Committee and Social and Ethics Committee		
Chairman	36 800	34 700
Member	24 500	23 100

* *Effective 1 July 2014, should the increase be approved by shareholders at the Annual General Meeting.*
** *Effective 1 July 2013.*

In order for this resolution to be approved, the support of at least 75% of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Special resolution number 4
– Approve the annual retainer fee for the Lead Independent Non-executive Director

12. "Resolved that with effect from 1 July 2014, the annual retainer fee for the Lead Independent Non-executive Director be increased by 6% per annum (rounded to the nearest R50) from R443 350 to R469 950 per annum (rounded to the nearest R50)."

In order for this resolution to be approved, the support of at least 75% of the votes cast by shareholders present or represented by proxy at the Annual General Meeting is required.

Voting and proxies

In terms of Section 63(1) of the Companies Act, any person attending or participating in the Annual General Meeting must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote whether as a shareholder or as a proxy for a shareholder has been reasonably verified. Acceptable forms of identification include valid identity documents, drivers' licences or passports.

In terms of section 63(5) of the Companies Act, if voting is by show of hands, every person who is present at the Annual General Meeting, whether as a shareholder or as a proxy for a shareholder shall have one vote, irrespective of the number of shares held by such shareholder.

In terms of section 63(6) of the Companies Act, if voting is by polling, every person who is present at the Annual General Meeting, whether as a shareholder or as a proxy for a shareholder shall have one vote for every share held by such shareholder.

Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder (or its proxy) should make application in writing (including details as to how the shareholder (or its proxy) can be contacted to participate) to the transfer secretaries, at their address below, to be received by the transfer secretaries at least 5 business days prior to the Annual General Meeting in order for the transfer secretaries to arrange for the shareholder (or its proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its proxy) with details as to how to access any electronic participation means to be provided. The Company reserves the right to elect not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the Company. Please note that although shareholders are entitled to participate in the Annual General Meeting by electronic means, they shall not be entitled to exercise their votes at the Annual General Meeting electronically. Voting at the Annual General Meeting will only be possible by proxy if a shareholder is unable to attend the Annual General Meeting in person.

Certificated shareholders/dematerialised shareholders with own name registrations

Shareholders who have not yet dematerialised their shares with own name registrations ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholders' stead. The person so appointed need not be a shareholder of the Company. A form of proxy is attached for the use of those Entitled Shareholders who wish to be represented. Such Entitled Shareholders should complete the attached form of proxy in accordance with the instructions contained therein and deposit it at the transfer secretaries, Computershare Investor Services Proprietary Limited, 7th Floor, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department Fax +27 11 688 5238) (or emailed to Proxy@computershare.co.za).

Dematerialised shareholders

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with the relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting or send a proxy to represent them at the Annual General Meeting, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend.

By order of the Board

A N D'Oyley (Ms)
Company Secretary

14 October 2014

Annexure

Explanatory note relating to Ordinary resolution number 5: Re-election of Audit and Risk Committee members

Ordinary resolution number 5 is proposed to provide for the re-election of Audit and Risk Committee members.

Section 94(2) of the Companies Act and Chapter 3 of the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III) requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting. In accordance therewith the nomination committee should present shareholders with suitable candidates for election as audit committee members. The members of the Nomination Committee satisfied themselves that, *inter alia*, the Independent Non-executive Directors offering themselves for re-election as members of the Audit and Risk Committee:

- are Independent Non-executive Directors as contemplated in King III and the JSE Listings Requirements;
- are suitably qualified and experienced for Audit and Risk Committee membership (see the Report of the Audit and Risk Committee which appears on pages 166 and 167 of the 2014 Integrated Annual Report);
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance process (including information technology governance) within the Company;
- collectively possess skills which are appropriate to the Company's size and circumstance, as well as its industry;
- have an understanding of International Financial Reporting Standards and other financial and sustainability reporting standards, regulations and guidelines applicable to the Company; and
- adequately keep up to date with key developments affecting their required skills set.

The Nomination Committee recommended that the Board recommend to the shareholders the re-election of those existing Audit and Risk Committee members, who offer themselves for re-election, by the shareholders at the Annual General Meeting.

For further details regarding the performance of the Audit and Risk Committee during the period under review, please refer to the Report of the Audit and Risk Committee which appears on pages 166 and 167 of the 2014 Integrated Annual Report.

Explanatory note relating to Ordinary resolution number 6: Non-binding advisory vote

Ordinary resolution number 6 is proposed to provide for a non-binding advisory vote on the Company's Remuneration policy.

Chapter 2 of King III, which deals with "Boards and directors", requires a company to table at its annual general meetings its Remuneration policy to shareholders for a non-binding advisory vote. This enables shareholders to express their views on a company's remuneration policy and on its implementation.

The Company's Remuneration report may be found on pages 144 to 155 of the 2014 Integrated Annual Report. The Remuneration report includes, *inter alia*, the Company's Remuneration policy, details of the members of the Remuneration Committee and describes the remuneration arrangements in place for the Executive Directors and Non-executive Directors.

Ordinary resolution number 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration policy.

Explanatory note relating to Ordinary resolution numbers 7 and 8: Amendments to the Company Share Incentive Schemes

Ordinary resolutions numbers 7 and 8 are proposed to amend The African Rainbow Minerals Share Incentive Scheme, as amended (the "Scheme") and The African Rainbow Minerals Limited 2008 Share Plan, as amended (the "Share Plan") to increase both the overall limits and the individual limits to allow for the continuing implementation of both the Scheme and the Share Plan for the period up to 31 December 2019, to make certain amendments in relation to the treatment of retiring participants in respect of all future grants in terms of the Share Plan, as well as to update the Scheme and the Share Plan by replacing references to outdated legislation no longer in force with correct references to current legislation. The current Scheme and Share Plan limits were set in December 2008 and at that time included vested and unvested share options amounting to 5 042 027 options. This effectively meant that the limit available for grants of share options and awards of bonus and performance shares from December 2008 was 5 539 267. This limit is now close to being reached, after 7 years of allocations, and needs to be extended. The proposed amendments to the treatment of retiring participants are to provide that retirement does not accelerate the relevant vesting periods in respect of scheme shares or share options.

The African Rainbow Minerals Share Incentive Scheme

An amendment is proposed to paragraph 2.1.11A of The African Rainbow Minerals Share Incentive Scheme ("the Scheme") to update the reference from the Securities Services Act, 2004, to the Financial Markets Act, 2012. In addition, amendments are proposed to paragraphs 5.1 and 5.3 of the Scheme to increase the aggregate number of shares that may be acquired by all eligible participants through the Scheme for the period up to 31 December 2019 from 10 581 294 to 15 581 294, and to increase the aggregate number of shares that may be acquired by each eligible participant for the period up to 31 December 2019 from 1 058 129 shares to 1 558 129 shares.

Annexure continued

The African Rainbow Minerals Limited 2008 Share Plan

An amendment is proposed to paragraph 1.1.1 of The African Rainbow Minerals Limited 2008 Share Plan ("the Share Plan") to update the reference from the previous Companies Act, 1973 to the Companies Act, 2008, as amended. Consequential amendments are also proposed to paragraph 1.1.4 to refer to the current takeover regulations, rather than the previous takeover code, and to paragraphs 22.2.3, 31.2.1 and 31.2.2 to update section references to the correct section in the Companies Act, 2008, as amended. An amendment is proposed to paragraph 1.1.31 and 27 of the Share Plan to update the reference from Securities Services Act, 2004 to the Financial Markets Act, 2012. Amendments to clauses 26.1, 26.1.3 and 26.1.4 are suggested to clean up the wording. In addition, amendments are proposed to paragraphs 8.1 and 8.2 of the Share Plan to increase the aggregate number of shares that may be acquired by all eligible participants through the Share Plan for the period up to 31 December 2019 from 10 581 294 to 15 581 294 and to increase the aggregate number of shares that may be acquired by each eligible participant for the period up to 31 December 2019 from 1 058 129 shares to 1 558 129 shares. Amendments are also proposed to 1.1.20, 1.1.39, 12.1, 12.3, 15.1, 15.2, 16, 17.2, 18 and 22.5 in order to alter the treatment of retiring participants to provide that retirement does not accelerate vesting periods in respect of new grants or awards.

For additional information about the Scheme and the Share Plan, please refer to the Remuneration report, which appears on page 144 of the 2014 Integrated Annual Report.

African Rainbow Minerals

Form of proxy

AFRICAN RAINBOW MINERALS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE share code: ARI
ADR ticker symbol: AFRBY
ISIN: ZAE000054045
("ARM" or "the Company")

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the Company) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.
Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with their relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting of the Company, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend and vote their ARM shares.

For completion by shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration.
Shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or to abstain from voting in such shareholder's stead. The person so appointed need not be a shareholder of the Company. This form of proxy is for the use of those Entitled Shareholders who wish to be so represented. Such Entitled Shareholders should complete this form of proxy in accordance with the instructions contained herein and return it to the transfer secretaries, to be received by the time and date stipulated herein.

If you are unable to attend the 81st Annual General Meeting of shareholders of the Company convened for Friday, 5 December 2014 at 14:00, South African time, but wish to be represented thereat you should complete and return this form of proxy as soon as possible, but in any event to be received by not later than 14:00, South African time, on Wednesday, 3 December 2014.

I/We ______________________________ (name in block letters)

of ______________________________ (address)

being the holder of ______________________________ shares in the issued share capital of

the Company, do hereby appoint ______________________________

______________________________ or failing him/her,

______________________________ or failing him/her,

the Executive Chairman of the Board of Directors, or failing him/her the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 14:00, South African time, on Friday, 5 December 2014 and at any cancellation, postponement or adjournment thereof and in particular in respect of the following resolutions:

Indicate with an X in the spaces below how votes are to be cast.

1. Ordinary Resolution number 1: To re-elect Mr J A Chissano as a Director.			
2. Ordinary Resolution number 2: To re-elect Dr R V Simelane as a Director.			
3. Ordinary Resolution number 3: To re-elect Mr Z B Swanepoel as a Director.			
4. Ordinary Resolution number 4: To re-appoint Ernst & Young Inc. as external auditors and to re-appoint Mr E A L Botha as the person designated to act on behalf of the external auditors.			
5. Ordinary Resolution number 5: To individually elect the following Independent Non-executive Directors as members of the ARM Audit and Risk Committee:			
5.1 Mr T A Boardman			
5.2 Dr M M M Bakane-Tuoane			
5.3 Mr A D Botha			
5.4 Mr A K Maditsi			
5.5 Dr R V Simelane			
6. Ordinary Resolution number 6: To accept the Company's Remuneration report, which includes the Remuneration policy.			
7. Ordinary Resolution number 7: To amend The African Rainbow Minerals Share Incentive Scheme to update references to outdated legislation, to increase the overall limit and to increase the individual limit.			
8. Ordinary Resolution number 8: To amend The African Rainbow Minerals Limited 2008 Share Plan to update references to outdated legislation, to increase the overall limit, to increase the individual limit, and to alter the treatment of retiring participants.			
9. Special Resolution number 1: With effect from 1 July 2014, the annual retainer fees of Non-Executive Directors be increased by 6% per annum.			
10. Special Resolution number 2: With effect from 1 July 2014, the per Board meeting attendance fees of Non-Executive Directors be increased by 6% per annum.			
11. Special Resolution number 3: With effect from 1 July 2014, the per Committee meeting attendance fees of Committee members be increased as outlined on page 266 of this Notice of Annual General Meeting.			
12. Special Resolution number 4: With effect from 1 July 2014, the annual retainer fee for the Lead Independent Non-executive Director be increased by 6% per annum.			

Number of shares
Unless this section is completed for a lesser number, the Company is authorised to insert in the said section the total number of shares registered in my/our name(s) one business day before the meeting.

Signed at ______________________________ on ______________________________ 2014

Signature ______________________________

Assisted by me (where applicable) ______________________________

Please see notes overleaf ►

Notes to the proxy

Instructions on signing and lodging the form of proxy

Please read the notes below:

1. The completion and lodging of this form of proxy will not preclude the Entitled Shareholder who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should he or she wish to do so.
2. Every shareholder present in person or represented by proxy and entitled to vote shall, on a show of hands, have only one vote and upon a poll every shareholder shall have one vote for every ordinary share held.
3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose. The person whose name appears first on the form of proxy and who is present at this meeting will be entitled to act as a proxy to the exclusion of those whose names follow.
4. When there are joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders for which purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding. Only that holder whose name appears first in the register need sign this form of proxy.
5. If the form of proxy is signed under the authority of a power of attorney or on behalf of a company or any other juristic person, then it must be accompanied by such power of attorney or a certified copy of the relevant enabling resolution or other authority of such company or other juristic person, unless proof of such authority has been recorded by the Company.
6. If the Entitled Shareholder does not indicate in the appropriate place on the face hereof how he or she wishes to vote in respect of a resolution, his or her proxy shall be entitled to vote as he or she deems fit in respect of that resolution.
7. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
8. The Chairman of the meeting may, in his or her absolute discretion, reject any form of proxy which is completed other than in accordance with these instructions.
9. Forms of proxy, powers of attorney or any other authority appointing a proxy shall be deposited at the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department +27 11 688 5238) (or emailed to Proxy@computershare.co.za) so as to be received not later than 14:00, South African time, on Wednesday, 3 December 2014 (in respect of the meeting) or 48 hours, excluding Saturdays, Sundays and public holidays, before the time appointed for holding of any adjourned meeting.
10. No form of proxy shall be valid after the Annual General Meeting or any cancellation, postponement or adjournment thereof, as the case may be.
11. Summary in terms of section 58(8)(b)(i) of the Companies Act, 2008, as amended section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:
    - A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
    - A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
    - A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
    - A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
    - A shareholder may revoke a proxy appointment in writing.
    - A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
    - A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

Contact details

African Rainbow Minerals Limited
Registration number: 1933/004580/06
Incorporated in the Republic of South Africa
JSE share code: ARI
ADR ticker symbol: AFRBY
ISIN: ZAE000054045

Registered and corporate office
ARM House
29 Impala Road
Chislehurston
Sandton
2196

PO Box 786136, Sandton, 2146

Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: ir.admin@arm.co.za
Website: **http://www.arm.co.za**

Company Secretary
Alyson D'Oyley, BCom, LLB, LLM
Telephone: +27 11 779 1300
Fax: +27 11 779 1318
E-mail: alyson.doyley@arm.co.za

Business development
Stompie Shiels
Executive: Business Development
Telephone: +27 11 779 1476
Fax: +27 11 779 1312
E-mail: stompie.shiels@arm.co.za

Investor relations
Jongisa Magagula
Corporate Development and Head of Investor Relations
Telephone: +27 11 779 1507
Fax: +27 11 779 1312
E-mail: jongisa.magagula@arm.co.za

Betty Mollo
Manager: Investor Relations and Corporate Development
Telephone: +27 11 779 1478
Fax: +27 11 779 1312
E-mail: betty.mollo@arm.co.za

Auditors
External auditors: Ernst & Young Inc.
Internal auditors: KPMG

Bankers
ABSA Bank Limited
FirstRand Bank Limited
The Standard Bank of South Africa Limited
Nedbank Limited

Sponsors
Deutsche Securities (SA) Proprietary Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg 2001
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5222
E-mail: web.queries@computershare.co.za
Website: http//www.computershare.co.za

Directors
P T Motsepe (Executive Chairman)
M P Schmidt (Chief Executive Officer)
F Abbott*
M Arnold
Dr M M M Bakane-Tuoane*
T A Boardman*
A D Botha*
J A Chissano (Mozambican)*
W M Gule**
A K Maditsi*
D V Simelane
Dr R V Simelane*
Z B Swanepoel*
A J Wilkens

* *Independent Non-executive*
** *Non-executive*

Forward looking statements

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the HIV & Aids crisis in South Africa. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

STUDIO 5

ARM
African Rainbow Minerals

www.arm.co.za