African Rainbow Minerals Limited
(Incorporated in the Republic of South Africa)
(Registration number 1933/004580/06)
JSE Share code: ARI
ISIN: ZAE000054045
("ARM" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019 (1H F2020) AND INTERIM DIVIDEND DECLARATION

This short form announcement is the responsibility of the board of directors of ARM (the "Board") who acknowledge their responsibility to ensure the integrity of the interim results.

The details contained in this announcement are only a summary of the information in the full announcement and do not contain full details of the Company's financial performance and position or other relevant information about the business for the six-month period under review. Any investment decisions by investors and/or shareholders should therefore be based on the full announcement published on the Company's website at www.arm.co.za and is available on the following link:

https://senspdf.jse.co.za/documents/2020/jse/isse/ARIM/Interim19.pdf

The full announcement is also available for inspection free of charge during business hours (excluding weekends and public holidays) from Friday, 28 February 2020 at the registered office of ARM at ARM House, 29 Impala Road, Chislehurston, Johannesburg. In addition, copies of the full announcement may be requested by emailing the Company's investor relations department on jongisa.magagula@arm.co.za

Salient features

- Revenue increased by 31% to R5 907 million (1H F2019: R4 524 million).
- Headline earnings decreased marginally to R2 155 million or R11.14 per share. 1H F2019: R2 201 million or R11.49 per share).
- ARM Platinum increased headline earnings by 193% to R489 million (1H F2019: R167 million).
- Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10% to R4 593 million (1H F2019: R4 171 million).
- An interim dividend of 500 cents was declared (1H F2019: 400 cents per share).
- Basic earnings were 63% higher at R2 132 million (1H F2019: R1 306 million which included an attributable impairment of Nkomati Mine assets of R892 million after tax).
- A robust financial position was maintained as the net cash position increased to R2 869 million (30 June 2019: R2 601 million).
- The Company net asset value per share increased by 5% to R133.07 per share (at 30 June 2019: R126.90 per share).

Safety

We are committed to creating and maintaining a safe work environment for all our employees. Regrettably three colleagues were fatally injured in separate accidents at our operations.

On 8 September 2019, Mr Mpedi Ishmael Malatji, a load haul dump operator at Two Rivers Mine was fatally injured in an accident involving moving machinery. At Nkomati Mine Mr Makoti Marks Tshwale, a water truck operator employed by a contractor, was fatally injured on 31 October 2019 when he lost control of the truck he was driving which overturned. At Tweefontein Coal Mine, Mr Simon Sandamela was fatally injured in a blasting accident on 10 November 2019.

We extend our deepest condolences to the families of Mr Malatji, Mr Tshwale and Mr Sandamela and to their colleagues and friends.

Initiatives are ongoing at the operations to ensure that safety training continues and safety standards are strictly upheld.

A total of 52 lost time injuries (LTIs) occurred in the six months under review (1H F2019: 40) of which 41 were reportable injuries (1H F2019: 37). The group's lost time injury frequency rate per 200 000 man-hours was 0.48 compared to 0.36 in the corresponding period.

Note: Lost time injuries and lost time injury frequency rates are presented on a 100% basis and are reported for those operations where ARM has direct or joint management and exclude the ARM Coal, Sakura and Harmony operations.

Financial results overview

Headline earnings

ARM continued to benefit from its commodity portfolio diversification as higher palladium, rhodium, platinum and iron ore prices offset the decline in manganese ore, manganese alloys and thermal coal prices. Headline earnings were therefore only marginally lower at R2 155 million or R11.14 per share (1H F2019: R2 201 million or R11.49 per share). A 4% weakening of the average realised Rand/US Dollar exchange rate to R14.69/US$ (1H F2019: R14.19/US$) contributed positively to earnings. The closing exchange rate was R14.00/US$ (31 December 2018: R14.09/US$).

Headline earnings for ARM Ferrous were 13% lower at R1 848 million (1H F2019: R2 127 million) as a 16% increase in headline earnings in the iron ore division was more than offset by a 52% decline in headline earnings in the manganese division. The iron ore division's improved profitability was driven mainly by higher average realised US Dollar iron ore prices due to supply disruptions in the global seaborne iron ore market coupled with better-than-expected steel production in China. Conversely, manganese ore prices declined sharply in the latter part of the review period as increased seaborne manganese ore supply put prices under pressure. The negative impact of lower manganese ore prices on headline earnings was partially offset by a 13% increase in export sales volumes as ramp-up of Black Rock Mine progressed on schedule and within budget. The manganese ore operations decreased on-mine unit production costs which also contributed positively to headline earnings. Headline earnings for the manganese alloy operations were 153% lower, primarily due to lower alloy prices and sales volumes, increased production costs, as well as inventory net realisable value adjustments at period end.

ARM Platinum headline earnings increased by 193% to R489 million as both the Two Rivers and Modikwa mines doubled headline earnings compared to the corresponding period. Average realised platinum, palladium and rhodium prices were up 9%, 58% and 97% respectively and Modikwa Mine benefited from its almost 1:1 platinum to palladium ratio. Production volumes were lower at both operations as Two Rivers Mine continued to be affected by lower grades due to mining a split reef. Installation of 40 000 tonnes per month of additional milling capacity at Two Rivers Mine has been approved and is expected to increase production volumes to between 360 000 to 380 000 PGM ounces per annum. Construction and installation of this milling capacity is expected to take 18 months from May 2020 and ramp-up to steady state within six months thereafter. At Modikwa Mine lower-grade material was blended with higher-grade fines to optimise plant milling capacity, which negatively impacted the grade. Production volumes are expected to improve slightly for 2H F2020 at Two Rivers Mine, while volumes are expected to recover to an annualised rate of approximately 320 000 tonnes at Modikwa Mine.

Nkomati Mine headline loss was impacted by the following charges (100% basis):

- a provision relating to South African Revenue Services (SARS) diesel rebates (and related interest) currently under dispute of R271 million;
- a provision for restructuring costs of R84 million;
- an inventory adjustment of R96 million; and
- penalty and treatment charges of R63 million.

Scaling down this loss-making operation is progressing on schedule. As previously reported, production at Nkomati Mine will cease from end-September 2020, after which the mine will be placed on care and maintenance in preparation for closure. Engagement with affected employees, communities and suppliers is continuing. An assessment of total closure and rehabilitation costs for the operation is under way and expected to be completed by end of March 2020.

ARM Coal reported a headline loss of R101 million which includes a re-measurement gain of R104 million (1H F2019: R202 million re-measurement loss) on the ARM Coal loans which were restructured in F2018. Excluding the re-measurement gain, ARM Coal headline loss was R209 million, mainly due to a sharp decline in seaborne thermal coal prices (as lower natural gas and renewable energy prices in the United States and Europe put seaborne thermal coal prices under pressure). In addition, lower volumes owing to weather-related mining challenges and above-inflation unit cost increases negatively affected headline earnings. Seaborne thermal coal prices have improvedin recent months and production volumes are expected to recover to normal annualised levels at both the Goedgevonden (GGV) and Participative Coal Business(PCB).

ARM Corporate and other headline loss was R81 million compared to R158 million in 1H F2019. The decrease is mainly due to higher interest income (R60 million), higher ARM Mining Consortium and ARM Coal intercompany loan re-measurement gains (R118 million), partially offset by lower fee income (R26 million), higher operating expenses (R25 million), higher taxation (R30 million) and Machadodorp Works operating expenses which are included in the Corporate and other segment (R11 million) since acquiring this business from Assmang. The intercompany loans re-measurement are partially eliminated at group level.

Basic earnings were R2 132 million (1H F2019: R1 306 million). Comparative basic earnings included an attributable impairment of Nkomati Mine assets of R892 million after tax.

Financial position

ARM maintained a robust financial position which allows continued investment in our existing business while giving us flexibility to pursue growth and pay dividends in line with our dividend guiding principles.

At 31 December 2019, ARM was in a net cash position of R2 869 million (30 June 2019: R2 601 million, 31 December 2018: R2 914 million). This amount excludes attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R3 107 million (30 June 2019: R3 053 million, 31 December 2018: R2 186 million). Total borrowings of R147 million (1H F2019: R167 million) were repaid in the period, reducing gross debt to R2 024 million (31 December 2018: R2 132 million) which mostly relates to the ARM Coal debt. The ARM Broad-based Economic Empowerment (BBEE) Trust loan from Nedbank was fully repaid in October 2019. There was no debt at ARM Ferrous in either of the two reporting periods.

Cash flow

Cash generated from operations increased by R140 million to R921 million (1H F2019: R781 million) despite a R1 280 million increase in working capital requirements (1H F2019: R570 million increase). Dividends received from the Assmang joint venture were R2 000 million (1H F2019: R1 750 million). Capital expenditure for the period was R492 million, all for sustaining capital (1H F2019: R505 million). Dividends paid to ARM shareholders in 1H F2020 include R1 741 million paid in October 2019 as a final dividend (1H F2019: R1 433 million).

Net cash outflow from investing activities was R492 million (1H F2019: R715 million). The corresponding period included ARM's R211 million participation in a Harmony rights issue.

Capital expenditure

Segmental capital expenditure (attributable basis) was R1 573 million for the review period and included R215 million (H1 F2019: R242 million) of capitalised waste stripping at the iron ore operations. Waste is no longer capitalised at Nkomati Mine as the operation scales down.

Changes to Mineral Resources and Mineral Reserves

There has been no material change to ARM's Mineral Resources and Mineral Reserves as disclosed in the integrated annual report for the financial year ended 30 June 2019, other than depletion due to continued mining activities at the operations. An updated Mineral Resources and Mineral Reserves Statement will be issued in our F2020 integrated annual report.

Changes to board of directors

ARM announced the following changes to its board of directors, effective from 18 December 2019:

- Mr Andre Wilkens stepped down as an executive director of ARM. Mr Wilkens served for many years as an executive director, including a long and successful tenure as the company's Chief Executive Officer (CEO).
- Mrs Jongisa Magagula was appointed as Executive Director for Investor Relations and New Business Development.

Dividend declaration

ARM aims to pay ordinary dividends to shareholders equal to approximately 40-70% of annual dividends received from its group companies.

Dividends remain at the discretion of the board of directors and consider the company's capital allocation principles as well as other relevant factors such as financial performance, commodities outlook, investment opportunities, gearing levels as well as solvency and liquidity requirements of the Companies Act.

ARM aims to pay an interim and a final dividend. The weighting between the interim and final dividends is likely to result in the final dividend being higher than the interim dividend. ARM does not borrow funds to pay dividends.

For the review period, the board has approved and declared an interim dividend of 500 cents per share (gross) (1H F2019: 400 cents per share). The amount to be paid is approximately R1 119 million.

The dividend declared will be subject to dividend withholding tax. In line 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 rate is 20%;
- The gross local dividend is 500 cents per ordinary share for shareholders exempt from dividends tax;
- The net local dividend is 400 cents per share for shareholders liable to pay dividends tax;
- At the date of this declaration, ARM has 223 879 043 ordinary shares in issue; and
- ARM's income tax reference number is 9030/018/60/1.

A gross dividend of 500 cents per ordinary share, being the dividend for the six months ended 31 December 2019, has been declared payable on Monday, 23 March 2020 to those shareholders recorded in the books of the company at the close of business on Friday, 20 March 2020. The dividend is declared in the currency of South Africa. Any change in address or dividend instruction applying to this dividend must be received by the company's transfer secretaries or registrar not later than Tuesday, 17 March 2020. The last day to trade ordinary shares cum dividend is Tuesday, 17 March 2020. Ordinary shares trade ex-dividend from Wednesday, 18 March 2020. The record date is Friday, 20 March 2020 while the payment date is Monday, 23 March 2020.

No dematerialisation or rematerialisation of share certificates may occur between Wednesday, 18 March 2020 and Friday, 20 March 2020, both dates inclusive, nor may any transfers between registers take place during this period.

Review by independent auditors

The financial results for the six months ended 31 December 2019 have not been reviewed nor audited by the Company's registered auditors, Ernst & Young Inc.

Any reference to future financial performance included in these results has not been reviewed nor reported on by ARM's external auditors.

Basis of preparation

The Group financial statements for the period have been prepared under the supervision of the Finance Director, Miss AM Mukhuba CA(SA). The Group financial statements for the six months ended 31 December 2019 have been prepared on the historical cost basis, except for certain financial instruments, which include listed investments, and unlisted investments that are fair valued. The accounting policies used are consistent with those in the most recent annual financial statements and comply with IFRS. Please refer to note 1 to the financial statements.

ENDS

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Johannesburg
28 February 2020

Sponsor: Investec Bank Limited