African Rainbow Minerals

2006 Annual Report

Corporate profile

African Rainbow Minerals Limited (ARM) is a leading, niche diversified mining and minerals company, based in Johannesburg, South Africa, with excellent long-life low-cost assets in key commodities. The company owns and operates its assets and exercises a strategic influence on the boards of those companies in which it has an interest. ARM's unique management style is supported by experience and a focus on entrepreneurship, which adds significant value to its business. An integral part of ARM's business is the forging of partnerships with key players in the various sectors to ensure that ARM is at the forefront of technological development and global practices, and has access to key markets and to value-generating growth opportunities.

ARM in its current form was formed in May 2004, to explore, develop, operate and hold significant interests in the South and southern African mining industry. The company has five areas of interest, namely:

- ferrous metals through its holding in Assmang Limited;
- platinum group metals (PGMs) and nickel held through a range of joint ventures and partnerships;
- coal, through its interest in Xstrata Coal South Africa;
- copper, cobalt and other base metals outside of South Africa, through Teal Exploration & Mining Incorporated (TEAL);
- gold, through its interest in Harmony Gold Mining Company Limited (Harmony).

ARM's history though goes back much further, to 1933 when the Anglo-Transvaal Consolidated Investment Company Limited was incorporated as a mining, finance and industrial holding company. That group was unbundled in 1998, allowing Anglovaal Limited to focus on its core mining operations through Anglovaal Mining Limited (Avmin).

In 1994, ARM Executive Chairman Patrice Motsepe started Future Mining, a contract mining company which, following a series of acquisitions of gold interests from Anglo American Corporation of South Africa Limited, led to the formation of ARMgold. The gold assets of ARMgold Limited were listed in May 2002, while the platinum assets were bolstered with the development of Modikwa Platinum in a joint venture with Anglo Platinum Limited in 2001.

In May 2003, ARMgold merged with Harmony to create the world's sixth largest gold company and, in May 2004, a range of indivisible transactions involving certain interests of Avmin, ARMgold and Harmony resulted in the formation of two entities – Harmony Gold in its current form and ARM.

In November 2005, ARM listed Teal Exploration & Mining Incorporated (TEAL), on the Toronto Stock Exchange and later on the JSE Limited, into which ARM's non-South African exploration portfolio was injected. This exploration portfolio includes copper projects in Zambia, a copper-cobalt project in the Democratic Republic of Congo (DRC) and a gold project in Namibia.

The formation of ARM Coal, the company's new coal investment, was announced in February 2006. ARM Coal holds a 20 percent interest in the existing coal operations of Xstrata Coal South Africa, and a 51 percent interest in an unincorporated joint venture which holds the Goedgevonden project. Subsequent to the financial year-end, the ARM Board approved the exercise of the option to acquire an additional 10 percent, directly, in Xstrata Coal South Africa, for R400 million by 1 September 2006.

Throughout this report, $ refers to US$. The dollar equivalents throughout this report in brackets (provided for convenience purposes only) are translated at the year-end rate of R7.16.

African Rainbow Minerals Limited (ARM) is a niche, diversified South African mining company with excellent long-life, low-cost operating assets in key commodities. ARM owns ferrous and base metals, platinum and coal operations and holds a significant interest in the gold mining sector through its shareholding in Harmony. ARM subsidiary, TEAL houses ARM's non-South African exploration portfolio.

ARM is listed on the JSE Limited in Johannesburg, South Africa, and had a market capitalisation of approximately R10 billion ($1.4 billion) as at 30 June 2006.

1

ARM PLATINUM

ARM Platinum has interests in the following platinum and nickel operations: Modikwa Platinum, a 50:50 joint venture with Anglo Platinum, the Two Rivers Platinum Mine, (55 percent interest) with partner Implats, and the Nkomati Nickel mine, a 50:50 joint venture with LionOre. ARM also has a 50 percent interest in the Nkomati Nickel Expansion Project and 90% in the Kalplats PGM Exploration Project.

During FY2006, the platinum and nickel operations contributed R227 million towards group earnings, an increase of 89 percent on the previous year and accounted for 38 percent of group earnings. The surge in the prices of PGMs and nickel as well as strong demand for these metals contributed substantially to the strong performance of this division during the current financial year.

2

ARM FERROUS

Through its 50 percent holding in Assmang, ARM Ferrous produces, for both local and international markets, manganese and iron ore from its mines in the Northern Cape and chromite ore from its mine at Dwarsrivier in Mpumalanga. ARM Ferrous also produces charge chrome from its smelter in Machadodorp, Mpumalanga and ferromanganese from its smelter in Cato Ridge, KwaZulu-Natal. Most of the company's alloy production is exported.

During FY2006, attributable profits from ARM Ferrous amounted to R341 million, accounting for 57 percent of group earnings. The division continued to benefit from the strong demand being experienced for commodities globally. Revenues from iron ore sales were especially strong.

3

ARM COAL

In February 2006, ARM entered into an agreement with Xstrata plc for the establishment of ARM Coal in which ARM has 51 percent and Xstrata 49 percent respectively. In turn, ARM Coal will have a 20 percent equity-based participation interest in the existing coal operations of Xstrata South Africa and a 51 percent interest in the unincorporated joint venture holding the Goedgevonden coal project.

Subsequent to year-end, the ARM board has approved the exercise of an option held by ARM to acquire a further 10 percent in Xstrata's South African coal operations, directly, for R400 million as from 1 September 2006.

4

TEAL

TEAL, a mineral development and exploration company, which was listed on the Toronto Stock Exchange in November 2005 and the JSE Limited in April 2006, houses ARM's non-South African exploration portfolio. It includes exploration projects in Zambia (the Konkola North and Mwambashi Copper Projects), the Democratic Republic of the Congo (DRC) (the Kalumines Copper-Cobalt Project) and Namibia (the Otjikoto Gold Project). Each of these projects is being progressed towards feasibility and development decisions while other development opportunities in southern and central Africa are simultaneously being sought.

TEAL's total resource comprises 15 billion pounds of copper at an average grade of above 2.65 percent.

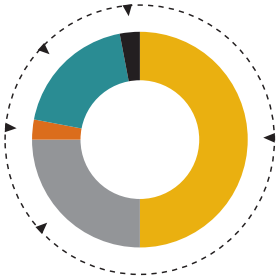
5

HARMONY – GOLD

ARM has a 16 percent shareholding in Harmony, the fifth largest gold producer in the world and the third largest gold producer in South Africa.

Harmony produced 74 242 kilograms of gold during the 2006 financial year which equates to 2 386 million ounces. Harmony continues to invest in major projects likely to come on stream over the next few years, with production expected to grow to 3.5 million ounces.

TOTAL ASSET VALUE (JUNE 2006)



50% Gold
25% Platinum
3% Nickel
19% Ferrous metals
3% Corporate and other companies

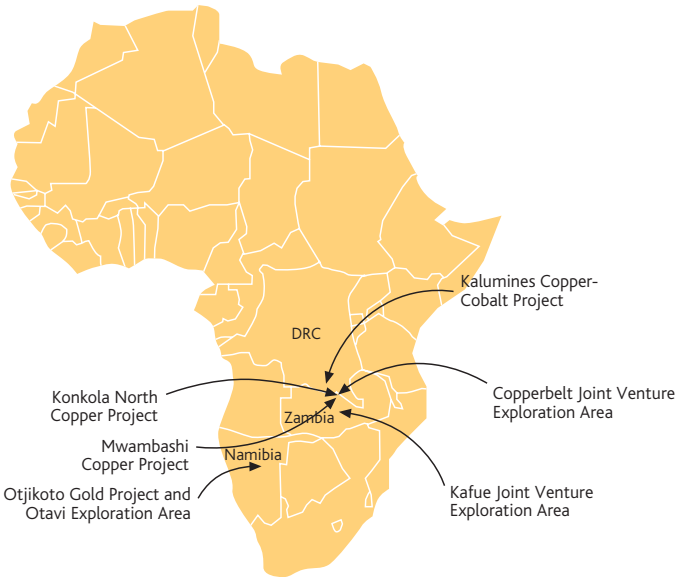
CONTRIBUTION TO EARNINGS

7% Platinum
31% Nickel
57% Ferrous metals
5% Corporate and other companies

SOUTH AFRICAN OPERATIONS

1. Modikwa Platinum Mine
2. Dwarsriver Chrome Mine
3. Two Rivers Platinum Mine
4. Machadodorp Ferrochrome
5. Nkomati Nickel Mine
6. Kalplats Platinum Project
7. Nchwaning/Gloria Manganese Mine
8. Khumani Iron Ore Project
9. Beeshoek Iron Ore Mine
10. Cato Ridge Ferromanganese

EXPLORATION AND DEVELOPMENT PROSPECTS HELD BY TEAL IN AFRICA



Highlights of FY2006

PROGRESS ON GROWTH PLANS

1. Two Rivers Platinum Mine successfully commissioned
2. Modikwa Platinum Mine reports maiden profit
3. Go-ahead for 8.4Mtpa Khumani Iron Ore Mine aimed at export market
4. Nchwaning III now fully operational and ramping up to full production
5. Nkomati Nickel Extension to be fully operational by the first quarter of calendar year 2007
6. Dwarsrivier Chrome Mine completed within budget and ahead of schedule
7. Record product sales achieved by PGM, iron ore, nickel and ferromanganese operations benefiting fully from the current commodity price environment

FURTHER DIVERSIFICATION ACHIEVED

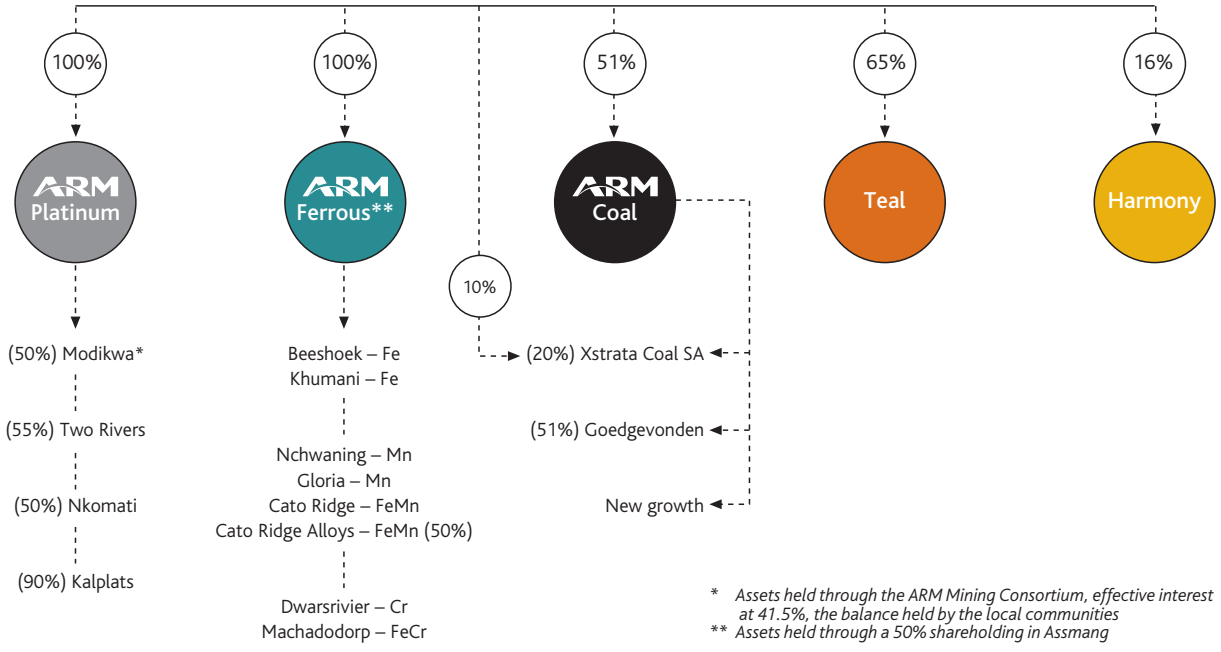
8. Listing of TEAL on TSX and JSE
9. Formation of ARM Coal – major new South African coal company, in partnership with Xstrata

STRONG FINANCIAL RESULTS

10. Headline earnings increase by 36 percent to R462 million ($64 million)
11. Net gearing at 17 percent with net debt of R1.8 billion ($251 million)

ARM
African Rainbow Minerals

CORPORATE STRUCTURE



* *Assets held through the ARM Mining Consortium, effective interest at 41.5%, the balance held by the local communities*
** *Assets held through a 50% shareholding in Assmang*

Financial summary and statistics

For the year ended 30 June		GROUP ACTUAL 2006 Rm	2005 Restated Rm	2004 Rm
Income statement				
Sales		**4 622**	5 485	3 885
Basic earnings for the year		**601**	462	1 108
Headline earnings		**462**	339	47
Basic earnings per share (cents)		**293**	225	865
Headline earnings per share (cents)		**225**	166	37
Balance sheet				
Total assets		**14 611**	11 766	11 460
Total interest bearing borrowings		**2 252**	1 574	1 831
Shareholders' equity		**10 393**	7 972	7 954
Cash flow				
Cash generated from operations		**1 243**	1 661	603
Cash generated from operations per share (cents)		**606**	813	471
Cash and cash equivalents		**193**	47	328
Number of employees		**6 943**	6 107	5 162
JSE performance				
Ordinary shares (cents)				
– high		**5 225**	3 800	4 800
– low		**3 200**	2 550	3 250
– year end		**4 825**	3 399	3 400
Volume of shares traded (thousands)		**39 711**	51 382	26 547
Number of ordinary shares in issue (thousands)		**206 367**	204 437	204 208
Financial statistics	**Definition number**			
Interest cover (times)	1	**8.5**	8.5	5.4
Return on operational assets (percent)	2	**17.6**	20.6	7.5
Return on capital employed (percent)	3	**9.2**	8.2	8.2
Return on equity (percent)	4	**4.5**	5.2	0.7
Debt:equity ratio	5	**0.22**	0.20	0.23
Net debt: equity ratio	6	**0.17**	0.16	0.19
Net asset value per share (cents)	7	**4 967**	3 185	3 246
Market capitalisation (R million)	8	**9 957**	6 949	6 943

Definitions

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

2. Return on operational assets (percent)
Profit from operations divided by tangible non current and current assets excluding capital work in progress.

3. Return on capital employed (percent)
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.

4. Return on equity (percent)
Headline earnings divided by ordinary shareholders interest in capital and reserves.

5. Debt: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.

6. Net debt: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.

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

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

ARM Contents

The concentrator plant at Two Rivers on the eastern limb of the Bushveld Complex

Chairman's letter to shareholders

DEAR SHAREHOLDERS

The 2006 financial year has drawn to a close on a high note for ARM as we have made substantial progress in our quest to diversify and increase production. While we have continued on our growth path, in South Africa and in Africa, we have sought growth only where we believe that we have been able to ensure that it will be value-accretive to our shareholders in the medium to long term.

STRATEGY

I am pleased to report further progress on our strategy, as set out below, and dealt with in more detail later in this report, which is:

- to ensure continued operational excellence and cost reduction at existing operations;
- to double production output by 2010 through organic growth in our key commodities, dubbed our '2 x 2010' strategy;
- to grow further into Africa, through TEAL at an exploration level and other appropriate joint ventures and partnerships; and
- to expand through acquisitive growth.

The 'We do it better' philosophy is firmly entrenched in our business, and is delivering better performance at every level of the company.

FINANCIAL PERFORMANCE

A key feature of our financial results this year is that revenue flows from the platinum group metals (PGMs) division are now starting to have an impact on the bottom line. ARM today is generating good operating cash flows and, despite an ambitious growth programme, is developing a robust balance sheet.

HIGHLIGHTS

In this eventful year, I thought I should single out a number of operational highlights.

The Two Rivers Platinum project was successfully commissioned in July 2006. Ramp-up will be relatively short as a significant amount of stockpile has been accumulated on surface. Steady-state production at the mine is expected to be reached by the second quarter of the 2007 calendar year. The mine and plant facility is designed to produce 220 000 ounces of PGMs (120 000 ounces of platinum) a year. This project was completed within the R1.3 billion ($181 million) budget and ahead of schedule. We adopted a conservative strategy in bringing this project to fruition. We conducted trial mining prior to the start of full-scale operations as it has become apparent that the geology of the eastern limb of the Bushveld Complex is more complex than that of the western limb. This approach has served us well; we now have a far better understanding of the orebody and have had a relatively trouble-free commissioning.

I am also pleased to report that Modikwa Platinum has now reached production of some 240 000 tonnes per month, almost at full production, and that the operation has become cash flow positive, making a valuable contribution to our earnings for this year.

The delisting of Assmang and the revision of the agreement with our partner Assore has been finalised. These initiatives are positive and will contribute to the optimisation of our ferrous metals business. At the end of January 2006, we announced the first phase of the construction of our new export 8.4 million-tonne-a-year iron ore mine, Khumani, in the Northern Cape. The total capital cost of Phase 1 is estimated to be R3.2 billion ($447 million). We expect to expand this operation still further, to 16 million tonnes a year, for an additional capital expenditure of some R1.6 billion ($223 million). However, this is subject to port and rail capacity and further board approvals.

The listing of TEAL, first on the TSX on 15 November 2005 and then on the JSE in April 2006, was a significant step for ARM in the realisation of our exploration growth strategy in Africa. Not only does this predominantly copper company bring to ARM the fourth string to our commodities bow, it also provides a vehicle for identifying prospects in Africa that can be developed further. TEAL is now well positioned to unlock the potential value of its assets and exploration projects. Market reception to TEAL, particularly in North America, has been gratifying and vindicates our strategy of accessing this market, which has a long history of supporting early-stage exploration and development projects.

Chairman's letter to shareholders continued

The creation of ARM Coal, valued at approximately R2.4 billion ($335 million), in a joint venture with Xstrata, a leading international thermal coal exporter, has provided a solid platform for our entry into this valuable commodity. The exciting opportunity is in export thermal coal, but there is also excellent potential for growth within South Africa. It has been a strategic objective of ARM to secure exposure to the energy sector. Both partners are committed to using ARM Coal as their preferred vehicle for growth in coal in South Africa. Our partnership with Xstrata is not only focused on coal in South Africa, but also establishes a base for long-term co-operation to pursue opportunities in other commodities elsewhere in Africa.

ARM owns 51 percent of ARM Coal, which in turn holds 20 percent in the existing coal operations of Xstrata South Africa, as well as a 51 percent stake in an unincorporated joint venture which holds the Goedgevonden project. This is a 6.6 million-tonne-a-year international and domestic coal operation. The total capital required by ARM is limited to our initial investment of R400 million ($56 million), with all debt at the existing operations, as well as for the Goedgevonden project, being provided by Xstrata at very attractive terms. This transaction is effective from the beginning of the 2007 financial year. Subsequent to year-end, our board approved the exercise of the option to acquire a further 10 percent, directly, in the existing coal operations of Xstrata as from 1 September 2006 for a consideration of R400 million.

Our exposure to gold is through our 16 percent stake in Harmony Gold. This interest remains of strategic importance to our group and the anticipated buoyancy of the gold market has supported our confidence in the potential of the Harmony assets. We are supportive and positive about the direction the management of Harmony is taking to unlock value in their assets. We believe that there is still upside to come from the gold market.

THE WAY WE DO BUSINESS

ARM is strategically well positioned in the South African and African resources sector, operationally and financially.

As one of South Africa's largest empowerment-controlled mineral resources companies with some 57 percent of our company owned by empowerment interests, we remain committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act, 2002 (MPRDA) and the Broad-Based Socio-Economic Charter for the South African Mining Industry (the Mining Charter). Our empowerment credentials are further enhanced by the fact that the seven communities surrounding our Modikwa Platinum Mine on the eastern limb of the Bushveld Complex are the broad-based empowerment beneficiaries of two section 21 companies, which holds 17 percent of the ARM Mining Consortium. This consortium in turn owns 50 percent of the Modikwa Mine. The ARM Broad-based Economic Empowerment Trust (the BBEE Trust) holds 14 percent of ARM (or 28.6 million shares). To date, trade unions, church groups, five provincial community upliftment trusts and women upliftment trusts have been registered as beneficiaries of the BBEE Trust.

Our board and management represents some of the most talented people in our industry and the country; their depth and breadth of experience and their network of contacts on our continent are significant.

Our balance sheet is robust. As at 30 June 2006, we had net debt (after cash) of R1.8 billion ($251 million) and, at our current level of gearing, we are able to complete our organic growth programme. The ARM balance sheet remains sufficiently flexible to secure affordable capital should appropriate opportunities arise.

While we are in the business of creating value, we at ARM have not lost sight of the fact that there is more to value creation than the financial bottom line. This year we have included as an adjunct to this report a more detailed review of our contribution to the triple-bottom line; namely, the economic, social and environmental impacts of our business which addresses the non-financial

performance of our business. ARM's first Sustainable Development Review is available on our website at www.arm.co.za.

GLOBAL MARKETS

The past year was characterised by exceptionally bullish markets for most of our commodities and resources companies worldwide have enjoyed a resurgence of interest in the market and in a number of metals such as platinum, iron ore, nickel and copper, record prices. While the rand has remained stable for the year under review, its recent weakening is, we believe, more in line with its long-term outlook.

As a diversified group we have access to valuable market information as well as information from our joint venture operations. Based on this, our view is that the global commodities market will remain robust, although prices are likely to ease somewhat over time as new production comes on stream in most of our key commodities. In the face of a potentially 'stronger for longer' market, our planning remains conservative as we recognise that markets can be fickle and are mindful that we cannot rely on record prices to sustain our business. Rather, we focus on setting up our operations for the long term, with margins that can sustain lower prices and enjoy significant upside.

GROWTH AND PROSPECTS

As a group we remain very positive about opportunities in South African and Africa. While our group is firmly rooted in South Africa, we are actively looking for new prospects in Africa, and are also committed to the operational and development opportunities presented by TEAL.

ARM will continue investing capital in our organic growth programme released during 2004 to double production in key commodities in South Africa by 2010. On an operational front, our organic growth strategy has resulted in an exciting project pipeline in pursuit of growth to support the favourable market conditions we see in most of our commodities in the year ahead. Our balance sheet remains sufficiently strong and flexible for us to consider additional value-adding growth opportunities.

THANKS AND WELCOME

My thanks are extended to our board members for their guidance and counsel during the year; to our management team for their continued faith in our vision and entrepreneurial drive and to our employees, whose efforts have brought this vision to reality.

We would like to express our appreciation to our partners in our various ventures who are recognised leaders in the various commodities we mine together.

Finally I would also like to welcome two new executive directors, Steve Mashalane, who has been appointed Chief Executive of ARM Coal and an Executive Director of ARM, and Pieter Rörich, who has been appointed Executive Director responsible for investor relations and new business development, both with effect from May 2006.

Patrice Motsepe
Executive Chairman
9 October 2006

Main decline at Two Rivers Platinum Mine

CEO's review of the year

We at ARM are pleased to report back to shareholders on another successful financial year which was characterised by strong market prices for the bulk of our commodities and a relatively stable rand/dollar environment. On the operational front, we have taken significant strides in the organic growth of our portfolio to keep pace with robust market demands whilst enhancing our competitiveness and, at the same time, we have broadened our asset base to offer support to our diversification objectives.

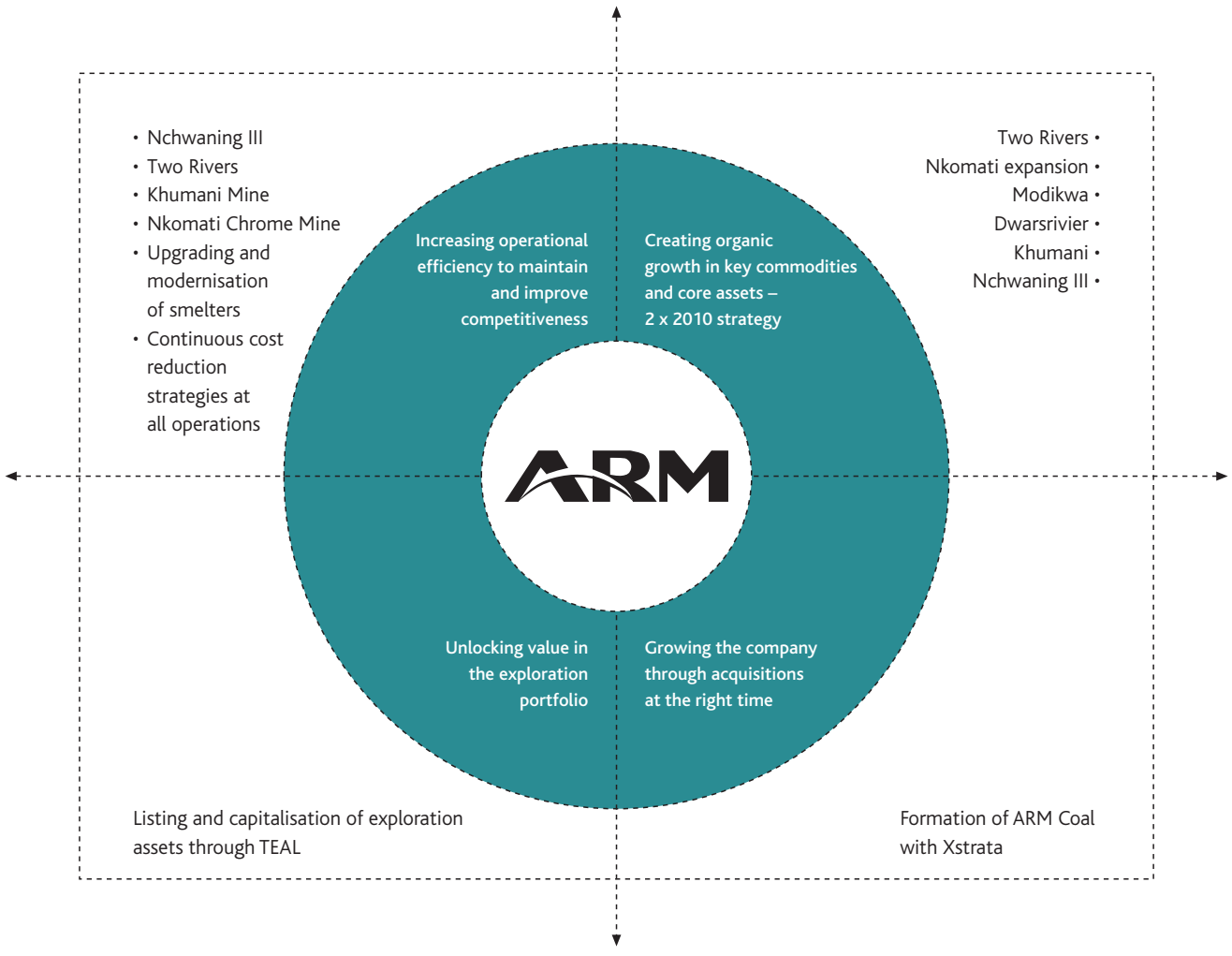
FINANCIAL REVIEW

Our financial results have certainly benefited from buoyant commodity prices, good production results from the majority of our operations (iron ore and nickel, in particular), the maiden profit from Modikwa and effective cost management.

Headline earnings rose by 36 percent from R339 million ($47 million) to R462 million ($64 million) for the year ended 30 June 2006. Harmony is now accounted for as an investment. Significant price increases in nickel reduced the negative impact of our participating in only 50 percent of Nkomati's earnings, following the disposal of 50 percent to LionOre on 1 June 2005. Assmang reported lower earnings and has been accounted for on a proportionate basis from 1 March 2006, as opposed to having been consolidated, following the reduction of ARM's stake from 50.4 percent to 50 percent, and the restructuring of the shareholders' agreement and subsequent delisting of Assmang.

Total consolidated net borrowings increased from R1.3 billion ($181 million) on 30 June 2005 to R1.8 billion ($251 million) at year-end, retaining ARM's net debt to equity ratio at a comfortable 17 percent.

ACHIEVEMENTS ON STRATEGY IN F2006



CEO's review of the year continued

Total consolidated capital expenditure for the year was R1.7 billion ($237 million), 61 percent higher than that of the prior year as ARM, in conjunction with its partners, continued successfully to execute its organic growth programme.

PEOPLE

People are important at ARM and form an integral part of our 'We do it better' philosophy. The restructured ARM as a relatively young company has a substantial, experienced and stable management team, since the forerunners of ARM had been in existence for more than 70 years. We continue to invest in people at all levels and in all disciplines, and actively encourage employees and management alike to integrate and display the 'We do it better' philosophy in all that they do. We are actively developing a new generation of managers through the establishment of a 'talent pool' and the identification of around 100 mentors across the group. We put an enormous amount of effort and expenditure into training and development and, in the 2006 financial year, spent some R17 million ($2 million) on training and development, which is about 3.3 percent of our payroll.

KEY PARTNERSHIPS

One of ARM's guiding principles is that of being an owner and operator of assets, but it is also our philosophy that we will establish sound partnerships with credible, like-minded companies which are leaders in their fields. In Assmang, we have in our partner Assore, an established global player in the iron ore, ferrochrome and manganese business. Our entry into the platinum sector is based on close and well established associations with industry majors Anglo Platinum and Implats at our Modikwa and Two Rivers properties, respectively.

As a relative newcomer in some of the sectors that we are involved in, we recognise the very important role that partnerships play in the way we do, and develop, our business. The associations we announced this year with LionOre and Xstrata are also built on a process of careful and considered selection of partners which add to the integrity and credibility of the ARM brand.

This remains true of the gold interests in our portfolio. Our interest in gold remains through our 16 percent holding in Harmony. We are supportive of the route that Harmony is undertaking in seeking value in its portfolio and, given our view that there remains further upside in the gold price, this holding remains of strategic importance to ARM.

STRATEGY

In previous reviews we made mention of the four legs of our strategy aimed at unlocking ARM's growth potential and value creation opportunities, namely:

- increasing operational efficiency to improve and maintain competitiveness;
- creating organic growth in key commodities and core assets;
- unlocking value in our exploration portfolio; and
- growing the company through merger and acquisition activity.

During the year under review we have made significant strides in furthering this strategy and we remain committed to the same business philosophy going forward.

Increasing operational efficiency to improve and maintain competitiveness

A key feature of our operational strategy is to seek better ways of doing business and to learn from our experiences so as to increase operational efficiencies on an incremental basis and to ensure that our operational cost structures are sufficiently robust to survive any downturn in the market.

As we build new mines and infrastructure, we try to implement best practice design and planning, as well as best available technology. Not only do we hope to achieve world-class operations, but we also aim to lower our operating costs. This strategy has benefited our operating results in both the Ferrous Metals and Platinum divisions.

The Nchwaning III manganese shaft system, which was commissioned in March 2005, has come into production at a significantly lower cost per tonne mined – by as much as 25 percent. The Dwarsrivier underground chrome mine also came into production during the financial year with improved efficiencies coming through to the bottom line. The combined effect of an emphasis on cost control at the existing manganese and iron ore mines, and the below-inflation cost increases at the manganese alloy smelter, will contribute to the Ferrous Metals Division's ability to reduce its costs over the next two years by at least 20 percent.

Our platinum operations have recorded similar achievements. At Modikwa, which is moving towards a stable output level, there has been a better control of costs with a real opportunity to reduce costs as steady state is achieved. Two Rivers is expected to operate within the lower quartile of production and, as production begins to flow from this operation following plant commissioning, we anticipate a further improvement in efficiencies and an overall reduction in costs within this division (Modikwa and Two Rivers combined) to the lower level of R300 per tonne of ore mined.

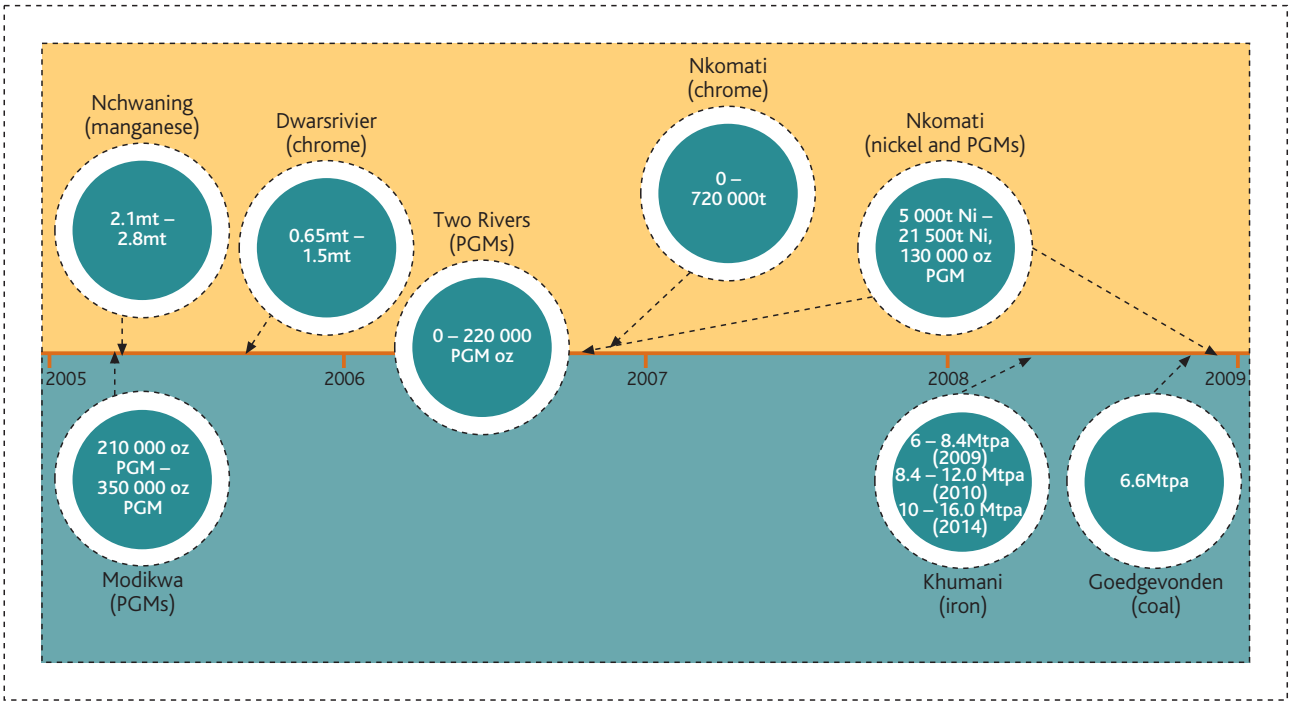
We have also implemented a robust strategic planning process with set targets and plans to improve operations and cut costs.

2 x 2010 GROWTH STRATEGY (RELEASED IN 2004) (100% BASIS)					
Operation	Commodity	From (per annum)	To (per annum)	Status	Capex FY2006 (Rm)
PLATINUM DIVISION					
Two Rivers	PGMs	–	220 000oz PGMs	Ahead of schedule	957
Modikwa	PGMs	210 000oz PGMs	350 000oz PGMs	Near full production production	214
Nkomati Nickel	PGMs and nickel	5 000t Ni 39 370 PGMS	21 500t Ni 130 000oz PGMs	Extension plan approved. Large scale to be approved	100
Nkomati Chrome	Chrome	–	720 000t	Approved	–
FERROUS METALS DIVISION					
Beeshoek/Khumani	Iron ore	6.1Mt	16Mt by 2014	New mine construction in progress	346
Dwarsrivier	Chrome	0.65Mt	1.1Mt	Ramping up	120
Nchwaning III	Manganese	2.1Mt	2.8Mt	Completed	
Gloria*		280 000t	700 000t opportunity	Blue sky	239
Cato Ridge Works	Ferromanganese	300 000t	400 000t	Feasibility	–
ARM Coal					
Goedgevonden	Coal	–	6.6Mt	Feasibility	28

* currently the subject of a feasibility study

CEO's review of the year continued

PROJECT PIPELINE



Creating organic growth in key commodities and core assets

We have set ourselves the goal of achieving a doubling of the company's attributable production by 2010, from 2004 levels in what we have defined as our '2 x 2010' strategy, through the construction and commissioning of new mines, and the upgrading of current operations.

PGMs and nickel

- The Two Rivers Platinum Mine (55 percent ARM interest), a joint venture with Implats, is currently in the final stages of commissioning and is expected to achieve a steady-state production level from the plant by the first quarter of the 2007 calendar year. Ramping-up is, however, quicker than would normally be anticipated as the plant will process the stockpile that has been built up during the trial mining period.
- The Modikwa Platinum Mine (50 percent ARM interest), a joint venture with Anglo Platinum, is expected to reach full production of 350 000 ounces (160 000 ounces of platinum) during the 2007 financial year. The deepening of infrastructure is being evaluated in view of the significant potential of this resource. The total PGMs orebody extends some 22 kilometres on strike while our current mining operations only cover about 8 kilometres.
- The Nkomati Nickel Mine, a joint venture with LionOre, is currently evaluating a massive expansion to transform it into a high-volume, low-cost operation, producing above 21 500 tonnes of nickel and 130 000 ounces of PGMs a year. We expect the feasibility study to be completed during the 2007 financial year, after which this project can be presented to our board.

Ferrous metals

- The Dwarsrivier underground chrome mine was brought into production at the beginning of this financial year and a further expansion from 650 000 tonnes to 1.5 million tonnes a year is being assessed.
- The Nchwaning III manganese shaft system expansion, increasing total installed capacity for our manganese business to 3.5 million tonnes, has been completed and is now fully operational.
- The Khumani iron ore mine complex was given a go-ahead by the board for the construction of an 8.4 million-tonnes-a-year export mine (with the potential to be increased to 16 million tonnes a year) and has a life of mine of at least 30 years. First production is expected in 2008.

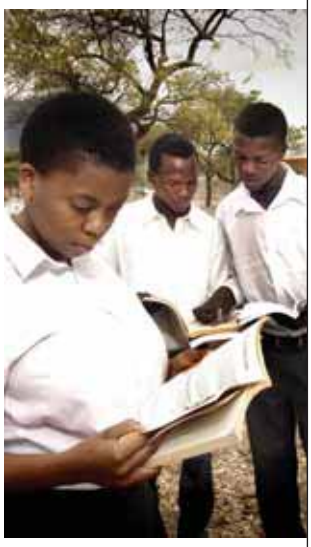
Unlocking value in our exploration portfolio

The creation of TEAL presents an exciting vehicle to take advantage of increasing opportunities in Africa and establish a significant copper producer within the group. A more focused growth strategy into Africa and the unlocking of the value of our exploration assets held in Namibia, Zambia and the Democratic Republic of the Congo (DRC) was launched through the listing of TEAL on the TSX during November 2005 and on the JSE Limited in April 2006. At the time of its Canadian listing, TEAL raised $33 million and as a result ARM diluted its interest to 64.9 percent.

Growing the company through merger and acquisition activity

Our structure has been well augmented by the addition of coal to the portfolio of commodities under the ARM banner. For a number of years, coal has been an area which has held enormous interest for us and our year-long discussions with our joint venture partner in this business, Xstrata, an internationally reputable player, have finally borne fruit.

In essence, the transaction, which is valued at R2.4 billion ($335 million) has created a new investment within our group – ARM Coal – held by ARM (51 percent) and Xstrata (49 percent) through share subscriptions of R400 million ($56 million) and R384 million ($54 million) respectively.



The transaction gives us participation in Xstrata's South African coal business through a 20 percent equity-based participation share of Xstrata Coal's existing South African business, comprising 13 operating coal mines with sales in the order of 20 million tonnes a year, and a 51 percent ownership of the Goedgevonden project. About 70 percent of Xtrata's production is exported through the Richards Bay Coal Terminal (RBCT) in which Xstrata holds an interest. Goedgevonden is of particular interest to ARM as it will involve a significant new operation in which we will participate – and indeed manage – from the outset. The project involves the construction of an opencast operation with a run of mine of 12 million tonnes a year, as well as a coal processing and handling facility, producing some 6.6 million tonnes a year of thermal coal, approximately 48 percent of which will be destined for the export market. ARM Coal, as the managing partner, will apply for an additional export allocation as part of RBCT's current expansion programme.

From an investment point of view the transaction is positive for ARM: our stake is significant and we have already begun to participate in the management of this well-established business, which is in line with our owner-operator philosophy. Our board has also recently approved the exercise of the option to acquire a further 1 percent, directly, in the existing coal operations of Xstrata South Africa as from 1 September 2006.

With the creation of ARM Coal we now have a very strong presence in the coal arena, and the partners have signalled a clear intention to pursue opportunities in a range of other commodities in Africa.

CAPITAL EXPENDITURE

In line with our current expansionary phase, the capital expenditure requirements of the group have grown. In the 2006 financial year, our capital expenditure amounted to R1.7 billion ($237 million), spent mainly on completion of the Dwarsrivier Chrome Mine, Nchwaning III manganese shaft and Modikwa Platinum Mine as well as the building of the Two Rivers Mine.

Current approved and planned projects involve capital expenditure amounting to some R8.2 billion ($1 145 million) over the next three years (of which approximately R4.5 billion or $628 million is attributable to ARM), providing an indication of our confidence in our key markets, in our projects and our capacity, and in our area of operation, Africa, and specifically South Africa.

Employees at Nkomati Nickel Mine

CEO's review of the year continued

ARM's consolidated net debt amounts to approximately R1.8 billion ($251 million) as at 30 June 2006, with most of the debt raised at the asset or project level, thereby leaving the balance sheet healthy and flexible in order to pursue other growth opportunities.

SUSTAINABLE DEVELOPMENT

ARM's philosophy of 'We do it better' extends to the way in which we deal with the communities surrounding our operations. We want to be able to deliver real and meaningful contributions to these communities, and not only during the life of our mining operations. We also want to ensure that what we do today – in terms of environmental and social impact – is mitigated to the best of our ability and counterbalanced by creating enduring economic benefits for local people and surrounding communities while also being sensitive to projects and needs at the national level. Across our group we have many examples which illustrate this fundamental philosophy of the way we do business.

An example of this is the involvement of community shareholders in the Modikwa operation where we have put in place and funded structures (at a cost of some R310 million ($43 million) to the ARM group) for local communities to participate at an equity level in the mine. This is a process which started at the inception of Modikwa in 2001, and was facilitated by ARM and ARMI (controlled by the Motsepe family) in particular.

A second example is the way in which we have elevated the issues of transformation, black economic empowerment and sustainable development (including safety, health and environmental issues) to the Steering Committee level, with dedicated personnel ensuring that our business interests – at every level of ownership – buy into and live the ARM way of doing business.

The Sustainable Development Review, which is available on our website, reports substantially in line with the guidelines specified by the Global Reporting Initiative (GRI).

PROSPECTS

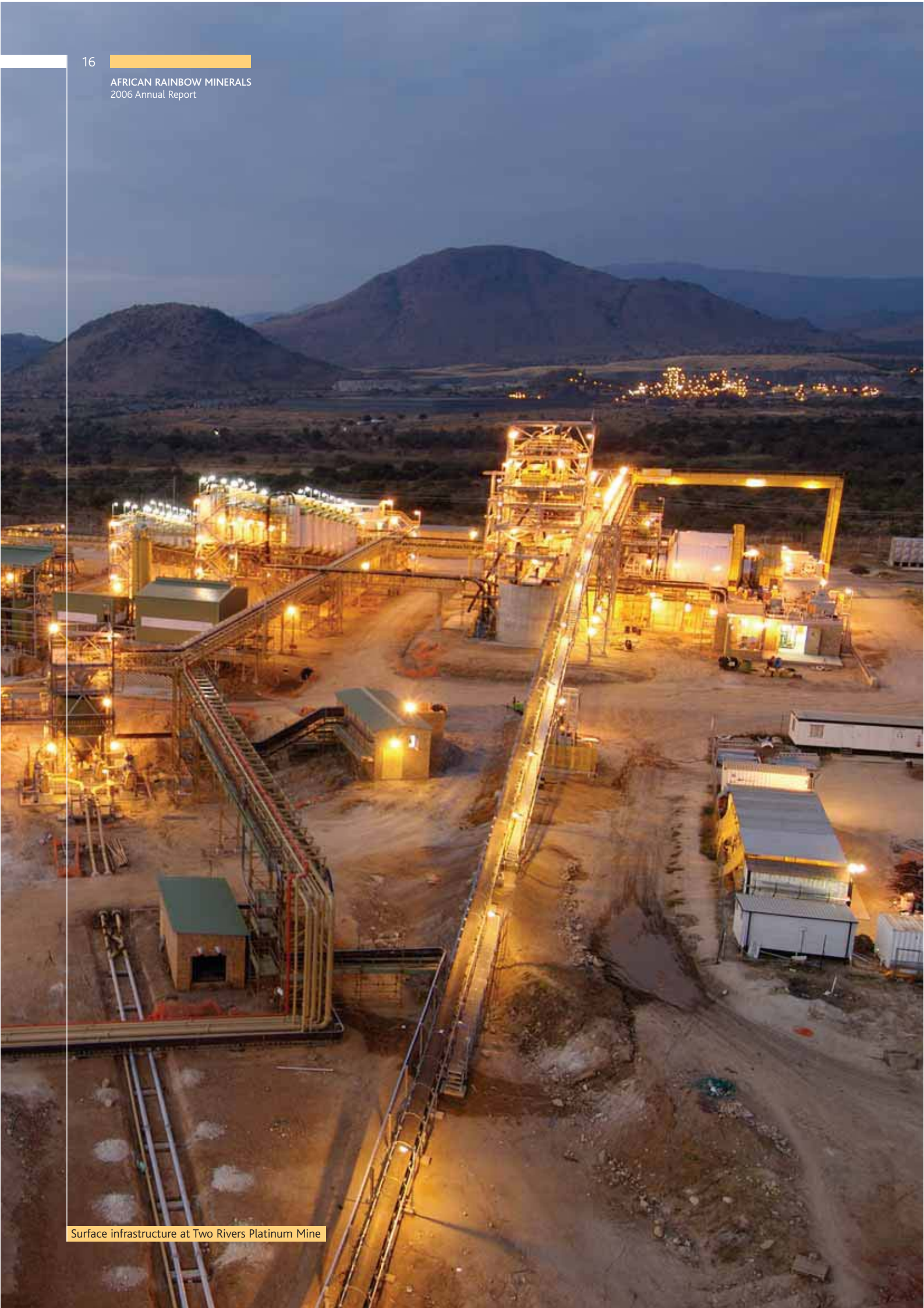
Without professing to forecast the future, in the medium term we believe that the markets for our commodities will remain robust and that new and higher floor prices have now been reached and firmly established for a number of commodities. However, even in lower price environments our orebodies can withstand such challenges.

On the operational front we expect to see the impact of increased production levels in the coming year and a substantial shift towards a diversified mining business. In the absence of any dramatic downturn in the markets these increases are likely to have a further positive impact on earnings. We look forward to reporting to shareholders in a year from now on the progress made in the execution of all areas of our corporate strategy.

THANKS

In conclusion, I wish to extend our group's thanks to our board, to our leaders throughout the company and the various operational committees across our joint ventures, and to all our employees, and organised labour, who have played a fundamental role in our success.

André Wilkens
Chief Executive Officer
9 October 2006



Surface infrastructure at Two Rivers Platinum Mine

Platinum Division

ABOUT ARM PLATINUM

ARM Platinum's interests comprise:

- a 50 percent joint venture (held through the 83 percent stake in ARM Mining Consortium) with Anglo Platinum in the Modikwa Platinum Mine;
- a 55 percent interest in the Two Rivers Platinum Mine, in a joint venture with Impala Platinum Holdings Limited (Implats); and
- the Nkomati Nickel Mine, a 50 percent joint venture with LionOre.

ARM Platinum manages Two Rivers and participates in the management of Modikwa and Nkomati through their joint managing committees.

The division has a 90 percent interest in the Kalplats PGM Project, where exploration is undertaken in conjunction with Platinum Australia.

ARM PLATINUM
location of operations

1. Modikwa Platinum Mine
2. Two Rivers Platinum Mine
3. Nkomati Nickel Mine
4. Kalplats PGM Project

Platinum Division continued

ARM PLATINUM AT A GLANCE

Operation	ARM interest and JV partner	Steady-state, ramp-up or exploration/ project	Production in FY2006	At steady-state		Life of mine (years)
				Production	Financial year	
Modikwa	50% ARM 50% Anglo Platinum	Ramp-up	293 313 oz PGMs	350 000 oz PGMs	2007	30 years on the UG2 orebody
Two Rivers	55% ARM 45% Implats	Ramp-up	n/a	220 000 oz PGMs	2008	20 years on the UG2 orebody
Nkomati Extension	50% ARM 50% LionOre	Steady-state	5 616 t Ni 3 398 t Cu 49 437 oz PGMs	5 000 t Ni n/a	n/a	10 years without large scale expansion released
Nkomati Large Scale Expansion	50% ARM 50% LionOre	Project	n/a	21 500 t Ni 12 000 t Cu 130 000 PGMs	2010	20
Nkomati Chrome	50% ARM 50% LionOre	Ramp-up	n/a	720 000 tpa	2007	5
Kalplats PGM Project	90% ARM (earn in to 49% by Platinum Australia)	Exploration	n/a	n/a	n/a	n/a

PGMs AND NICKEL MARKET

The overriding feature of the PGMs market in the past year has been the surge in the prices of the metals. The platinum price touched an all-time high in May of $1 335 per ounce and was, at year-end, still trading at levels well in excess of $1 200 an ounce compared with around $870 an ounce a year ago. The prices of palladium, and especially rhodium, reached levels not seen in many years. Platinum demand for jewellery has declined in reaction to the high prices, but was more than countered by continued increases in demand from the automotive sector. In Europe, emission regulations are becoming ever more stringent resulting in strong demand from the autocatalyst sector, and the sustained growth in sales of light diesel vehicles. Demand for palladium is being boosted by increased demand from jewellery manufacturers, especially in China, although above-ground supplies of the metal, particularly in China, could limit the upside potential for palladium. During the year rhodium prices surged dramatically reaching levels of over $6 200 per ounce. The rhodium market has been driven largely by demand from the autocatalyst sector, supported also by growth in the glass manufacturing industry as demand for liquid crystal display (LCD) and flat-screen glass increases. This demand is likely to persist into the 2007 financial year, with a positive impact on revenues, as rhodium makes up some 10 percent of ARM Platinum's basket of PGMs.

Nickel prices peaked on 31 May at approximately $32 000 per tonne and have risen by 121 percent from January to July 2006. The increase in the price has resulted in nickel becoming an increasingly important by-product of PGM producers. The strong price is being supported by supply constraints, with ongoing supply difficulties in Australia and Indonesia and an accelerating drawdown on London Metal Exchange stocks. There has been continued strength in demand from the stainless steel industry, from European stainless steel mills which are struggling to meet orders, and renewed purchasing in China. The strong demand for nickel, in both stainless and non-stainless steel applications, continues to support prices.

REVIEW OF THE YEAR

ARM Platinum continued its aggressive growth programme during the year. In total the division reported 171 374 ounces of PGMs and 2 808 tonnes of nickel attributable to ARM. Following the disposal of the 50 percent stake in Nkomati to LionOre in May 2005, nickel tonnes attributable to ARM have declined, although this is expected to increase once the Nkomati expansion project comes on stream.

Both Modikwa and Nkomati improved their contribution to the group as a result of increased production. Significantly, these production increases coincided with the uptrend in PGM and base metal prices, particularly in the second half of the financial year, adding to the improvement in profitability.

The division's attributable earnings rose from R120 million ($17 million) in FY2005 to R227 million ($32 million) in FY2006, despite the reduction in the shareholding in Nkomati.

The Platinum Division is a key component of ARM's growth programme, and good progress was made on objectives during the year.

- Modikwa has substantially completed its ramp-up to achieve full mill throughput of 240 000 tonnes per month by year-end, and reported maiden earnings during the year.
- The Two Rivers concentrator plant was started, ahead of schedule and below budget, and is likely to produce at design capacity of 225 000 tonnes per month from October 2006 because of the significant 1.1 million tonne ore stockpile accumulated during the trial mining and construction process.
- During the year a new concentrator plant was approved for Nkomati to extend the mine's life while the feasibility work on various expansion options is in progress.

OUTLOOK AND GROWTH

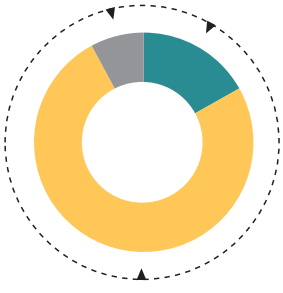
Production from Nkomati is expected to be maintained at current levels, while Modikwa is expected to reach steady-state production of some 350 000 ounces of PGMs (160 000 ounces of platinum) during FY2007, with the first production from Two Rivers – at about 120 000 ounces of PGMs (61 000 ounces of platinum) – planned for FY2007.

Nkomati will continue in 2007 to operate as one of the lowest cost nickel producers in the world. Costs at Modikwa should stabilise as productivity improves and the rate of development decreases. Two Rivers, planned as a low cost producer, will reduce the average cost of production per platinum ounce as it rapidly builds up to full production, and is expected to make a strong contribution in the 2007 financial year.

The next year will see the final capital expenditure in building Two Rivers as well as costs associated with feasibility work, the 100 000 tonnes per month plant at Nkomati, and the Modikwa extension.

The project pipeline in the Platinum Division is focused on expanding Nkomati during the next five years, sustaining production at Modikwa, with the possibility of expanding the operation, and evaluating the feasibility of Kalplats.

ARM PLATINUM CAPITAL EXPENDITURE (FY2006) (100 PERCENT BASIS)

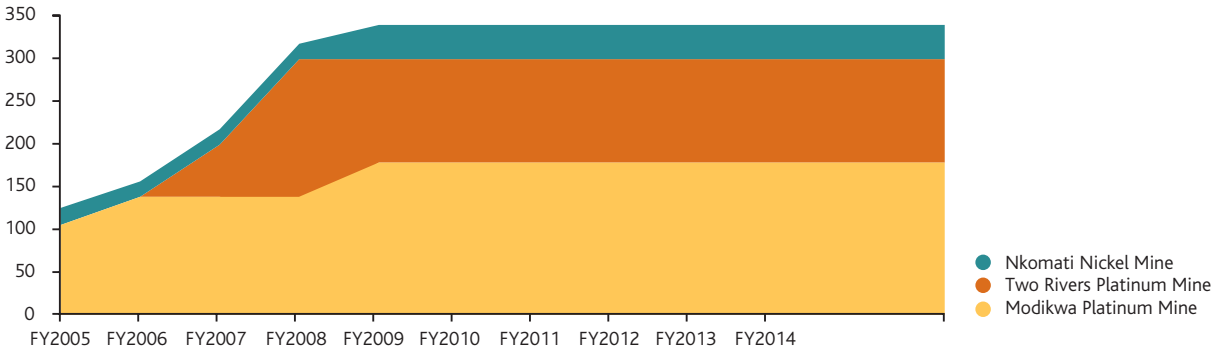


Modikwa R214 million
Two Rivers R957 million
Nkomati R100 million

Platinum Division continued

With Modikwa reaching full production and Two Rivers coming into production, together with the contribution from Nkomati, the division is now able to exploit the positive resource price environment. In addition, these operations also have quality, long-life orebodies with the potential to increase production into the future. Refer to the section on Reserves and Resources on page 55 for further information.

GROWTH IN ATTRIBUTABLE PGM OUNCES (000 oz)

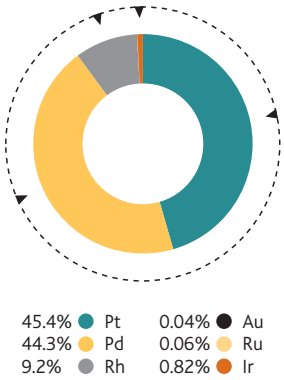


MODIKWA PLATINUM MINE

ARM'S ECONOMIC INTEREST:	ARM Mining Consortium holds 50 percent, with a 17 percent stake in ARM Mining Consortium being held by two section 21 companies representing mining communities around Modikwa. Thus, ARM has an effective 41.5 percent economic stake.
MANAGEMENT:	Joint management, via a joint management committee, between Anglo Platinum and ARM Platinum.
LOCATION:	The mine is located 15 kilometres north of Burgersfort and 15 kilometres east of Steelpoort, along the border between the Mpumalanga and Limpopo provinces.
GEOLOGY:	Modikwa is located on the eastern limb of the Bushveld Complex. The mine currently exploits the UG2 reef, which has an average width of 60 centimetres and occurs as a chromitite layer. The shallower, but lower grade, Merensky reef also outcrops on the mine property.
DESCRIPTION OF ASSETS:	The operation comprises an underground mine, some 450 metres deep, three decline shafts and a concentrator.
REFINING:	All metal produced is smelted and refined by Anglo Platinum in terms of the joint venture agreement: 50 percent is attributable to Anglo Platinum and 50 percent is purchased by Anglo Platinum in terms of an agreement.
NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS:	5 505

KEY STATISTICS – MODIKWA PLATINUM (100 PERCENT BASIS)				
Operational statistics		Year ended 30 June 06	Year ended 30 June 05	% Increase/ (decrease)
Cash operating profit	R million	360	(173)	308
Tonnes milled	Million tonnes	2.51	2.46	2
Head grade (4E)	g/t	4.28	4.23	2
Platinum-in-concentrate	ounces	131 845	126 122	5
PGMs in concentrate	ounces	293 313	281 177	4
Cash cost	R/Pt oz R/PGM oz	7 451 3 394	6 984 3 136	(7) (8)
Capex	R million	128	104	23

PRILL SPLITS: MODIKWA (%)



REVIEW OF THE YEAR

As with a number of other eastern limb start-up operations, Modikwa has had to deal with geological disturbances, building up constructive relations with labour and less-than-anticipated efficiencies, exacerbated by a relatively inexperienced workforce. The mining method was changed during the year to breast mining, resulting in a reduction in the amount of reef development required, and this, together with changes in mine management and the organisational structure, gave rise to increased production. As more stoping tonnes were produced, the treatment of material from other sources (PPL calcine and medium grade development tonnes used to fill the mill) ceased. The net effect was that the PGM ounces in concentrate produced rose to 293 313 ounces of PGMs, including 131 845 ounces of platinum, an increase of 5 percent on the prior year. In line with its design capacity, the mine can now produce at 240 000 tonnes per month.

Cash costs rose by 8 percent to R3 394 per PGM ounce, mainly owing to the development associated with increasing the mineable ore reserves from eight to 13 months.

The vast improvement in product prices was largely responsible for Modikwa posting significantly increased profits.

Capital expenditure during the year amounted to some R128 million ($18 million). Major capital expenditure items were the completion of mine construction and the allocation of funds for the North shaft deepening from 4 to 5 level, and further work carried out to evaluate options to extend the mine's life.

OUTLOOK AND GROWTH

The mine is undertaking increased development to reach a sustainable, immediately-available ore reserve position. The relatively new mining crews are improving their performance every month and Modikwa is confident that the mine will reach its steady-state production target of 350 000 ounces of PGMs (160 000 ounces of platinum) during the 2007 financial year.

Increased production and improved efficiencies anticipated during FY2007 are likely to increase operating profit still further in the year ahead, thereby reducing ARM Mining Consortium's dependence on ARM to service loan repayments and capital costs.

The Modikwa mining licence covers a UG2 strike length of 22 kilometres of which only approximately 8 kilometres is mined at present. It is therefore clear that this orebody could support a more extensive operation. Current feasibility work is focused on the replacement of the existing infrastructure as well as the possibility of increasing volumes from the mine. The Merensky reef occurs over the same strike length as the UG2 reef and is currently being evaluated through a trial mining project. There is, therefore, a real possibility that Modikwa could be expanded in future.

Platinum Division continued

TWO RIVERS PLATINUM MINE

ARM'S ECONOMIC INTEREST:	55 percent
MANAGEMENT:	Managed by ARM Platinum.
LOCATION:	Two Rivers is located near the town of Steelpoort, in Mpumalanga on the eastern limb of the Bushveld Complex.
GEOLOGY:	The mine property contains both Merekensy and UG2 reefs. Initially the mine will exploit the more profitable UG2 reef only.
DESCRIPTION OF ASSETS:	The mine comprises an underground operation and a concentrator plant.
REFINING:	Refining will be undertaken by Implats subsidiary Impala Refining Services in terms of a contractual arrangement.
NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS:	1 000

KEY STATISTICS – TWO RIVERS PLATINUM (100 PERCENT BASIS)

As Two Rivers is currently commissioning, no operational statistics other than capex are reported.

Operational statistics		Year ended 30 June 06	Year ended 30 June 05	% Increase/ (decrease)
Capex	R million	946	170	456

REVIEW OF THE YEAR

Two Rivers has a design capacity to mine and process 225 000 tonnes per month, producing an estimated 120 000 ounces of platinum, 68 000 ounces of palladium and 20 000 ounces of rhodium in concentrate a year.

The total capital expenditure is currently estimated at some R1.3 billion ($181 million) through to conclusion of the commissioning of the mine. Some R700 million ($98 million) of project finance was secured through commercial banks, while the balance was contributed by the partners in proportion to their holding. In addition to the R1.3 billion referred to above, an amount of R300 million ($42 million) for the purchase of the mining fleet and for building houses in Lydenburg is fully covered by bank loans. Some R946 million ($132 million) of capital was spent during the 2006 financial year.

Excellent progress has been achieved with the 220 000 ounces of PGMs per year Two Rivers project. The project was officially released for construction in June 2005. Two Rivers has built up a 1.1 million tonne stockpile for the concentrator plant which was wet commissioned in July. This was followed by ore processing in August, ahead of the September target date.

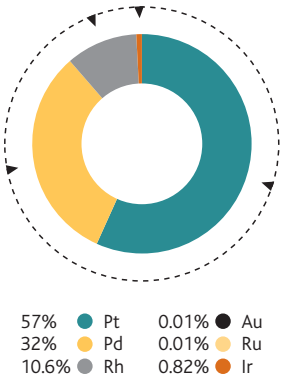
The UG2 at Two Rivers dips at an average eight degrees with a reef width of approximately 1.8 metres. This lends itself to the bord and pillar trackless mining methods, which have been successfully introduced at the mine. In addition, a feasibility study is being undertaken to test the viability of installing an additional decline to supplement production.

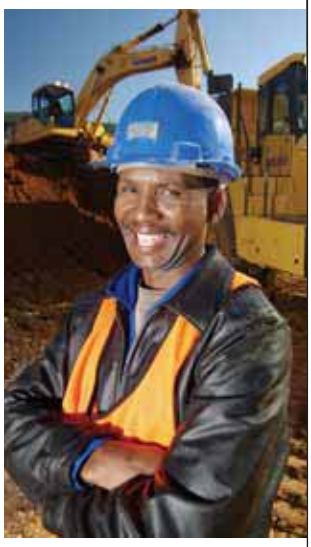
OUTLOOK AND GROWTH

The Two Rivers concentrator should reach full capacity after the first quarter of the 2007 calendar year. Underground operations are expected to reach full production levels by the end of the 2007 calendar year.

In the medium term, Two Rivers is expected to be in the lower cost quartile among producers and a long-life operation for ARM – the UG2 orebody has a mining life of 20 years. Mining of the Merensky reef could add to the mine's life.

PRILL SPLITS: TWO RIVERS (%)





Platinum Division continued

NKOMATI NICKEL MINE

ARM'S ECONOMIC INTEREST: 50 percent

MANAGEMENT: The mine is managed as a 50:50 unincorporated joint venture with LionOre.

LOCATION: Located in the Machadodorp area of the Mpumalanga province, 300 kilometres east of Johannesburg.

GEOLOGY: Nickel, copper, cobalt, chrome and PGM mineralisation at Nkomati occurs in a number of distinct zones within the Uitkomst Complex, a layered mafic-ultramafic intrusion, which is exposed in a broad valley dissecting the Transvaal Sequence in the Mpumalanga escarpment region. Defined zones of the Chromititic Peridotite Mineralised Zone (PCMZ) in the Chromititic Peridotite (PCR) unit, the Main Mineralised Zone (MMZ) in the Lower Pyroxenite (LrPXT) and the Massive Sulphide Body (MSB) were identified as economic.

DESCRIPTION OF ASSETS: Nickel mining takes place through an underground shaft as well as through open-pit mining. Oxidised chromitite is also mined as part of the pre-strip of a future open pit.

REFINING: Refining takes place through various tolling contracts.

NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS: 280

KEY STATISTICS – NKOMATI NICKEL MINE (100 PERCENT BASIS)

Operational statistics		Year ended 30 June 06	Year ended 30 June 05	% Increase/ (decrease)
Cash operating profit	R million	547	349	57
Tonnes milled	tonnes	373	346	8
Head grade	% nickel	1.89	2.01	(6)
C1 cost net of by-products	$/lb	(0.36)	1.49	125
Sales				
Nickel	tonnes	5 616	5 291	6
Copper	tonnes	3 398	3 260	4
Cobalt	tonnes	257	97	165
PGMs	ounces	49 437	39 370	26

REVIEW OF THE YEAR

The Nkomati Mine is one of the lowest-cost nickel producing mines in the world. ARM has been mining the massive sulphide underground body (MSB) since 1997 and has carried out a number of feasibility studies on a combined underground/open-pit operation exploiting the MMZ and PCMZ. Following the acquisition by LionOre of a 50 percent interest in Nkomati in May 2005, the partners have been involved in ongoing evaluation and optimisation of the disseminated orebodies. LionOre, one of the world's 10 largest nickel producers, is the owner of the Activox® hydrometallurgical refining technology being considered for the Nkomati Expansion Project.

This has been a phenomenal year for the operation. Despite the current MSB orebody rapidly being depleted, and limited flexibility in the mining sequence adversely affecting the grades, record volumes are being put through the plant for treatment, with recoveries being maintained. With an improvement in productivity, unit costs and the boom in commodity prices, profits increased substantially. Because of the significant by-product credits, the mine has actually produced nickel at a negative cost.

OUTLOOK AND GROWTH

The high-grade MSB orebody is expected to be depleted by February 2008. The life of the mine will, however, be extended by a new 100 000-tonnes-per-month concentrator plant, which is currently being constructed at a capital cost of R384 million ($54 million), funded out of operational cash flows. This plant will treat 47 000 tonnes per month from underground MMZ and 53 000 tonnes per month from open-pit MMZ mining. Although mining from MMZ will be at a lower grade, the higher tonnage will maintain the same product sale volumes into the future. Nkomati is expected to remain a very competitive nickel producer.

During the past year Nkomati has, for the first time, mined and produced approximately 300 000 tonnes of lumpy and chip chrome ore from the exposed resource in Pit 3. The product has been successfully tested at the nearby Assmang Machadodorp smelter (part of the ARM Ferrous division) in the production of charge chrome. This resource overlies the nickel mineralisation and forms part of the planned Pit 3 pre-strip requirements for the future nickel exploitation of the large disseminated nickel sulphide orebodies. The joint venture has therefore announced that the chrome mining operation will continue and build up to produce 60 000 tonnes per month of product by the second half of the 2007 financial year.

Load Haul Dump (LHD) operator training

Platinum Division continued

NKOMATI NICKEL EXPANSION PROJECT

ARM and LionOre have continued to evaluate the viability of the large disseminated lower grade resources that can be mined from open pits as well as from the current underground infrastructure. Recent test work, as well as improved metal price forecasts, render the potential expansion at Nkomati very attractive.

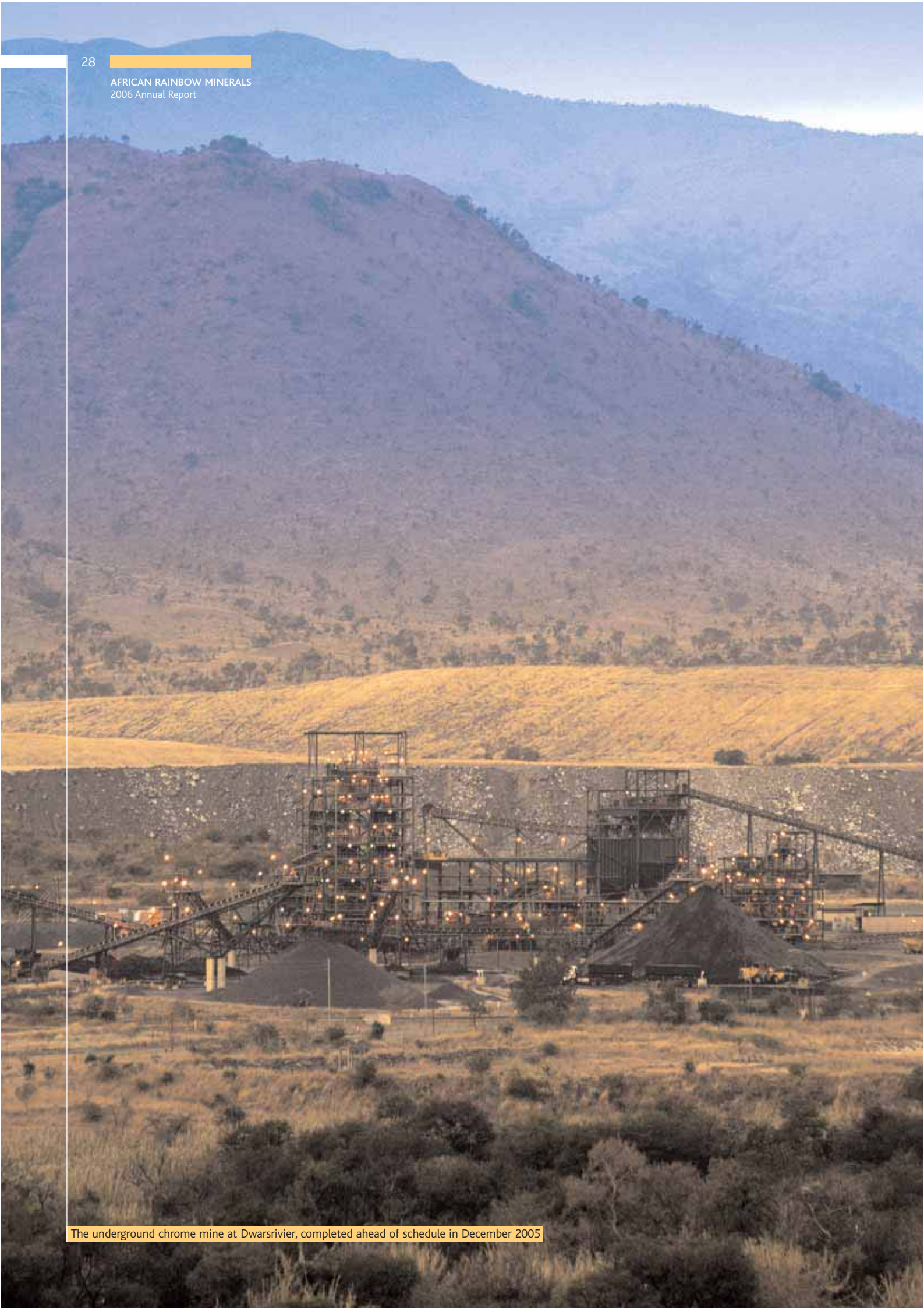
The 100 000 tonne-per-month concentrator plant currently being constructed is seen as the first phase of such an expansion. The next phase for consideration, being the Nkomati Nickel large scale expansion, is a larger (375 000 tonnes per month) concentrator plant and infrastructure. This will increase nickel production to 21 500 tonnes a year and PGM production to approximately 130 000 ounces. A bankable feasibility study will be completed during FY2007.

During the past year, concentrates from Nkomati have been successfully refined through the Activox® demonstration plant at Tati Nickel (another LionOre operation) in Botswana. Feasibility work on such a refinery to treat the concentrates from the expansion will also be continued during the next year.

KALPLATS PGM EXPLORATION PROJECT

ARM'S ECONOMIC INTEREST:	90 percent. A dilutionary clause in the joint venture agreement between the partners provides for Platinum Australia (PLA) to earn up to 49 percent of the project by completing a bankable feasibility study and making its proprietary Panton Metallurgical Process available for the project at no cost.
MANAGEMENT:	Project managed by PLA during feasibility phase.
LOCATION:	Located in the North West Province, 330 kilometres west of Johannesburg.
GEOLOGY:	The project lies within the western limb of the Kraaipan Greenstone Belt, some 45 kilometres to the west of the existing Kalahari Goldridge mining project. PGM mineralisation is developed within the Stella Layered Intrusion hosted within the Kraaipan greenstones and occurs as magmatic segregation reef deposits that are hosted in a magnetite gabbro within the steeply dipping Stella Layered Intrusion (SLI). A total of seven separate PGM deposits and three prospects have been identified over the 12 kilometre strike length of intrusion, and potential exists for further discoveries in the project area.
REVIEW OF THE YEAR:	Feasibility work on the metallurgical behaviour of the ore has progressed satisfactorily.

Mangisi Gule
Chief Executive: ARM Platinum
9 October 2006



The underground chrome mine at Dwarsrivier, completed ahead of schedule in December 2005

Ferrous Division

ABOUT ARM FERROUS

ARM Ferrous' interests comprise a 50 percent stake in Assmang Limited's (Assmang) operations. Assmang is jointly controlled with Assore Limited (Assore).

Assmang comprises three operating divisions based on its three commodities:

- The Iron Ore division, comprising the Beeshoek mine and the Khumani project in the Northern Cape Province;
- The Manganese division, comprising the Nchwaning and Gloria manganese mines, also in the Northern Cape Province, and the Cato Ridge Ferromanganese Works in KwaZulu Natal Province. In addition, this division holds a 50 percent interest in Cato Ridge Alloys (Pty) Ltd, a joint venture between Assmang, Mizushima Ferroalloys Company Limited and Sumitomo Corporation.
- The Chrome division, comprising the Dwarsrivier Chrome mine and the Machadodorp Ferrochrome Works, both in the Mpumalanga Province.

The operations are managed jointly by ARM and Assore through a board-appointed Operations Committee. ARM is responsible for the technical and administration functions, while Assore performs the marketing function.

ARM FERROUS
location of operations

Ferrous Division continued

FERROUS DIVISION'S MINING OPERATIONS AT A GLANCE

Operation and location	Metal/Product	Production in FY2006 Tonnes (000)	Capacity at steady-state		Life-of-mine (years)
			Tonnes 000 pa	Financial year	
Nchwaning II	Manganese	2 424	3 000	Volumes dependent on market demand and logistical constraints	30
Gloria	Manganese	148	600	Volumes dependent on market demand and logistical constraints	30
Dwarsrivier	Chrome	526	1 500	2009	30
Beeshoek	Iron ore	5 536	6 000	Volumes to decline as Khumani ramp-up occurs	7
Khumani Ph1 Khumani Ph2	Iron ore	Nil	8 400 16 800	2008 2010	30

REVIEW OF THE MARKETS

World crude steel production increased by 6 percent to a level of 1.13 billion tonnes in calendar 2005.

China's continued unrivalled demand for most commodities has largely continued during the financial year. China produced 349 million tonnes of crude steel in 2005, which was 25 percent above the 2004 level. The January to June 2006 figures reflect world production of 595.7 million tonnes, of which China produced 199.5 million tonnes.

More recently, there have been increasing concerns regarding the potential slowdown in Chinese demand, coupled with concerns regarding the macro-economic environment, particularly relating to higher interest rates and inflationary threats in the major global economies.

Assmang has experienced a mixed response with regards to volumes and prices in the products it sells.

IRON ORE

The sea-borne iron ore trade in calendar 2005 was 670 million tonnes and this is expected to increase to at least 730 million tonnes in calendar 2006 as growth in world crude steel production continues.

Iron ore, which is benefiting in particular from strong demand but also a highly consolidated global industry, achieved record sales tonnages and significant price increases. The global iron ore benchmark price increased during the year under review by 71.5 percent (effective April 2005) and a further 19 percent increase was effected in April 2006.

MANGANESE ORE

The higher prices achieved during calendar 2005 resulted in an oversupply of manganese ore to world steel markets. Some steel producers have increased their utilisation of lower grade manganese ore which has had a negative impact on high grade manganese ore demand and prices.

MANGANESE ALLOYS

Robust carbon steel production, mainly in China, resulted in strong demand for manganese alloys. After an over-supply situation in early calendar 2006, production cutbacks brought the market back into balance and prices for manganese alloys increased across the board. Prices have now reached levels that are attractive to marginal producers and supply is increasing to the extent that prices could be negatively affected going forward.

CHROME ORE AND ALLOYS

The bulk of chrome ore mined world-wide is converted to ferrochrome and utilised in the production of stainless steel. Global stainless steel production increased dramatically from the beginning of calendar 2006, reversing the significant cutbacks made by producers outside China in the second half of calendar 2005. The first half of calendar 2006 has seen very strong production of stainless steel at

13.3 million tonnes and total production for calendar 2006 is likely to reach at least 26 million tonnes (2005 calendar year: 24.6 million tonnes).

Owing to strong stainless steel demand in the latter part of the year the ferrochrome market has become balanced and, combined with a strengthening rand, the prices for ferrochrome finally increased in the second quarter of the calendar year after consistent reductions in the previous three quarters.

REVIEW OF THE YEAR

Assmang's turnover during FY2006 was maintained at R4.4 billion ($614 million), although attributable earnings decreased by 30 percent to R667 million ($93 million) (2005: R949 million; $133 million) mainly as a result of lower ferromanganese prices and lower manganese ore and ferrochrome volumes and prices which resulted in lower margins on all commodities with the exception of iron ore.

Key highlights of the year include:

- The construction of the 8.4 million tonne per annum Khumani iron ore mine, with an estimated capital expenditure of R3.2 billion ($446 million), was approved in February 2006 and construction started in June 2006. Production from this operation, which is expected to come on stream in July 2008, will substantially replace that from Assmang's Beeshoek operation.
- The Nchwaning III shaft system is now fully operational at a substantially lower production cost than Nchwaning II.
- The Dwarsrivier underground chrome mine was completed ahead of schedule and within budget and is building up to the required capacity to supply Assmang's ferrochrome smelter with all of its ore requirements. Chrome ore mining costs have increased as the mine moved from opencast to underground mining operations.

After the year-end Assmang and Transnet commenced negotiations to conclude an agreement in terms of which Assmang's existing 6 million tonnes per annum iron ore allocation through the Port of Saldanha will build up to 10 million tonnes per annum. These tonnages will initially be supplied from the Beeshoek and, finally, as build-up is achieved, the Khumani mines.

FERROUS DIVISION: KEY OPERATING STATISTICS (100 PERCENT BASIS)			
Product volume sales	FY2006 Tonnes 000	FY2005 Tonnes 000	% Change
Iron ore	5 926	5 776	3
Manganese ore*	1 678	1 811	(7)
Manganese alloys	260	197	32
Chrome ore*	178	35	409
Charge chrome	210	262	(20)

**excluding intra-group sales*

MAJOR CAPITAL PROJECTS

During the year under review Assmang spent R705 million ($98 million) on capital expenditure. Of this:

- R346 million ($48 million) was spent in the iron ore division: at Khumani (R57 million or $8 million), and Beeshoek (R209 million or $29 million).
- A further R239 million ($33 million) was spent at the manganese division, of which R157 million ($22 million) was spent on mining operations and R82 million ($11 million) at the ferromanganese works.
- The chrome division accounted for R120 million ($17 million) of capital expenditure, which was spent mainly on the completion of the Dwarsrivier underground mine (R57 million or $8 million) and furnace rebuilds (R34 million or $5 million) at the ferrochrome works.

Ferrous Division continued

OUTLOOK AND GROWTH

In FY2007 production and sales volumes are expected to increase slightly but earnings growth will largely be dependent on commodity prices and the rand/US dollar exchange rate. The division's R1.8 billion ($251 million) capital expenditure programme will continue during the year ahead, mainly on the construction of the Khumani iron ore mine (R1.2 billion or $168 million).

CAPITAL EXPENDITURE (FY06)
(100 PERCENT BASIS)

Iron Ore R346 million
Manganese R239 million
Chrome R120 million

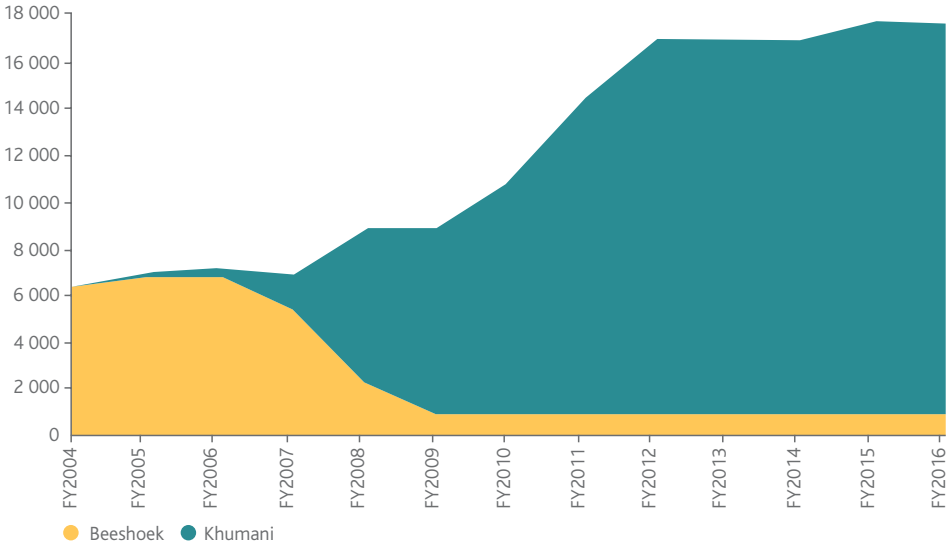
IRON ORE DIVISION: BEESHOEK AND KHUMANI

ARM'S ECONOMIC INTEREST:	50 percent
MANAGEMENT:	Joint management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function.
LOCATION:	Near Postmasburg in the Northern Cape Province.
GEOLOGY:	The iron ore deposits are contained within a sequence of early Proterozoic sediments of the Transvaal Supergroup deposited between 2 500 and 2 200 million years ago. In general, two ore types are present, namely laminated hematite ore forming part of the Manganore Iron Formation and conglomerate ore belonging to the Doornfontein Conglomerate member at the base of the Gamagara Formation.
DESCRIPTION OF ASSETS:	The Beeshoek open pit operations comprise five operating opencast pits with supporting infrastructure such as processing plants, load-out stations, mining vehicles and housing.
CAPACITY:	Current capacity of 6.0 Mtpa. Production at Beeshoek will reduce significantly from FY2009 as Khumani comes on line.
NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS:	1 052
LIFE OF MINE:	Beeshoek (±7 years) Khumani (+30 years at 16 Mtpa)

KEY OPERATING STATISTICS – BEESHOEK AND KHUMANI IRON ORE COMPLEX (100 PERCENT BASIS)

Operational statistics		FY2006	FY2005	% Increase/(decrease)
Operating profit	R000	553 602	186 899	196
Iron ore produced	000t	5 536	6 434	(15)
Capex	R million	346	193	79

IRON ORE:
PROJECTED EXPORT VOLUMES (tpa)



REVIEW OF THE YEAR

Sales of iron ore increased by 15 percent to 5.93 million tonnes during the financial year (FY2005: 5.78 million tonnes), with production coming from the Beeshoek North and South Mines. Record sales tonnages were supported by significant price increases and consequently higher margins. As a result, attributable earnings from the iron ore division almost tripled, to R399 million ($56 million) (2005: R135 million or $19 million).

The Iron Ore division incurred capital expenditure of some R346 million ($48 million) during the year, an increase of some 80 percent on the previous year. Capital was spent mainly on the commencement of construction of the Khumani iron ore mine (see page 34) and the removal of overburden to access new reserves, as well as mining vehicles at Beeshoek. The latter will be used at Khumani once the Beeshoek mine reduces output.

The development of a new iron ore mine in the Kathu region at an estimated cost of R3.2 billion ($447 million), excluding capitalised interest, commencing at an annual capacity of 8.4 million tonnes was approved during the year. Production from this new mine, the Khumani Iron Ore Mine, is destined primarily for the export market.

OUTLOOK

Production from Beeshoek is expected to increase slightly in FY2006, while the margins are expected to be maintained as long as the current price environment remains. Initial production from Khumani is expected in the first half of 2008 and, until then, total iron ore production will not increase significantly.

Ferrous Division continued

KHUMANI IRON ORE PROJECT

Construction commenced at the 8.4 million-tonnes-per-annum mine in June 2006 following the establishment of the requisite project team, and the approval of the Environmental Management Programme by the Department of Minerals and Energy. All key appointments have been made and major contracts are being concluded. The current focus remains on engineering and design. Initial production from this operation is expected during calendar year 2008. The R3.2 billion project ($447 million) will largely be funded from internal resources and debt facilities at the Assmang level.

Production from this opencast mine will commence from three pits on the Bruce farm. Blasted products from the pits will be trucked to a primary crusher and this crushed product will be conveyed to a central processing plant. A two-stage crushing and screening plant has been planned for. A portion of the ore will be upgraded through the installation of a Dense Media Separation facility. A rapid load out train station is provided for, whereafter the ore will be transported to Saldanha harbour for export.

After the year-end Assmang and Transnet commenced negotiations to conclude an agreement in terms of which Assmang's existing 6 million tonnes per annum iron ore allocation through the Port of Saldanha will build up to 10 million tonnes per annum. These tonnages will initally be supplied from the Beeshoek and, finally, as build-up is achieved, the Khumani mines.

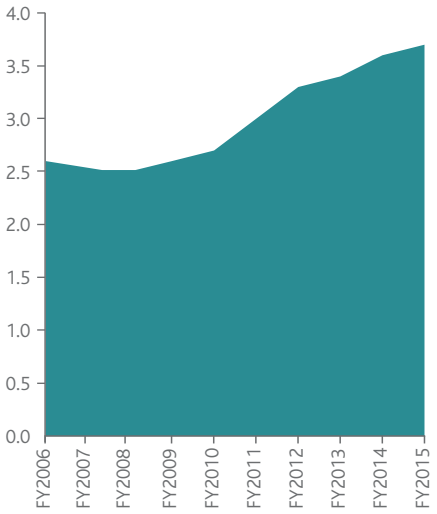
Further expansion to increase production to 16 million tonnes per annum has been designed. This second phase of expansion, which is estimated at approximately R1.6 billion ($223 million), is currently being evaluated.

MANGANESE DIVISION: NCHWANING AND GLORIA MANGANESE MINES, AND CATO RIDGE FERROMANGANESE SMELTER

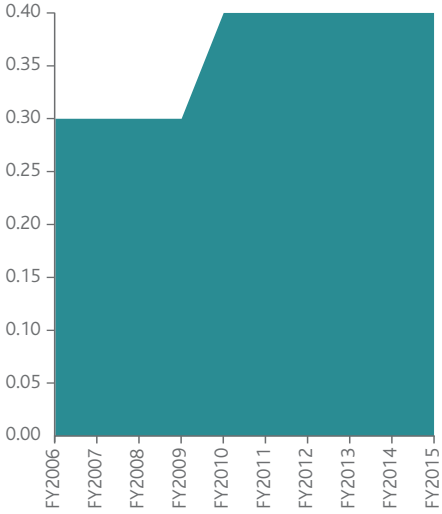
ARM INTEREST:	50 percent
MANAGEMENT:	Joint management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function.
LOCATION:	The Nchwaning and Gloria mines are located at Black Rock, near Kuruman in the Northern Cape Province. The Cato Ridge Works and Cato Ridge Alloys (Pty) Ltd are located at Cato Ridge in KwaZulu Natal Province.
GEOLOGY:	The manganese ores of the Kalahari Manganese field are contained within a sequence of Pre-Cambrian sediments of the Transvaal Supergroup and are confined to the Hotazel formation of the Griqualand West Sequence. At Black Rock, Belgravia and Nchwaning, the Hotazel, Mapedi and Lucknow formations have been duplicated by thrusting. The average thickness of the Hotazel Formation is approximately 40 metres. The strata-bound and stratiform nature of the orebodies suggests a sedimentary origin. Subsequent faulting created a plumbing system for hot hydrothermal fluids to circulate through the sedimentary package, driven by convection cells within the underlying and cooling lava sequence. It was through this mechanism that minerals were introduced into the sediment belts. The manganese orebodies exhibit a complex mineralogy and more than 200 mineral species have been identified. The hydrothermal upgrading has resulted in a zoning of the orebody with regard to fault positions. A similar type of zoning also exists in the vertical sense. At the top and bottom contacts it is common to have high iron and low manganese contents while the reverse is true towards the centre of the seam. This vertical zoning has given rise to a mining practice where only the centre 3.5 metre high portion of the seam is being mined. At the Gloria mine the intensity of faulting is much less, which also explains the lower grade.
DESCRIPTION OF ASSETS:	Three underground mines with supporting infrastructure such as processing plants, load-out stations and housing. The alloy operation consists of six high carbon ferromanganese furnaces with one furnace being utilised to produce refined ferromanganese.

CAPACITY:	3.5 mtpa mining operations only. 300 000 tpa alloy operations
NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS:	2 938
LIFE OF MINE:	+30 years

MANGANESE ORE PRODUCTION CAPACITY (Mtpa)



FERROMANGANESE PRODUCTION CAPACITY (Mtpa)



REVIEW OF THE YEAR

Manganese ore export volumes fell during the first half of the year but recovered in the second half with manganese ore sales volumes for the year totalling 1.678 million tonnes (FY2005: 1.811 million tonnes). High carbon ferromanganese sales volumes increased to record levels during FY2006 at 201 000 tonnes (FY2005 : 150 000 tonnes). Demand for refined ferromanganese was particularly strong and sales volumes were at a record 58 000 tonnes (FY2005: 46 00 tonnes).

Ferromanganese and manganese ore prices came under pressure during the year, placing further pressure on margins – which although down from the previous year – were still healthy. As a result of declining margins during the year under review, attributable earnings decreased significantly to R327 million ($46 million) from the previous year's record highs of R736 million ($103 million).

The Nchwaning III manganese shaft system, completed at a capital cost of R735 million ($103 million), became fully operational in February 2006. This complex complements the existing Nchwaning II and Gloria operations and has increased the group's total installed manganese ore production capacity, which now stands at 3.5 million tonnes per annum. Operating costs will reduce significantly as production from Nchwaning III ramps up.

At the Cato Ridge Works, a metal from slag recovery plant was commissioned towards the end of FY2005 and this plant has increased output by approximately 18 000 tonnes per annum. The works will continue to focus on productivity improvements from the existing six furnaces and increase production with resultant profit margin increases. The construction of a new furnace, to add additional capacity of some 80 000 tonnes per annum, is being evaluated.

Ferrous Division continued

KEY STATISTICS – MANGANESE OPERATIONS (100 PERCENT BASIS)				
Operational statistics		FY2006	FY2005	% Increase/decrease
Operating profit	R000	508 028	1 082 426	(53)
Production				
Manganese ore	000t	1 678	1 811	(7)
Manganese alloys	000t	260	197	20
Capex	R million	240	347	(31)

OUTLOOK AND GROWTH

The continuing growth in world crude steel production should lead to increased sales of manganese ore in the coming year. High carbon ferromanganese sales volumes for FY2007 should be maintained at similar levels to the 2006 financial year.

CHROME DIVISION: DWARSRIVIER CHROME MINE AND MACHADODORP SMELTER

ARM'S ECONOMIC INTEREST: 50 percent

MANAGEMENT: Joint management by ARM and Assore, through Assmang. ARM provides administration and technical services, while Assore performs the sales and marketing function.

LOCATION: Dwarsrivier chrome mine is located near the town of Steelpoort, in Mpumalanga Province, some 140 kilometres from the Machadodorp smelter and about 320 kilometres from Johannesburg. The Machadodorp smelter is located near the town of Machadodorp, in Mpumalanga Province, some 270 kilometres from Johannesburg.

GEOLOGY: Dwarsrivier mine is situated in the eastern limb of the Bushveld Complex, which comprises persistent layers of mafic and ultramafic rocks, containing the world's largest known resources of PGMs, chromium and vanadium. The sixth chromitite seam in the Lower Group (LG6), is an important source of chromite ore and is the orebody mined at Dwarsrivier Mine. In the eastern lobe, in the vicinity of Dwarsrivier, the strike is nearly north-south, with a dip of approximately 10 degrees towards the west. The average thickness of the LG6 seam is about 1.86 metres in the Dwarsrivier area.

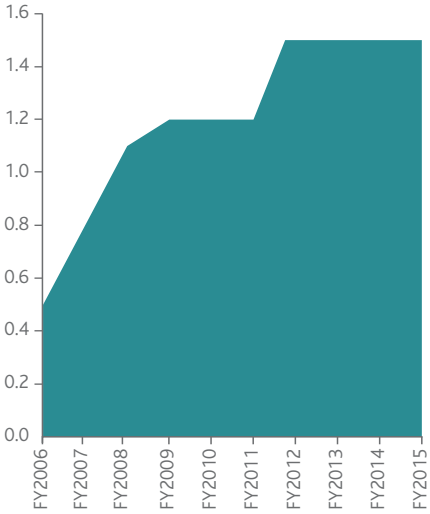
DESCRIPTION OF ASSETS: The Dwarsrivier operation comprises one underground mine with supporting infrastructure, including processing plants. The alloy operations consist of a pelletising plant, a high carbon ferrochrome closed furnace, three high carbon ferrochrome open furnaces and a metal recovery from slag plant, all with supporting infrastructure.

CAPACITY: 1.2 Mtpa run of mine ore
290 000 tpa FeCr

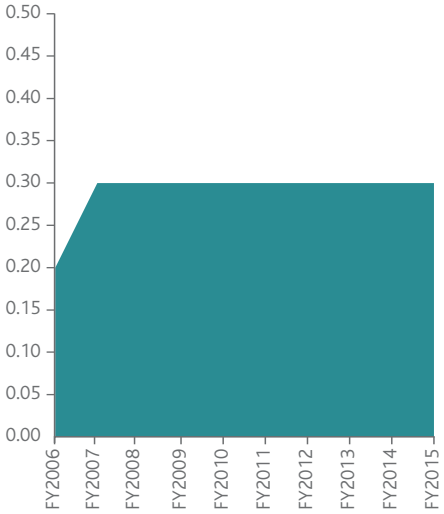
NUMBER OF EMPLOYEES, INCLUDING CONTRACTORS: 969

LIFE OF MINE: 30 years

CHROME ORE PRODUCTION CAPACITY (Mtpa)



FERROCHROME PRODUCTION CAPACITY (Mtpa)



REVIEW OF THE YEAR

Chromite production from Dwarsrivier is sourced from underground mining operations at a rate of up to 550 000 tonnes per annum. The construction of the underground mine at Dwarsrivier, to replace the existing opencast mining operations, was completed six months ahead of schedule, in December 2005, and within budget at a total capital cost of R222 million ($31 million).

Charge chrome sales declined by 20 percent to 210 000 tonnes for FY2006 (FY2007: 262 000 tonnes), while chrome ore sales increased to 178 000 tonnes. (FY2005: 35 000 tonnes) The company deemed it advisable during the past year to temporarily reduce charge chrome production owing to adverse market conditions resulting from an oversupply in the market. Attributable earnings for the division decreased by 77 percent to a loss of R59 million ($8 million), from a profit of R77 million ($11 million) in the previous year.

Material from the Dwarsrivier chrome mine is transported by road some 140 kilometres to the Machadodorp smelter. This smelter has a capacity of 290 000 tonnes per annum and produces charge chrome, mainly for the export market.

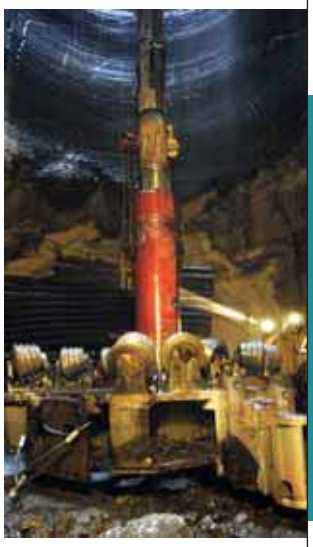
The chrome division spent R120 million ($17 million) on capital projects during the year under review, of which R57 million ($8 million) was spent on underground mining operations and R34 million ($5 million) on furnace rebuilds at the ferrochrome works.

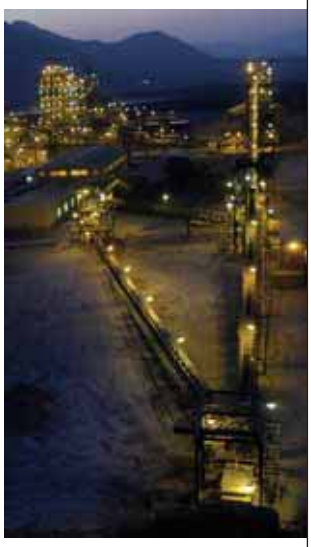
Chrome plant at Dwarsrivier Chrome Mine

Ferrous Division continued

OUTLOOK AND GROWTH

Further investigations are underway to expand the run of mine production at the underground mine to 1.5 million tonnes per annum (1.1 million tonnes of saleable ore). This will enable the company to supply ore to the local market as well as satisfying some offshore demand for chromite ore. Demand, which is driven largely by the stainless steel industry, will determine the future production requirements.

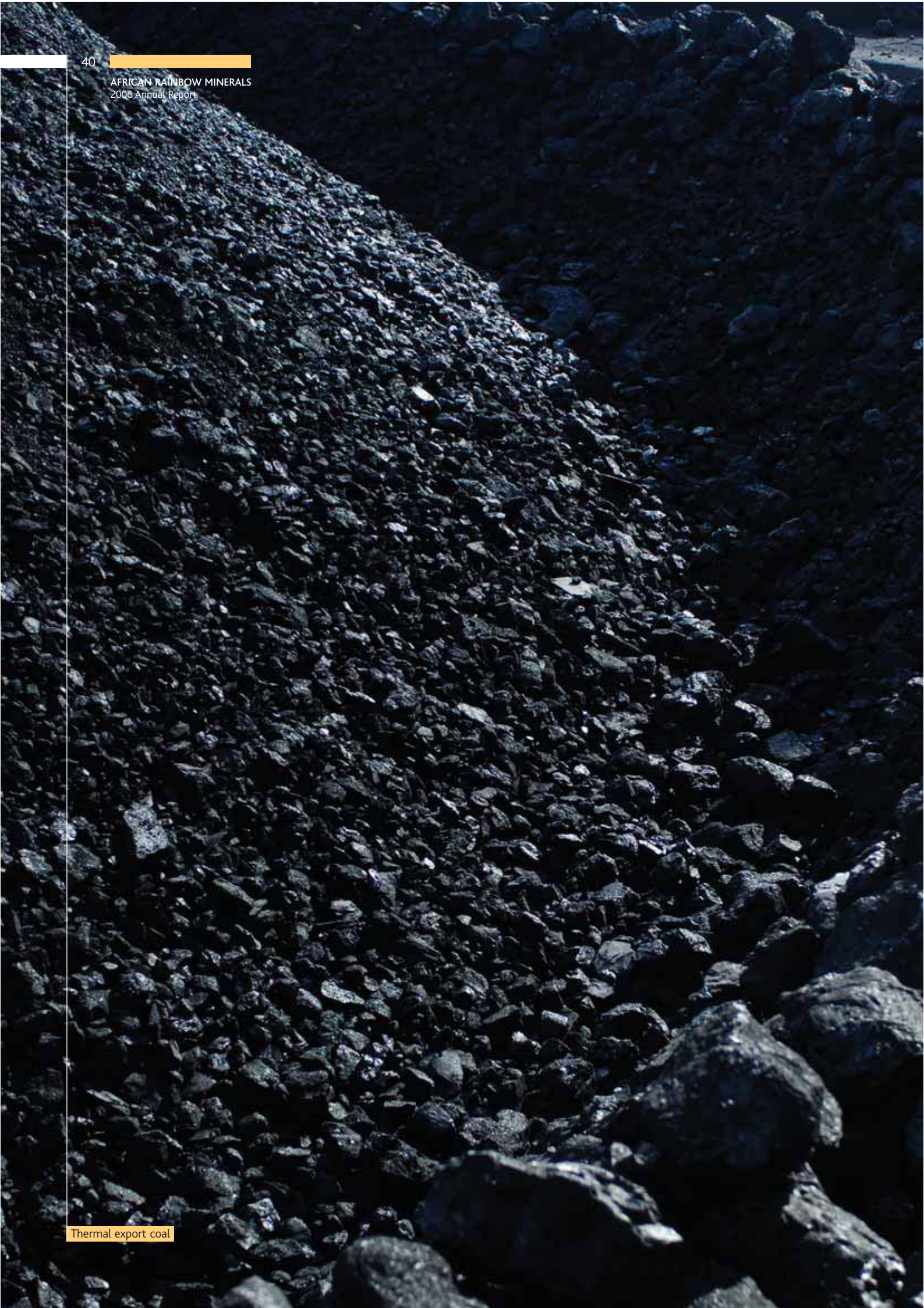




KEY STATISTICS – DWARSRIVIER CHROME MINE AND MACHADODORP SMELTER (100 PERCENT BASIS)

Operational statistics		FY2006	FY2005	% Increase/(decrease)
Operating (loss)/profit	R000	(28 417)	183 494	(115)
Production				
Chrome ore	000t	526	568	(7)
Charge chrome	000t	230	266	(14)
Capex	R million	119	153	(22)

Jan Steenkamp
Chief Executive: ARM Ferrous
9 October 2006



Thermal export coal

Coal Division

ABOUT ARM COAL

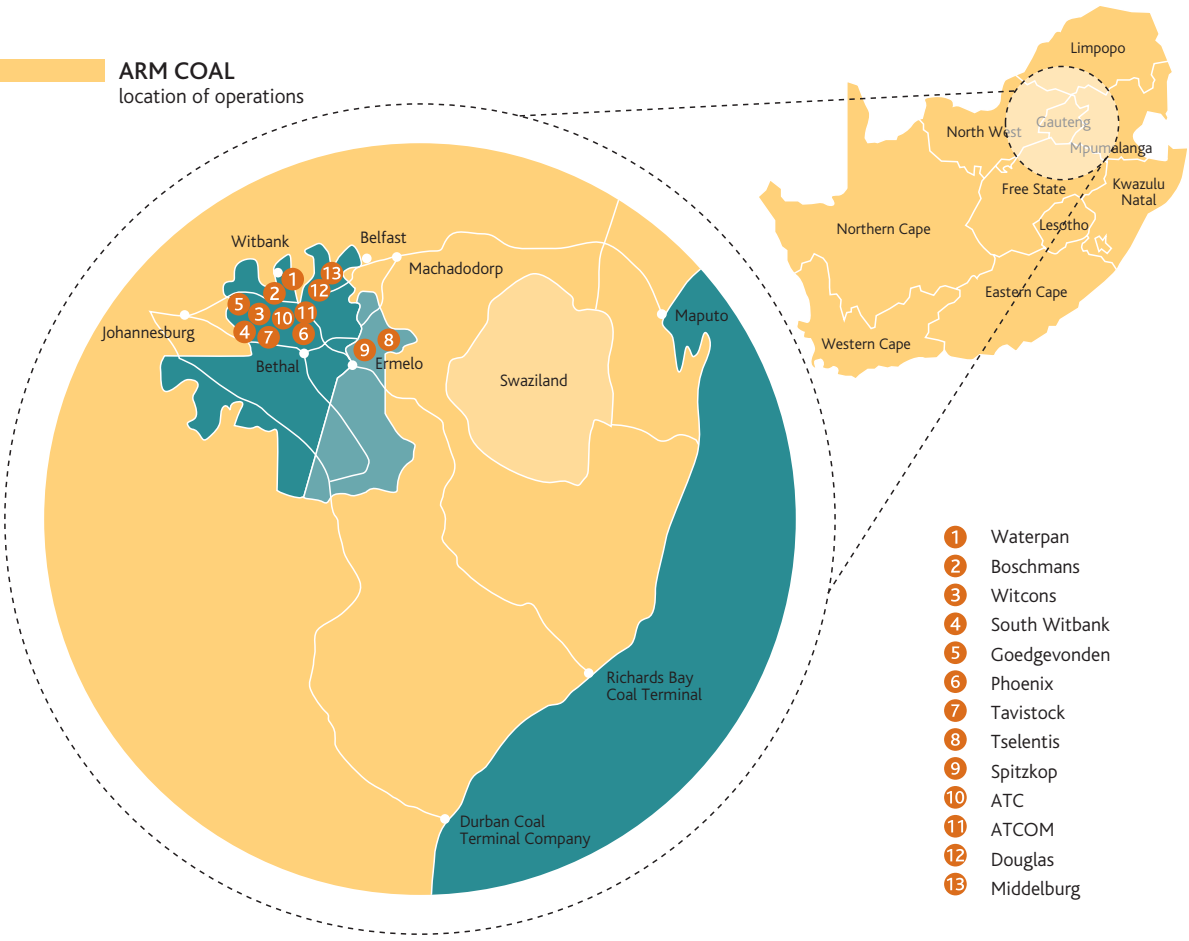
The creation of ARM Coal in February signalled the birth of a new major South African coal mining company in a transaction valued at some R2.4 billion ($335 million), with the effective date being after the 2006 financial year end.

ARM Coal, which is 51 percent owned by ARM and 49 percent held by global diversified mining group Xstrata, holds the following assets:

- a 20 percent equity-based participation in Xstrata's South African coal assets; comprising 13 operating coal mines (11 of which are managed by Xstrata) located near the towns of Witbank, Middelburg and Ermelo in Mpumalanga;
- 51 percent ownership of the Goedgevonden project, near Ogies, also in Mpumalanga; and
- access to Xstrata's 20.9 percent interest and allocation in the Richard's Bay Coal Terminal (RBCT).

Subsequent to the financial year end, the ARM board approved the exercise of an option held by ARM to acquire a further 10 percent direct participating share in Xstrata's South African coal operations, for R400 million, as from 1 September 2006.

ARM COAL
location of operations

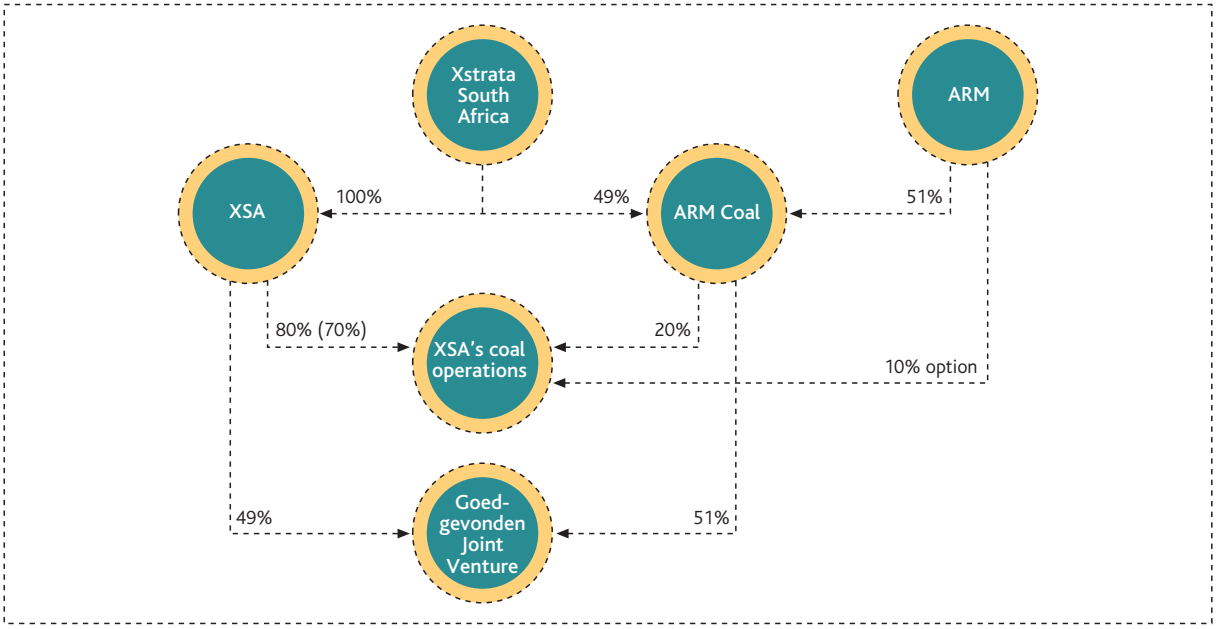


Coal Division continued

TRANSACTION STRUCTURE

On 28 February 2006, ARM and Xstrata announced the establishment of a new major South African coal mining company, ARM Coal. With the establishment of ARM Coal, both shareholding parties, namely, ARM and Xstrata South Africa, subscribed for their interests through respective contributions of R400 million ($56 million) and R384 million ($54 million). In terms of the transaction ARM Coal subscribed for a 20 percent participating interest, in the form of participating preference shares, in Xstrata Coal South Africa for R784 million ($109 million). ARM Coal also acquired a 51 percent controlling stake (for R765 million or $107 million) in the Goedgevonden (unincorporated) joint venture. The ARM board has approved the exercise of an option held by ARM to acquire a further 10 percent in Xstrata's South African coal operations, directly, for R400 million as from 1 September 2006.

TRANSACTION STRUCTURE



ARM and Xstrata South Africa have undertaken to offer all opportunities to participate in any prospecting or mining for thermal coal in South Africa to ARM Coal.

The transaction's financial returns have been significantly enhanced through a capital and interest standstill agreement as well as a dividend upstream principle. Xstrata will provide a loan of R765 million ($107 million) to ARM Coal in order to purchase its 51 percent interest in Goedgevonden as well as the project finance to build the Goedgevonden project.

Xstrata will continue to perform the coal marketing function for export coal produced by both the existing operations and the Goedgevonden joint venture on a fee-based payment structure.

MANAGEMENT

Through the structure of ARM Coal, ARM will not only have a significant stake in these operations but will actively contribute to the management of these businesses. ARM will participate in management at three levels:

- four of the seven ARM Coal directors will be ARM appointments;
- existing Xstrata South Africa operations will be managed through a supervisory committee, comprising four representatives from Xstrata South Africa and two from ARM; and
- the Goedgevonden project will be overseen by a management committee consisting of three representatives from Xstrata South Africa and four from ARM. Xstrata South Africa will operate the Goedgevonden project in terms of a service agreement based on a cost recovery basis.

KEY FUNDING TERMS ON INITIAL TRANSACTION

	Xstrata Coal South Africa Debt	Goedgevonden project funding	ARM Coal Debt
Interest holiday (years)	5	8	–
Interest rate	Prime	Prime	Prime
Capital repayment holiday (years)	5	8	–
Term (years)	15	18	20
Value	R4.1 billion (existing allocated)	Estimated at time of transaction R2.3 billion	R765 million
Cash upstream principle (5 years)	20% of operating cash flow directly to ARM Coal shareholders as a dividend. Balance used to service debt	80% of operating cash flow utilised to service project funding. Balance upstreamed to JV parties	80% of free cash flow received from Goedgevonden utilised to service ARM Coal debt. Balance upstreamed as a dividend

GROWTH

The Goedgevonden project represents a significant growth opportunity for both ARM and Xstrata South Africa. The operation is planned to produce 3.2 million tonnes a year for the export market and a further 3.4 million tonnes a year for the domestic market. (See below for further information on the Goedgevonden project).

RBCT, in which Xstrata has a 20.9 percent stake, announced an expansion from its existing 72 million tonnes to 91 million tonnes a year. This includes the Phase 5 expansion, at a total cost of approximately R1 billion ($140 million), which is expected to be completed during July 2008.

The precise phasing of the incremental export tonnage is subject to colliery and rail infrastructure developments and will be determined once the projects that will utilise the increase in terminal capacity have been identified. Initial estimates indicate that the full rail and mine capacity will only be available after 2009.

GOEDGEVONDEN PROJECT:

ARM Coal will hold a majority 51 percent interest in the Goedgevonden project, 7 kilometres south of Ogies, near Witbank in Mpumalanga province, through a joint venture with Xstrata South Africa.

Xstrata South Africa completed a feasibility study into Goedgevonden in September 2005, which confirmed the potential of the project to produce some 3.2 million additional tonnes of export thermal coal a year, together with about 3.4 million tonnes of domestic thermal generation supply capacity. The ARM Coal board is expected to consider the release of this project for construction during the third quarter of the 2006 calendar year.

The Goedgevonden project has an expected life of mine of 32 years and will employ approximately 300 people.

Steve Mashalane
Chief Executive: ARM Coal
9 October 2006

TEAL

ABOUT TEAL

ARM holds a 65 percent stake in TEAL Exploration & Mining Incorporated (TEAL), which in turn holds a strategic portfolio of near-production mineral projects and a number of properties with significant discovery potential.

TEAL was formed in 2005 as the company to turn to account the many minerals opportunities on the African continent, especially in respect of copper. This follows the acquisition by ARM, and its predecessor Avmin, of large tracts of exploration targets across southern and central Africa.

TEAL was successfully listed on both the TSX and the JSE within the past financial year, and undertook a successful capital raising programme ($33 million) in late 2005 to fund the development of TEAL's exploration assets in Africa.

TEAL
location of assets

1. Kalumines copper-cobalt project
2. Konkola North copper project
3. Mwambashi copper project
4. Otjikoto gold project & Otavi exploration area
5. Copperbelt Joint Venture Exploration Area
6. Kafue Joint Venture Exploration Area

TEAL continued

PROJECT DEVELOPMENTS INCLUDE:

- The Konkola North copper project in Zambia, in which TEAL holds a 100 percent stake. Zambia Consolidated Copper Mines Investment Holdings plc (ZCCM-IH), a company controlled by the Zambian government, has an option to acquire a stake (5 percent free-carried) of up to 20 percent.
- The Mwambashi copper project, in Zambia, in which TEAL owns a 70 percent stake. The balance is held by Korea Zinc Company, Limited (KZC).
- The Kalumines copper-cobalt project (60 percent TEAL-owned) , in a joint venture with state-owned Gécamines.
- The Otjikoto gold project, in Namibia, which is currently 100 percent held by TEAL.

EXPLORATION PROJECTS INCLUDE:

- The Copperbelt Joint Venture exploration areas in Zambia, in which TEAL owns 70 percent, in partnership with KZC.
- The Kafue Joint Venture exploration areas (51 percent held by TEAL) in Zambia, held in partnership with BHP Billiton (49 percent).
- The Otavi exploration area in Namibia, which is solely held by TEAL.

MANAGEMENT

The TEAL board is independent of the management of ARM and the relationship between the companies is structured through an arm's length agreement. A number of ARM board members and executives serve on the board of TEAL.

REVIEW OF THE MARKETS

The global copper market has not been immune to the surge this year in the prices of commodities and resources. Copper prices, along with those of other base metals, reached record levels in May, and although they fell temporarily from these highs, the copper price has

SUMMARY OF TEAL PROJECTS

Project	Country	Interest	Resources				Concept
			Level	(000t)	Grade	Metal	
Konkola North	Zambia	100%*	Inferred	249 241	2.65%	14.56bn/lb (copper)	A large-scale well-defined underground resource adjacent to Konkola copper mines. An existing shaft and underground development will allow access to this deposit.
Mwambashi	Zambia	70%	Measured, Indicated & Inferred	10 980	2.03%	491Mlb (copper)	An open-pittable, easily accessible copper deposit.
Kalumines	DRC	60%	Inferred	8 200	3.51%	634Mlb (copper)	Consists of four shallow deposits with high copper/cobalt grades.
Otjikoto	Namibia	100%	Inferred	24 500	1.13g/t	0.890Moz (gold)	An open-pittable gold deposit with potential to expand resource in the near term.
Kafue JV	Zambia	51%	Three exploration licences covering 2 200km^2.				JV with BHP Billiton covering geological terrains adjacent to the historic Kabwe zinc and copper mines. Drill-ready for zinc, copper and nickel targets.
Copperbelt JV	Zambia	70%	Five exploration licence areas covering 2 800km^2 adjacent to producing mines on the copperbelt.				JV with KZC, with potential for copper/gold mineralisation.

** Konkola North is subject to a buy-in right up to 20 percent (5 percent free-carry) by state-owned ZCCM-IH.*

regained some lost ground. Despite some fears of a potential slowdown in international economic growth, demand has been forecast to increase by 5 percent this year. However, the current level of stockpiles at the LME is dangerously low and stockpiles in Shanghai are also depleted. This, together with continued strong demand and likely supply shortfalls/disruptions at the world's two largest copper producers, will support the fundamentals in the copper market.

REVIEW OF THE YEAR

Following its listing, TEAL is now well positioned to accelerate project and exploration developments on a number of fronts.

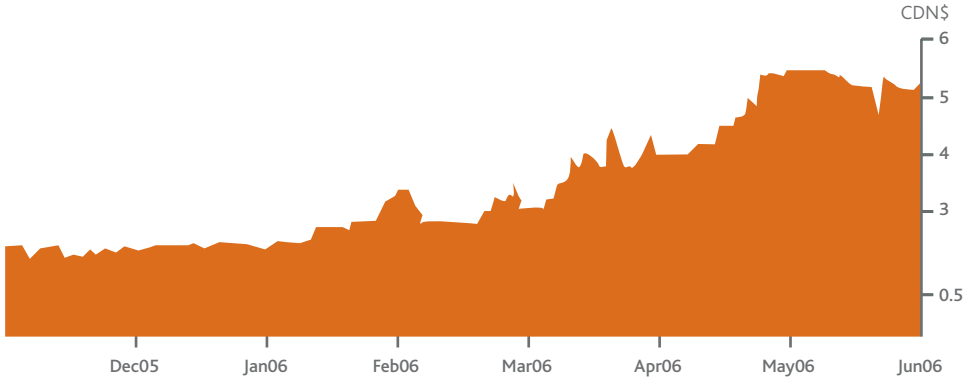
Operational milestones during the year include:

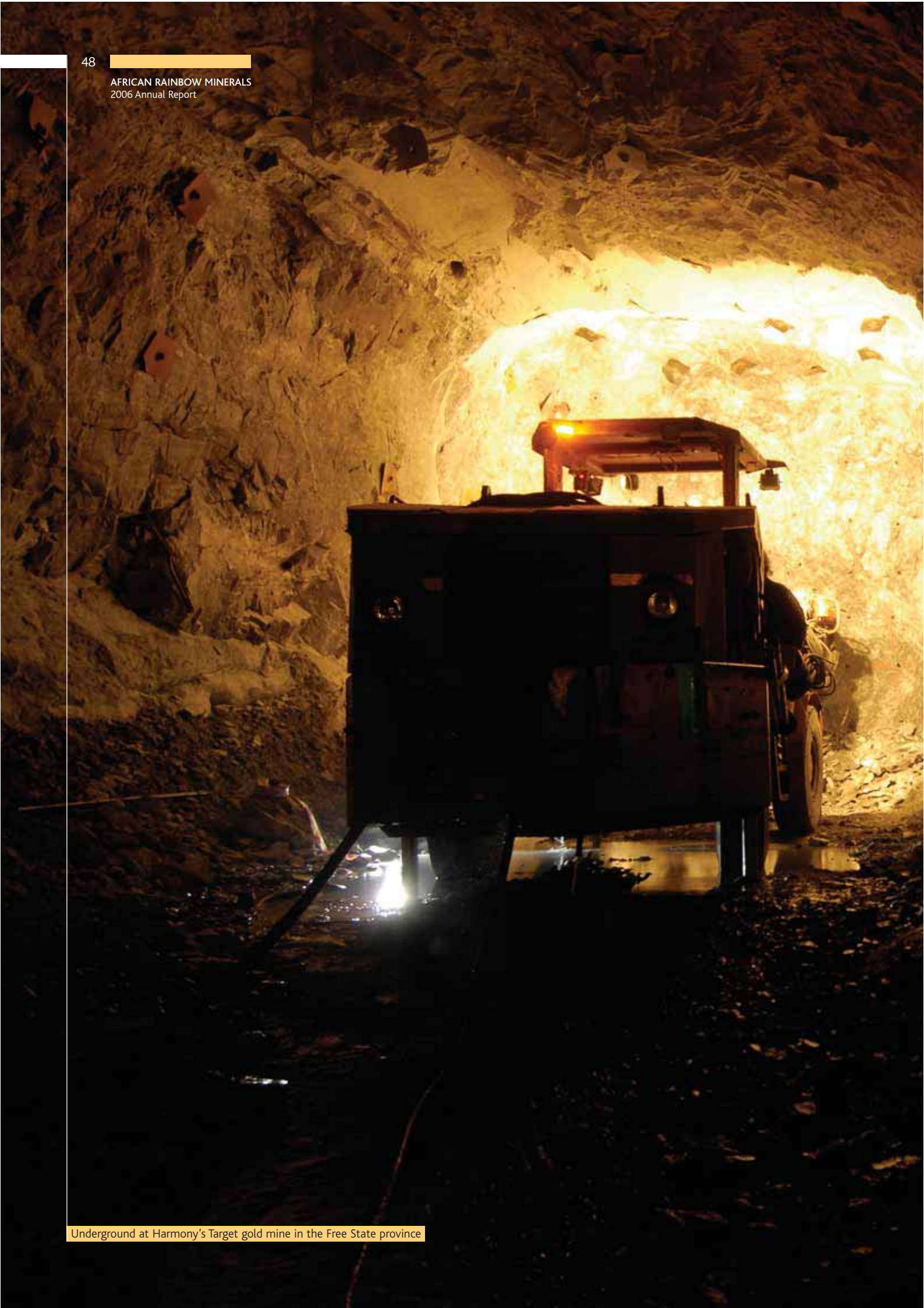
- The feasibility study for Konkola North is under way, which will update the resource and develop a mining plan. The site has existing infrastructure, including a 423 metre deep vertical shaft, two ventilation shafts and three ore haulages.
- The technical assessment for the feasibility study for the Mwambashi copper project has been completed. The decision to proceed with the establishment of a new mine depends on receiving an optimal off-take agreement, successful permitting and securing finance.
- The Kalumines copper-cobalt project feasibility study should be concluded during 2007. Resource drilling is expected to start soon.
- Positive exploration drilling results announced for the Otjikoto gold project. (A memorandum of understanding has been concluded with a Namibian empowerment company, which provides for the acquisition of a 10 percent stake in TEAL's Namibian company, with a right to purchase a further 5 percent stake.)

OUTLOOK AND GROWTH

TEAL's exploration and development programme is currently being accelerated in terms of its existing projects and its considerable opportunities, as it works towards unlocking the considerable value of its asset base. TEAL is an important component of the ARM growth strategy into Africa.

TEAL Exploration & Mining (TL-T)





Underground at Harmony's Target gold mine in the Free State province

Harmony Gold

ABOUT HARMONY

ARM holds a 16 percent interest in Harmony Gold Mining Company Limited (Harmony), which is the fifth largest gold producer in the world. Harmony's operations are located in the major gold-producing areas of South Africa (Carletonville, Orkney, Welkom and Virginia) and Australia. These are outlined below.

IN SOUTH AFRICA

- the company's Quality Assets, which include the Target, Tshepong, Masimong 5, Evander and Randfontein operations;
- the Leveraged Assets, including Bambanani, Joel, West, St Helena, Harmony 2, Merriespruit 1 and 3, Unisel, Brand 3 in the Free State, and Orkney 1, 2 and 7 operations in North West Province; and
- Growth Projects, namely the Doornkop South Reef, Elandsrand new mine, the Tshepong decline project and the Phakisa shaft projects.

In addition, there are several surface operations, including Kalgold.

IN AUSTRALASIA

- the Mt Magnet and South Kal mine open-pit and underground operations in Western Australia; and
- the Hidden Valley and Wafi-Golpu projects in Papua New Guinea (PNG).

HARMONY
location of operations

Harmony Gold continued

MANAGEMENT

Harmony is managed independently of ARM, although the executive chairman of ARM is also the non-executive chairman of Harmony. ARM's financial director, Frank Abbott, also serves on the Harmony board as a non-executive director.

HARMONY AT A GLANCE

		FY2006	FY2005	% Increase/(decrease)
Total gold production	kg 000oz	74 242 2 386	92 230 2 965	(20) (20)
Revenue	R/kg $/oz	108 268 529	84 799 427	28 24
Cash operating costs	R/kg $/oz	88 629 433	75 388 380	(18) (14)
Cash operating profit	Rm	1 459	869	68
Headline loss per share	cents	(269)	(342)	21
Capital expenditure	Rm $	1 688 266	1 417 229	19 16

REVIEW OF THE MARKET

Renewed investor and speculative interest in the gold market over the past 12 months has resulted in the gold price rising to levels not seen in at least 25 years – it peaked at $730 per ounce in mid-May 2006. Gold has frequently been regarded as an inflationary hedge and the rise in the gold price, especially since January 2006, has been largely driven by fears of rising global inflation as a result of a rising oil price and a global economic downturn. The conflict in the Middle East, initially Iraq and more recently Israel and Lebanon, has helped to fuel speculative demand. However, South African producers have seen the price in rands soar to above R140 000 per kilogram, supported by the recent softening of the rand against the US dollar.

Fabrication demand for gold, which had reacted positively to the upturn in global economies in recent years, has fallen off in response to the higher price. On the supply side, production from South Africa has declined significantly over the years, but the country is still the largest gold producer in the world. Current price levels have led to a surge in exploration and expansion projects around the world.

REVIEW OF THE YEAR

The 2006 financial year continued to be one of consolidation for Harmony. The radical restructuring of operations embarked on in the 2004 financial year – closure of loss-making and marginal shafts, mining lower volumes at higher grades and the introduction of continuous operations at a number of shafts – was largely completed by year end, although the effects have yet to be felt on operating performance. In the 2006 financial year, gold produced declined by 20 percent to 74 242 kilograms (2 386 925 ounces). The average gold price received was R108 268 per kilogram ($529 per ounce), an increase of 28 percent over the previous year. The average rand/dollar exchange rate was R6.36/$ compared with R6.18/$ the previous year, reaching R7.17/$ at year end.

PRODUCTION AND CASH OPERATING COSTS BY REGION		
	Production in FY2006 (000oz)	Cash operating costs (R/kg)
SOUTH AFRICA		
Quality Assets	1 141	78 382
Leveraged Assets	683	100 779
Growth Projects	214	108 437
AUSTRALIA	231	85 694
SURFACE OPERATIONS	116	87 090
TOTAL	2 386	88 629

Cash operating costs were up by 18 percent to R88 629 per kilogram (or by 14 percent to $433 per ounce) which is a creditable performance when considering the decrease in gold production. This increase was also affected by an increase in wages of between 6 percent and 7 percent with effect from 1 July 2005 following the two-year wage agreement reached with the unions in August 2005.

Operating profit margin increased to 18 percent while cash operating profit rose by 68 percent to R1 459 million ($229 million), both having felt the impact of the rising gold price and the slightly weakening rand, and are highly illustrative of Harmony's gearing.

Capital expenditure in FY2006 amounted to R1 688 million ($266 million), of which 33 percent (R561 million; $88 million) was allocated to the five growth projects in support of the company's robust project pipeline. In line with the company's policy of accounting for the capitalisation of mine development, there was a significant (R659 million: $103 million) decrease in operating costs and a commensurate increase in the figure for capital expenditure.

On 16 November 2005, Harmony disposed of its remaining 26.5 million Gold Fields Limited shares for R2 442 million, equivalent to an average price of R93.228 per share. The investment was acquired at a cost of R2 135 million, resulting in a profit of R307 million.

Harmony has acquired during the year under review a total of 44.99 million shares in Western Areas Limited, representing a 29.2 percent stake in the company.

The acquisition of this significant shareholding in Western Areas provides Harmony with a strategic exposure of 14.6 percent to South Deep gold mine, which is a 50:50 joint venture between Western Areas and Barrick Gold Corporation. The South Deep gold mine contains a reserve of 29.2 million ounces and a resource of 67 million ounces, which represents one of the biggest high quality gold ore bodies globally.

Subsequent to the financial year-end, Barrick Gold Corporation agreed to sell its interest in South Deep to Gold Fields Limited. Furthermore, Gold Fields has increased its holding in Western Areas and made an offer to minorities, including Harmony, to acquire all its shares in Western Areas in exchange for Gold Fields shares.

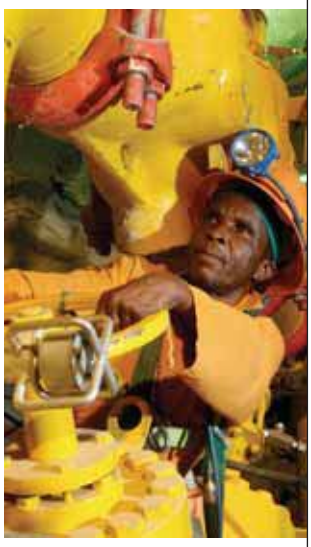
PROJECT CAPEX

R147m Doornkop South Reef
R119m Elandsrand New Mine
R53m Tshepong North Decline
R147m Phakisa shaft
R95m Hidden Valley, PNG

Harmony's Phakisa shaft, in the Free State province

Harmony Gold continued

Harmony's focus on projects has also continued during the year, with good progress being made on all five of the company's significant projects (See table below).



OUTLOOK AND GROWTH

Harmony's continued investment in its major projects should soon bear fruit as these projects come into production over the next few years. Production is planned to increase to 3.5 million ounces over the next four years with a corresponding decline in cash operating costs.

HARMONY'S GROWTH PROJECTS – SUMMARY OF KEY STATISTICS

Project	Location	Description	Expected peak production (000oz)	Project completion date	Life of mine (years)
Tshepong Decline	Free State Province, South Africa	Development of a decline to access lower reserves from bottom of the existing Tshepong vertical shaft	172	February 2008	13
Phakisa Shaft	Free State Province, South Africa	Sinking and equipping of primary shaft to 2 426 metres below surface; and the development of a 1 500 metre twin decline	282	February 2009	21
Doornkop South Reef	Gauteng Province, South Africa	Deepening of the Doornkop main shaft to 1 973 metres	340	June 2010	11
Elandsrand new mine	Gauteng, Province, South Africa	Development of a 'new mine' at depths between 3 000 and 3 600 metres below the existing mine infrastructure	445	December 2010	22
Hidden Valley	Morobe Province, PNG	Development of a new mine in two phases	285	September 2007	10

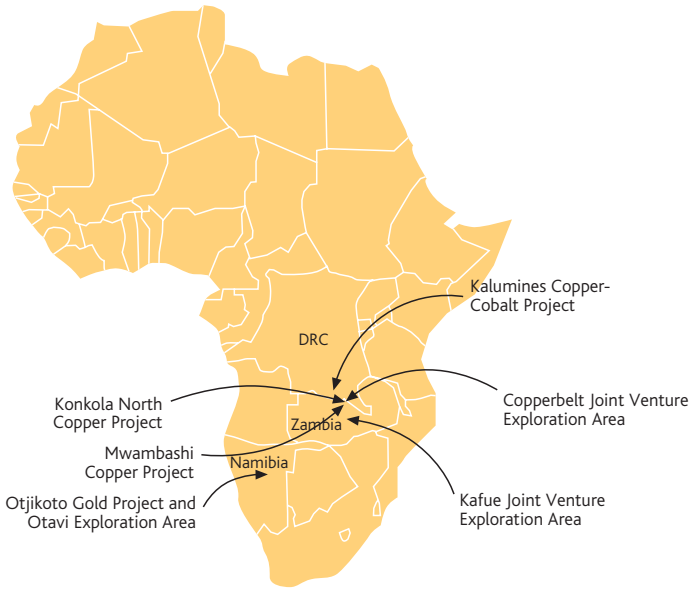
The information in this section is a summary of information that appears in the Harmony Annual Report.

Competent Persons' Report on Ore Reserves and Mineral Resources

This report is issued as the annual update of resources and reserves to inform shareholders and potential investors of the mineral assets held by ARM.

Asset location

EXPLORATION AND DEVELOPMENT (TEAL) PROSPECTS



Asset location

SOUTH AFRICAN OPERATIONS

1. Two Rivers Platinum
2. Modikwa Platinum
3. Dwarsriver Chrome
4. Machadodorp Ferrochrome
5. Nkomati Nickel
6. Kalplats Platinum
7. Nchwaning/Gloria Manganese Ore
8. Khumani Iron Ore
9. Beeshoek Iron Ore
10. Cato Ridge Ferromanganese
11. Goedgevonden Coal Project

General statement

ARM's method of reporting Mineral Resources and Mineral Reserves conforms to the South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC Code) and the Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code (JORC Code).

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. Resources and reserves are quoted as at 30 June 2006. External consulting firms audit the resources and reserves of the ARM operations on a three- to four-year cycle basis. Audits were last carried out during 2004 on all the operations.

Underground resources are in-situ tonnages at the postulated mining width, after deductions for geological losses. Underground Mineral Reserves reflect milled tonnages while surface Mineral Reserves (dumps) are in-situ tonnages without dilution. Both are quoted at the grade fed to the plant. Open-cast Mineral Resources are quoted as in-situ tonnages and Mineral Reserves are tonnages falling within an economic pit-shell.

The evaluation method is generally Ordinary Kriging with mining block sizes ranging from 10 x 10 metres to 100 x 100 metres to 250 x 250 metres in the plan view. The blocks vary in thickness from 2.5 to 50 metres. The Inverse Distance method is used in a few instances and with similar block sizes. The Sichel-t and log-mean estimation methods are occasionally used for global estimation of resources, as is the weighted polygonal method. The evaluation process is fully computerised, generally utilising the Datamine software package.

The Mineral Resources and Mineral Reserves are reported on a total basis regardless of the attributable beneficial interest that ARM has on the individual projects or mines. When the attributable beneficial interests on a mine or project is less then 100 percent, the actual percentage of the attributable interest is specified.

ARM comprises the following operating divisions with varying attributable interests in assets operated as joint ventures (JV) with other mining companies. A locality map showing the major operations appears on the preceding page.

Operating Division	Operating Assets	Type
Platinum Division		
	Nkomati Mine	Mine and concentrator
	Nkomati Expansion Project	Mine, concentrator, refinery feasibility
	Modikwa Mine	Mine and concentrator
	Two Rivers Mine	Mine and concentrator
	Kalplats Project	Exploration asset
Iron Ore Division		
	Beeshoek Mine	Mine & dense medium separation (DMS)
	Khumani Mine (Bruce-King/Mokaning Project)	Construction of surface infrastructure in progress
Manganese Division		
	Nchwaning Mine	Mine, washing and screening
	Gloria Mine	Mine, washing and screening
	Cato Ridge Works	Ferro-manganese and silicon-manganese smelter
	Cato Ridge Alloys	Ferro-manganese refinery
Chrome Division		
	Dwarsrivier Mine	Mine and concentrator
	Machadodorp Works	Smelter and pelletising plant
Coal Division		
	Goedgevonden Project	Mine/project
TEAL Exploration & Mining		
	Otjikoto Gold Project	Gold evaluation and exploration
	Konkola North	Copper evaluation and exploration
	Mwambashi Project	Copper evaluation and exploration
Harmony Gold		
		Mines, metallurgical plants and refinery

General statement continued

Maps, plans and reports supporting resources and reserves are available for inspection at ARM's registered office and at the relevant mines.

In order to satisfy the requirements of the Minerals and Petroleum Resources Development Act, ARM's operations will have to obtain new mining rights for all properties required to support the planned operations over the next 30 years. The act is effective from 1 May 2004 and the new rights must be obtained within five years from then. The operations are at various stages of application.

ARM Ferrous
Assmang Limited's operations

ARM's attributable beneficial interest in Assmang's operations is 50 percent.

MANGANESE

The manganese mines are situated in the Northern Cape province in South Africa, approximately 80 kilometres west of the town of Kuruman. Located at latitude 27°07'50"S and longitude 22°50'50"E, the site is accessed via the national N14 route between Johannesburg and Kuruman, and the provincial R31 road.

In 1940, ARM Ferrous acquired a manganese ore outcrop on a small hillock known as Black Rock. Several large properties underlain by ore were subsequently found and acquired. Today the Black Rock area is considered to be the largest and richest manganese deposit in the world. Manganese ore operations were extended and today include the Gloria and Nchwaning underground mines. Manganese ore is supplied locally to Assmang-owned smelters, but is mainly exported through Port Elizabeth to Japanese and German customers.

MINING AUTHORISATION

The Nchwaning mining lease (ML10/76) comprises an area of 1 877.0587 hectares and is located on the farms Nchwaning (267), Santoy (230) and Belgravia (264). An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

The Gloria mining lease (ML11/83) comprises an area of 1 713.1276 hectares and is located on portion 1 of the farm Gloria (266). An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

GEOLOGY

The manganese ores of the Kalahari Manganese field are contained within sediments of the Hotazel Formation of the Griqualand West Sequence, a subdivision of the Proterozoic Transvaal Supergroup. At Black Rock, Belgravia and Nchwaning, the Hotazel, Mapedi and Lucknow Formations have been duplicated by thrusting. The average thickness of the Hotazel Formation is approximately 40 metres.

The manganese orebodies exhibit a complex mineralogy and more than 200 mineral species have been identified to date. The hydrothermal upgrading has resulted in a zoning of the orebody with regard to fault positions. Distal areas exhibit more original and low-grade kutnohorite + braunite assemblages, while areas immediately adjacent to faults exhibit a very high-grade hausmannite ore. The intermediate areas exhibit a very complex mineralogy, which includes bixbyite, braunite and jacobsite amongst a host of other manganese-bearing minerals. A similar type of zoning also exists in the vertical sense. At the top and bottom contacts it is common to have high iron (Fe) and low manganese (Mn) contents while the reverse is true towards the centre of the seam. This vertical zoning has given rise to a mining practice where only the centre 3.5-metre-high portion of the seam is being mined. At the Gloria mine the intensity of faulting is much less, which also explains the lower grade.

RESOURCES/RESERVES

Measured Resources are classified as material available up to 50 metres in front of the mining faces. Material situated further than 50 metres from current development is classified as Indicated Resources. Geological losses are built into the grade model. Measured Resources are converted to Proved Reserves taking a 20 percent pillar loss (Nchwaning) into account (23 percent for Gloria). In the same way Probable Reserves are obtained from the Indicated Resources. Two manganese seams are present. The No.1 seam is up to 6 metres in thickness, of which 3.5 metres are mined, using a manganese marker zone for control. There is, therefore, minimum dilution.

The Nchwaning mine was diamond drilled from surface at 330-metre centres and the data captured in Excel spreadsheets. The core was logged and 0.5-metre-long, half-core, diamond-saw cut samples were submitted to Assmang's laboratory at Black Rock for X-ray fluorescence (XRF) analyses. Mn and Fe values were checked by Wet Chemical analyses. Several standards were used to calibrate XRF equipment, and results were compared with other laboratories on a regular basis.

A total of 341 boreholes for the No 1 orebody and 372 holes for the No 2 orebody, as well as a total of 17 301 face samples were considered in the grade estimation. The available data for an area was optimised over a thickness of 3.5 metres and exported into data

ARM Ferrous

Assmang Limited's operations continued

files for computerised statistical and geostatistical manipulation to determine the average grades of Mn, Fe, silica (SiO_2), calcium (CaO) and magnesium (MgO).

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 x 50 x 3.5-metre block generated within the geological model. Sub-cell splitting of the 50 x 50-metre blocks was allowed to follow the geological boundaries accurately. The relative density of Nchwaning manganese ore was taken as 4.3t/m^3.

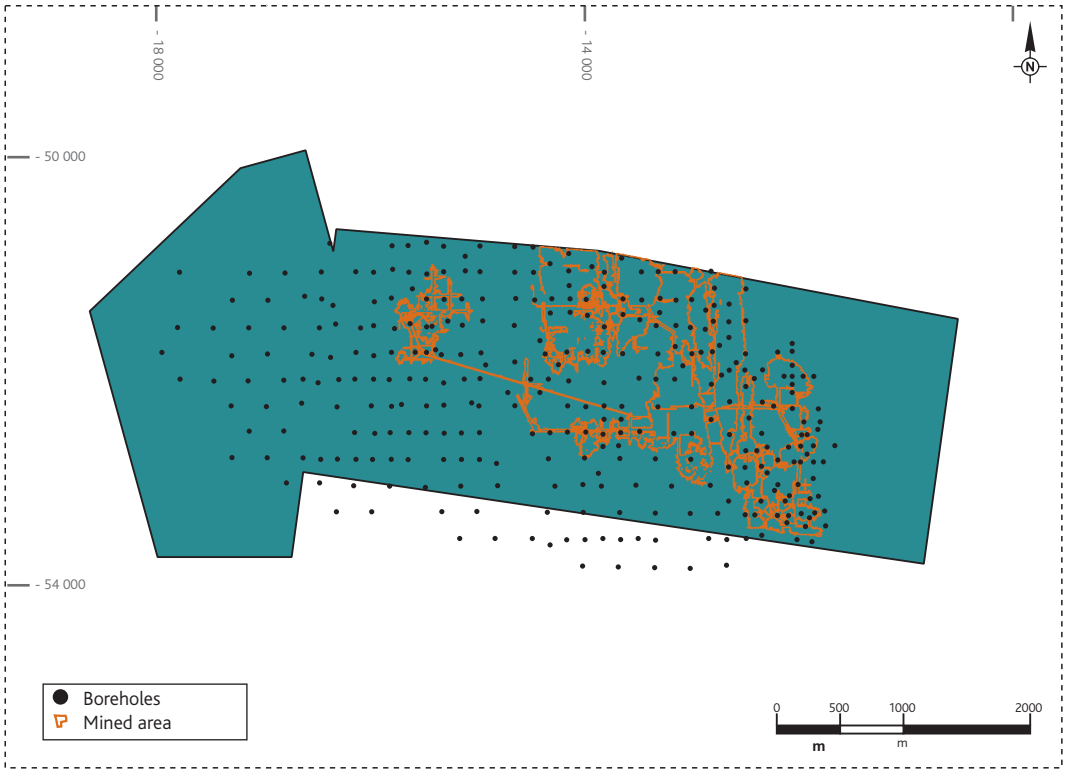
The 2006 Mineral Reserves for the Nchwaning No 1 orebody changed slightly from 116.8 million tonnes in 2005 to 116.6 million tonnes in 2006 as a result of the orebody being re-modelled. The re-modelling therefore compensated for the production drawdown. Similarly, the Mineral Resources at Nchwaning No 1 orebody stayed approximately the same at 146 million tonnes (145.6 million tonnes). The Mineral Resources at Nchwaning No 2 orebody increased slightly to 184.7 million tonnes (182.9 million tonnes).

Procedures for drilling and assaying at Gloria mine are the same as at Nchwaning. A total of 103 boreholes were considered in the evaluation of the Gloria mine. The wide-spaced borehole interval puts some limitation on the evaluation in areas away from current mining faces. A total of 4 493 underground sampling values were used in evaluating areas close to current mining.

The boreholes were optimised over a stoping width of 3.5 metres and the relative density was taken as 3.8t/m^3. The seams were evaluated by means of statistical and geostatistical methods to determine the average grades of Mn, Fe, SiO_2, CaO and MgO.

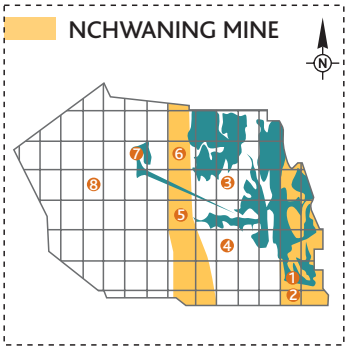
Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 x 50 x 3.5-metre block generated within the geological model. Sub-cell splitting of the 50 x 50-metre blocks was allowed to follow the geological boundaries.

NCHWANING: borehole locality map



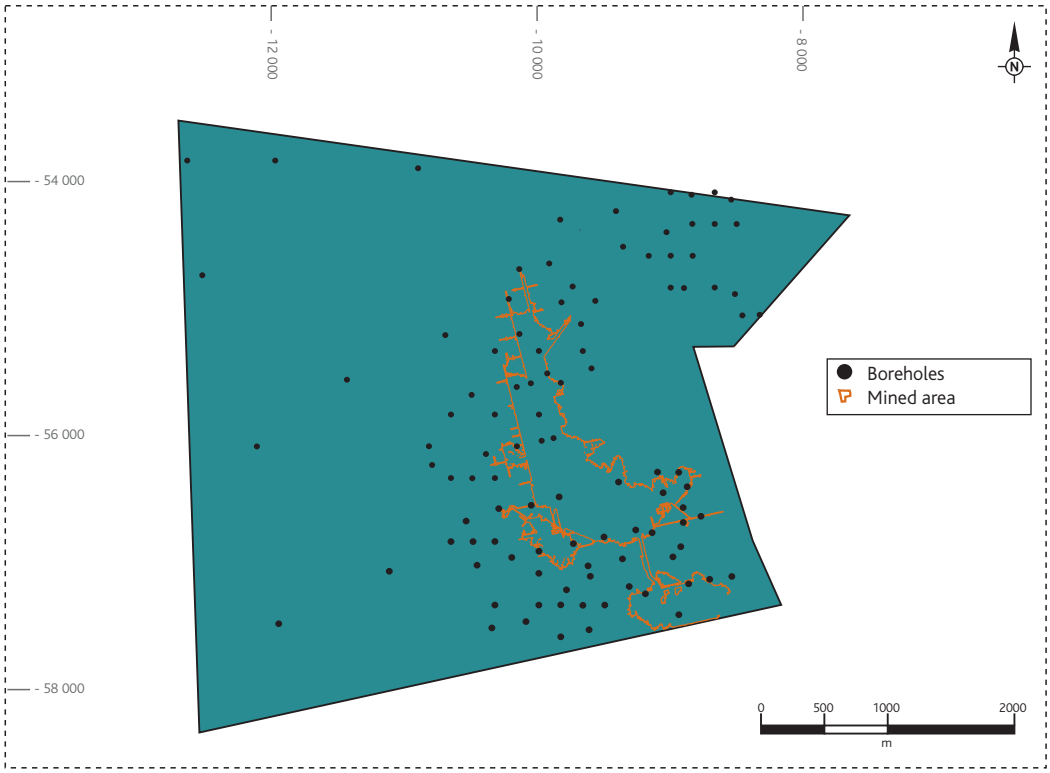
NCHWANING MINE: 1 AND 2 BODY MANGANESE RESOURCES/RESERVES PLAN				
Map code	Nchwaning 2 Body Resources	Tonnes Mt	Mn%	Fe%
2	Area 1 Indicated	18.1	43.6	15.9
4	Area 2 Indicated	60.2	42.7	15.1
6	Graben Indicated	15.9	42.7	16.6
8	Area 3 Indicated	90.5	41.9	15.4
	Total Indicated	184.7	42.4	15.5
	Total Resources 2 Body	184.7	42.5	15.5

Measured resources = Immediately available tonnes up to 50 metres in front of mining faces, else classified as Indicated. Proved Resources = Measured. Resources less 20 percent pillar loss.
Probable Reserves = Indicated. Resources less 20 percent pillar loss.



NCHWANING MINE: 1 AND 2 BODY MANGANESE RESOURCES/RESERVES PLAN						
Map code	Nchwaning 1 Body Resources	Tonnes Mt	Nchwaning 1 Body Reserves	Tonnes Mt	Mn%	Fe%
1	Area 1 Measured	1.51	Area 1 Proved	1.21	48.8	8.97
2	Area 1 Indicated	5.33	Area 1 Probable	4.3	38.9	6.04
3	Area 2 Measured	6.98	Area 2 Proved	5.6	46.1	9.0
4	Area 2 Indicated	20.9	Area 2 Probable	16.7	44.4	9.5
5	Graben Measured	0.80	Graben Proved	0.60	47.5	9.7
6	Graben Indicated	15.4	Graben Probable	12.3	48.6	10.6
7	Area 3 Indicated	4.6	Area 3 Proved	3.7	47.5	9.7
8	Area 3 Indicated	90.5	Area 3 Probable	72.4	44.4	8.7
	Total Measured	13.9	Total Proved	11.1	46.9	9.3
	Total Indicated	132.1	Total Probable	105.7	44.7	8.9
	Total Resources 1 Body	146.0	Total Reserves 1 Body	116.8	44.9	8.93

GLORIA: borehole locality map



ARM Ferrous

Assmang Limited's operations continued

GLORIA MINE: 1 AND 2 BODY MANGANESE RESOURCES/RESERVES PLAN				
	Gloria 2 Body Resources	Tonnes Mt	Mn%	Fe%
	Indicated	67.9	31.9	10.98
	Inferred	70.3	–	–
	Total Resources 2 Body	67.9	31.9	10.98

Measured Resources = Immediately Available tonnes up to 50 metre in front of mining faces, else classified as Indicated. Proved Resources = Measured. Resources less 23 percent pillar loss.
Probable Reserves = Indicated Resources less 23 percent pillar loss.

GLORIA MINE: 1 AND 2 BODY MANGANESE RESOURCES/RESERVES PLAN						
Map code	Gloria 1 Body Resources	Tonnes Mt	Gloria 1 Body Reserves	Tonnes Mt	Mn%	Fe%
1	Measured	9.8	Proved	7.6	38.4	5.07
2	Indicated	87.9	Probable	67.7	38.2	5.78
	Inferred	70.3	–	–	–	–
	M+Ind Resources 1 Body	97.7	Total Reserves 1 Body	75.3	38.2	5.71

The 2006 Mineral Reserves at Gloria No 1 orebody increased by 2.7 million tonnes to 75.3 million tonnes (72.6 million tonnes in 2005). The 2006 evaluation reported a slightly higher tonnage after the block model was re-built. The Measured and Indicated Mineral Resources at Gloria No 1 orebody showed an increase from 94.3 to 97.7 million tonnes. Only limited production took place at Gloria for the year under review. The Mineral Resources at Gloria No 2 orebody stayed the same at 138.2 million tonnes.

Trackless mechanised equipment is used in the bord and pillar mining method. Mining in the eastern extremity of Nchwaning occurs at a depth of 200 metres while the deepest (current) excavations can be found at a depth of 519 metres below surface. Gloria Mine is extracting manganese at depths that vary between 180 and 250 metres below surface.

HISTORICAL PRODUCTION AT NCHWANING AND GLORIA MINES		
	Nchwaning Mt	Gloria Mt
2001	0.95	0.50
2002	0.99	0.42
2003	1.19	0.39
2004	1.60	0,20
2005	1.96	0.24
2006	2.02	0.27

Ore from Nchwaning No 2 mine is crushed underground before being hoisted to a surface stockpile via a vertical shaft. Similarly, ore from the Nchwaning No 3 mine is crushed underground before being conveyed to a surface stockpile via a declined conveyor system. Ore is withdrawn from the surface stockpile and forwarded to two stages of crushing, dry screening and wet screening to yield lumpy and fine products.

At the Gloria mine, ore is crushed underground before being conveyed to a surface stockpile via a decline shaft. Ore is withdrawn from the surface stockpile and forwarded to crushing, dry screening and wet screening to yield lumpy and fine products.

At both plants the finer fractions are stockpiled while the coarser fractions are extracted from the respective product boxes into road haulers, and sampled, weighed and stored on stacks ahead of despatch. Samples from each stack are analysed for chemical content and size distribution. This ensures good quality control and enables the ore control department to blend various stacks according to customer demand.

At current production rates and an annual increase of 1.5 percent the Nchwaning life of mine on No 1 orebody is expected to be 30 years. This will include blending in ore from the No 2 orebody, to supply a Fe-rich product. The life of mine on Gloria No 1 orebody is estimated at more than 30 years.

IRON ORE

The iron ore division is made up of the Beeshoek mine located on the farms Beeshoek 448 and Olynfontein 475. The iron ore resources on the farms Bruce 544, King 561, and Mokaning 560, which were formerly known as the BKM Project, are now being developed into what in future will be known as the Khumani iron ore mine. All properties are in the Northern Cape approximately 200 kilometres west of Kimberley. The Beeshoek open-pit operations are situated 7 kilometres west of Postmasburg and the new Khumani open pits will be adjacent to, and south-east of, the Sishen mine, which is operated by Kumba Resources. Located at latitude 28°30'00"S / longitude 23°01'00"E, and latitude 27°45'00"S / longitude 23°00'00"E respectively, these mines supply iron ore to both the local and export markets. Exports are railed to the iron ore terminal at Saldanha Bay.

Mining of iron ore (mainly specularite) was undertaken as early as 40 000 BC on the farm Doornfontein which is due north of Beeshoek. The potential of iron ore in this region was discovered in 1909, but, due to lack of demand and limited infrastructure, this commodity was given little attention. In 1929 the railway line was extended from Koopmansfontein (near Kimberley) to service a manganese mine at Beeshoek. In 1935 The Associated Manganese Mines of South Africa Limited (Assmang) was formed, and in 1964 the Beeshoek iron ore mine was established, with a basic hand sorting operation. In 1975 a full washing and screening plant was installed and production increased over the years to the current level of approximately 6 million tonnes a year.

MINING AUTHORISATION

The Beeshoek mining lease (ML3/93) comprises an area of 5 685.64 hectares and is located on the farms Beeshoek (448) and Olynfontein (475). An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

The Khumani mining lease comprises an area of 7 388.02 hectares and is located on the farms Bruce (544), King (561), Mokaning (560) and McCarthy (559). An application for mining rights was submitted in December 2005.

GEOLOGY

The iron ore deposits are contained within a sequence of early Proterozoic sediments of the Transvaal Supergroup deposited between 2 500 and 2 200 million years ago. In general two ore types are present, namely laminated hematite ore forming part of the Manganore Iron Formation and conglomerate ore belonging to the Doornfontein Conglomerate Member at the base of the Gamagara Formation.

The older laminated ore types occur in the upper portion of the Manganore Iron Formation as enriched high-grade hematite bodies. The boundaries of high-grade hematite orebodies crosscut primary sedimentary bedding, indicating that secondary hematitisation of the iron formation took place. In all of these, some of the stratigraphic and sedimentological features of the original iron formation are preserved.

The conglomeratic ore is found in the Doornfontein Conglomerate Member of the Gamagara Formation and is lenticular and not persistently developed along strike. It consists of stacked, upward fining conglomerate-gritstone-shale sedimentary cycles. The lowest conglomerates and gritstones tend to be rich in sub-rounded to rounded hematite ore pebbles and granules and form the main orebodies. The amount of iron ore pebbles decreases upwards in the sequence so that upper conglomerates normally consist of poorly sorted, angular to rounded chert and banded iron formation pebbles.

The erosion of the northern Khumani deposit is less than that in the southern Beeshoek area. The result is that Khumani is characterised by larger stratiform bodies and prominent hangingwall outcrops. The down-dip portions are well preserved and developed, but in outcrop the deposits are thin and isolated. Numerous deeper extensions occur into the basins due to karst development. A prominent north-south strike of the ore is visible. The southern Beeshoek orebodies were exposed to more erosion and are more localised and smaller. Outcrops are limited to the higher topography on the eastern side of the properties. Down dip to the west, the ore is thin and deep. The strike of the orebodies is also in a north-south direction, but less continuous.

Haematite is the predominant ore mineral, but limonite and speccularite also occur.

RESOURCES/RESERVES

In the iron ore operations, the following table shows how the search ellipse (i.e. the ellipsoid used by the Kriging process to determine if a sample is used in the estimation of a block) is used to classify the Mineral Resource:

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Assmang Limited's operations continued

MINERAL RESOURCE CLASSIFICATION CRITERIA			
	Minimum No. of samples	Maximum No. of samples	Search ellipse settings XYZ (m)
Measured	6	30	100x100x10
Indicated	5	30	200x200x20
Inferred	4	30	400x400x40

Only Measured and Indicated Resources are converted to Proved and Probable Reserves respectively. Modifying factors were applied to these resources and financially optimised. The financial outline is used to define the optimal pit by means of the Lersch-Grossman algorithm. The resources within this mining constraint are defined as reserves. These are categorised into different product types, destined for the different plant processes and scheduled for planning.

The methodology followed to identify targets is initiated with geological mapping, followed by geophysics (ground magnetics and gravity). Percussion drilling is used to pilot holes through overlying waste rock down to the iron ore bodies. Diamond drilling is the next phase, which is usually on a 200 x 200-metre grid. Further infill drilling is carried out at spacing ranging from 100 x 100 metres to 25 x 25 metres, depending on the complexity of the structures. Numerous exploration programmes were completed in the last 40 years. A total of 2,832 holes (1,315 holes on Khumani and 1,517 holes on Beeshoek) were drilled. Core samples were logged and split by means of a diamond saw and the half-core is sampled every 0.5 metres. Before submission for assaying, the half-cores were crushed, split and pulverised. Samples with values larger than 60 percent are included in the definition of the orebodies. Any lower-grade samples inside the orebody are defined as internal waste and modelled separately. Each zone is modelled per section, and then wireframed to get a three-dimensional (3D) model.

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 10 x 10 x 10-metre block generated within the geological model. Density in the resource model is calculated using a fourth degree polynomial fit applied to the estimated Fe grade. Densities range from 4.38 t/m^3 (60 percent Fe) to 5.01 t/m^3 (68 percent Fe). A default density of 3.2 is used for waste.

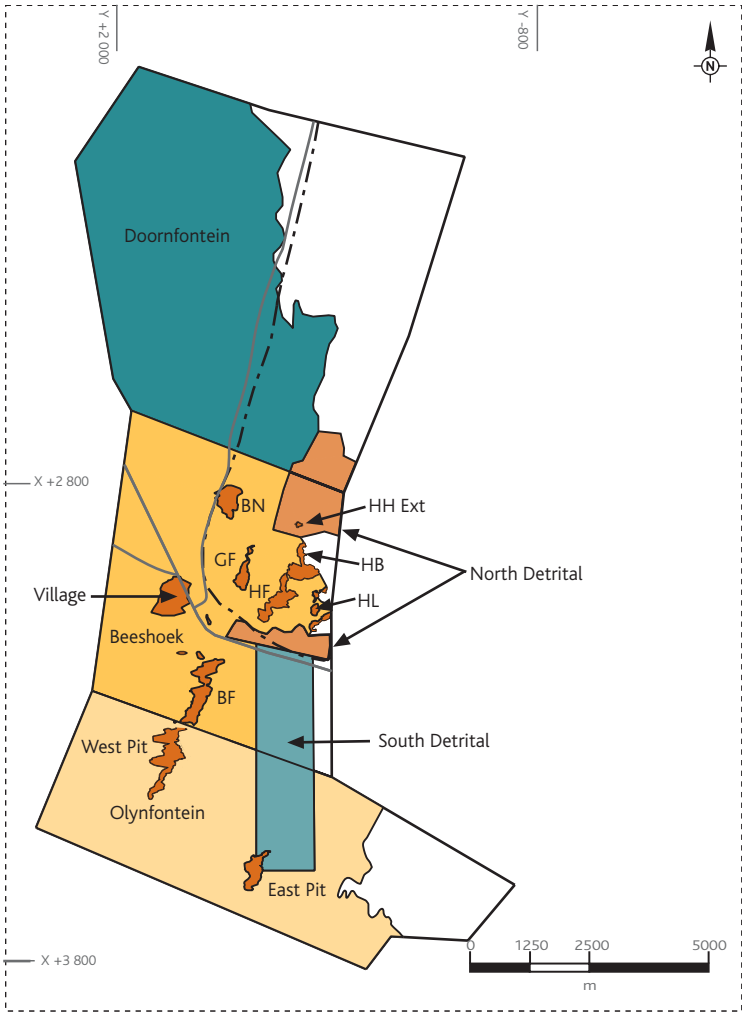
At Beeshoek all blast holes are sampled per metre, but composited per hole. All holes are analysed for density and blast holes in ore are sampled and analysed for Fe, potassium oxide (K_2O), sodium oxide (Na_2O), SiO_2, aluminium oxide (Al_2O_3), phosphorus (P), sulphur (S), CaO, MgO, Mn and barium oxide (BaO). Every fifth blast hole is geologically logged per metre, which is used to update the geological model. The chemical results of these holes are used to update the ore block model. Approximately 45,000 blast holes are drilled a year and 9,000 blast holes are used every year to update the models. The major analytical technique for elemental analyses is XRF spectroscopy. Volumetric titration is used as verification method for the determination of total iron in the ore. International standards (e.g. SARM11) and in-house iron standards are used for calibration of the XRF spectrometer. The Beeshoek laboratory participates in a round robin group that includes seven laboratories for verification of assay results.

The 2006 Mineral Resources at Beeshoek mine decreased from 153.3 to 147.8 million tonnes, due to the annual production drawdown. The Mineral Reserves at Beeshoek decreased substantially mainly due to the exclusion of the Village deposit. The high stripping ratio of 4.5 tonnes of waste to 1 tonnes of ore militates against the inclusion of this in reserve. Ore Reserves were also depleted at the GF, HH Ext, HL and West pits. Other pits such as East pit and the BF pit were also drawn down heavily to meet production. Of the 37 million tonnes of Mineral Reserves available, only about 40 percent is suitable for the ordinary wash-and-screen process, limiting the life of mine at Beeshoek to approximately two to three years for the current export ore qualities.

At Khumani mine the 2006 Measured and Indicated Mineral Resources and Ore Reserves remain the same. The Inferred Mineral Resources increased from 671.5 to 685.5 million tonnes due to an addition of resources on both the King and the Mokaning properties. The Mineral Reserves amount to 444.7 million tonnes at a Fe grade of 64.7 percent. Resources and reserves were audited and signed-off by Snowden Mining Consultants in February 2005. Infrastructure construction is in progress, and production is to start in 2008.

Mining operations are all open pit, based on the conventional drill-and-blast, ruck-and-shovel operations. Run-of-mine ore is crushed and stored as high or normal grade on blending stockpiles. Ore from the stockpiles is either sent to the wash-and-screen plant or, if contaminated, to the beneficiation plant. The washing and screening plant consist primarily of tertiary crushing, washing, screening, conveying and stacking equipment. The beneficiation plant consists of tertiary crushers; scrubbers; coarse and fine jigs or Larcodems; fine crushing; elutriators and upward flow classifiers; lumpy, fines and scaw product stockpiles; and a rapid load-out facility. No chemical is being used in any of the treatment plants.

BEESHOEK: open-pit locality plan



BEESHOEK IRON ORE: RESOURCES/RESERVES PLAN

	Measured		Indicated		Inferred		Total Resource		Proved Reserve		Probable Reserve		Total Reserve	
Pit/Area	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%
BN	30.06	63.58	0.02	63.61	–	–	30.08	63.58	22.64	64.05	0.07	64.01	22.71	64.05
GF	3.48	63.95	0.09	61.80	–	–	3.57	63.89						
HF/HB	18.77	64.15	0.01	62.33	–	–	18.78	64.14	1.77	65.50			1.77	65.50
HH Ext	0.22	64.03	–	–	–	–	0.22	64.03						
HL	3.92	64.83	–	–	–	–	3.92	64.83						
N Detrital	–	–	5.9	60.00	–	–	5.9	60.00						
Village	39.60	63.73	0.09	64.64	–	–	39.69	63.73						
BF	13.03	63.27	0.04	63.55	–	–	13.07	63.27	8.13	63.57	0.02	64.05	8.15	63.57
West Pit	15.35	65.65	0.03	64.05	–	–	15.38	65.65						
East Pit	9.86	63.24	–	–	0.05	61.87	9.86	63.24	4.74	65.20			4.74	65.20
S Detrital	–	–	7.35	60.00	–	–	7.35	60.00						
TOTAL	134.29	63.93	13.53	60.07	0.05	61.87	147.82	63.58	37.28	64.16	0.09	64.07	37.37	64.16

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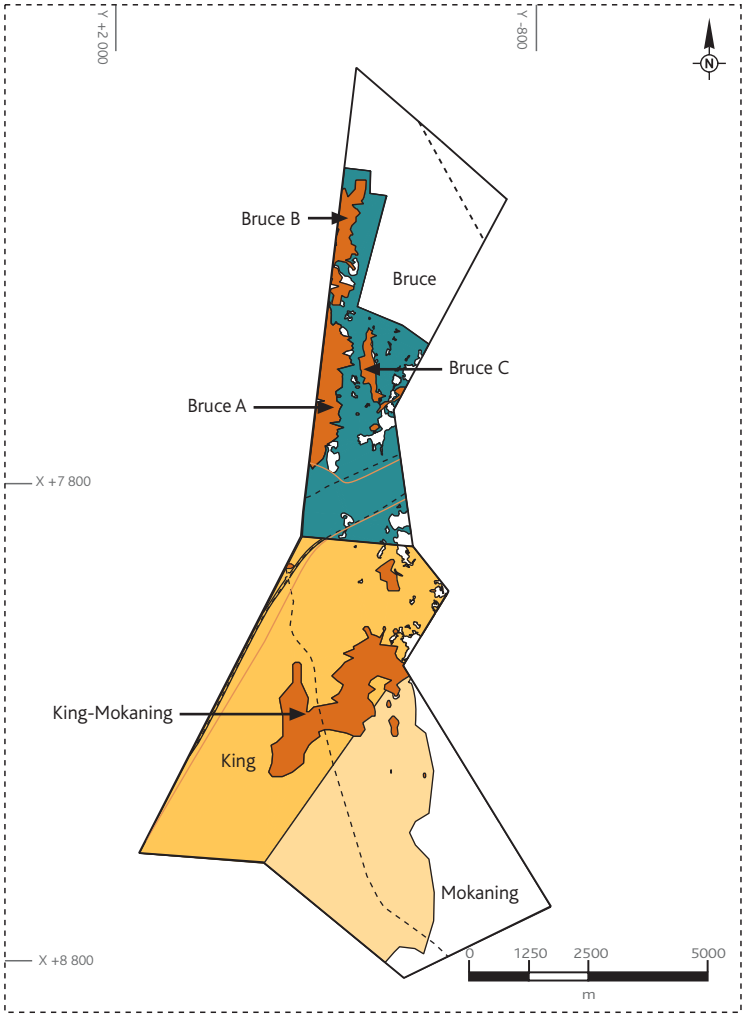
Assmang Limited's operations continued

KHUMANI: open-pit locality plan



HISTORICAL PRODUCTION AT BEESHOEK MINE	
YEAR	TONS ORE MINED (Mt)
2001/2002	5.0
2002/2003	5.8
2003/2004	6.3
2004/2005	6.8
2005/2006	6.2

As stated previously the life of mine at Beeshoek is limited to two to three years if the current product specification of a 65.5 percent Fe product is maintained. Investigations into marketing a lower grade Fe product are under way and, if feasible, would increase the life of mine. The new Khumani mine has a life of mine of approximately 30 years.

KHUMANI IRON MINE: RESOURCES/RESERVES PLAN														
	Measured		Indicated		Inferred		Total Meas & Ind		Proved Reserve		Probable Reserve		Total Reserve	
Area	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%	Mt	Fe%
Bruce A	23.5	64.91	99.0	64.54	0.8	63.37	123.3	64.60	17.1	65.20	57.2	64.70	74.3	64.82
Bruce B	21.1	65.71	77.0	64.06	8.7	64.64	106.8	64.43	19.4	65.70	44.7	64.40	64.1	64.79
Bruce C	37.5	65.45	6.9	65.95	1.6	64.80	46.0	65.50	34.1	65.50	1.4	65.90	35.5	65.52
King/ Mokaning	255.8	64.53	123.9	64.48	17.7	63.98	397.4	64.49	202.6	64.50	68.2	64.60	270.8	64.53
Khumani Detrital	–	–	–	–	12.0	60.00	12.0	60.00	–	–	–	–	–	–
TOTAL	337.9	64.73	306.8	64.43	40.8	62.97	644.7	64.59	273.2	64.75	171.5	64.59	444.7	64.69

CHROMITE

Chromite operations at Dwarsrivier mine form part of the chrome division of Assmang Limited. The mine is situated on the farm Dwarsrivier 372KT, approximately 30 kilometres from Steelpoort and 60 kilometres from Lydenburg, in Mpumalanga province in South Africa. Located at longitude 30°05'00"S/latitude 24°59'00"E, Assmang purchased the farm from Gold Fields Limited, together with all surface and mineral rights in October 1998.

Neighbouring properties to the north and south of Dwarsrivier had existing chrome mining operations at the time of purchase. The feasibility study of the plant, tailings dam and designs for the opencast and underground mines then commenced. After the completion of the consolidated assessment, approval to proceed with the final design and construction work was given in July 1999.

Chromite was obtained from the opencast mining areas at a rate of approximately 0.9 million tonnes a year and these areas were mined out within five years. Underground mining commenced in 2005 at a rate of 1.2 million tonnes a year. Dwarsrivier mine is specifically geared to deliver high quality metallurgical grade chromite to the Machadodorp smelter. In addition, the plant has been designed to produce chemical and foundry grade products.

MINING AUTHORISATION

An old order Mining Licence 21/99 was granted in October 1999. It was granted for the mining of chrome and platinum group metals. An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

GEOLOGY

Dwarsrivier mine is situated in the eastern limb of the Bushveld Complex, which comprises persistent layers of mafic and ultramafic rocks, containing the world's largest known resources of platinum group metals, chromium and vanadium. The mafic rocks termed the Rustenburg Layered Suite, are approximately 8 kilometres thick in the eastern lobe, and are divided formally into five zones.

The rocks of the Marginal Zone at the base of the succession consist mainly of pyroxenites with some dunites and harzburgites. Above the Marginal Zone, the Lower Zone comprises mainly pyroxenites, harzburgites and dunite, and is present only in the northern part of the Eastern Lobe, and only as far south as Steelpoort. The appearance of chromitite layers marks the start of the Critical Zone, economically the most important zone. The layers are grouped into three sets termed the Lower, Middle and Upper groups. The sixth chromitite seam in the Lower Group (LG6), is an important source of chromite ore and is the orebody being mined at Dwarsrivier mine. In the Eastern Lobe, in the vicinity of Dwarsrivier, the strike is nearly north-south, with a dip of approximately 10 degrees towards the west. Average thickness of the LG6 seam is about 1.86 metres in the Dwarsrivier area. Pipe-like dunite intrusions are evident in the area, as well as dolerite dykes that on average strike northeast-southwest. No significant grade variation is evident, especially not vertically in the ore seam. Small, insignificant regional variations do, however, exist.

ARM Ferrous

Assmang Limited's operations continued

RESOURCES/RESERVES

Information was obtained from boreholes with a 300- to 150-metre grid spacing. Resources were determined with a decreasing level of confidence.

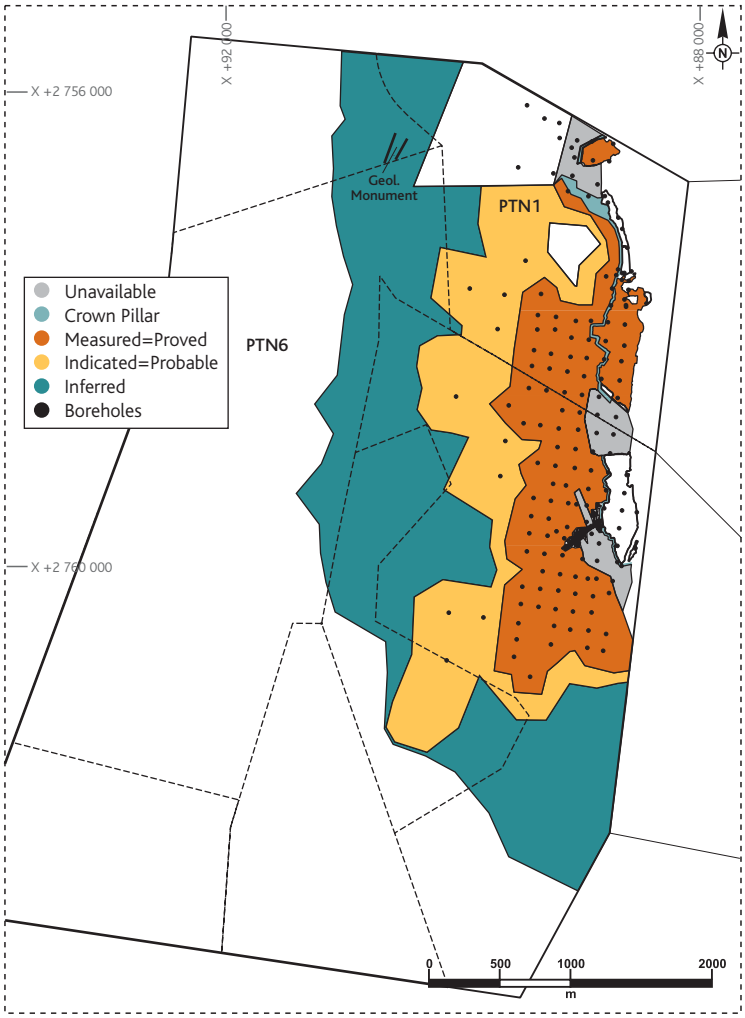
- Measured Resource (150 metres drill grid spacing);
- Indicated Resource (300 metres drill grid spacing); and
- Inferred Resource (drill grid spacing greater than 300 metres)

All possible resources down to a mineable depth of 350 metres below ground level have been considered.

A strategy to ensure the availability of adequate information ahead of mining activities is in place. The strategy is to ensure all mining areas falling within the first five years of the life of mine plan contain proved reserves. Vertical diamond drilling holes are used, except where information is needed to clarify large-scale fault planes. The Mineral Resource at Dwarsrivier mine is based on a total of 219 diamond drill holes that have been used for grade estimation and orebody modelling purposes. The drill core is NQ size and is geologically and geo-technically logged. The collar position of the drill holes is surveyed, but no down-hole surveys are done, and the holes are assumed to have minimal deflection.

The chromitite seam is bounded above and below by pyroxenites. As such, the ore horizon is clearly defined. The core is sampled from the top contact downwards at 0.5-metre intervals. The core is split and half is retained as reference material in the core sheds. The other half is crushed

DWARSRIVIER: Ore Reserves and Mineral Resources



DWARSRIVIER MINE: CHROME RESOURCES/RESERVES PLAN							
Chrome Resources	Tonnes Mt	Cr_2O_3%	FeO%	Chrome Reserves	Tonnes Mt	Cr_2O_3%	FeO%
Measured	19.8	39.68	23.35	Proved	12.8	39.66	23.3
Indicated	21.8	39.48	22.95	Probable	17.4	39.48	23.0
Inferred	45.7	38.76	23.10				
Total Meas and Ind	41.6	39.58	23.14	Total Reserves	30.2	39.56	23.1

and split into representative samples, which are crushed and pulverised for chemical analysis. The samples are analysed fusion/ICP-OES for chrome oxide (Cr_2O_3), SiO_2, FeO, Al_2O_3, MgO and CaO. Three laboratories, all ISO 17025 accredited for this method, are used. Every tenth sample is analysed in duplicate. SARM 8 and SARM 9 standards, as well as in-house reference material (CRI), are included every 20 to 30 samples in each batch. The density for each sample is measured using a gas pycnometer.

Datamine software is used to construct a 3-D geological model (wireframe) of the LG6 chromite seam, based on borehole and other geological data. A cut-off value of 35 percent Cr_2O_3 was used to distinguish between ore and waste. Mineral Resources have been calculated using Ordinary Kriging, where Cr_2O_3-, FeO-, Al_2O_3-, MnO and MgO-contents of the LG6 seam and densities were determined, using block sizes of 50 x 50 x 5 metres.

When compared to 2005, the 2006 Mineral Reserves decreased by 0.8 million tonnes or 2.6 percent to 30.2 million tonnes (31.0 million tonnes) and the Mineral Resources show a limited decrease of 1 million tonnes or 1 percent to 87.3 million tonnes (88.3 million tonnes). The reason for the change is that no additional exploration drilling was conducted to increase the resource base, so the 2005 resources became depleted by the year's production.

During mining, a slightly diluted run of mine ore is fed to the beneficiation plant. This decreases the average grade from approximately 40 percent Cr_2O_3 to 37 percent Cr_2O_3. An addition of approximately 9 percent of waste material results in this 3 percent Cr_2O_3 grade decrease. In the dense media separation part of the plant, the coarse fraction is upgraded to 40 percent Cr_2O_3, with a yield of 80 percent. In the spiral section of the plant the finer fraction is upgraded to 44 percent Cr_2O_3, and 46 percent Cr_2O_3 respectively, for metallurgical grade fines and chemical grade fines. Foundry sand is also produced with a similar grade to that of the chemical grade fines. A 67 percent yield is achieved in the spiral circuit.

HISTORICAL PRODUCTION AT DWARSRIVIER CHROME MINE	
YEAR	TONNES ORE MINED (Mt)
2000/2001	0.4 (9 months)
2001/2002	0.7
2002/2003	0.85
2003/2004	0.96
2004/2005	0.92
2005/2006	0.82

The current life of mine of the Dwarsrivier chrome mine is 25 years. Excluded from this plan are the inferred Mineral Resources and material situated deeper than 350 metres below ground level.

ARM Platinum Operations

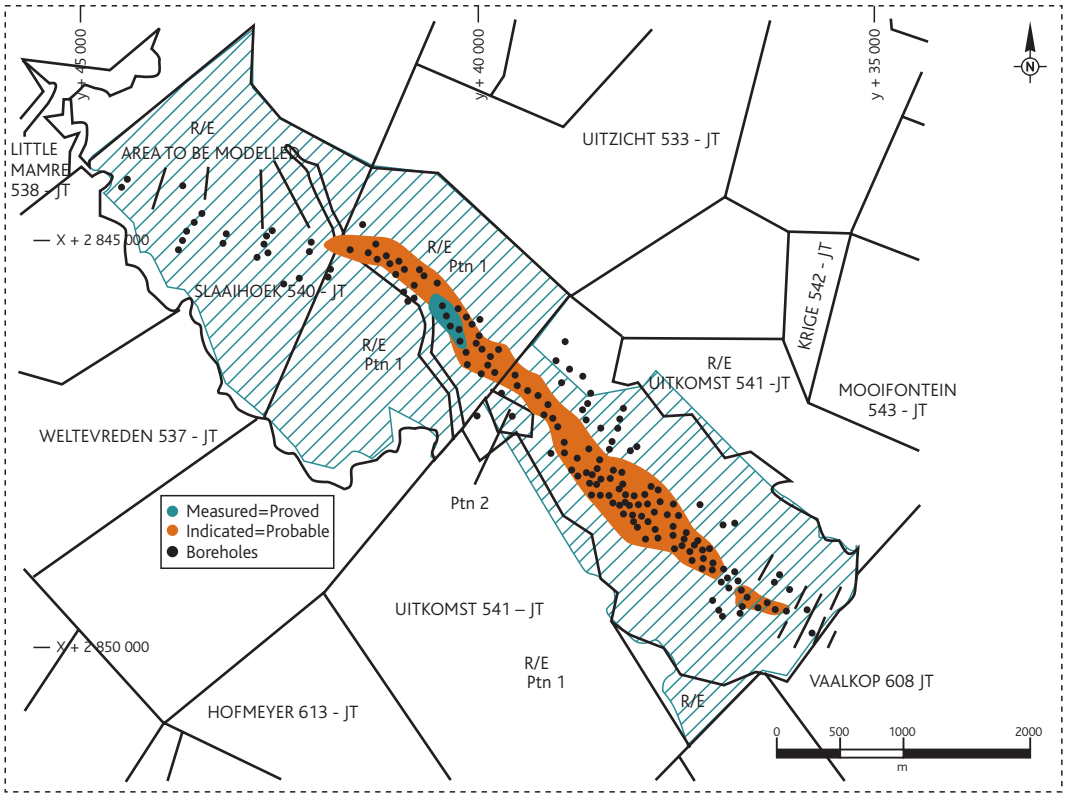
NKOMATI NICKEL-COPPER-COBALT-PGM-CHROMITE MINE

The Nkomati mine is situated some 300 kilometres east of Johannesburg in Mpumalanga province in South Africa. Situated at latitude 25°40'S and longitude 30°30'E, the site is accessed via the national highway N4 between Johannesburg and Machadodorp, and via the provincial road R341 and the R351 tarred road.

Nickel, copper, cobalt, PGM and chromite mineralisation is hosted by the Uitkomst Complex, a layered mafic-ultramafic, Bushveld satellite intrusion. The Uitkomst Complex outcrops on two farms, Slaaihoek 540JT and Nkomati 770 JT (a consolidation of portions of Uitkomst 541 JT and Vaalkop 608 JT). In 1939, the mineral rights on Slaaihoek were purchased by ETC, an Anglovaal subsidiary, to mine gold at the old Mamre and Slaaihoek mines. In the early 1970s, an Anglo American/INCO Joint Venture began exploring Uitkomst for nickel. In 1992, Anglo American (AAC) completed a feasibility study on an open-pit operation exploiting the large disseminated sulphide resource on Uitkomst, with negative results. Exploration on Slaaihoek by Anglovaal began in earnest in 1989, and in 1990 the first holes were drilled into the massive sulphide body (MSB). In 1995, the Nkomati JV between Anglovaal (75 percent) and AAC (25 percent) was formed and in January 1997, production of the MSB began. In 2004, Anglovaal acquired AAC's 25 percent interest and in 2005, a 50:50 JV was formed between ARM and LionOre, a global nickel producer and owner of the Activox technology. In February 2006, Nkomati approved an interim expansion project which will exploit the MMZ, a disseminated sulphide body, by underground and open-pit mining. The project, which is planned to be commissioned in September 2007, will maintain nickel production at approximately 5,000 tonnes a year after the depletion of the MSB. A feasibility study for the full expansion phase is expected to be completed during 2007.

In addition, during the financial year, Nkomati started an open pit to mine the oxidised massive chromitite, which was sent to Assmang's Machadodorp ferrochrome facility for trial smelting. In June 2006, a feasibility study on mining the oxidised massive chromitite was completed and approval was given for a 60,000-tonne-per-month mining and processing operation.

NKOMATI: Ore Reserves and Mineral Resources



NKOMATI MINE AND EXPANSION PROJECT: RESOURCES/RESERVES							
Ni/Co/Cu/ PGM			Tons	Ni%	Cu%	Co%	3PGM+Au g/t
Mine	Reserves	Proved					
		MSB L1	386 000	1.98	1.27	0.08	8.37
		MMZ underground	330 000	0.59	0.24	0.03	1.25
		Total Proved	716 000	1.34	0.80	0.06	5.09
		Probable					
		MSB L3+Str	62 000	0.89	0.55	0.06	3.24
		MMZ openpit	6 060 000	0.53	0.23	0.03	1.15
		Total Probable	6 122 000	0.53	0.23	0.03	1.17
	Resources	Measured					
		MSB L1	295 000	2.58	1.48	0.12	8.63
		MMZ underground	1 021 128	0.58	0.21	0.03	1.75
		Total Measured	1 316 128	1.03	0.49	0.05	3.29
		Indicated					
		MSB L3	27 900	2.21	1.23	0.11	5.79
		MSB L3+Str	16 200	1.97	0.82	0.10	3.10
		Total MSB	44 100	2.12	1.08	0.11	4.80
		MMZ openpit	8 254 100	0.51	0.22	0.03	1.08
		Inferred					
		Mauhorn reef	13 000	2.98	0.97	0.17	5.62
	Mine	Total Reserve	6 838 000	0.62	0.29	0.03	1.58
	Mine	Total Resource	9 614 000	0.59	0.03	0.34	1.46
Expansion							
	Reserves	Probable					
		MMZ underground	9 846 000	0.55	0.21	0.03	1.04
		MMZ openpit	49 611 900	0.46	0.19	0.03	1.12
		Total Reserve	59 457 900	0.47	0.19	0.03	1.1
	Resources	Indicated					
		MMZ underground	48 728 000	0.48	0.21	0.03	1.03
		MMZ openpit	57 339 600	0.48	0.20	0.03	1.11
		PCMZ underground	19 100 000	0.40	0.12	0.02	1.00
		PCMZ openpit	8 161 600	0.40	0.12	0.02	1.00
		Total Resource	133 329 200	0.46	0.19	0.03	1.06

NKOMATI MINE AND EXPANSION PROJECT		
Oxidised Massive Chromitite	Tonnes	Cr_2O_3%
Proved Ore Reserves	1 587 000	31.1
Probable Ore Reserves	5 933 000	31.1

ARM Platinum Operations continued

MINING AUTHORISATION

Old order Mining Licences, numbers 3/2001 and 27/2003, exist on the farms Slaaihoek and Uitkomst respectively for the mining of nickel, copper, cobalt, platinum group metals (PGMs) and chromite. An application for the conversion to a new order mining right was submitted in July 2006.

GEOLOGY

The Uitkomst Complex is an early-age Bushveld layered, mafic-ultramafic body intruded into the basal sediments of the Transvaal Sequence. The complex crops as a long linear body, which outcrops for approximately 8 kilometres and has been drilled at depth for an additional 4 kilometres below the escarpment on Slaaihoek. The complex, which dips at approximately 4 degrees to the north-west, is still open-ended down dip.

The Nkomati nickel sulphide deposits are contained within the Uitkomst Complex, a Bushveld satellite mafic-ultramafic intrusion, which intrudes the Malmani Subgroup and Timeball Hill formation of the Transvaal Supergroup. The complex is on a northwest-southeast trending elongated body up to 800 metres thick and 1 500 metres wide, dipping conformably with the Transvaal stratigraphy at about 4 degrees to the northwest. The complex has been drilled over an 11-kilometre length and is open-ended to the northwest. From the base to top, the stratigraphy comprises the Basal Gabbro (0 to 15 metres), the Lower Pyroxenite (35 metres), the Chromititic Peridotite (30 to 60 metres), the Massive Chromitite (up to 10 metres), the Main Harzburgite (330 metres), the Upper Pyroxenite (65 metres), the Gabbronorite (250 metres), and the Upper Gabbro (50 metres). A zircon from the Upper Gabbro has been dated using Shrimp at 2 044 million years.

There are five main sulphide zones in the Uitkomst Complex: the MSB, situated at and below the base of the complex, which has been the main producer for the underground mine since 1997; the BMZ within the Basal Gabbro; the MMZ, occurring within the Lower Pyroxenite, which is currently being mined from both underground and open pit; the PCMZ, which occurs with the Chromititic Peridotite and is not currently being mined. Sulphide mineralisation also occurs in the Peridotite Unit. In addition, the Massive Chromitite Unit (MCHR) is currently being mined where it is fully oxidised (weathered) in the open-pit area. The fresh (unweathered) MCHR contains disseminated sulphides. The dominant sulphide mineral is pyrrhotite. The nickel is contained mainly within pentlandite; copper mainly in chalcopyrite; cobalt is mostly in solid solution in the pentlandite, and the PGMs occur as separate minerals, merenskyite being dominant.

RESOURCES AND RESERVES

The MSB is classified as Measured Resources based on the intense drilling and underground sampling. The LrPXT and PCMZ units are classified as Indicated Resources.

The MSB Mineral Resources are based on surface and underground diamond drilling and sidewall sampling. Underground holes are spaced 20 metres apart. The drill core is sampled at 1-metre intervals and analysed for Ni, Cu, and Co. Underground channel samples are taken over 0.5-metre intervals and assayed, before being composited to 1 metre for evaluation purposes. For PGE estimation the samples are composited to 5-metre intervals. Density estimates are based on the 1-metre samples used for the nickel (Ni), copper (Cu) and cobalt (Co) assays. The mine laboratory analyses samples for Ni, Cu and Co using aqua regia leach/ICP, while the PGE and density analyses are done in Johannesburg. Both laboratories use blanks, standards and check assays for quality control.

The resources for the MMZ and PCMZ are based on surface diamond and percussion drilling, mostly on a 100-metre grid. A total of 530 diamond and 250 percussion holes have been drilled in various campaigns since 1971. Drill holes are logged and split in half and from the one half, four samples were riffle splitted out. One sample was used for assaying, the second sample was kept for reference and the other two samples were retained for metallurgical test work. Samples were assayed for Ni, Cu, Co, Fe Cr, platinum (Pt), palladium (Pd), rhodium (Rh), gold (Au), silver (Ag) and Cr_2O_3, mainly by two laboratories with check samples being assayed at other outside laboratories in South Africa and Australia.

Geological wireframe models were generated in Datamine and block models constructed. Block sizes for the MSB model are 20 x 20 x 1 metres and for the MMZ and PCMZ models, 50 x 50 x 2.5 metres in the vertical. Ordinary Kriging was used in the grade estimation of the block model.

The 2006 Ore Reserves of the Nkomati mine increased by 5.9 million tonnes to 6.8 million tonnes (0.9 million tonnes) due to the start-up of mining in Pits 1 and 2, and the resultant move of expansion project resources to mine reserves. The Mineral Resources of the mine increased to 9.6 million tonnes (1.2 million tonnes) accordingly. The expansion project Ore Reserves decrease to 59.5 million tonnes for the above reason, and the Mineral Resources dropped to 133.3 million tonnes.

Mining operations to date comprise a mechanised underground mining operation which feeds a concentrator for production of two types of concentrate (high-grade concentrate and bulk concentrates) both containing PGMs, nickel, copper and cobalt. Final products are transported to various third parties for toll treatment.

HISTORICAL PRODUCTION AT NKOMATI NICKEL MINE	
FINANCIAL YEAR	TONNES ORE MINED (kt)
2002	256
2003	302
2004	344
2005	346

The MSB mine is approaching the end of its life of mine and the opencast expansion mine is to take over current production. According to a recent announcement from the ARM/LionOre partners, the oxidised massive chromitite will be mined at a rate of 60,000 tonnes per month during the pre-strip of the nickel sulphide bodies.

TWO RIVERS PLATINUM PROJECT

The Two Rivers platinum project is located within the southern sector of the eastern limb of the Bushveld complex, on the farm Dwarsrivier 372KT. Situated at longitude 30°07'00S and latitude 24° 59'00E, the UG2 and Merensky reefs are present on the farm. The project is a joint venture between ARM (55 percent) and Impala Platinum Holdings Limited (Implats) (45 percent).

Exploration, development and production history in the area dates from the early 1920s. During 1929, Lydenburg Platinum Areas Limited started mining activity. No records are available, however. Following the acquisition by Gold Fields Mining and Development Limited, exploration started up again in 1987 and was mainly directed at the Merensky Reef. Assmang acquired the farm in September 1998 primarily to exploit the LG6 Chromitite. During 2001, Avmin acquired the PGE rights on the Dwarsrivier farm from Assmang and targeted the UG2 Reef.

In June 2005, following a full feasibility study and a period of trial underground mining, the joint venture announced the release of a 220 000 ounce-per-year PGM mine. As a result, underground mining continued and concentrator/infrastructure construction was nearing completion by the end of the financial year. The plant was commissioned in July 2006.

MINING AUTHORISATION

Two Rivers holds an old order Mining Licence no. 4/2003 on Dwarsrivier 372KT relating only to the PGEs contained in the Merensky and UG2 reefs. An application for a new order conversion of the mining licence will be submitted during the 2007 financial year.

GEOLOGY

The UG2 Reef outcrops in the Klein Dwarsrivier valley over a north-south strike length of 7.5 kilometres, dipping to the west at between 7 degrees and 10 degrees. The extreme topography results in the UG2 occurring at a depth of 935 metres on the western boundary.

The following reef facies have been defined for the UG2 at Two Rivers:

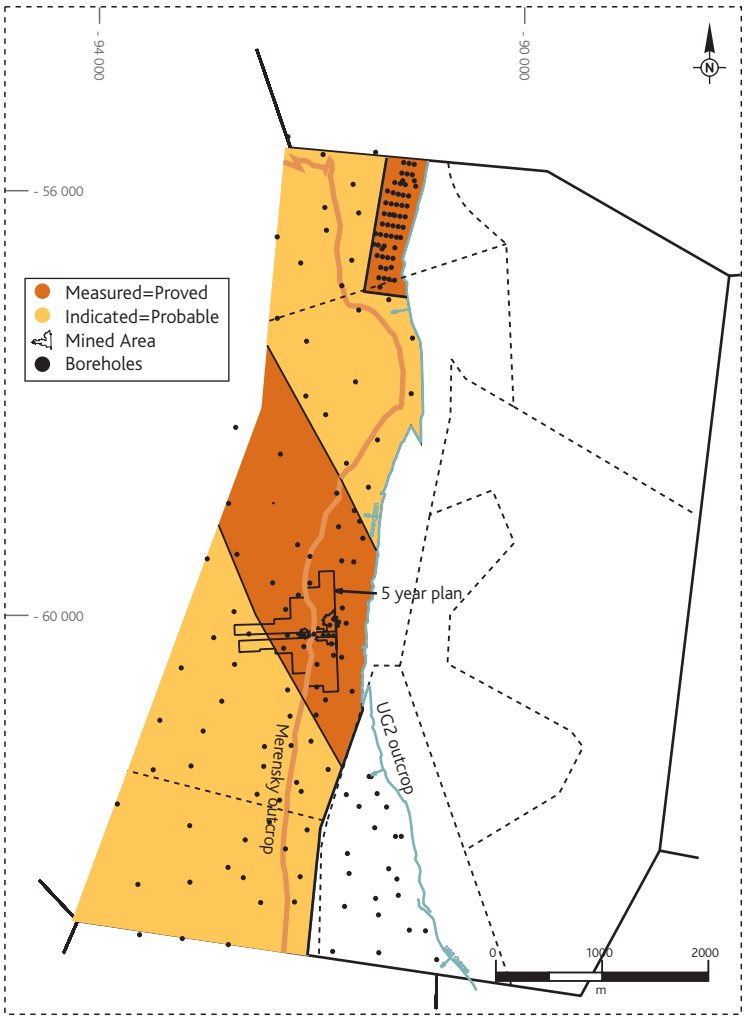
- 'Normal' UG2 with an average thickness of 120 centimetres. This is overlain by up to three chromitite 'leaders' collectively termed the UG2A chromitites;
- 'Split Reef' in the southern, west-central and north-eastern parts, characterised by a pyroxenite or norite lens up to 6 metres thick which is developed within the UG2 and typically resulted in a lower chromitite layer that is thicker than the upper chromitite layer; and
- 'Southern facies' comprising a second pyroxenite/norite lens situated approximately one-third from the base of the UG2. This facies has been intersected in seven drill holes in the extreme south-western area.

The UG2 is usually bottom loaded with peak PGM values occurring in the basal 10-centimetre sample.

The Merensky Reef consists mainly of orthopyroxene with lesser amounts of plagioclase and clinopyroxene. Thin chromitite layers, usually 1 to 4 millimetres thick generally, occur near the upper and lower contacts of the reef.

ARM Platinum Operations continued

TWO RIVERS: Ore reserves and Mineral Resources



TWO RIVERS PLATINUM PROJECT: MINERAL RESOURCE UG2									
	Mt	Grade							
		Pt g/t	Pd g/t	Rh g/t	Au g/t	(3PGE+Au) g/t	(5PGE+Au) g/t	Pt Moz	6E Moz
Measured	13.05	2.90	1.70	0.50	0.04	5.17	6.27	1.18	2.54
Indicated	46.23	2.01	1.30	0.35	0.04	3.70	4.43	2.89	6.37
Inferred	–								
TOTAL	59.28	2.21	1.39	0.38	0.04	4.02	4.83	4.07	8.91

TWO RIVERS PLATINUM PROJECT: MINERAL RESERVES UG2									
	Mt	Grade							
		Pt g/t	Pd g/t	Rh g/t	Au g/t	(3PGE+Au) g/t	(5PGE+Au) g/t	Pt Moz	6E Moz
Stockpile	1.0	2.04	1.15	0.38	0.03	3.60	4.35	0.06	0.13
Proved	9.5	2.04	1.15	0.38	0.03	3.60	4.35	0.60	1.29
Probable	29.8	1.86	1.20	0.35	0.03	3.44	4.11	1.72	3.81
TOTAL	40.3	1.91	1.19	0.36	0.03	3.49	4.19	2.39	5.23

TWO RIVERS PLATINUM PROJECT: MINERAL RESOURCES MERENSKY REEF						
Top zone	Mt	(3PGE+Au) g/t	6E g/t	Pt g/t	Pt Moz	6E Moz
Measured	–	–				
Indicated	18.7	3.34	3.55	2.06	1.20	2.06
Inferred	3.9	3.16	3.36	1.95	0.24	0.41
Total Measured and Indicated	18.7	3.34	3.55	2.04	1.20	2.06

RESOURCES/RESERVES

The majority of resources at Two Rivers are classified as Indicated Mineral Resources, and it is only the open-pit area in the north and the area around the trial mine that are classified as Measured Resources due to the more closely spaced drilling in this area.

A total of 218 surface diamond boreholes had intersected the UG2, of which 35 were drilled by Gold Fields of South Africa and 18 by Assmang. This provided a total of 409 individual UG2 reef intersections, with an average spacing grid of 500 metres over the whole property and 250-metre grid spacing over the area planned for the first five years of mining. The drill hole spacing in the area of the open pit is 50 metres on dip and 100 metres on strike. It was standard for Two Rivers to drill three non-directional deflections off each mother hole.

The holes were halved by diamond saw and the half-core sampled at 20 centimetres. Samples were crushed and split and submitted for assaying. All samples were assayed by Ni-sulphide collection fire-assay with an ICP-MS finish to determine Pt, Pd, Rh, Ru, iridium (Ir) and Au values. Base metals (Ni, Cu, Co) were also assayed by aqua regia digestion/OES finish. Duplicate samples and check analyses were carried out. The earlier Gold Fields and Assmang samples were assayed by Pb-collector fire-assay with gravimetric finish. In order to combine the data, some of the original core samples were re-assayed by means of Ni-sulphide collection fire-assay and a regression equation was derived at to re-cast the original Pb-collection data as Ni-sulphide assay 'equivalents'. The Merensky Reef resource is based on a total of 81 surface diamond drill holes. The same sampling protocol was used as for the UG2, but assays were carried out by Pb-collection fire-assay with ICP-MS finish for Pt, Pd Rh and Au.

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 20 x 20 x 0.5-metre block generated within the geological model. The UG2 was wireframed and estimated as two units based on the Pt:Pd ratio as observed in the drill hole database. Sub-cell splitting of blocks was allowed to follow the geological boundaries accurately. Relative density was calculated for each sample and determined by Kriging in the resource model.

Total in-situ resources were decreased by 30 percent to account for geological losses due to potholes, faults, dykes and replacement pegmatoids.

The resource to reserve conversion was done using the Mine2-4D optimisation software package to select the optimum economic cut subject to the geological, geotechnical and trackless mining constraints. Unplanned and off-reef dilution factors, followed by a 95 percent mine call factor, have been applied to the output from the optimiser to provide the fully diluted mill head grade of the reserves.

Up to the end of June 2006, approximately 1 million tonnes ore from underground were stockpiled on surface.

The overall 2005-06 UG2 Mineral Resources and Reserves stayed the same when compared to the previous year. The Proved Reserves decreased by 1 million tonnes to 9.5 million tonnes, because the 1 million tonnes is now reported as stockpiled material.

THE MODIKWA PLATINUM MINE

The Modikwa platinum underground mine is situated some 15 kilometres north of Burgersfort and 15 kilometres east of Steelpoort, along the border between the Mpumalanga and Limpopo provinces in South Africa. Located at longitude 30°10'S and latitude 24°40'E, the site is accessed via the R37 road between Polokwane and Burgersfort.

Exploration in the area started in the mid 1920s with the discovery of the Merensky Reef. During the late 1980s further drilling was completed on the UG2 and Merensky reefs. In the late 1990s a feasibility study was completed on the exploitation of the UG2. During 2001 a 50:50 JV agreement was signed between Rustenburg Platinum Mines and ARM Mining Consortium Limited. ARM's effective stake in Modikwa is 41.5 percent, through its 83 percent ownership of the ARM Mining Consortium. The other 8.5 percent is held by the Mampudima and Matimatjatji community companies through their 17 percent shareholding in the ARM Mining Consortium.

ARM Platinum Operations continued

MINING AUTHORISATION

During June 2001, an old order mining licence was issued to ARM Mining Consortium and Rustenburg Platinum Mines over the properties Onverwacht 292KT, Portion 1 and R/E Winterveldt 293KT, Driekop 253KT, Maandagshoek 254KT and Hendriksplaats 281KT.

GEOLOGY

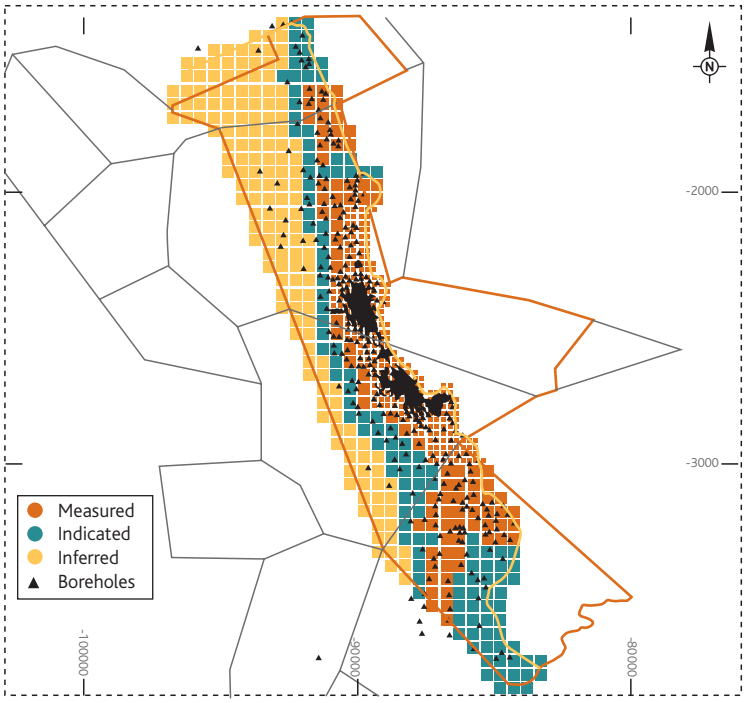
The igneous layering at Modikwa mine is north-northwest striking with an average dip of 10 degrees to the west. Both the UG2 and Merensky reefs are present. The UG2 occurs as a chromitite layer with average thickness of approximately 60 centimetres. Three leader chromitites occur above the main seam. Gentle undulations of the UG2 with amplitudes of less than 2 metres are pervasively developed across the mine area. Potholes of varying size appear to be randomly distributed within the North shaft area. Potholes are less abundant in the South shaft area, which is more disturbed by faulting. The Onverwacht Hill area is characterised by the presence of several large ultramafic pegmatoid intrusions that disrupt and locally replace the UG2.

RESOURCES AND RESERVES

The Mineral Resource and Reserve classification is based primarily on the proximity to drilling and underground sampling data and uses the semivariogram range, and the number of samples used, to estimate a block to determine the category. Measured Mineral Resources are classified if a block is within 66 percent of the range of the semivariogram from the nearest sample and six to 30 samples are used in the estimation process. Indicated Mineral Resources are classified when a block is within the range of the semivariogram and 10 to 30 samples are used in the estimation process. Inferred Mineral Resources are classified if a block falls outside the range of the semivariogram and 30 to 100 samples are used to estimate a block.

The mineral resource is based on over 700 surface diamond drill holes and over 600 underground channel samples. These logs and values are kept in separate electronic databases and combined for estimation purposes after rigorous data validation. The 4E grades are capped at 13 grams per tonne based on statistical analyses.

MODIKWA: Resource classification and borehole locality plan



UG2 MINERAL RESOURCES/RESOURCES							
Resources	Mt	3PGE+Au g/t	M oz	Reserves	Mt	3PGE+Au g/t	Moz
Measured	93.2	5.7	17.0	Proved	5.83	12.03	0.99
Indicated	74.6	5.7	13.7	Probable	9.89	4.64	1.47
Inferred	87.9	5.7	16.1				
Total Measured and Indicated	167.8	5.7	30.7	Total	15.72	4.88	2.46

MERENSKY REEF MINERAL RESOURCES			
	Mt	3PGE+Au g/t	Moz
Measured	–	–	–
Indicated	107.83	2.91	9.76
Inferred	94.32	2.96	8.68
Total Measured and Indicated	107.83	2.91	9.76

Samples are submitted to Anglo Platinum Research Centre and analysed at Anglo American Research Laboratories. Analyses are completed using two fire-assay techniques to provide individual assay grades for Pt, Pd, Rh and Au, while wet-chemical techniques are used to determine Ni and Cu grades.

The UG2 mining cut is divided into three units comprising the UG2 chromitite layer, the hangingwall and the footwall. Estimation of the three sub-units in the mining cut is carried out separately and independently. Two-dimensional block models with block sizes of 250 x 250 metres and 500 x 500 metres, depending on the drill hole spacing, are created. Pt, Pd, Rh, Au, Ni and Cu grades are interpolated using Ordinary Kriging for the UG2 and inverse distance squared for the hanging and footwall units. The width of the chromitite and the density are also interpolated into the block models. The average density at Modikwa mine is 3.72t/m^3. Discount factors are applied to tonnages ranging from 10 percent (for measured Mineral Resources) and up to 30 percent to account for loss of ore due to pegmatoidal intrusions, faults, dykes and potholes.

The Mineral Reserves at Modikwa increased to 35.8 million tonnes (15.7 million tonnes) when compared with the 2005 statement. The Measured and Indicated Mineral Resources increased from 158.8 to 167.8 million tonnes due to additional drilling and re-evaluation. Resources and Reserves were adjusted to reflect June 2006 status.

A minimum mining cut of 103 centimetres is used to calculate the amount of footwall waste that is included in the mining cut. Where the hangingwall and the main seam thickness are greater than 103 centimetres, an additional 5 centimetres of footwall waste is included. The basal contact of the UG2 layer is typically high-grade and it is important that this contact is not left in the footwall during mining. The UG2 is accessed via two primary declines from surface – and a fleet of mechanised equipment is used for the mining operations. Run-of-mine tonnage is processed at the Modikwa concentrator and the PGE rich concentrate is transported to Anglo Platinum's Polokwane smelter and refining facilities.

HISTORICAL PRODUCTION AT MODIKWA PLATINUM MINE	
FINANCIAL YEAR	TONS ORE MINED (Mt)
2002/2003	2,08
2003/2004	2,54
2004/2005	2,46
2005/2006	2,51

ARM Platinum Operations continued

KALPLATS PLATINUM PROJECT

The Kalplats platinum project is situated some 90 kilometres south-west of Mafikeng in the North West Province in South Africa. Situated at latitude 26°30'00S and longitude 24° 50'00E, the Kalplats project was discovered by Harmony Gold Mining Company Limited during a gold exploration programme in 2000. ARM acquired the Kalplats project as part of the merger of Anglovaal, ARM and Harmony assets in 2004.

Exploration drilling comprised a combination of rotary air blast (RAB), reverse circulation (RC) and diamond drilling. A pre-feasibility study was completed by Harmony in July 2002. A feasibility study was commissioned by Harmony in 2003 and a 500-tonne bulk sample was excavated for metallurgical test work. Further work included assessing the viability of both an open-pit and underground mining operation.

ARM Platinum owns 90 percent of the Kalplats project, but during 2005, Platinum Australia Limited (PLA) signed a joint venture agreement with ARM Platinum which provides for PLA to earn up to 49 percent of the Kalplats Project by completing a bankable feasibility study and making the Panton Metallurgical Process available for the project at no cost.

MINING AUTHORISATION

At the end of the financial year, ARM Platinum was anticipating the imminent approval of two new order prospecting permits covering portions of the farms Groot Gewaagd 270, Gemsbok Pan 309, Koodoos Rand 321 and PapiesVlakte 323. The prospecting permits cover the same area that was held by Harmony under their mineral lease and includes all seven known mineralised areas named below.

In addition, ARM Platinum applied for another prospecting permit covering a large area surrounding the prospecting permits mentioned above.

GEOLOGY

The Kalplats project is located in the Kraaipan Greenstone Belt with the PGE mineralisation hosted within the Stella Layered Complex. Mineralisation is contained in seven separate zones known as Crater, Orion, Vela, Sirius, Crux, Serpens North and Serpens South, with strike lengths between approximately 500 and 1 000 metres and widths of between 15 and 45 metres. Three sub-parallel reef packages have been recognised and evaluated. They are the Main Reef (the highest grade reef), Mid Reef and LG Reef. The area is structurally complex, and thrusting has caused duplication of reefs in some cases and substantial reef loss in other instances.

In the absence of an approved prospecting permit, no physical work was carried out on the property during the financial year. However, PLA flew an aeromagnetic survey, relogged the existing Crater diamond drill core and re-interpreted the geology and grade distribution.

RESOURCES AND RESERVES

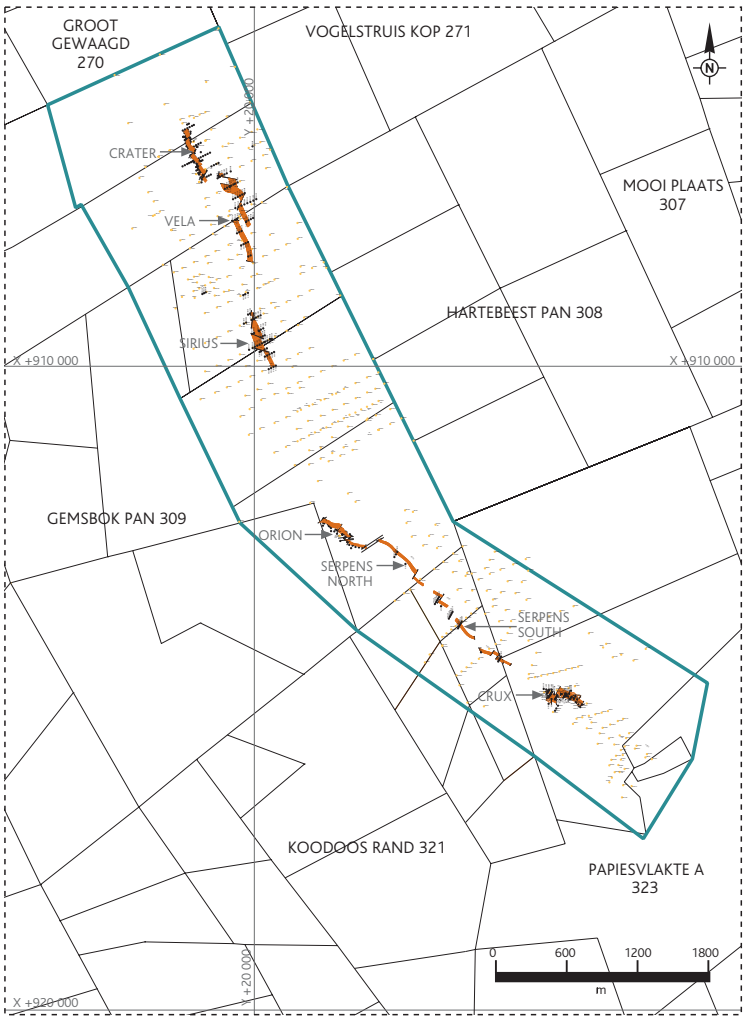
Due to the complex nature of the structure and global estimation techniques no Measured Mineral Resources have been defined. At the Crater and Orion deposits the Indicated and Inferred Mineral Resource boundaries were defined based on the proximity of the deepest borehole in the structural block.

For the Crater and Orion deposits the Mineral Resource is based on RC and surface diamond drill holes on a grid with drill holes spaced at approximately 25-metre intervals, increasing to 50 metres at the margins of the mineralisation. For the other five deposits the hole spacing is wider, varying from 50 to 200 metres. The RC drill holes were logged and sampled at 1-metre intervals. The resultant sample was riffle split to produce two sub-samples, one of which was retained. Diamond core was halved and then quartered and sampling and logging was carried out at approximately 1-metre intervals or at lithological contacts. All samples were submitted to a Johannesburg-based laboratory and, after crushing and milling, assayed for Pt, Pd and Au using a Pb-collection fire-assay with ICP-OES finish. 'In-house' and international standards were submitted for check assays and 1,300 pulp samples were sent to an Australian laboratory for analysis.

The assay data was composited to 1-metre intervals where possible within the lithological and reef boundaries. The assay data was coded as 'fresh' sulphide or 'weathered' oxide rock. Average relative densities were calculated from the borehole samples and range from 3.1 to 3.5 t/m^3 for 'weathered' and 3.3 to 3.9 t/m^3 for the 'fresh' rock. Statistical analyses on the composited data showed positively skewed distributions. For the Crater and Orion deposits Sichel-t and log mean estimates were calculated for Pt, Pd, Au and Density. Sichel-t was used if fewer than 40 samples were present and the log mean estimates were used if more than 40 samples were available. If the Sichel-t or log mean was greater than the arithmetic mean, then the arithmetical mean was taken as the estimate. The tonnage was then calculated from the block model. In the case of the other deposits polygonal methods were used.

KALPLATS – MINERAL RESOURCES			
	Tonnes Mt	3PGE+Au g/t	M troy oz
Measured	–	–	–
Indicated	7.12	1.7	0.38
Inferred	68.11	1.15	2.44

KALPLATS: Mineralisation and borehole locality plan



A 15 percent metal discount was applied to all resource blocks to account for barren dykes, which are modelled within the ore blocks and would have to be mined as ore, but contain no grade.

No additional work was carried out and Mineral Resources are the same as for 2005.

ARM Coal

GOEDGEVONDEN PROJECT

During 2006, ARM Coal was formed as an equity partner for Xstrata South Africa (Xstrata SA). ARM Coal holds a 20 percent equity-based participation in Xstrata SA's coal operations as well as 51 percent of the Goedgevonden JV. The ARM board has approved the exercise of an option held by ARM to acquire a further 10 percent in Xstrata's South African coal operations, directly, for R400 million as from 1 September 2006. Xstrata SA is the third largest exporter of thermal coal and produces about 20 percent of all thermal coal exported from South Africa. Currently it has interests in 13 mines, most of which are located within the two major coalfields, Witbank and Ermelo. The annual sales of Xstrata SA is in excess of 20 million tonnes of thermal coal.

The Goedgevonden project is situated in the Witbank Coalfield about 7 kilometres south of the town of Ogies in Mpumalanga province in South Africa. Snowden (in October, 2005) audited a feasibility study carried out by Murray and Roberts in September 2005, and ARM expects the work carried out by these two organisations to be accurate and manifesting a high degree of confidence. No additional work on resources and reserves was carried out by ARM.

The stratigraphy of the Witbank Coalfield consists of five seams numbered from oldest to youngest: No 5 to No 1 seam. The seams vary in thickness from less than 0.5 metres to over 6 metres and do not exceed 300 metres in depth from surface. The coal seams dip at less than 5 degrees. However, coal seam morphology and qualities may be locally influenced by basement topography, surface weathering and intrusion of dolerite dykes and sills. The coal qualities vary both within and between individual coal seams. Low quality coals, suitable for the local steam coal market, have a calorific value of between 18 to 22Mj/kg, whereas the high quality export steam coal has a calorific value of greater than 27Mj/kg. The proposed Goedgevonden open-cut mine is expected to produce about 3.2 million additional tonnes annually for export and 3.4 million tonnes a year for domestic thermal generation coal by 2009. The planned stripping ratio is between 3.35:1 and 1.85:1 in the early years of production. Using a mining contractor, Xstrata SA started mining on the Goedgevonden property at a rate of 1 million tonnes a year (run-of-mine), gaining knowledge of the geology and mining conditions.

All five coal seams are developed on Goedgevonden. The No 1 seam is of low quality, thin and only developed in paleo-low areas. The No 2 seam is extensively developed and is of good quality and is, on average, 5.5 metres thick. The No 3 seam at Goedgevonden is of good quality but, with an average thickness of only 0.3 metres, is uneconomic. The No 4 seam, being closer to surface and although of the same thickness as the No 2 seam, is influenced by weathering and is not as extensively developed. The No 5 seam is of good quality, but is preserved as erosional remnants on the high ground only and thus not extensively developed over the area. No major faults, structural disturbances or intrusives were observed in the boreholes drilled to date.

A total of 548 surface diamond boreholes were drilled during 1964 to 2004 by Duiker Mining and Xstrata SA. Anglo Coal supplied an additional 102 boreholes for the Zaaiwater area. Most boreholes were drilled down to basement to define the seam locality and basement topography. Owing to the different campaigns, the database had to be validated to produce a consistent set of data.

Wireframes for the seam composites for the No 2, 4 and 5 seams were generated in Datamine. Two-dimensional blockmodels were generated with block sizes of 50 x 50 metres. All estimations of the individual blocks were done using inverse distance cubed with an isotropic search. Other software packages used in the evaluation are 'Washproduct' and 'Xpac'.

The following table with regard to Goedgevonden resources and reserves was obtained from Snowden, reflecting the status as at June 2005.

Measured and Indicated Resources	Proved and Probable Reserves	Sales Reserves
570Mt	357.4Mt	194.1Mt

Mineral Resources and Reserves of the Xstrata mines are the responsibility of the Xstrata SA resources and reserves team. No ARM employee is involved in the compilation of Xstrata SA's Mineral Resources and Reserves.

TEAL Exploration & Mining Incorporated

Prospective operations

ARM Limited owns 65 percent of Toronto-listed TEAL Exploration & Mining Incorporated. TEAL is currently conducting evaluation and exploration of gold and copper projects in various parts of Africa outside South Africa. A number of pre-feasibility and feasibility studies are being carried out. The resources and reserve estimations conducted by TEAL are compliant with the relevant NI 43-101 regulations governing the reporting of such Mineral Resource estimates.

The Otjikoto project is an evaluation and exploration project situated in the Otavi region in Namibia, and the project is covered by an exclusive prospecting licence (EPL 2410).

The project occurs within the Northern Zone of the Damara Orogen. The mineralisation occurs as a shallow-dipping, sheeted vein system hosted within a package of marbles, albitites and biotite schists of the Karibib Formation. The individual veins range from 1 to 10 centimetres in width and contain pyrrhotite, magnetite, pyrite and free gold. The package of mineralised sheeted veins is approximately 30 to 40 metres thick, with an average dip of 25 degrees, developed along a strike of approximately 1.5 kilometres.

The Mineral Resource is based on RC and diamond drill holes totalling 1 007 boreholes, equating to a total of 10 896 metres (7 172 metres of diamond drilling and 3 724 metres of RC drilling). The drill holes were drilled on a 100-metre strike spacing and a 50-metre dip separation. In the case of RC drilling, sample collection takes place every 1 metre and each sample is logged and assayed. The samples are weighed, then split using a riffler before four sub-samples are derived for assay, geological logging and reference purposes. Diamond drill core is geologically logged and halved with a saw. Half-core samples are taken every 1 metre for screen fire assaying by laboratories in South Africa and Australia. The project involves the use of stringent sampling protocols with sample duplicates and certified reference material are used to monitor the quality of assay results.

Three-dimensional wireframe models using a cut-off of 0.5 g/t Au were produced in Datamine from the drill hole intersections. Drill hole samples are composited over a 0.5-metre interval within the orebody wireframes. For each drill hole an additional 1-metre sample was included outside the boundary of the wireframe from the 'below cut-off' material. The data population is positively skewed and closely approximates a lognormal distribution. In the absence of a proper structured semivariogram, a theoretical semivariogram was modelled with a nugget effect of 60 percent of the sill and the sill at the variance of the data. A short range of 20 metres and a second range of 95 metres were used for interpolation purposes. The wireframes were used to constrain 50 x 50 x 2.5 metres block models and gold grade was interpolated into the block model using ordinary kriging of the log transformed data.

The kriging of log transformed values has inherent difficulties associated with the back transformation of the estimate. This fact, together with the high nugget effect of the gold data at Otjikoto, militates against a mineral resource classification higher than an Inferred Resource with the currency drill centre spacing.

OTJIKOTO – MINERAL RESOURCES AT A 0.5 G/T AU CUT-OFF GRADE

	Tonnes Mt	g/t Au	M troy oz
Measured	–	–	–
Indicated	–	–	–
Inferred	24.5	1.13	0.89

A resource expansion and infill drilling programme is in progress, after which a re-estimation of the Mineral Resources will be carried out.

The Konkola North copper project is situated in the Zambian Copperbelt with the economic mineralisation being confined to the dark-grey siltstone within the OS 1 Member (Ore Shale) of the Nchanga Formation. The true thickness of the OS 1 Member varies from 3 to 12 metres. The mineralisation is transgressive at a low angle and the ore zone is not defined by a geological hangingwall and footwall. The deposit occurs at a depth of 50 to 800 metres below surface with a dip of 0 to 40 degrees. The thickness of the deposit increases towards the south where it averages over 12 metres.

A total of 125 diamond holes were drilled in a number of exploration phases. The core was then split with a diamond saw, logged and sampled in approximately 0.5-metre lengths. Samples were assayed by two laboratories in South Africa. TCu and Co analysis was carried out by a two-acid digest (HCl and HF) with a flame AAS finish. AsCu was determined by a sulphuric acid leach and a flame AAS finish. Ten percent of all samples in a batch were repeated as duplicate samples to check repeatability.

TEAL Exploration and Mining Incorporated

Prospective operations

The orebody was divided into two zones – east limb and south limb – for estimation purposes. The 3-D wireframes were defined by using a 1 percent total Cu cut-off in Datamine. The assay data falling within the wireframe, plus the first sample which falls outside the wireframe, were composited to 0.5-metre intervals to be used in the estimation process. Block models were generated with block sizes of 50 x 50 x 5 metres. TCu, AsCu and Co grades were interpolated for the two limbs using Ordinary Kriging.

The Mineral Resources were classified into the SAMREC-defined Measured, Indicated and Inferred categories. Based on a Student-t test, which calculates confidence limits (CL) of the mean estimate, the blocks with CL on the mean grade of less than 10 percent are classified as Measured, those with CL between 10 and 15 percent are classified as Indicated and those with CL more than 15 percent as Inferred. RSG Global carried out a technical audit in 2005 and, in order to comply with NI 43-101, the entire resource was classified as Inferred. Please refer to the TEAL annual report for a detailed breakdown of mineral resources per area

KONKOLA NORTH – MINERAL RESOURCES AT A 1% TCU CUT-OFF GRADE

	Tonnes Mt	%TCu	%AsCu
Measured	–	–	–
Indicated	–	–	–
Inferred	249.2	2.65	–

A revised resource model is in progress and it is likely that portions of the resource at the Konkola North copper project will be upgraded to a higher confidence category. An underground mine with a shaft to 425 metres in depth and related infrastructure are in place at Konkola North's south limb orebody. The shaft was on care and maintenance from 1959 onwards. A feasibility study is in progress, and parts of the mineral resource will be converted to a mining reserve through detailed mine design and scheduling.

The Mambwashi copper project lies in the Zambian Copperbelt on the western edge of the Chambishi Basin. The orebody is wedge-shaped, being up to 30 metres thick in the shallower portions and tapering down to less than 1 metre at depth. The orebody has a strike extent of 500 metres and extends down-dip for approximately 450 metres, with an average thickness of 15 metres. The orebody dips range from 25 degrees in the south to 35 degrees in the north. Most of the copper mineralisation occurs as disseminated to massive mineralisation in the argillaceous quartzites and conglomerates of the Mindola Clastics Formation.

From 1951 to 2006 nine drilling campaigns have been performed. During 2001 an evaluation was carried out by Avmin to determine the mineral resource potential at a 1 percent TCu cut-off grade. Thirty-three boreholes composited to 1-metre intervals were used in that estimation. An Indicated Mineral Resource of 8.6 million tonnes at an average grade of 2.43 percent TCu was estimated to be present.

During 2006 a database validation re-evaluation and was performed by external consultants GeoLogix Mineral Resource Consultants (Pty) Limited. All available drill core was re-logged and lithologies validated. Fifty-seven boreholes were used in the re-evaluation. Assays were available for percentages of TCu, AsCu and Co and these data were captured in a SABLE database and coded according to rock type. The drill holes were composited to 2-metre intervals, respecting lithological boundaries. Wireframed sections were constructed in Datamine and block models were generated, using a 0.3 percent TCu and 0.5 percent TCu cut-off grade. Lower cut-off grades were used due to the dramatic increase in the copper price from 2001. GSLIB was used to do ordinary kriging estimates into the block models with block sizes of 5 x 30 x 1 metres, and then imported back into Datamine and regularised into block sizes of 30 x 30 x 10 metres. Relative densities are based on the weathering profile: overburden = 1.8 t/m^3, < 30-metre depth = 2.1 t/m^3, 30 to 40-metre depth = 2.2 t/m^3, 40 to 50-metre depth = 2.3 t/m^3 and >50-metre depth = 2.5 t/m^3.

The range of the semivariogram was used to classify Mineral Resources into the SAMREC defined Measured, Indicated and Inferred Resources categories:

- Measured = Estimating data closer than First range of semivariogram (60 metres) from block being estimated;
- Indicated = Estimating data between First range (60 metres) and Sill range (240 metres) from block being estimated; and
- Inferred = Estimating data further than 240 metres from block being estimated.

MWAMBASHI – MINERAL RESOURCES AT 0.5% TCU CUT-OFF GRADES			
0.5% TCu cut-off	Tonnes Mt	%TCu	%AsCu
Measured	0.83	2.22	0.91
Indicated	8.38	2.00	0.76
Inferred	1.77	2.10	0.26
Total Measured & Indicated	9.21	2.02	0.77

The Mineral Resources at a 0.5 percent TCu cut-off grade of 9.2 million tonnes, is fairly similar to the 8.6 million tonnes obtained in the 2001 evaluation, although there is a slight decrease in grade, as would be expected.

Open-pit mine design and scheduling is in progress and Mineral Reserves will be announced when available.

Resources and reserves for the TEAL projects described above were recently reviewed by RSG Global Integrated Mining Solutions.

DEMOCRATIC REPUBLIC OF THE CONGO (DRC)

TEAL is also evaluating opportunities and projects in the DRC.

Direct holdings
in other listed companies

ARM holds a 16 percent stake in Harmony Gold. Harmony, South Africa's third largest gold producer is separately run by its own management team. Resources and reserves of the Harmony mines are the responsibility of the Harmony team and are published in Harmony's annual report.

COMPETENCE

The competent person with overall responsibility for the compilation of the Mineral Reserves and Resources is Paul J van der Merwe, PrSciNat, an ARM employee. He consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Paul van der Merwe graduated with a BSc (Hons) in Geology from Free State University. He spent four years as an exploration geologist for FOSKOR. He then joined the Uranium Resource Evaluation Group of the then Atomic Energy Corporation of South Africa for 12 years. While employed there he studied geostatistics and spent some time at the University of Montreal, Canada. In 1991 he joined Anglovaal Mining (now ARM) in the Geostatistics Department and evaluated numerous mineral deposit types for this group in Africa. In 2001 he was appointed as Mineral Resource Manager for the group. He is registered by the South African Council for Natural Scientific Professions as a Professional Natural Scientist in the field of practice of geological Science, Registration Number 400498/83, and as such is considered to be a Competent Person.

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 the 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:

RESOURCES AND RESERVES

M Burger, PrSciNat	Iron
M Burger, PrSciNat	Chrome
M Davidson, PrSciNat	Nickel
M Mabuza, PrSciNat	Platinum
A Pretorius, PrSciNat	Manganese
R van Rhyn PrSciNat	Platinum
J Vieler*, PrSciNat	Nickel
J Woolfe, PrSciNat	Nickel
J Wilton, PrSciNat	Gold
T Williams, PrSciNat	Copper

* external consultant

Definitions

The definitions of resources and reserves, quoted from the SAMREC CODE, 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 or quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral Resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into inferred, indicated and measured categories.

An **'inferred mineral resource'** is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or 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 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 exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/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 exploration, sampling and testing information gathered through appropriate techniques 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 and/or indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. Mineral Reserves are sub-divided in order of increasing confidence into probable Mineral Reserves and proved Mineral Reserves.

A **'probable mineral reserve'** is the economically mineable material derived from a measured and/or indicated mineral resource. It is estimated with a lower level of confidence than a proved mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

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 is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

P J van der Merwe
9 October 2006

Inyoni Dam at Two Rivers Platinum Mine

Sustainable development

INTRODUCTION AND VISION

As a diversified mining and processing company based in southern Africa, ARM is acutely aware that its operations can and do have a significant impact on the communities and countries in which it operates, today and in the future. Not only does a mining and processing company deplete non-renewable resources, but its operations have a direct and indirect impact on the environment, and on the social fabric and economic viability of the communities in which it operates.

ARM recognises and accepts responsibility for its role in society. The company's sustainable development philosophy is underpinned by its mission to convert mineral wealth into other forms of sustainable capital (economic, social and human), to the mutual benefit of shareholders, employees, local communities, and other interested and affected parties.

ARM views sustainable development as an integral part of the operations of the company and the issues that are reported on are managed as such.

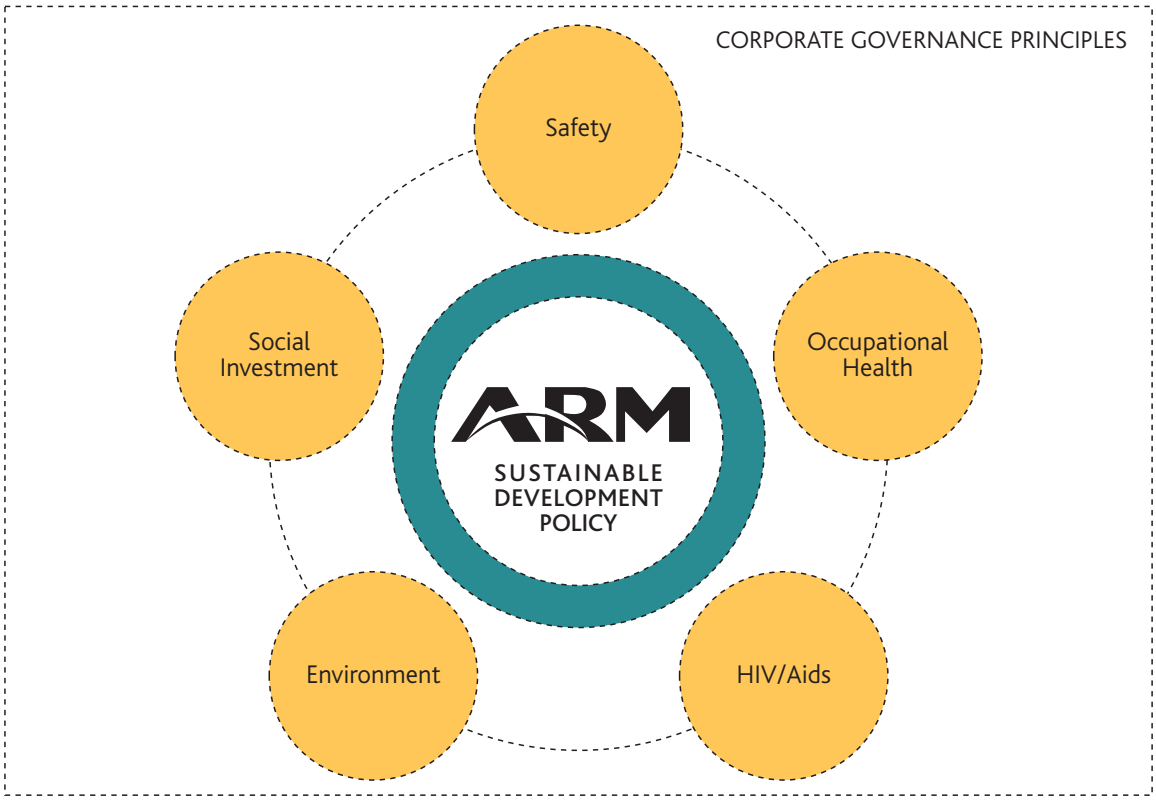
SUSTAINABLE DEVELOPMENT POLICY

ARM's sustainable development policy comprises five pillars, namely:

- Safety
- Occupational health
- HIV/Aids
- Environment
- Social investment

This policy resides within the framework of the company's corporate governance principles, which include the company's role as both a corporate citizen and an employer.

FIVE PILLARS OF SUSTAINABILITY



Sustainable development continued

The corporate governance principles relate specifically to:

- the commitment of senior management to the process of sustainable development and the embedding of sustainable development as an integral part of the business from inception to closure;
- legal compliance, combined with extensive communication with the authorities and the public;
- third-party verification of performance is conducted every second year, with the last audit having been completed for FY2005.
- ethical and transparent behaviour and practices based on the principles of honesty, equity, freedom of expression and opportunity for all; and
- willing and constructive engagement with employees and other stakeholders on matters of mutual concern.

ARM's sustainable development policy is available on the company's website.

SUSTAINABLE DEVELOPMENT FRAMEWORK FOR OPERATIONS AND JOINT VENTURES

ARM is actively involved in the direction and management of sustainable development within its PGMs and Ferrous divisions and TEAL. All ARM operations and joint ventures are required to develop and maintain their own business-specific sustainable development policies, strategies and programmes to meet their unique circumstances, and to give effect to the group's commitment to sustainable development. Such policies are in place at all operations and are regularly reviewed at a corporate level to ensure that they remain current. While these policies have been developed to take cognisance of the operations' specific local requirements, they are all required to remain consistent with the principles of the ARM policy.

In terms of the ARM framework, operations and joint ventures have thus been required to:

- develop and adopt a business case for sustainable development reflecting the premise that sustainable development makes good business sense;
- communicate with and, where possible, involve local communities and other role players in decisions that may have an impact on them;
- implement sustainable development programmes in a manner that is complementary to state planning and in partnership with government and other role players where this is possible;
- clearly define the identity and responsibilities of various role players; and
- invest an agreed percentage of pre-tax profit to facilitate sustainable development initiatives in the communities surrounding ARM's operations.

STRUCTURE AND GOVERNANCE

The board has delegated issues related to sustainable development to the Sustainable Development Committee of the board. This committee has as its brief, to direct the achievement and maintenance of world-class performance standards in safety, occupational health, HIV/Aids and corporate social investment. Not only is it this committee's remit to advise the board on policy issues and the efficacy of current management systems, but also to monitor progress towards goals, compliance with statutory, regulatory and charter requirements. The committee is also involved in overseeing the function of risk management within the company, in conjunction with the Audit committee. In addition to the Sustainable Development Committee and in light of specific historical and legislative requirements within South Africa, the board has also set up an Empowerment Committee to identify business opportunities for ARM as a result of empowerment legislation; to enable historically disadvantaged South Africans (HDSAs) to enter into the mining industry and to ensure that the company complies with the Mineral and Petroleum Resources Development Act (MPRDA) and the Mining Charter Scorecard. The Empowerment Committee also oversees the company's compliance with equity legislation (eg. employment equity and skills development).

While operations themselves are responsible for the management of various areas that make up the sustainable development portfolio, the group's strategy and compliance is monitored by corporate level employees.

Further detail on the various committees of the board may be found in the corporate governance section of the annual report on page 99 to 105.

A more detailed Sustainable Development Report may be found on the ARM website at www.arm.co.za.

This report details the impact of ARM in terms of the "triple bottom line" and covers areas such as black economic empowerment, developing and supporting small businesses, BEE preferential procurement, ARM as an employer, employment equity and human rights at ARM, occupational health and safety, HIV/Aids, corporate social investment and environmental performance.

ECONOMIC IMPACT OF ARM

ADDING VALUE

ARM, directly, through its joint ventures and through the companies in which it is invested, has a significant and growing market presence in the markets in which it is invested. The group value added statement provides an indication of the economic contribution of the group.

GROUP VALUE – ADDED STATEMENT

	Group 2006 (Rm)	Group Restated 2005 (Rm)
Sales	4 622	5 485
Net cost of products and services	(2 361)	(2 832)
Value added by operations	2 261	2 653
Exceptional items	139	155
Loss from associate	–	(150)
Income from investments	24	22
	2 424	2 680
Applied as follows to:		
Employees as salaries wages and fringe benefits	709	639
The state as taxes	377	530
Providers of capital		
Finance cost	134	172
Total value distributed	1 220	1 341
Re-invested in the Group	1 204	1 339
Amortisation	440	426
Minority Interest	163	451
Reserves retained	601	462
	2 424	2 680

BLACK ECONOMIC EMPOWERMENT AND ARM

Trade unions, church groups as well as five provincial community upliftment trusts and a women upliftment trust have been registered as beneficiaries of the ARM Broad-Based Economic Empowerment Trust, which holds about 14 percent of the company. In addition, BEE shareholders around the Modikwa operation own a 17 percent stake in the company, and have been the beneficiaries of some R14 million in corporate social investment expenditure over the past three years.

Sustainable development continued

DEVELOPING AND SUPPORTING SMALL BUSINESSES

It is ARM's view that small and medium-sized enterprises have a significant role to play in a developing economy and can play a pivotal role in stimulating growth, creating jobs and in promoting BEE. ARM aims to procure 40 percent of its capital goods and services from BEE suppliers by 2010.

During FY2006, 22 percent of ARM's total discretionary expenditure, amounting to some R464 million, was spent with BEE companies.

SOCIAL IMPACT OF ARM

ARM AS AN EMPLOYER

Directly, and through its joint venture operations and interests ARM plays a significant role in job creation in South Africa. Total employment for the group (on a 100 percent basis) (including ARM Platinum, ARM Ferrous, ARM Coal and TEAL) amounted to 11 805 people in FY2006 (consisting of 6 943 employees and 4 862 contractors).

ARM prides itself on being a responsible and caring employer. The company takes seriously the relevant legislation imposed by the state in terms of the MPRDA, the Mining Charter and the Employment Equity Act. It is ARM's intention to develop all employees to the best of their ability and to exceed the requirements of legislation in this regard.

ARM's training and development programme is part of an integrated human resources development programme that ensures that sufficient skills will be available to the company as it proceeds through the current growth phase (and despite a skills shortage in the industry as a whole), and to ensure that the next generation of ARM managers are being developed within the company. Key features relating to ARM's training and development programme include:

- 88 percent of all ARM employees are functionally literate (FY2005: 86 percent) with at least a grade 9 secondary education level;
- in FY2006, 205 employees and 57 community members participated in company-sponsored Adult Basic Education and Training (Abet) programmes (FY2005: 302 employees; FY2005: 38 community members);
- 84 bursaries were awarded in FY2006, primarily in engineering related disciplines (FY2005: 40);
- a total of 175 learnerships were registered, again primarily in mining-related disciplines in FY2006 (FY2005: 26), at ARM's three Mine Qualifications Authority (MQA)-registered training facilities at Modikwa, Black Rock and Beeshoek;
- in total, the group spent R19 million on training in FY2006 (FY2005: R17 million), which amounted to 3.3 percent of payroll (FY2005: 2.4 percent); and
- there were 100 trained mentors within the company in FY2006 (FY2005: 98).

EMPLOYMENT EQUITY AT ARM

ARM is intent on empowering HDSAs at all levels within the company, including the advancement and empowerment of women. ARM has extensive programmes in place to facilitate transformation within the company's ranks as is required by legislation. ARM's employment equity targets are ambitious and the company is confident of meeting them.

The company also has a programme in place specifically for the development and advancement of women in the workplace and is confident that it will meet the Mining Charter's requirement that 10 percent of its workforce should be women by 2010.

EMPLOYMENT EQUITY: KEY STATISTICS		
	FY2006	FY2005
Board representation		
Black directors on board	53%	56%
Female directors on board	12%	12%
Senior management		
Steering committee members who are black	43%	45%
Steering committee members who are women	14%	–
Top managers who are black	30%	23%
Top managers who are women	–	–
Senior managers who are black	19%	13%
Senior managers who are women	10%	5%
Skilled employees		
Professionally qualified employees who are black	30%	31%
Professionally qualified employees who are women	12%	8%
Technically qualified employees who are black	43%	49%
Technically qualified employees who are women	7%	8%
Total employees who are black	83%	81%
Total employees who are women	7%	6%

HUMAN RIGHTS

ARM is committed to constructive relationships with its employees. Its policies and practices take cognisance of the Universal Declaration and Fundamental Human Rights Conventions of the International Labour Organization (ILO). Its labour relations practices provide for appropriate disciplinary procedures, which include appeal processes should these be required.

OCCUPATIONAL SAFETY AND HEALTH

Occupational safety is regulated in terms of the Mine Health and Safety Act (for mining operations) and the Occupational Health and Safety Act (which regulates the smelters). Safety performance is reported to the ARM Steering Committee on a monthly basis. Performance is also reported to the Sustainable Development board committee on a quarterly basis.

Safety performance in the Ferrous division improved during the year with LDIFR declining by 32 percent to 4.5, from 6.7 the previous year. The Platinum division's LDIFR increased by 39 percent to 8.1, from 5.8 the previous year.

Regrettably, there was one fatal accident at Modikwa during the year. Zibonele Siphongo (24) a winch operator at the mine was involved in a scraping-related accident. The board and management of ARM extends its sincere condolences to the family and friends of Mr Siphongo.

Laboratory work at Nkomati

Sustainable development continued

HIV/AIDS

As the HIV/Aids pandemic has a significant impact on employees and the communities in which ARM operates, the company is committed to working towards halting the further spread of the disease and to care for those who are infected. These interventions take place on two levels: first, at a corporate level through the ARM Community Investment Trust which supports a number of HIV/Aids focused initiatives, and second at an operational level. The operation-based programmes are run in collaboration with unions and with local government and non-governmental organisations where this is possible. Since 2002 ARM has used a balanced scorecard process to manage HIV/Aids interventions at an operational level.

CORPORATE SOCIAL INVESTMENT

In line with the developmental imperatives in southern Africa, corporate social investment is an important component of ARM's sustainable development programme. ARM's corporate social investment philosophy is guided by the company's desire to be a responsible corporate citizen and valued partner in the communities in which it operates, whilst promoting an equitable balance between the company's interests and the communities' developmental needs. An important feature of the programme is the encouragement of synergistic partnerships with reputable institutions capable of delivering fruitful outcomes. In addition, it is ARM's wish that employees participate directly in these corporate social investment projects in order to build unity between company employees and local community members.

ARM's corporate and social investment strategy is aligned with that of local government's economic development projects, where possible. ARM's corporate social investment initiatives are managed at three levels and, in FY2006, ARM contributed some R9 million to corporate social investment initiatives:

- First, at the corporate level;
- Second, at the divisional level, where projects might come to the attention of a particular division, or through the joint venture partner or investment company; and
- Third, as a result of direct engagement between the operation and its community.

ARM's priority in its corporate social investment initiatives is partnering with communities surrounding its operations – with the relevant stakeholders, such as government, in implementing sustainable community development programmes to ensure those communities recognise and value the company as a corporate citizen.

Key priority areas for ARM's corporate social investment initiatives include:

- Health care promotion, particularly in respect of HIV/Aids;
- Education, training and skills development;
- Job creation programmes and projects, with an emphasis on women and youth;
- Infrastructure development including schools, clinics, and orphanages;
- Sporting events that unite communities under a single banner;
- Cultural events, particularly those in rural communities; and
- Capacity-building programmes aimed at enabling communities to actively participate in socioeconomic processes and projects.

ENVIRONMENT

No fines were issued to the company during the year in respect of environmental non-compliance and all operations have conducted their business in line with approved Environmental Management Plans. The group's total environmental rehabilitation obligation amounted to R68 million as at the end of June 2006. Trust funds are in place to fund this rehabilitation over the life of mine.

Board of directors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3


4

1 Patrice Motsepe (44)

Executive chairman. BA (Legal), LLB

Appointed to the board in 2003 and became Chairman during 2004. Patrice Motsepe 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 this ultimately led to the take over of 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 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. His various business responsibilities include being President of Business Unity South Africa (BUSA), which is the voice of organised business in South Africa. He is also president of the Chambers of Commerce and Industry South Africa (CHAMSA), NAFCOC and Mamelodi Sundowns Football Club.

2 André Wilkens (57)

Chief executive officer. Mine Managers Certificate of Competency. MDPA (Unisa), RMIIA

Appointed to the board in 2004. André Wilkens was formerly the chief executive of ARM Platinum, a division of ARM. Prior to this, he was chief operating officer of Harmony following the merger of that company with ARMgold in 2003. He served as chief executive officer of ARMgold after joining the company in 1998. The balance of his 34 years' mining experience was gained with Anglo American Corporation of South Africa, where he commenced his career in 1969 and which culminated in his appointment as mine manager of Vaal Reefs South Mine in 1993.

3 Frank Abbott (51)

Financial director. BCom, CA(SA), MBL

Appointed to the board in 2004. Frank Abbott was formerly financial controller to the newly formed Randgold in 1992 and was promoted to financial director of that group in October 1994. He was a director of the gold mining companies Blyvooruitzicht, Buffelsfontein, Durban Roodepoort Deep and East Rand Proprietary Mines and a non-executive director of Harmony until 1997. He was subsequently appointed as financial director of Harmony. He is currently a non-executive director of Harmony.

4 Mangisi Gule (54)

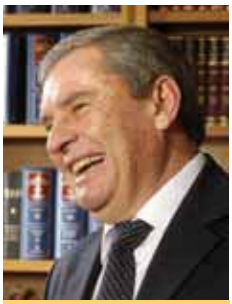
Executive director. BA (Hons) Wits, P & DM (Wits Business School)

Appointed to the Board in 2004. Mangisi Gule was appointed chief executive of ARM Platinum on 27 February 2005. He 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 executive director and board member of Harmony.

5 Jan Steenkamp (52)

Chief executive: ARM Ferrous. National Met Diploma, Mine Managers Certificate, MDP, Cert Eng

Appointed to the board in 2005. Jan Steenkamp started his career with the Anglovaal Group in 1973. Trained as a mining engineer, he has worked at and managed Group mining operations within the gold, copper, manganese, iron ore and chrome sections. He was appointed as managing director of Avgold Limited in September 2002 and also serves on the board of Assmang Limited. In May 2003 Jan was appointed to the Avmin board and was appointed chief executive officer of Avmin on 1 July 2003 after serving as chief operating officer. Jan currently holds the position of Chief Executive of ARM Ferrous.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6 Rick Menell (51)

Executive deputy chairman. MA (Cantab), MSc

Appointed to the board in 1994, elected chief executive officer in 1999 and became chairman during 2002. He is currently President and CEO of TEAL Exploration and Mining Inc. Rick Menell trained as an exploration geologist and worked as an investment banker with JP Morgan in New York and Melbourne. He was executive director of Delta Gold in Australia and then joined Anglovaal Mining in 1992, became CEO in 1999 and executive chairman in 2002. He is a director of The Standard Bank Group and Mutual & Federal, and chairman of Village Main Reef Gold Mining Company (1934) Limited. He recently served as chairman of the South African Tourism board (2000-2006), deputy chairman of Harmony Gold (2003-2005) and Telkom SA (2000-2004) and was President of the Chamber of Mines from 1999 to 2001. He also currently serves on the boards of a number of non-profit development organisations including: The Business Trust, The National Business Initiative and City Year (youth service).


6

7 Dr Manana Bakane-Tuoane (58)

Independent non-executive director. BA, MA, PhD

Appointed to the board in 2004. Dr Manana Bakane-Tuoane 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 and currently holds the post of director general in the North-West Provincial Government. Manana was appointed to the Programme Committee of the African Economic Research Consortium (AERC), Nairobi, Kenya, in 2000.


7

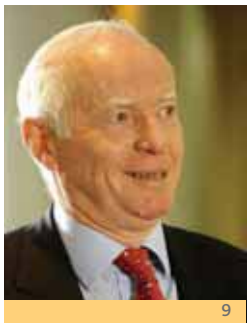
8 Joaquim Chissano (66)

Independent non-executive director

Appointed to the board in 2004. 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 assumed the office of President. Frelimo contested and won the multi-party 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.


8

Board of directors continued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9 Mike King (69)

Independent non-executive director. CA(SA), FCA

Appointed to the board in 2004. Michael King served his articles with Deloitte, Plender, Griffiths, Annan & Co. (now Deloitte) and qualified as a chartered accountant (SA). He later became a Fellow of The Institute of Chartered Accountants in England and Wales (FCA). After 13 years with merchant bank Union Acceptances Limited, he joined Anglo American Corporation of South Africa Limited in 1973 as a manager in the finance division and in 1979 was appointed finance director. In 1997, he was appointed executive deputy chairman of Anglo American Corporation. He was the executive vice-chairman of Anglo American plc from its formation in May 1999 until his retirement in May 2001. Mike is a non-executive director of a number of companies including FirstRand Ltd, FirstRand Bank Ltd and The Tongaat Hulett Group Ltd.


10

10 Alex Maditsi (44)

Independent non-executive director. BProc, LLB, LLM

Alex Maditsi is employed by The Coca-Cola Company as a Senior Director Operations Planning. For the past four years, Mr. Maditsi was a legal Director at Coca-Cola. Prior to his joining Coca-Cola, Mr Maditsi was the Legal director for Global Business Connections in Detroit, Michigan. He aslo spent time at The Ford Motor Company and Schering-Plough in the USA, practising as an attorney. Mr. Maditsi is a Fulbright Scholar and a Member of the Harvard LLM Association.


11

11 Roy McAlpine (65)

Independent non-executive director. BSc, CA

Appointed to the board in 1998. Roy McAlpine joined Liberty Life in 1969 and was appointed to their Board in 1981. He headed the investment activities for over twenty years and retired as an executive director in 1998 in order to diversify his interests. He is a former chairman of the Association of Unit Trusts of South Africa and currently serves on the boards of a number of listed companies.


12

12 Dr Sibusiso Sibisi (51)

Independent non-executive director. BSc (Hons), PhD

Appointed to the board in 2004. Dr Sibusiso Sibisi is President and CEO of the Council for Scientific and Industrial Research (CSIR) in South Africa. He completed a BSc (Hons) in Physics at Imperial College of Science and Technology in London in 1978, followed by a PhD in 1983 at the Department of Applied Mathematics and Theoretical Physics (DAMTP) at Cambridge University.

He joined the Department of Computational and Applied Mathematics, University of the Witwatersrand in 1984. He was a Fulbright Fellow at the California Institute of Technology in 1988. He returned to Cambridge in 1989 to assume a research position at DAMTP. In 1991, he co-founded a research-based small enterprise at Cambridge. In 1997, he returned to South Africa, joining Plessey South Africa as Executive Director (R&D). In January 2000 he became Deputy Vice Chancellor for Research and Innovation, University of Cape Town. He moved to his current position at the CSIR in January 2002. He serves on the National Advisory Council on Innovation (NACI). He also sits on the Boards of African Rainbow Minerals Limited, Liberty Life, and is the chairperson of the Denel Board. He co-founded iThemba Pharmaceuticals (Pty) Ltd in 2001.

13 Dr Rejoice Simelane (54)

Independent non-executive director. BA (Econ and Acc and MA), PhD (Econ)

Appointed to the board in 2004. Dr Rejoice Simelane began her career as a lecturer at the University of Swaziland where she lectured for 19 years. She then moved to the Departments of Trade and Industry and the National Treasury in their respective macroeconomic Chief Directorates, before joining the Premier's Office in the Mpumalanga Province as a Special Adviser, Economics. Rejoice, a Fulbright Fellow, is currently the chief executive officer of Ubuntu-Botho Investments.


13

14 Max Sisulu (61)

Independent non-executive director. MPP Harvard, Ma Plekhanov University Moscow

Appointed to the board in 2004. Max Sisulu was the deputy chief executive officer of Denel and joined Sasol in November 2003 as group general manager. From 2001 to 2003 he was the chairman of the AMD (South African Aerospace, Maritime and Defence Industries). He is also a council member of the Human Sciences Research Council (HSRC), and was appointed in 2006 to serve on the National Environmental Advisory Forum (NEAF), which acts as an advisor the Minister and Department of Environment Affairs and Tourism. Max is a member of the National Executive Committee of the ANC, serves on its Working Committee as well as chairing the Economic Transformation Committee of the ANC. Max serves on the boards of several companies, including Imperial Holdings, Ukhamba Holdings, Itec Tiyende Telecommunications and is currently the deputy chairman of The African General Equity Group. He also serves on the MK Veterans Association Trust.


14

15 Bernard Swanepoel (45)

Non-executive director. 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. Since Harmony became an independent company, Bernard has, as CEO, led the team behind its growth and acquisition initiatives. Bernard is a non-executive board member of Sanlam and the vice-president of the South African Chamber of Mines.


15

16 Pieter Rörich (37)

Executive director. CA (SA)

Appointed to the board in 2006. Pieter Rörich joined ARM in May 2004, is a chartered accountant and has just under ten years of investment banking and corporate finance experience. After having completed his articles with the firm, Pieter joined the Deloitte & Touche Corporate Finance division during 1994. In June 1997 Pieter joined Gensec, initially in the equities underwriting team, but was later asked to start and lead the Corporate Finance Advisory business. Pieter joined Deutsche Bank in Johannesburg in 2001 as a director in corporate finance, mainly responsible for mining transactions.


16

17 Steve Mashalane (43)

Chief executive: ARM Coal. B.Comm (Hons), PMD (Harvard Business School)

Appointed to the board in 2006. Steve Mashalane was Head of Department of Economic Affairs and Tourism in Limpopo for ten years prior to joining ARM. He has extensive experience in management, research and business development. He is a member of the Economic Research Council and is affiliated with various professional bodies. Steve joined ARM in 2005 and was appointed as the company's senior executive for Business Development. Following the formation of ARM Coal in February 2006, Steve was appointed as the chief executive of that division in July 2006.


17

Steering committee

André Wilkens
Chief Executive Officer

Frank Abbott
Financial Director

Gerhard Potgieter
Executive: Platinum Operations

Director Matlala
Leader: Transformation

Jan Steenkamp
Chief Executive: ARM Ferrous

Mangisi Gule
Chief Executive: ARM Platinum

Pieter Rörich
Executive Director: Investor Relations and New Business Development

Sandile Langa
Executive: Shared Services

Steve Mashalane
Chief Executive: ARM Coal

Stompie Shiels
Executive: Business Engineer

Noluthando Ngema
Leader: Corporate Social Investment

Busisiwe Mashiane
Leader: Human Resources

Bryan Broekman
Executive: Ferrous Operations

Deon Pieterse
Executive: Human Resources

Corporate governance

COMPLIANCE

ARM, a public company, is listed on the JSE Limited (JSE). The company complies with the listings requirements of the JSE, various regulatory requirements and substantially complies with the King Report on Corporate Governance for South Africa 2002 (King II).

Corporate governance encompasses the concept of sound business practice, which is inextricably linked to the management systems, structures and policies of the company.

The Board of Directors is ultimately accountable to all the company's stakeholders, both individually and collectively, to ensure that a high level of corporate governance is maintained, enhanced and integrated into the company's business practices.

The company reaffirms its commitment to high standards of integrity, behaviour and ethics in dealing with all its stakeholders. All directors and employees are required to maintain high ethical standards to ensure that the company's business practices are conducted in a reasonable manner, in good faith and in the interests of the company and its stakeholders.

COMPOSITION OF THE BOARD

The board comprises 17 directors, of whom eight are independent non-executive directors, one is a non-executive director and eight are executive directors. Curricula vitae for the board members are to be found on pages 94 to 97.

Mr P J Manda resigned as an independent non-executive director on 13 February 2006.

The board is required to give strategic direction to the company and in doing so arranges an annual meeting of members of the board and senior executives of the company to consider the budget and determine strategy, for implementation by the board during the following financial year.

ARM believes that the independent, non-executive directors are of appropriate calibre and number for their view to carry significant weight in the board's decisions.

CHAIRMAN, DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive are separate and distinct.

ARM's chairman, Mr P T Motsepe, is an executive director representing the company's largest shareholder, which holds 42.52 percent of the company.

Mr R P Menell remains deputy chairman of the board. Mr Menell's status as non-executive changed to that of an executive director on his appointment as chief executive of a subsidiary of ARM, TEAL Exploration & Mining Incorporated (TEAL).

ELECTION

In terms of the company's articles of association (the articles), directors co-opted onto the board since the last annual general meeting hold office until the conclusion of the next annual general meeting and are required to seek election, should they so wish, as directors. Messrs Mashalane and Rörich are affected by this requirement. In addition to those directors seeking election, the articles call for one-third of the previously elected directors to retire by rotation at each annual general meeting. Messrs Gule, McAlpine and Sisulu, and Drs Sibisi and Simelane are required to retire by rotation and, being eligible, may seek re-election. Dr Sibisi has indicated that he will not be seeking re-election at the annual general meeting. The suitability of all directors seeking election and re-election has been endorsed by the Nomination Committee and supported by the board for approval by shareholders at the forthcoming annual general meeting.

Corporate governance continued

MEETINGS

The board meets at least four times a year. During the year under review four board meetings were held. A meeting attendance schedule is set out on page 103 of this report.

The quorum for board meetings is the majority of directors. In terms of the articles, the chairman and deputy chairman are required to be elected annually by the board. Messrs Motsepe and Menell were so elected for a term commencing 1 January 2006.

The agenda and supporting documents for board meetings are prepared by the company secretary in consultation with the chief executive officer and the financial director and are dispatched timeously to every director prior to each meeting. Health, safety and risk matters, and updates on legal and related matters likely to affect ARM, are routinely included in the board papers.

BOARD CHARTER

The board's Charter provides guidelines to members of the board in respect of its responsibilities, authority, composition, meetings and the need for self-assessment.

The main principles of the Board Charter are as follows:

- ensure compliance with all relevant legislation and regulations;
- prepare a budget and strategic plan and the implementation thereof within an agreed value system;
- measurement of its own performance and of its committees;
- appointment, on the recommendation of the Nomination Committee, of members of the board;
- ensure that appropriate investment, hedging and funding policies and strategies are implemented to maintain the financial health of the company;
- identification and management of risks;
- implement investor relations policies in order to provide meaningful reporting to shareholders and other stakeholders;
- ensure sustainable development of the company by the introduction of systems to manage risk, safety, health, environmental matters and HIV/AIDS;
- recognise the importance of human capital by providing adequately for the safety, remuneration, performance incentives, succession planning, retirement funding and employment equity of employees;
- ensure ethical behaviour within the framework of its Codes of Ethics and Conduct; and
- implement black economic empowerment strategies.

DIRECTORS' REMUNERATION AND FEES

Service contracts have been entered into between the company and the executive directors namely Messrs Motsepe (Executive Chairman), Wilkens (Chief Executive Officer), Abbott (Financial Director), Gule (Chief Executive: ARM Platinum), Mashalane (Chief Executive: ARM Coal), Rörich (Executive Director: Investor Relations and New Business Development) and Steenkamp (Chief Executive: ARM Ferrous). These contracts are subject to one month's calendar notice by either party.

A consultancy agreement had been entered into with Mr Chissano to undertake work on behalf of ARM and TEAL. The contract is subject to one month's notice by either party.

A consultancy agreement had been entered into with Mr Manda to undertake work on behalf of ARM. This contract was terminated when Mr Manda resigned from the board on 13 February 2006.

A consultancy agreement had been entered into with Mr Menell to manage the process of listing TEAL. The agreement was terminated upon the successful listing of TEAL and Mr Menell's appointment as an employee of that company.

There are no other service or consultancy contracts between the company and its directors.

Increases in remuneration of executive directors is subject to approval by the Remuneration Committee.

The increase in directors' fees and attendance fees, which came into effect on 1 July 2005, was approved by the board and the shareholders at the annual general meeting held on 28 November 2005. Full particulars of the fees paid to directors are provided in the Directors' Report.

Executive directors have waived their rights to directors' fees.

Shareholders' approval will be sought at the annual general meeting to increase directors' fees and attendance fees. For further information please refer to the notice of annual general meeting.

INDUCTION OF NEW DIRECTORS

All newly appointed directors receive a comprehensive induction pack relating to company legislation and regulations, corporate governance, financial and reporting documents, minutes and administrative matters.

Directors are encouraged to attend courses providing training relating to directors' duties and responsibilities.

ADVICE AND INFORMATION

Information provided to the board and its committees is derived from external sources and internally from minutes, plans and reports. No restriction is placed on the accessing of information by directors from within the company.

All directors are entitled to seek independent professional advice concerning the affairs of the company at its expense. Directors have access to the advice of the company secretary.

BOARD COMMITTEES

The board has delegated certain of its responsibilities to board committees. The granting of authority to board committees does not mitigate the board's responsibility for the discharge of its duties to the company's stakeholders. Board committees report and make recommendations to the board. A schedule of attendance at committee meetings is set out on page 103 of this report.

The non-executive directors constitute the entire membership of board committees with two exceptions: the chairman of the Nomination Committee, who is ARM's executive chairman and the chairman of the Sustainable Development Committee, Mr R P Menell, executive deputy chairman. Independent non-executive directors constitute the majority of members of board committees.

AUDIT COMMITTEE

Members: M W King (Chairman), A K Maditsi, J R McAlpine and Dr R V Simelane

The objective of the Audit Committee is to assist the board in discharging its duty relating to the safeguarding of assets, the operation of adequate systems and internal controls, control processes, 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. The Audit Committee oversees financial and other risks in conjunction with the Sustainable Development Committee. A Management Risk Committee, being a sub-committee of the Audit Committee, was established during the year. The Management Risk Committee is chaired by the chief executive officer; other members include the divisional chief executives and the leader: Risk Management. This sub-committee is required to monitor strategic and business risks, arrange regular independent evaluations of risk and risk control activities, the risk-financing programmes that comprehensively protect ARM and is responsible for securing directors' and officers' insurance cover for the company. The chairman of the Management Risk Committee attends Audit Committee meetings and reports on the activities of the sub-committee. The Audit Committee acts as a forum for communication between the board, management and the external and internal auditors.

The Audit Committee is required to meet at least three times a year. Four meetings were held during the 2006 financial year.

On 6 September 2005 a comprehensive framework was approved by the Audit Committee to ensure that all the tasks that have been assigned to it are considered at least once a year. Scheduling of the committee's non-routine work is therefore necessary and tasks have been assigned to the committee, external and internal auditors, and management.

Corporate governance continued

The Terms of Reference of the Audit Committee were re-assessed and were amended in June 2006 in order to provide for the formation of the Risk Committee and the delegation of the Audit Committee's responsibilities in terms of risk management, and to review the activities of the Risk Management sub-committees. The amended Terms of Reference were submitted for approval to the Audit Committee and the board at the meetings held in August 2006.

EMPOWERMENT COMMITTEE

Members : M V Sisulu and Z B Swanepoel

As a result of Mr P J Manda's resignation earlier this year.

The Empowerment Committee's main objective is to identify business opportunities to enable historically disadvantaged South Africans (HDSAs) to enter into the mining industry as prescribed by the Minerals and Petroleum Resources Development Act, and to ensure compliance with the Scorecard issued by government. Three meetings were held during the 2006 financial year.

INVESTMENT COMMITTEE

Members: Dr P S Sibisi (Chairman), M W King, R P Menell and Z B Swanepoel

The objective of the Investment Committee is to consider projects, acquisitions and the disposal of assets in accordance with board-approved criteria developed by the committee.

The Investment Committee meets when considered necessary. Four meetings were held during the past financial year.

NOMINATION COMMITTEE

Members: P T Motsepe (Chairman), A K Maditsi and Dr R V Simelane

The Nomination Committee reviews the structure, composition and size of the board, recommends appointments to board committees and monitors succession planning for the chairman and chief executive officer and also considers the overall personnel needs of the business. The Nomination Committee is also responsible for the development of the criteria for the selection of directors and the recommendation to the board of the election or re-election of directors at annual general meetings of directors. Designing the orientation programme for newly appointed directors on their responsibilities is a function undertaken by the committee.

Meetings are convened as and when necessary. Although no Nomination Committee meeting was held during the 2006 financial year, the new directors' appointments were approved by round robin resolution of the committee and approved by the board.

REMUNERATION COMMITTEE

Members : Dr M M M Bakane-Tuoane (Chairman), J R McAlpine and Z B Swanepoel.

The Remuneration Committee recommends the directors' fees and committee fees payable to members of the board, approves consultancy agreements with non-executive directors and the remuneration of the executive directors. All elements of the executive directors' remuneration are subject to the committee's approval. The board is briefed with regard to all of these transactions. In addition, the committee is responsible for determining the overall policy for the remuneration of ARM employees with particular reference to senior management.

The committee considers that a minimum of two meetings is required to be held annually to undertake the responsibilities assigned to it. Two meetings were held during the past financial year. Approval of the fees payable to board and committee members were by round robin resolution.

SUSTAINABLE DEVELOPMENT COMMITTEE

Members: R P Menell (Chairman), Dr M M M Bakane-Tuoane and M V Sisulu.

Mr P J Manda resigned as a member of the committee on 13 February 2006.

The Sustainable Development Committee's objective is to achieve and maintain world-class performance standards in safety, health (occupational), the environment, HIV/Aids and social investment. The attainment of this objective requires the committee to advise the board of directors on policy issues, the efficacy of the ARM's management systems for its sustainable development programmes and the progress towards the set goals, compliance with statutory, regulatory and charter requirements, and to oversee the management of risk within the company in conjunction with the Audit Committee.

Four meetings were held during the financial year.

The reader is referred to the Sustainable Development Report which commences on page 87.

MEETINGS ATTENDANCE FOR THE YEAR ENDED 30 JUNE 2006

Director	Appointments	Board	Audit	Empowerment	Investment	Remuneration	Sustainable Development
P T Motsepe (Chairman)		4/4					
R P Menell (Deputy Chairman)		4/4			2/4		4/4
A J Wilkens		4/4					
F Abbott		4/4					
M M M Bakane-Tuoane		3/4				1/2	3/4
J A Chissano		2/4					
W M Gule		4/4					
M W King		4/4	4/4		4/4		
A K Maditsi		4/4	4/4				
P J Manda		2/2		3/3			2/3
K S Mashalane	9 May 2006	1/1					
J R McAlpine		3/4	3/4			1/2	
P C Rörich	9 May 2006	1/1					
P S Sibisi		4/4			3/4		
R V Simelane		4/4	4/4				
M V Sisulu		2/4		0/3			1/4
J C Steenkamp		4/4					
Z B Swanepoel		4/4		2/3	3/4	1/2	

Corporate governance continued

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee, in conjunction with the Board of Directors, formulates the company's strategy.

STEERING COMMITTEE

The Steering Committee comprises the chief executive officer and other ARM senior managers. The committee is charged with the implementation of approved corporate strategy and other operational matters.

TREASURY COMMITTEE

The Treasury Committee meets monthly, and if required more frequently, under the chairmanship of the financial director with Andisa Treasury Services (Proprietary) Limited (Andisa) to consider market conditions, treasury operations, and existing and future hedging strategies. The committee's primary focus is the reduction of risk in commodities and currencies. While not performing an executive or decisive role in the deliberations, Andisa implements the decisions taken. Advice is also sought from other advisers on a continual basis.

ADMINISTRATIVE MATTERS

WHISTLE-BLOWING FACILITY

During 2004 ARM introduced a system whereby employees and others can anonymously report unethical and risky behaviour to an independent service provider through a variety of ways.

DEALINGS IN SECURITIES

ARM enforces closed periods prior to the publication of interim and provisional financial reports for the company and its material listed subsidiaries . During this time directors, officers and designated persons are precluded from dealing in its securities. All directors and employees are provided with extracts of the Security Services Act and the company's procedures in dealing in the securities of the company twice a year, in December and June.

A closed period extends from the last day of the month before the end of a reporting period or the financial year until the close of business on the day of publication of the results in the press. Where applicable, dealing is also restricted during price-sensitive periods when major transactions are being negotiated and a public announcement is imminent.

CODE OF ETHICS

The company is committed to high standards of integrity, behaviour and ethics in dealing with all its stakeholders. All directors and employees are required to maintain high ethical standards to ensure that the company's business practices are conducted in a reasonable manner, and to act in good faith and in the interests of the company.

INTERNAL CONTROL AND INTERNAL AUDIT

The board, with the aid of the Audit Committee, Management Risk Committee and Internal Auditors, reviews its risk profile annually and conducts internal audits of systems and procedures. The results of the reviews are reported to the board, recommending action to be taken to rectify any irregularities.

RISK MANAGEMENT PROGRAMME

During the year, the Board of Directors committed ARM to a process of risk management aligned with the principles of King II. All the group's subsidiaries, joint ventures, strategic alliances, strategic and functional areas, business units, operations, projects and processes will be subject to this internal control, and risk management policy and framework.

The Management Risk Committee, a subcommittee of the Audit Committee, was established during the reporting period to provide added focus to the risk management process within ARM. The committee is chaired by the chief executive officer and members include the chief executives of the divisions together with the leader: Risk Management.

Actions and processes involved in providing assurance on risk related matters include:

- developing an Enterprise Risk Management Framework intended to formalise the detailed risk management initiatives already in place within ARM;
- maintaining and enhancing the risk register of strategic, tactical and significant operational risks confronting ARM – this records and quantifies risks and their attendant controls, control effectiveness and management assurance providers. KPMG Management Assurance have and will continue to facilitate the annual process of identifying risks , which are reviewed and updated at least three times a year. These risks are reported in to the Management Risk Committee and from there to the Audit and Sustainable Development Committees. The process is periodically audited to ensure that it is comprehensive and focused;
- a comprehensive survey and Balanced Scorecard management process is conducted at least annually which grades mines and operations against internationally accepted risk engineering standards for fire, mechanical and electrical engineering, mining, maintenance and commercial crime. In addition, independent risk consultants benchmark our risk preparedness against similar operations worldwide. These exercises continue to place ARM operations well above world average risk preparedness standards; and
- an ongoing review of risk financing and insurance arrangements to ensure that risks beyond the economic capacity of ARM are appropriately and comprehensively insured.

In the implementation of ARM's approach to the management of risk, the following core issues will be addressed:

- identifying, evaluating and regularly reviewing the risks facing ARM in the achievement of its objectives;
- developing and maintaining appropriate actions and controls including contingency plans to manage risks through a formal enterprise risk management framework in order to preserve strategic objectives;
- safeguarding and optimising shareholders' investments and company assets;
- implementing and maintaining effective internal control and risk management programmes;
- actively pursuing measures to bring about further improvements in safety performance;
- consistently striving to protect the health, safety and well-being of all people affected by our operations;
- integrating environmental management into all our activities. This key performance area ensures that we operate in accordance with the principles and procedures of the environmental management programme defined in the Minerals and Petroleum Resources Development Act;
- ensuring compliance with relevant legislation;
- retaining risk and/or self insure to optimal capacity, consistent with conservative financial constraints and shareholders' interests;
- accepting, reducing or sharing risk provided that the residual exposure accepted is within the risk appetite or tolerance; and
- using secure insurance and re-insurance markets to finance against catastrophic incidents and losses beyond our risk retention capacity.

RECORD-KEEPING

ARM has a central records department for the retention of legal and administrative records. Policies and procedures have been implemented in order to maintain reliable and accurate accounting and record keeping of all ARM's business transactions, and to ensure that such records are retained as required by law. Employees are aware that it is their responsibility to ensure that such information is physically secured and protected.

PROMOTION OF ACCESS TO INFORMATION ACT

The company has complied with its obligations in terms of the South African Promotion of Access to Information Act 2000. The Access to Information Manual is available from the company secretarial department.

African Rainbow Minerals

Annual financial statements

Directors' responsibility

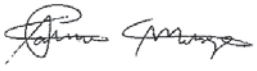
DIRECTORS' RESPONSIBILITY RELATING TO ANNUAL FINANCIAL STATEMENTS

It is the directors' responsibility to prepare annual financial statements that fairly present the state of affairs and the results of African Rainbow Minerals Limited, and of its group of companies. The external auditors are responsible for independently auditing and reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements and estimates. The annual financial statements have been prepared on a going-concern basis and the directors have no reason to believe that the business of the company and group will not be a going concern in the year ahead.

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain systems of internal controls. The company and its subsidiaries' and associated companies' internal controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the company and nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements and group annual financial statements which appear on pages 107 to 116 were approved by the directors and are signed on their behalf on 9 October 2006 by:



Patrice Motsepe
Executive Chairman

André Wilkens
Chief Executive Officer

Johannesburg
9 October 2006

Certificate of the Company Secretary

In terms of Section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge, true, correct, and up to date.

Patricia Smit
Company Secretary

Johannesburg
9 October 2006

Report of the independent auditors

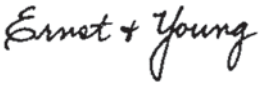
TO THE MEMBERS OF AFRICAN RAINBOW MINERALS LIMITED

We have audited the annual financial statements and group annual financial statements of African Rainbow Minerals Limited, set out on pages 109 to 167 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.
We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



Ernst & Young
Registered Accountants and Auditors

Johannesburg
9 October 2006

Directors' report

The directors have pleasure in presenting the annual financial statements of African Rainbow Minerals Limited ("ARM" or "the company") for the year ended 30 June 2006.

NATURE OF BUSINESS

ARM and its subsidiaries explore, develop, operate and hold interests in the mining and minerals industry. The current operational focus is on precious and ferrous metals, which include platinum group metals, nickel, iron ore, manganese and chrome. In November 2005, ARM listed TEAL Exploration & Mining Incorporated on the Toronto Stock Exchange and later on the JSE Limited, into which ARM's non-South African exploration portfolio was injected. The exploration portfolio includes copper projects in Zambia, a copper-cobalt project in the Democratic Republic of Congo (DRC) and a gold project in Namibia. Through the formation of ARM Coal the company has since the year-end added coal to its asset portfolio with the acquisition of 20 percent in Xstrata South Africa's coal mining interests, and a 51 percent interest in the joint venture holding the Goedgevonden project. The ARM board has approved the exercise of an option held by ARM to acquire a further 10 percent directly, in Xstrata's South African coal operations, for R400 million as from 1 September 2006.

HOLDING COMPANY

The company's largest shareholder is African Rainbow Minerals & Exploration Investments (Proprietary) Limited (ARMI), holding 42.52 percent of the issued ordinary share capital. ARMI, in conjunction with the ARM Broad-Based Economic Empowerment Trust (the BBEE Trust) by way of a voting agreement, exercises control of the company. The BBEE Trust holds 14 percent of ARM's issued share capital. The voting agreement lapses on 28 May 2007.

ARM is one of the largest black-controlled mineral resources companies in South Africa. ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act, 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), ARM has created the BBEE Trust, which holds 14 percent of ARM (or 28.6 million shares) for the benefit of HDSAs identified and selected by the Trustees. Trade unions, church groups, five provincial community upliftment trusts and women upliftment trusts have been registered as beneficiaries.

REVIEW OF OPERATIONS

The reader is referred to reviews by the executive chairman and chief executive officer and the review of operations, which report on the group's activities and results for the year ended 30 June 2006, on pages 5 to 53.

DISPOSAL OF ASSETS

With effect from 30 June 2006, Harmony Gold Mining Company Limited acquired ARM's 2 292 500 shares in Village Main Reef Gold Mining Company (1934) Limited (Village), constituting 37.8 percent of the issued ordinary shares of Village at a cash price of R0.20 per share.

FINANCIAL

The company's annual financial statements and accounting policies appear on pages 109 to 167 of this document. The results for the year ended 30 June 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Directors' report continued

BORROWINGS

Group borrowings at 30 June 2006 were R2.3 billion compared to R1.6 billion at 30 June 2005. The increase is largely attributable to funding for the development of the Two Rivers Mine.

ARM's borrowing powers are in accordance with its Articles of Association and are unlimited subject to any regulation that may be made by the company in general meeting. There are at present no such regulations.

TAXATION

The latest tax assessment for the company relates to year ended June 2000.

All tax submissions up to and including June 2004 have been submitted. However, the assessments for 2001, 2002, 2003 and 2004 have not yet been received.

The company has a contingent liability arising from its dispute with the South African Revenue Services (SARS) over the deductibility of a loan stock redemption premium claimed in the company's 1998 tax submission. The matter is currently under appeal and no trial date has yet been set by SARS. The potential liability for tax is R107 million excluding interest. The interest thereon is estimated at R102 million to June 2006.

LOANS TO SUBSIDIARY COMPANIES

The company has advanced loans to certain subsidiary companies to finance capital expenditure and to service debt.

The company's direct and indirect interests in its principal subsidiaries, associates and investments are reflected in separate reports. Refer to pages 165 to 167.

DIVIDEND

The company is continuing its intensive expansion phase with a significant and exciting project pipeline, as well as a number of growth opportunities. As a result the Board of Directors has decided to conserve cash resources and not declare a dividend for the year ended 30 June 2006.

POST-BALANCE SHEET EVENTS

On 1 July 2006, the company acquired a 51 percent shareholding in ARM Coal (Pty) Limited for a cash consideration of R400 million. ARM Coal (Pty) Limited in turn subscribed for a 20 percent participating interest, in the form of participating preference shares, in Xstrata Coal South Africa. In addition ARM Coal (Pty) Limited will also acquire a 51 percent interest in the Goedgevonden Joint Venture. A detailed description of the transaction is included under the Review of Operations on pages 41 to 53. The costs attributable to the acquisition approximate R10 million. The fair value allocations of this transaction have not been finalised at the date of this report and are currently in the process of being determined in terms of IFRS 3: Business Combinations. To the date of this report profits and revenues flowing from this transaction since year end have not yet been finalised.

On 31 August 2006 the company announced that it would be exercising its option to acquire an additional 10 percent direct equity-based participation interest in Xstrata South Africa (Proprietary) Limited ("Xstrata"), which does not include the investment in the Goedgevonden joint venture. In terms of the option, ARM will subscribe for participating preference shares in the capital of Xstrata for a subscription price of R400 million payable in cash. The preference shares will carry the same rights and obligations as the preference shares already in issue. The preference shares will entitle ARM to participate in 10 percent of the free cash flow of Xstrata's existing coal operations. This transaction is in the process of legal and administrative finalisation and is expected to have an effective date of 1 September 2006. The costs attributable to the acquisition have not yet been finalised. The fair value allocations of this transaction have not been finalised at the date of this report and are currently in the process of being determined in terms of IFRS 3: Business Combinations.

GOING CONCERN

The financial statements have been prepared using the appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have a reasonable expectation that the company has adequate resources to continue as a going concern in the foreseeable future.

SHARE CAPITAL

The share capital of the company, both authorised and issued, is set out in note 10 to the annual financial statements.

SHAREHOLDER ANALYSIS

A comprehensive analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of five percent of the ordinary shares of the company at 30 June 2006, is set out on pages 180 and 181.

DIRECTORATE

The names and details of the directors of the company are reflected on pages 180 and 181.

The Articles of Association provides for one-third of the previously elected directors to retire by rotation. The directors affected by this requirement are Messrs Gule, McAlpine and Sisulu, and Drs Sibisi and Simelane. Dr Sibisi has indicated that he will not be available for re-election. Brief curricula vitae of the directors seeking election may be found in the Notice of Annual General Meeting.

The following appointments were made during the year under review:

Director	Appointed	Appointment
K S Mashalane*	9 May 2006	Executive Director, ARM Coal
P C Rörich*	9 May 2006	Executive Director, Investor Relations and New Business Development

* Executive Director

DIRECTORS' EMOLUMENTS

The following emoluments were paid to directors during the year ended 30 June 2006.

All figures in R000	Board and committee fees	Salary	Accrued bonus	Pension Scheme contributions	Reimbursive allowances	Consultancy fees	Total 2006	Total 2005
Executive directors								
P T Motsepe*		2 808	471				3 279	4 475
A J Wilkens*		1 678	417	270	538		2 903	3 063
F Abbott		1 666	316	217	210		2 409	3 220
W M Gule		916	880		748		2 554	1 657
K S Mashalane#		73	330	10	51		464	
P C Rörich#		216	245		17		478	
J C Steenkamp		1 417	286	187	660		2 550	1 928
		8 774	**2 945**	**684**	**2 224**		**14 627**	**14 343**
Non-executive directors								
M M M Bakane-Tuoane	118						118	119
J A Chissano	88					625	713	143
M W King	171						171	125
A K Maditsi	131						131	97
P J Manda***	93					481	574	117
J R McAlpine	123						123	143
R P Menell**	57					369	426	6 247
P S Sibisi*	113						113	108
R V Simelane	131						131	114
M V Sisulu	88						88	100
Z B Swanepoel*	131						131	85
	1 244	**8 774**	**7 083**	**684**	**2 224**	**1 475**	**17 346**	**21 741**
Paid by subsidiary								
J A Chissano	149					115		264
R P Menell		1 337						1 337
M W King	191					100		291
	340	1 337				215		1 892

* Acted in representative capacity; fees paid to the shareholder represented. ARM's executive directors ceded their director and committee fees to the company

\# Appointed K S Mashalane 9 May 2006

\# Appointed P C Rörich 9 May 2006

*** Resigned P J Manda 13 Feb 2006

** Mr Menell's status of non-executive director changed to executive director on his appointment as CEO of TEAL on 15 November 2005

Directors' report continued

FEES

	Proposed for 2006		Approved for 2005	
Board of directors	Annual	Per meeting	Annual	Per meeting
Chairman	R139 000	R9 700	R121 000	R8 500
Director	R83 400	R5 900	R72 600	R5 200

Fees are payable quarterly in arrears and were increased at the annual general meeting held on 28 November 2005 and were effective from 1 July 2005.

A motion will be proposed at the forthcoming annual general meeting, in accordance with the articles of association, to increase the directors' fees and attendance fees payable annually and per meeting. Please refer to the Notice of Annual General Meeting.

BOARD COMMITTEES

On the advice of the Remuneration committee, the board approved the following board committee meeting attendance fees payable to members with effect from 1 July 2006.

Audit committee	2006	2005
Chairman	R14 700	R12 800
Member	R 9 200	R 5 400
Other board committees*		
Chairman	R10 100	R 8 800
Member	R 6 200	R 5 400

*Other board committees comprise Empowerment, Investment, Nomination, Remuneration and Sustainable Development committees

INTERESTS OF DIRECTORS

The direct and indirect and deemed interests of the directors of the company in the issued share capital of the company at 30 June 2006 were as follows:

	30 June 2006		30 June 2005	
Ordinary shares	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Direct interests				
Executive directors				
R P Menell*	Nil	2 835	102 850	113 507
Non-executive directors	Nil	Nil	Nil	Nil
Total	Nil	2 835	102 850	113 507
Indirect interests				
Executive directors				
P T Motsepe	Nil	87 750 417	Nil	87 750 417
Non-executive directors	Nil	Nil	Nil	Nil
Total	Nil	87 750 417	Nil	87 750 417

* Mr Menell's status of non-executive director changed on his appointment as chief executive of TEAL Exploration & Mining Incorporated.

No material changes in holding were effected between year end and date of report.

OPTIONS

The table following reflects share options entitlements accruing to executive directors and the transactions that occurred during the year to 30 June 2006.

Refer to Option Vesting Dates on page 114 as to the exercising of options.

Directors' report continued

DIRECTORS' OPTIONS

Directors Category	P T Motsepe Executive		F Abbott Executive		W M Gule Executive		K S Mashalane Executive		R P Menell Executive		P C Rörich Executive		J C Steenkamp Executive		A J Wilkens Executive	
	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price	No. of options	Issue price
Held at 1 July 2005																
Number	550 000		387 000		387 000		160 000		446 326		270 000		796 177		464 000	
Average price per option	R27.00		R27.00		R28.03		R32.00		R35.15		R27.00		R30.80		R27.00	
Details of individual allocations:																
Granted																
3 Feb 2000									4 198	R24.30						
20 Apr 2000													8 000	R17.00		
12 Jun 2001									72 333	R35.55			67 040	R35.55		
18 Sep 2001									148 600	R33.50			50 101	R33.50		
2 Jul 2002													77 732	R37.75		
20 Sep 2002									184 185	R36.00			76 613	R36.00		
5 Aug 2003													93 562	R39.50		
19 Aug 2003									37 010	R38.00						
13 Dec 2004	550 000	R27.00	387 000	R27.00	270 000	R27.00					270 000	R27.00	387 000	R27.00	464 000	R27.00
15 Apr 2005					117 000	R30.40										
15 Jun 2005							160 000	R32.00								
Granted during the year																
10 Oct 2005	133 784		94 135		97 719		46 126				65 676		94 135		112 865	
Issue price per option		R37.00		R37.00		R37.00		R37.00				R37.00		R37.00		R37.00
Exercised during the year																
Number			119 000		129 000						90 000		88 921			
Average issue price per option			R27.00		R28.13						R27.00		R19.95			
Gross sale price per option			R47.08		R44.61						R42.68		R44.91			
Held at 30 June 2006																
Number	683 784		362 135		355 719		206 126		446 326		245 676		801 391		576 865	
Average price per option	R28.96		R29.60		R30.49		R33.12		R35.15		R29.67		R30.03		R28.96	
Latest expiry date	10/10/2013		10/10/2013		10/10/2013		10/10/2013		19/8/2011		0/10/2013		10/10/2013		10/10/2013	
Details of individual allocations:																
Granted																
3 Feb 2000									4 198	R24.30						
12 Jun 2001									72 333	R35.55			22 248	R35.55		
18 Sep 2001									148 600	R33.50			50 101	R33.50		
2 Jul 2002													77 732	R37.75		
20 Sep 2002									184 185	R36.00			76 613	R36.00		
5 Aug 2003													93 562	R39.50		
19 Aug 2003									37 010	R38.00						
13 Dec 2004	550 000	R27.00	268 000	R27.00	180 000	R27.00					180 000		387 000	R27.00	464 000	R27.00
15 Apr 2005					78 000	R30.40										
15 Jun 2005							160 000	R32.00								
10 Oct 2005	133 784	R37.00	94 135	R37.00	97 719	R37.00	46 126	R37.00			65 676	R37.00	94 135	R37.00	112 865	R37.00

SHARE INCENTIVE SCHEME

The company has an employee share incentive scheme available to certain full-time employees. Total options outstanding under the scheme shall not exceed 10 percent of the total issued share capital of the company from time to time.

OPTION VESTING DATES

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 may not be exercised later than the eighth anniversary of the issue date, after which such options lapse.

		Number of options	Average issue price per option
Options outstanding at 30 June 2006		7 144 978	R31.44
Vested	3 May 2004	1 896 584	R35.91
	17 December 2005	768 994	R27.00
	16 June 2006	179 166	R32.00
Vesting on	11 October 2006	395 098	R37.00
	17 December 2006	1 339 283	R27.00
	24 March 2007	39 000	R30.40
	16 June 2007	179 166	R32.00
	11 October 2007	395 098	R37.00
	17 December 2007	1 339 298	R27.00
	24 March 2008	39 000	R30.40
	16 June 2008	179 168	R32.00
	11 October 2008	395 123	R37.00

SHARE INCENTIVE SCHEME

ARM has an employee share incentive scheme available to full-time employees. Total options outstanding (under the scheme) shall not exceed 10 percent of the total issued share capital of the company. The following are summaries of particulars required in terms of the scheme and JSE's Listings Requirements:

	Ordinary shares in issue		The Scheme			
	2006	2005	2006	2005	Range of strike prices	
Schedule of movements	Shares	Shares	Options	Options	From	To
Ordinary shares in issue at 1 July	204 436 557	204 208 068				
Options previously granted at 1 July			*8 582 095	4 264 974	R0.05	R39.50
Shares allotted						
Share options exercised	1 930 897	228 489	*(1 930 897)	(228 489)	R0.05	R38.00
Share options						
Granted to participants#			*1 185 319	5 256 612	R37.00	R37.00
Forfeited			(691 539)	(711 002)	R27.00	R38.00
Balance at 30 June	206 367 454	204 436 557	7 144 978	8 582 095	R16.25	R39.50
Movement subsequent to year end						
Shares allotted						
Share options exercised	885 589		(885 589)		R17.00	R38.00
Share options						
Granted to participants			nil			
Forfeited			nil			
Balance at 2 October 2006	207 253 043		6 259 389			
Balance available to be issued in terms of the scheme			14 377 356	11 861 560		
Maximum number of options permitted by the scheme			20 636 745	20 443 655		

* Inclusive of options granted to current and former executive directors

Refer summary of options outstanding

SPECIAL RESOLUTIONS

No special resolutions were passed by ARM and its subsidiaries during the period 1 July 2005 to the date of this report.

Directors' report continued

STOCK EXCHANGE LISTINGS

The company's shares are listed through a primary listing on the JSE Limited, South Africa under "Resources – Mining, Other Mineral Extractors and Mines".

After consideration of the cost and derived benefits, ARM's secondary listing on the London Stock Exchange was terminated on 30 June 2006 and a non-residents sub-register opened within the South African share register to which the entire United Kingdom register was transferred.

A sponsored American Depositary Receipt program with JP Morgan Chase Bank is also available to investors for "over the counter (level one)" or private transactions.

SECRETARY

Mrs P F Smit was appointed company secretary on 9 May 2006, following the resignation of Mrs A van der Merwe. Her business and postal addresses appear on the inside back cover of this report.

STRATE (SHARE TRANSACTIONS TOTALLY ELECTRONIC)

The company's shares were dematerialised on 5 November 2001. Should members wish to trade certificated ARM (previously Avmin) shares on the JSE Limited, South Africa (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 2004 (Proprietary) Limited, whose details are reflected on the inside back cover of this report.

CONVENIENCE TRANSLATION INTO UNITED STATES DOLLARS

To assist international investors, a translation of convenience into United States dollars is provided for the group financial statements. These translations are based on average rates of exchange for income statement and cash flow statement items and at those ruling at year end for the balance sheet items. These documents are reflected on pages 168 to 172 and do not form part of the audited financial statements.

Accounting policies

STATEMENT OF COMPLIANCE

The consolidated 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) and applicable legislation.

During the current financial year the following new and revised accounting standards were adopted by ARM:

IAS 1	Presentation of financial statements
IAS 2	Inventories
IAS 8	Accounting policies, changes in accounting estimates, and errors
IAS 10	Events after balance sheet
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 21	The effect of changes in foreign exchange rates
IAS 24	Related party disclosure
IAS 27	Consolidated and separated financial statements
IAS 28	Investment in associates
IAS 31	Interest in joint ventures
IAS 32	Financial instruments: Disclosure and presentation
IAS 33	Earnings per share
IAS 38	Intangible assets
IAS 39	Financial instruments: Recognition and measurement
IAS 40	Investment property
IFRS 2	Share-based payments
IFRS 4	Insurance contracts
IFRS 5	Non-current assets held for sale and discontinued operations
IFRIC 2	Members' shares in Co-operative entities and similar instruments

In addition the following accounting standard was early adopted by ARM

IFRIC 5	Rights to interest arising from decommissioning restoration and environmental rehabilitation funds

IMPACT OF NEW STANDARDS

There was no impact on adopting the above standards other than those detailed in changes in accounting policies below.

BASIS OF PREPARATION

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 where the effects are disclosed below.

The consolidated financial statements have been prepared on an historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement or the statement of changes in equity.

CHANGES IN ACCOUNTING POLICIES

(i) IFRS 2 Share-based payments

This standard requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of IFRS 2, the company did not recognise the financial effect of share-based payments in the income statement.

In accordance with the transitional provisions of IFRS 2, the standard has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

For the 2005 financial year the change in accounting policy has resulted in a decrease in earnings for the year of R10 million. The balance sheet reflects a corresponding credit in share-based payment reserve in equity. The cumulative effect on earnings and equity before 2005 is R1 million.

Accounting policies continued

For the 2006 financial year the impact has resulted in a decrease in earnings for the year of R34 million. The balance sheet reflects a corresponding credit in the share-based payment reserve in equity. (See note 35 for details).

The effect of adopting IFRS 2 in earnings per share and diluted earnings per share is 16 cents for 30 June 2006 and 5 cents for 30 June 2005.

(ii) IFRIC 5 Rights to interest arising from decommissioning restoration and environmental rehabilitation funds
The environmental trust funds have been consolidated from this year. The impact is that the environmental trust funds are consolidated in cash and cash equivalents (restricted cash). For the 2005 year the effect was R29 million for group and R4 million for company. For the 2006 year the effect is R19 million for group and R4 million for company. There is no income statement effect.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of African Rainbow Minerals Limited and its joint ventures, subsidiaries and associate at 30 June 2006.

In the group all entities use the same accounting policies, with exceptions adjusted for at group level.

Joint ventures

Joint ventures are contractual agreements whereby the group has joint control over the financial and operating policy decisions of the enterprise. The group or company's attributable share of the assets, liabilities, income, expenses and cash flows of such jointly controlled entities is proportionately consolidated on a line-by-line basis in the group or company financial statements.

Subsidiary companies

Subsidiary companies are investments in entities in which the company has control over the financial and operating decisions of the entity. Investments in subsidiaries are accounted for at cost less impairment. The results of subsidiaries are consolidated from the date of effective control up to the date effective control ceases.

Investment in an associate

An associate is an investment in an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture of the group. The group's investments in its associates are accounted for using the equity method of accounting. The investments in the associates are carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associates, less any impairment in value. The income statement reflects the group's share of the results of operations of the associates. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss.

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 to all intra-group dealings, for all transactions with subsidiaries, associated companies or joint ventures.

TAXATION

Deferred tax liabilities and assets are recognised in respect of temporary differences between the book value and tax base of balance sheet items, including items with a tax base but no book value. The resulting net deferred tax assets or net deferred tax liabilities are recognised on the balance sheet.

Deferred tax is not recognised when the transaction involves the initial recognition of goodwill or an asset or liability that is not subject to a business combination, and at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax assets are recognised to the extent that it is probable that taxable trading or capital profit will be available against which the deductible temporary difference can be utilised.

Taxation is calculated at the applicable rate enacted or substantially enacted at year end for mining and non mining taxes.

Current and deferred tax is recognised as an income or expense and included in the income statement, except where the tax arises from a transaction which is recognised in equity.

SECONDARY TAXATION ON COMPANIES

Secondary tax on companies (STC) is recognised on the declaration date of all dividends and is included in the taxation expense in the income statement. Unutilised STC credits are raised as deferred tax assets to the extent that a dividend is expected to be paid in the foreseeable future.

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 is included in long-term provisions. The unwinding of the obligation is included in the income statement under finance costs. The initial related decommissioning asset is recognised in property, plant and equipment.

Restoration

The present value of the estimated cost of restoration is included in long-term provisions. This estimate is revised annually and any movement is charged against income.

Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

Environmental rehabilitation trust funds

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds are carried at cost in the company. These funds are consolidated as African Rainbow Minerals group companies are the sole contributors to the funds and exercise full control through the respective boards of trustees.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings. Initial recognition is at fair value plus directly attributable transaction costs, unless the instrument is carried at fair value through profit and loss when the group becomes party to their contractual arrangements. Subsequent recognition is at fair value or at amortised cost. The recognition methods adopted are disclosed in the individual policy statements associated with each item. At each balance sheet date an assessment is made whether any financial assets are impaired. In the case of any impairment, the asset is written down to its recoverable amount in the income statement.

The group does not apply hedge accounting.

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 rights 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 of 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 expires.

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 amounts is recognised in the income statement.

Derivative instruments

Derivatives, including embedded derivatives, are subsequently measured at fair value. Fair value adjustments are recognised in the income statement. Forward exchange contracts are valued at the balance sheet date using the forward rate available at the balance sheet 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.

Accounting policies continued

Cash and cash equivalents
Cash and cash equivalents are measured at fair value.
Cash that is subject to legal or contractual restrictions on use is classified separately.

Investments
Investments other than investments in subsidiaries, associates and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in the fair value of available-for-sale investments are reflected in equity in the revaluation 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 balance sheet date. Where a reliable fair value cannot be determined, investments are carried at cost. All regular way purchases and sales of financial assets are recognised on the trade date, ie the date the group commits to purchase the asset.

Receivables
Trade receivables, which generally have 30-90 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Impairment losses are recognised in the income statement when collection of the full amount is no longer probable.

Payables
Trade and other payables are not interest bearing and are stated at their nominal value.

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. Amortised cost is calculated by taking into account any issue cost, and any discount or premium on settlement. Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Intangible assets
Intangible assets are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 finite useful life is reviewed at least at each financial year-end. 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash – generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the useful life assessment will change from indefinite to finite.

Research and development
Expenditure on research projects (or on the research phase of an internal project) is recognised as an expense when it is incurred. These costs are not reversed in subsequent periods. When the development phase of a project demonstrates that it is probable that future economic benefits will be generated, the related expenditure is recognised as an asset if:
- the technical feasibility of completing the asset demonstrates that it will be available for use or sale;
- there is an intention to complete the asset, and use or sell it;
- there is an ability to use or sell the asset;
- there are adequate technical, financial and other resources available to complete the development, and to use or sell the asset; and
- the expenditure attributable to the asset can be measured reliably.

PROPERTY, PLANT AND EQUIPMENT
Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment in value.
Useful life, residual value and depreciation method are reconsidered on an annual basis.

Investment property
Investment properties are valued 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 is the revalued amount if applicable.

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 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. The annual depreciation rates used vary between two and five percent. 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, as well as the decommissioning thereof, are capitalised. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets are amortised using the units-of-production method based on estimated proven and probable ore reserves. 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. Where the reserves are not determinable due to their scattered nature, the straight-line method of depreciation is applied based on the estimated life of the mine to a maximum of 25 years.

Mineral rights

Mineral rights that are being depleted are amortised 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. Mineral rights that have no commercial value are written off in full.

Plant and machinery

Mining plant and machinery is amortised on the units-of-production method over the lesser of its estimated useful life or life-of-mine based on estimated proved 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 amortisation calculation is 25 years.

Other

Mine properties (including houses, schools and administration blocks), motor vehicles and furniture and equipment are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount expected to be obtained for the asset at the end of its useful life, after deducting expected costs of disposal.

Depreciation rates

Depreciation rates which are based on life-of-mine and unit of production require management estimates and judgements utilised in business models, which take into account metal prices, exchange rates, proven ore reserves and mineral resources. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing 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 values.

The annual depreciation rates generally used in the group are:

- furniture and equipment 10 to 33 percent;
- mine properties 4 to 7 percent;
- motor vehicles 20 percent; and
- mine development plant and machinery, and mineral rights and land 10 to 25 years.
- investment properties 2 percent.

EXPLORATION EXPENDITURE

Exploration expenditure comprises expenditure incurred and advances made in respect of exploratory ventures for mining activities. The costs of exploration programmes are expensed in the year in which they are incurred, except for expenditure on specific properties which have indicated the probable presence of a mineral resource with the potential of being developed into a mine, in which case the expenditure is treated as mine development cost. Capitalised exploration expenditure is amortised on a units of production basis over the expected life of the constructed mining asset.

The carrying amounts of capitalised exploration costs are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Accounting policies continued

IMPAIRMENT

The carrying value of assets is reviewed at each balance sheet 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 realisation cost or value in use. Value in use is determined by estimated future cash flows 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. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that require 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 allowance 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 average cost;
- Finished products are valued at weighted average cost including an appropriate portion of direct overhead costs;
- Work-in-process is valued at weighted average cost including an appropriate portion of direct overhead costs; and
- Raw materials are valued at weighted average cost.

SET-OFF

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.

FOREIGN CURRENCY TRANSLATIONS

Foreign entities

Financial statements of foreign subsidiaries that are classified as foreign entities are translated into South African Rand using the exchange rates applicable at the reporting date, as follows:

- Assets and liabilities at rates of exchange ruling at the balance sheet 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 are 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 closing rate;
- Goodwill is considered to relate to the reporting entity and is translated at the rate at the date of acquisition; and
- Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the profit or loss.

Foreign currency transactions and balances

Transactions in foreign currencies are converted to South African Rand 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 South African Rand using the exchange rate ruling at the balance sheet date, with the resulting exchange differences being recognised in the income statement.

LEASES

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 charged directly against income.

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 certain 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. Actuarial gains and losses are recognised as income or expense when incurred.

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 of share that are expected to eventually vest.

Fair value is measured using the Black Scholes 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

One of the subsidiaries issues cash or equity-settled options which is measured at the grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. When the company settles rights in cash, the grants are remeasured at each reporting date. For equity-settled options the services received and a liability to pay for those services are recognised over the expected vesting period.

BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS

When entering into BEE share based transactions any excess of the fair value of the shares over the consideration received are recognised as an expense in that period.

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 balance sheet 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.

Insurance provisions

Claims (net of anticipated recoveries under reinsurance arrangements) notified but not settled at year end, and incurred at year end but not reported, have been provided for using the best information available at the time. The estimates include provision for inflation and other contingencies arising in the settlement of claims.

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.

Accounting policies continued

Dividends
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.

Rental income
Rental income on investment properties is accounted for on a straight line basis over the term of the 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.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make certain judgements and 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. For assumptions on estimates refer to individual notes.

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 changes in value. Overdrafts are excluded from cash and cash equivalents.

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
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 and capital items in accordance with the requirements of Circular 7 of 2002 issued by the South African Institute of Chartered Accountants. Adjustments against earnings take account of attributable taxation and minority interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Fully diluted earnings per share
Fully diluted earnings comprise earnings as used in calculating basic earnings per share. The earnings figure is divided by the weighted average number of ordinary shares, adjusted for any financial instruments or other contracts that may entitle the holder thereof to ordinary shares, to arrive at fully diluted earnings per share. Fully diluted headline earnings per share is calculated on the same basis as fully diluted earnings per share.

Cash generated from operations per share
Cash generated from operations divided by the weighted average number of shares in issue during the year.

Exceptional items
These are items that are of a capital nature and not part of operating activities that qualify for adjustment to the calculation of headline earnings.

New standards

The following new standards were issued but are only effective in the future. No financial effect of these new standards can be calculated at the date of these reports.

STANDARD OR INTERPRETATION		EFFECTIVE DATE (Annual periods beginning)	DATE ISSUED
IFRS 6	Exploration for and evaluation of mineral resource	1 January 2006	December 2004
IFRS 7	Financial instruments: disclosures	1 January 2007	August 2005
IFRIC 4	Determining whether an arrangement contains a lease	1 January 2006	December 2004
IFRIC 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment	1 December 2005	September 2005
IFRIC 7	Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies	1 March 2006	November 2005
IFRIC 8	Scope of IFRS 2	1 May 2006	January 2006
IFRIC 9	Reassessment of embedded derivatives	1 June 2006	March 2006
AC 503	Accounting for black empowerment (BEE) transactions	1 May 2006	April 2006
Amendments to Standards			
IAS 1	Amendment on capital disclosures	1 January 2007	August 2005
IAS 19	Amendment on employee benefits actuarial gains and losses, group plans and disclosures	1 January 2006	December 2004
IAS 21	Amendment on the effects of changes in foreign exchange rates net investments in a foreign operation.	! January 2006	December 2005
IAS 39	Amendment on the fair value option	1 January 2006	June 2005
IAS 39	Amendment on financial guarantee contracts	1 January 2006	June 2005

Balance sheets

		GROUP		COMPANY	
At 30 June	Notes	**2006 Rm**	Restated 2005 Rm	**2006 Rm**	Restated 2005 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**4 992**	5 013	**199**	205
Investment property	1	**12**	12	**–**	–
Intangible assets	1	**2**	5	**–**	–
Deferred tax assets	12	**23**	68	**23**	68
Other investments	5	**7 276**	3 708	**10 026**	5 935
		12 305	8 806	**10 248**	6 208
Current assets					
Inventories	7	**707**	1 144	**3**	6
Trade and other receivables	8	**1 160**	1 528	**207**	108
Cash and cash equivalents	9	**439**	288	**86**	52
		2 306	2 960	**296**	166
Total assets		**14 611**	11 766	**10 544**	6 374
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	10	**10**	10	**10**	10
Share premium	10	**3 557**	3 497	**3 557**	3 497
Other reserves		**2 307**	(772)	**2 084**	(981)
Retained earnings		**4 376**	3 776	**3 166**	2 813
Shareholders interest in capital and reserves		**10 250**	6 511	**8 817**	5 339
Minority interest		**143**	1 461	**–**	–
Total shareholders' interest		**10 393**	7 972	**8 817**	5 339
Non-current liabilities					
Long-term borrowings	11	**1 449**	962	**65**	130
Deferred tax liabilities	12	**1 001**	814	**547**	72
Long-term provisions	13	**156**	190	**82**	78
		2 606	1 966	**694**	280
Current liabilities					
Trade and other payables	14	**627**	861	**77**	102
Short-term provisions	15	**47**	51	**18**	22
Taxation	26	**135**	304	**97**	90
Overdrafts and short-term borrowings	16	**803**	612	**841**	541
		1 612	1 828	**1 033**	755
Total equity and liabilities		**14 611**	11 766	**10 544**	6 374

Income statements

		GROUP		COMPANY	
For the year ended 30 June	Notes	**2006 Rm**	Restated 2005 Rm	**2006 Rm**	Restated 2005 Rm
Revenue	17	**4 686**	5 508	**636**	786
Sales	17	**4 622**	5 485	**450**	623
Cost of sales		**(3 304)**	(3 743)	**(191)**	(295)
Gross profit		**1 318**	1 742	**259**	328
Other operating income		**167**	226	**138**	150
Other operating expenses		**(373)**	(372)	**(167)**	(248)
Retrenchment costs		**–**	(8)	**–**	(8)
Profit from operations before exceptional items	18	**1 112**	1 588	**230**	222
Income from investments	19	**24**	22	**102**	75
Finance costs	20	**(134)**	(172)	**(43)**	(26)
Loss from associate		**–**	(150)	**–**	–
Profit before taxation and exceptional items		**1 002**	1 288	**289**	271
Exceptional items	21	**139**	155	**144**	(99)
Profit before taxation		**1 141**	1 443	**433**	172
Taxation	22	**(377)**	(530)	**(80)**	(150)
Profit for the period		**764**	913	**353**	22
Attributable to:					
Minority interest		**163**	451	**–**	–
Equity holders of ARM		**601**	462	**353**	22
		764	913	**353**	22
Additional information					
Headline earnings (R million)	24	**462**	339		
Headline earnings per share (cents)	23	**225**	166		
Basic earnings per share (cents)	23	**293**	225		
Fully diluted basic earnings per share (cents)	23	**291**	226		
Fully diluted headline earnings per share (cents)	23	**223**	166		
Number of shares in issue at end of year (thousands)		**206 367**	204 437		
Weighted average number of shares in issue (thousands)		**205 072**	204 370		
Weighted average number of shares used in calculating fully diluted earnings per share (thousands)	23	**206 780**	204 794		
Net asset value per share (cents)	23	**4 967**	3 185		

Statements of changes in equity

For the year ended 30 June	Note	Share capital and premium Rm	Minority interest Rm	Revaluation of listed investments Rm	Other* Rm	Retained earnings Rm	**Total Rm**
GROUP							
Restated**							
Balance at 30 June 2004		3 505	1 326	–	(193)	3 316	**7 954**
Basic earnings		–	451	–	–	462	**913**
Dividends paid to minorities		–	(45)	–	–	–	**(45)**
Re-allocation risk funding Two Rivers		–	(271)	–	–	–	**(271)**
Realisation of land and buildings		–	–	–	(6)	–	**(6)**
Revaluation of listed investments	5	–	–	(962)	–	–	**(962)**
Deferred tax on revaluation of listed investment		–	–	141	–	–	**141**
Reversal of associate's other reserves		–	–	–	235	–	**235**
Share-based payments		–	–	–	11	–	**11**
Share options exercised	10	2	–	–	–	–	**2**
Other		–	–	–	2	(2)	**–**
Balance at 30 June 2005		3 507	1 461	(821)	49	3 776	**7 972**
Basic earnings		–	163	–	–	601	**764**
Dividends paid to minorities		–	(60)	–	–	–	**(60)**
Revaluation of listed investments	5	–	–	3 556	–	–	**3 556**
Deferred tax on revaluation of listed investment		–	–	(516)	–	–	**(516)**
Transfer out of minority interest, Assmang now accounted for as a joint venture		–	(1 504)	–	–	–	**(1 504)**
Share-based payments		–	–	–	34	–	**34**
Share options exercised	10	60	–	–	–	–	**60**
TEAL minorities at listing		–	83	–	–	–	**83**
Realignment of currency		–	–	–	3	–	**3**
Other		–	–	–	2	(1)	**1**
Balance at 30 June 2006		3 567	143	2 219	88	4 376	**10 393**

* Other reserves consist of revaluation of land and buildings R nil, (2005: R nil; 2004: R6 million), insurance contingency R8 million (2005: R6 million; 2004: R4 million), general reserve of R32 million (2005: R32 million; 2004: R32 million) share of associate reserves R nil (2005: R nil; 2004: R (235) million); share-based payments R45 million (2005: R11 million; 2004 R nil); foreign currency translation reserve R3 million (2005: R nil 2004: R nil).

** Other than presenting minority interest separately, there were no changes to the 30 June 2004 balance as previously reported.

For the year ended 30 June	Note	Share capital and premium Rm	Revaluation of listed investments Rm	Other* Rm	Retained earnings Rm	**Total Rm**
COMPANY						
Restated**						
Balance at 30 June 2004		3 505	–	41	2 791	**6 337**
Basic earnings		–		–	22	**22**
Revaluation of listed investments	5	–	(1 199)	–	–	**(1 199)**
Deferred tax on revaluation of listed investment		–	172	–	–	**172**
Realisation of land and buildings		–	–	(6)	–	**(6)**
Share-based payments		–	–	11	–	**11**
Share options exercised	10	2	–	–	–	**2**
Balance at 30 June 2005		3 507	(1 027)	46	2 813	**5 339**
Basic earnings		–		–	353	**353**
Revaluation of listed investments	5	–	3 556	–	–	**3 556**
Deferred tax on revaluation of listed investment		–	(516)	–	–	**(516)**
Share-based payments		–	–	25	–	**25**
Share options exercised	10	60	–	–	–	**60**
Balance at 30 June 2006		3 567	2 013	71	3 166	**8 817**

* Other reserves consist of revaluation of land and buildings R nil (2005: R nil; 2004: R6 million), a general reserve of R35 million (2005: R35 million; 2004: R35 million); share-based payment R36 million (2005: R11 million; 2004: R nil).

** There were no changes to the 30 June 2004 opening balance as previously reported.

Cash flow statements

		GROUP		COMPANY	
For the year ended 30 June	Notes	**2006 Rm**	Restated 2005 Rm	**2006 Rm**	Restated 2005 Rm
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		**4 856**	5 297	**498**	660
Cash paid to suppliers and employees		**(3 613)**	(3 636)	**(365)**	(416)
Cash generated from operations	25	**1 243**	1 661	**133**	244
Interest received		**24**	22	**5**	10
Interest paid		**(137)**	(183)	**(38)**	(26)
Dividends received		**1**	19	**96**	65
Dividends paid to minorities		**(60)**	(45)	**–**	–
Taxation paid	26	**(384)**	(168)	**(70)**	(99)
Net cash inflow from operating activities		**687**	1 306	**126**	194
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment to maintain operations		**(636)**	(705)	**(24)**	(13)
Additions to property, plant and equipment to expand operations		**(859)**	(297)	**(19)**	(49)
Proceeds on disposal of property, plant and equipment		**45**	39	**16**	18
Proceeds on disposal of investments		**–**	9	**–**	9
Net cash effects of disposal of 50 percent of Nkomati	27	**–**	136	**–**	136
Net cash effects of disposal of 0.35 percent of Assmang	27	**18**	–	**32**	–
Increase in investment loans and receivables		**–**	–	**(387)**	(498)
Movement in trust funds (restated)		**–**	–	**–**	(6)
Investment acquired		**(12)**	(8)	**–**	–
Net cash outflow from investing activities		**(1 444)**	(826)	**(382)**	(403)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds on exercise of share options		**60**	2	**60**	2
Funding received from minority shareholders at TEAL Listing		**226**	–	**–**	–
Long-term borrowings raised		**881**	110	**261**	30
Long-term borrowings repaid		**(183)**	(215)	**–**	(115)
(Decrease)/increase in short-term borrowings and overdrafts		**(91)**	(446)	**(73)**	142
Net cash inflow/(outflow) from financing activities		**893**	(549)	**248**	59
Net increase/(decrease) in cash and cash equivalents		**136**	(69)	**(8)**	(150)
Cash and cash equivalents at beginning of year as previously stated		**47**	328	**(124)**	192
Add: rehabilitation trust fund		**–**	29	**–**	10
Less: overdrafts		**–**	(241)	**–**	(176)
Restated opening balance		**47**	116	**(124)**	26
Foreign currency translation on cash balance		**10**	–	**–**	–
Cash and cash equivalents at end of year		**193**	47	**(132)**	(124)
Cash generated from operations per share (cents)	23	**606**	813	**65**	119

From this year the group includes overdrafts in the cash and cash equivalents for cash flow purposes and in addition the environmental trust funds have been consolidated from this year.

Notes to the financial statements

GROUP – Rm	Mine development decommissioning assets	Plant and machinery	Land and buildings	Mineral rights	Other	Total property plant and equipment	Investment property	Intangible assets
1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS								
Cost								
Balance at 30 June 2004	**1 701**	**1 623**	**235**	**1 496**	**623**	**5 678**	**20**	**11**
Additions	516	225	77	–	219	1 037	–	–
Reclassifications	(1)	5	(6)	(2)	4	–	–	–
Disposals	(2)	(3)	(16)	(29)	(6)	(56)	–	–
Disposal of 50 percent of Nkomati mine	(88)	(27)	(2)	(137)	(19)	(273)	–	–
Balance at 30 June 2005	**2 126**	**1 823**	**288**	**1 328**	**821**	**6 386**	**20**	**11**
Additions	578	735	61	8	289	1 671	–	–
Reclassifications	(146)	378	4	(1)	(295)	(60)	–	–
Disposals	–	(51)	–	–	(7)	(58)	–	–
Disposal of 0.35 percent in Assmang changing it from a subsidiary to joint venture	(697)	(1 012)	(94)	(74)	(214)	(2 091)	–	(6)
Group elimination reversed*	–	–	–	275	–	275	–	–
Balance at 30 June 2006	**1 861**	**1 873**	**259**	**1 536**	**594**	**6 123**	**20**	**5**

* The intergroup sale of mineral rights in the 2002 financial year between Assmang and Two Rivers has to date been eliminated on consolidation in accordance with normal consolidation principles as Assmang was a subsidiary of ARM. The transaction value was R550 million. As a result of proportionately consolidating Assmang as an incorporated joint venture with effect from 1 March 2006, 50 percent of the abovementioned consolidation adjustment is reversed in the current year. Mineral rights have been increased by R275 million with a concomitant adjustment to minorities.

Notes to the financial statements continued

GROUP – Rm	Mine development decommissioning assets	Plant and machinery	Land and buildings	Mineral rights	Other	Total property plant and equipment	Investment property	Intangible assets
1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (continued)								
Accumulated amortisation depreciation, and impairment								
Balance at 30 June 2004	**199**	**473**	**39**	**63**	**242**	**1 016**	**8**	**6**
Reclassification	13	(14)	(3)	–	4	–		–
Charge for the year	147	148	9	17	105	426	–	–
Impairments	–	31	–	4	–	35	–	–
Disposals	–	(1)	(1)	–	(9)	(11)	–	–
Disposal of 50 percent of Nkomati mine	(56)	(23)	(1)	–	(13)	(93)	–	–
Balance at 30 June 2005	**303**	**614**	**43**	**84**	**329**	**1 373**	**8**	**6**
Charge for the year	148	176	16	8	92	440	–	–
Reclassification	(43)	92	–	(1)	(108)	(60)	–	–
Disposals	–	(11)	–	–	(3)	(14)	–	–
Impairment of assets	–	10	–	–	–	10		–
Disposal of 0.35 percent in Assmang changing it from a subsidiary to joint venture	(113)	(364)	(24)	(17)	(100)	(618)	–	(3)
Balance at 30 June 2006	**295**	**517**	**35**	**74**	**210**	**1 131**	**8**	**3**
Carrying value at 30 June 2005	**1 823**	**1 209**	**245**	**1 244**	**492**	**5 013**	**12**	**5**
Carrying value at 30 June 2006	**1 566**	**1 356**	**224**	**1 462**	**384**	**4 992**	**12**	**2**

a Borrowing costs
Borrowing costs amounting to R29 million were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2006 (2005: R7 million), at prime overdraft rates applicable during the year.

b Capital work-in-progress
Included in mine development and decommissioning assets and plant and machinery above is R991 million (2005: R285 million) of assets relating to projects in progress from which no revenue is currently derived. These assets came into use in September 2006, (2005: July 2005).

c Other assets
Included in other assets are vehicles and equipment held under finance lease with a carrying amount of R79 million (2005: R17 million), mine properties of R138 million (2005: R124 million), furniture, equipment and vehicles of R167 million (2005: R351 million).

d Intangible assets
Intangible assets consist of patents and trademarks.

e Pledged assets
The carrying value of assets pledged for loans amount to R3.2 billion (2005: R1.7 billion).

f Investment property
This property is subject to operating leases (see note 2).

COMPANY – Rm	Mine development decommissioning assets	Plant and machinery	Land and buildings	Mineral rights	Other	Total property plant and equipment
1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (continued)						
Cost						
Balance at 30 June 2004	**168**	**74**	**18**	**274**	**47**	**581**
Additions	9	45	–	–	9	63
Disposal of 50 percent of Nkomati mine	(88)	(27)	(2)	(137)	(19)	(273)
Disposals	–	–	(16)	(1)	(7)	(24)
Balance at 30 June 2005	**89**	**92**	**–**	**136**	**30**	**347**
Additions	8	11	6	8	18	51
Disposals	–	(15)	–	–	(1)	(16)
Balance at 30 June 2006	**97**	**88**	**6**	**144**	**47**	**382**
Accumulated amortisation, depreciation and impairment						
Balance at 30 June 2004	**72**	**31**	**2**	**15**	**37**	**157**
Charge for the year	32	11	1	–	10	54
Disposals	–	–	(2)	–	(5)	(7)
Impairments	–	31	–	–	–	31
Disposal of 50 percent of Nkomati mine	(56)	(23)	(1)	–	(13)	(93)
Reclassification	10	14	–	(15)	(9)	–
Balance at 30 June 2005	**58**	**64**	**–**	**–**	**20**	**142**
Charge for the year	16	6	1	–	9	32
Impairment	–	10	–	–	–	10
Disposals	–	–	–	–	(1)	(1)
Balance at 30 June 2006	**74**	**80**	**1**	**–**	**28**	**183**
Carrying value at 30 June 2005	**31**	**28**	**–**	**136**	**10**	**205**
Carrying value at 30 June 2006	**23**	**8**	**5**	**144**	**19**	**199**

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	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
2. INVESTMENT PROPERTY				
The investment property which is situated at 56 Main Street, Johannesburg, South Africa is carried at cost. During 2005 minimal income was derived from the property as work was done on the building and tenants sourced. The estimated fair value of the building ranges between R20 million and R30 million as at 30 June 2006. The value was arrived at after reviewing market conditions in the area. Current lease contracts terminate from 2008 to 2010. Annual escalations are between 8 percent and 10 percent. (Refer note 1)				
3. ENVIRONMENTAL REHABILITATION TRUST FUNDS				
Balance at beginning of year	**29**	29	**4**	10
Disposal of 50 percent of Nkomati mine	**–**	(2)	**–**	(2)
Contributions	**2**	5	**–**	–
Assmang changed from subsidiary to joint venture	**(13)**	–	**–**	–
Other movements	**–**	(4)	**–**	(4)
Interest earned	**1**	1	**–**	–
Total (included in cash and cash equivalents)	**19**	29	**4**	4
Total environmental rehabilitation obligations (refer note 13)	**68**	91	**7**	6
Less: Amounts in trust funds (see above)	**(19)**	(29)	**(4)**	(4)
Net liability	**49**	62	**3**	2

4. INVESTMENT IN ASSOCIATE

During the 2005 financial year Harmony issued additional shares thereby diluting the company's interest. This dilution necessitated in a change in the accounting treatment from equity accounting Harmony as an associate to carrying it as an available-for-sale investment, the default classification in terms of IAS 39.

At balance sheet date the group had a 16.03 percent (2005: 16.18 percent) interest in Harmony.

On 30 April 2004 the investment in Avgold was sold to Harmony. As a result, a portion of the profit on the disposal of Avgold was treated as unrealised in the June 2004 financial results and resulted in a reduction to the carrying value of the Harmony investment.This was realised in the 2005 financial year as a result of Harmony no longer being an associate.

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
4. INVESTMENT IN ASSOCIATE (continued)				
Opening balance	–	4 338	–	4 905
Loss from associate	–	(150)	–	–
Loss on dilution	–	(2)	–	–
Movement in associate's reserves	–	27	–	–
Dividend received	–	(19)	–	–
Realisation of unrealised profit on sale of Avgold	–	265	–	–
Realisation of non distributable reserves	–	208	–	–
Transfer to other investments	–	(4 667)	–	(4 905)
Total	–	–	–	–
5. OTHER INVESTMENTS				
Listed – subsidiary companies*				
– Cost			**150**	261
Listed – other investments				
– Opening balance	**3 708**	3	**3 708**	2
– Transfer from associates		4 667	–	4 905
– Unrealised revaluation gain/(loss) for the period	**3 556**	(962)	**3 556**	(1 199)
Total – listed investments	**7 264**	3 708	**7 414**	3 969
Market value of listed investments	**7 264**	3 708	**8 389**	8 352
Investment in joint venture**			**259**	–
Preference shares	**12**	–	–	–
– Unlisted – subsidiary companies				
– Cost of investment			**481**	481
– Loans*** (refer pages 165-166)			**1 872**	1 485
Total unlisted			**2 353**	1 966
Total carrying amount of other investments	**7 276**	3 708	**10 026**	5 935

A report on investments appears on pages 165-167

* TEAL in 2006 and Assmang in 2005

** Assmang

*** These loans are interest free with no fixed terms of repayment

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
6. JOINT VENTURES				
The proportionate share of the following joint ventures have been incorporated into the group results.				
– a 50 percent share in the Nkomati mine (100 percent to 31 May 2005, thereafter 50 percent).				
– a 50 percent share in Cato Ridge Alloys (Proprietary) Limited (from 1 March 2006, 25 percent).				
– a 50 percent share in Assmang from 1 March 2006.				
The proportionate share of the following joint venture has been incorporated into the company results.				
– a 50 percent share in the Nkomati mine (100 percent to 31 May 2005 thereafter 50 percent).				
The aggregate amounts of joint ventures proportionately consolidated in the financial statements are:				
Income statements				
Sales	**1 503**	215	**450**	2
Cost of sales	**(1 026)**	(170)	**(191)**	(9)
Other operating income	**124**	5	**25**	5
Other operating expenses	**(84)**	(34)	**(16)**	(4)
Income from investments	**5**	–	**1**	–
Finance costs	**3**	–	**–**	–
Profit before tax	**525**	16	**269**	(6)
Taxation	**(163)**	(4)	**(78)**	2
Profit for the year after taxation	**362**	12	**191**	(4)
Balance sheets				
Non-current assets	**1 733**	203	**186**	179
Current assets	**1 397**	171	**202**	88
Non-current liabilities (non-interest bearing)	**538**	49	**54**	49
Current liabilities (non-interest bearing)	**405**	89	**100**	68
Current liabilities (interest bearing)	**46**	–	**–**	–
Cash flow statements				
Net cash inflow from operating activities	**174**	310	**55**	293
Net cash outflow from investing activities	**(170)**	(19)	**(36)**	(19)
Net cash outflow from financing activities	**44**	(14)	**–**	–

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
7. INVENTORIES				
Consumable stores	**47**	74	**1**	1
Raw material	**424**	657	**–**	–
Work – in – progress	**–**	19	**2**	5
Finished goods	**236**	394	**–**	–
	707	1 144	**3**	6
Value of inventory written down to fair value less realisation costs	**–**	53	**–**	–
Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.				
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	**718**	1 210	**163**	70
Related parties	**–**	–	**19**	3
Other receivables	**442**	318	**25**	35
	1 160	1 528	**207**	108
Trade and other receivables are non-interest bearing and are generally on 30-90 day payment terms.				
9. CASH AND CASH EQUIVALENTS				
Cash at bank and on deposit	**405**	245	**82**	48
Rehabilitation trust fund – restricted cash	**19**	29	**4**	4
Restricted cash*	**15**	14	**–**	–
Cash and cash equivalents per balance sheet	**439**	288	**86**	52
Less: overdrafts (refer note 16)	**(246)**	(241)	**(218)**	(176)
Cash and cash equivalents per cash flow statement	**193**	47	**(132)**	(124)
Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.				

* These funds have been pledged as security for loans granted to ARM Mining Consortium Limited R9 million, guarantee to the Department of Minerals and Energy and Eskom for Two Rivers Platinum (Proprietary) Limited R6 million.

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
10. SHARE CAPITAL AND PREMIUM				
Share capital				
Authorised				
500 000 000 (2005: 500 000 000) ordinary shares of 5 cents each	**25**	25	**25**	25
	25	25	**25**	25
Issued				
Opening balance	**10**	10	**10**	10
Ordinary shares issued for cash (1 930 897 shares at 5 cents) (2005: 228 489 shares at 5 cents)	**–**	–	**–**	–
206 367 454 (2005: 204 436 557) ordinary shares of 5 cents each	**10**	10	**10**	10
Share premium	**3 557**	3 497	**3 557**	3,497
– Balance at beginning of the year	**3 497**	3 495	**3 497**	3 495
– Premium on shares issued	**60**	2	**60**	2
Total issued share capital and premium	**3 567**	3 507	**3 567**	3 507

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
11. LONG-TERM BORROWINGS				
Secured loans				
Loan facility 1 (Modikwa mine) This loan bears interest at a fixed rate of 15.99 percent compounded on a monthly basis. Repayments are made in bi-annual instalments, commencing on 30 June 2003 and ending on 30 June 2010.	**328**	410	–	–
Loan facility 2 (Modikwa mine) This loan bears interest at a fixed rate of 16.99 percent plus a profit share of 0.3 percent of the net operating cash flow after capital expenditure. This interest is compounded on a monthly basis. Repayments are made in bi-annual instalments, commencing on 30 June 2003 and ending 30 June 2010.	**95**	115	–	–
Loan facility 3 (Modikwa mine) This loan bears interest at variable rates, plus a profit share of 0,75 percent of the net operating cash flow after capital expenditure. R8,5 million bears interest at 16,74 percent nominal annual rate compounded on a monthly basis and the remaining R25,5 million bears interest at a 11.36 percent nominal annual rate compounded on a monthly basis. The profit share which loan facility 2 and 3 are subject to gives rise to an embedded derivative that is not closely related to the host contract and has therefore been separately valued at R5 million (R3 million to loan facility 2, and R2 million to loan facility 3). This amount is included in the carrying amounts of the loans. The embedded derivative was valued through discounting the expected profits per the business plan for Modikwa over the term of the loans at a discount rate of 16.3 percent. Interest payments are made in bi-annual instalments commencing on 30 June 2003 and ending on 30 June 2010. Capital repayments commenced on the 31 December 2004 and thereafter in twelve equal bi-annual instalments. As security for the Modikwa loan bonds, pledges and charges over mineral rights, mining titles and movable and immovable assets have been registered in favour of the lenders.The 50 percent stake in the Modikwa Joint Venture is also included in the security given. African Rainbow Minerals Limited, for so long as ARM Mining Consortium Limited ("the Consortium") is indebted to the lenders (a) will not accept payment of their claims from the Consortium (except for claims arising under their consultancy agreement)and (b)subordinates all its loans and claims against the Consortium.	**36**	46	–	–

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
11. LONG-TERM BORROWINGS (continued)				
Preference shares	**50**	50	**–**	–
On 10 July 2002, the Consortium issued 50 000 000 cumulative, redeemable, convertible preference shares with a par value of R0.01 per share, at R1.00 per share. The preference shares are redeemable after a period of ten years from the date of issue. The preference shares can be redeemed at the option of the Consortium at any time after one year from the date of issue.				
The preference shares will become redeemable earlier than ten years if the group is in breach of certain obligations in terms of its other borrowings. The preference shares are convertible into ordinary shares at any time after a period of three years from the date of issue, at the option of the preference shareholder. The existing shareholders of the Consortium have the option to take up the converted shares at an agreed price within a period of 90 days from conversion. The dividend is payable six monthly in arrears and accrues at the prime overdraft rate.				
Loan facility (Two Rivers mine)	**468**	–	**–**	–
The loan is repayable in quarterly instalments over a scheduled eight-year period commencing 31 March 2008. The interest rate is linked to JIBAR. At year end the rate was 9.31 percent. The loan is secured by mortgage bonds, notarial bonds and pledges and cession of receivables, claims and bank accounts.				
Loan facility (Corporate)	**261**	–	**261**	–
The loan is repayable on 31 August 2006. The interest rate is linked to JIBAR. At year end the rate was 9.34 percent. This loan has been secured by a pledge of shares.				
Leases	**77**	–	**–**	–
Finance leases over property, plant and equipment with a book value of R73 million at 2.65 percent below the prime overdraft rate and are payable in varying monthly instalments over maximum 60 months commenced on 30 November 2005.				
Finance leases over property, plant and equipment with a book value of R6 million at 1.5 percent below the prime overdraft rate and are payable in varying monthly instalments over 60 months which commenced on the 31 May 2004.	**7**	17	**–**	–

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
11. LONG-TERM BORROWINGS (continued)				
Loan facility (Nkomati mine)	**135**	203	**135**	203
This loan bears interest at a rate linked to JIBAR. At year end the rate was 9.45 percent. The loan is repayable in 8 equal bi-annual instalments which commenced in August 2004. This loan has been secured by a pledge of shares.				
Unsecured loans				
Impala Platinum Holdings Limited	**506**	354	**–**	–
This loan is from the minority shareholder in Two Rivers and bears no interest and has no fixed terms of repayment. Classified as long-term – as it ranks below other loan facilities for repayment.				
Total borrowings	**1 963**	1 195	**396**	203
Less: Repayable within one year included in short-term borrowings	**514**	233	**331**	73
Total SA Rand long-term borrowings	**1 449**	962	**65**	130
Held as follows:				
– African Rainbow Minerals Limited	**65**	130	**65**	130
– Assmang Limited	**4**	13	**–**	–
– ARM Mining Consortium Limited.	**351**	465	**–**	–
– Two Rivers Platinum (Proprietary) Limited	**1 029**	354	**–**	–
	1 449	962	**65**	130

Repayments schedule

	Total borrowings	Repayable during the year ending 30 June				
GROUP – Rm	2006	2007	2008	2009	2010	2011 – onwards
Secured loans	**36**	6	10	10	10	–
	328	78	83	83	84	–
	95	25	25	25	20	–
	50	50	–	–	–	–
	468	–	101	72	72	223
	261	261	–	–	–	–
	135	70	65	–	–	–
	1 373	490	284	190	186	223
Finance leases	**7**	2	3	2	–	–
	77	22	22	21	12	–
Unsecured loans						
Shareholders loan	**506**	–	–	–	–	506
Total borrowings	**1 963**	514	309	213	198	729

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
2. DEFERRED TAXATION				
Deferred tax asset				
Provisions made, deductible only when costs are incurred/paid	**1**	1	**1**	1
Capital gains tax and revaluation of listed investment	**–**	44	**–**	44
Post retirement health care provision	**22**	21	**22**	21
Other	**–**	2	**–**	2
Deferred tax asset	**23**	68	**23**	68
Deferred tax liability				
Property, plant and equipment	**901**	968	**76**	72
Provisions	**(3)**	(25)	**–**	–
Unredeemed capital expenditure	**(373)**	–	**–**	–
Capital gains tax and revaluation of listed investment	**471**	–	**471**	–
Inventories	**2**	(10)	**–**	–
Assessed loss	**(36)**	(143)	**–**	–
Other	**39**	24	**–**	–
Deferred tax liability	**1 001**	814	**547**	72
Reconciliation of opening and closing balance				
Opening deferred tax liability	**814**	853	**72**	252
Opening deferred tax asset	**(68)**	(7)	**(68)**	–
Net deferred tax liability opening balance	**746**	846	**4**	252
Reduction due to change in rate of taxation	**–**	(23)	**–**	(5)
Assmang changed from subsidiary to joint venture	**(379)**	–	**–**	–
Disposal of joint ventures	**–**	(47)	**–**	(47)
Temporary differences from:	**611**	(30)	**520**	(196)
– Property, plant and equipment	**20**	165	**(15)**	(45)
– Assessed loss	**2**	(69)	**–**	–
– Capital allowances utilised	**79**	–	**20**	–
– Provisions	**–**	(15)	**–**	–
– Revaluation of investments – directly in equity	**516**	(138)	**516**	(151)
– Healthcare benefits	**(1)**	5	**(1)**	–
– Inventories	**7**	(10)	**–**	–
– Other	**(12)**	32	**–**	–
– Deferred tax liability	**1 001**	814	**547**	72
– Deferred tax asset	**(23)**	(68)	**(23)**	(68)
Net deferred tax liability – closing balance	**978**	746	**524**	4

Deferred tax balances are shown net of deferred tax assets and deferred tax liabilities where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits. Future taxable profits are estimated on approved business plans which include estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates and competitive forces.

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
13. LONG-TERM PROVISIONS				
Environmental rehabilitation obligation				
Provision for decommissioning				
Balance at beginning of year	**54**	27	**3**	3
Provision for the year	**7**	26	**1**	2
Charged to interest	**4**	3	**–**	–
Disposal of 50 percent of Nkomati mine	**–**	(2)	**–**	(2)
Assmang changed from subsidiary to joint venture	**(25)**	–	**–**	–
Other	**1**	–	**–**	–
Balance at end of year	**41**	54	**4**	3
Provision for restoration				
Balance at beginning of year	**37**	38	**3**	7
Assmang changed from subsidiary to joint venture	**(19)**	–	**–**	–
Disposal of 50 percent of Nkomati mine	**–**	(2)	**–**	(2)
Provision for the year	**9**	1	**–**	(2)
Balance at end of year	**27**	37	**3**	3
Total environmental rehabilitation obligation	**68**	91	**7**	6
The net present value of current rehabilitation is based on discount rates of between 8 and 9 percent (2005: 8-9 percent), an inflation rate of between 4 and 5 percent (2005: 4-5 percent) and life of mines of between 5 and 25 years (2005: 2-25 years).				
Post-retirement health care benefits				
Balance at beginning of year	**91**	86	**72**	70
Benefits paid	**(4)**	(6)	**(6)**	(6)
Current service cost	**1**	1	**1**	–
Interest cost	**8**	10	**8**	8
Assmang changed from subsidiary to joint venture	**(10)**	–	**–**	–
Balance at end of the year (see note 34)	**86**	91	**75**	72
Other long-term provisions				
Balance at beginning of year	**8**	–	**–**	–
Provision for the year	**(6)**	8	**–**	–
Balance at end of the year	**2**	8	**–**	–
Total long-term provisions at end of the year	**156**	190	**82**	78
14. TRADE AND OTHER PAYABLES				
Trade	**219**	391	**21**	11
Other	**408**	470	**56**	91
Total trade and other payables	**627**	861	**77**	102
Trade and other payables are non – interest bearing and are generally on 30 – 90 day payment terms				

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
15. SHORT-TERM PROVISIONS				
Bonus provision				
Balance at beginning of year	**17**	16	**19**	17
Provision for the period	**15**	21	**15**	21
Provision for the period capitalised	**4**	–	**–**	–
Payments made during the year	**(20)**	(19)	**(20)**	(18)
Disposal of 50 percent of Nkomati mine	**–**	(1)	**–**	(1)
Balance at end of the year	**16**	17	**14**	19
Leave pay provision				
Balance at beginning of year	**34**	25	**3**	3
Provision for the period	**8**	11	**1**	1
Payments made during the year	**(1)**	(1)	**–**	–
Assmang changed from subsidiary to joint venture	**(10)**	–	**–**	–
Disposal of 50 percent of Nkomati mine	**–**	(1)	**–**	(1)
Balance at end of the year	**31**	34	**4**	3
Total short-term provisions	**47**	51	**18**	22
The bonus provision is based on the policy as approved by each operation.				
Leave pay provision is calculated on total package for each employee multiplied by the leave due to that employee at year end.				
16. OVERDRAFTS AND SHORT-TERM BORROWINGS				
Overdrafts	**246**	241	**218**	176
Short-term borrowings	**43**	138	**292**	292
Current portion of long-term borrowings	**514**	233	**331**	73
	803	612	**841**	541
Overdrafts and short-term borrowings are held as follows:				
– African Rainbow Minerals Limited	**549**	249	**549**	249
– Assmang Limited	**46**	161	**–**	–
– ARM Mining Consortium Limited	**186**	202	**–**	–
– Two Rivers Platinum (Proprietary) Limited	**22**	–	**–**	–
– Loans from subsidiaries	**–**	–	**292**	292
	803	612	**841**	541
Unutilised overdraft facilities				
– African Rainbow Minerals Limited	**212**	254		
– Assmang 50 percent (2005: 100 percent)	**507**	962		
– ARM Mining Consortium Limited	**19**	4		
	738	1 220		

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
17. SALES				
Sales – mining and related products	**4 622**	5 485	**450**	623
Made up as follows:				
Local sales	**1 116**	919	**140**	249
Export sales	**3 506**	4 566	**310**	374
	4 622	5 485	**450**	623
Revenue as per IAS 18	**4 686**	5 508	**636**	786
Sales – mining and related products	**4 622**	5 485	**450**	623
Interest received	**25**	22	**6**	10
Dividends received	**–**	–	**96**	65
Fees received	**35**	–	**84**	88
Property rental income	**4**	1	**–**	–
18. PROFIT FROM OPERATIONS				
Profit from operations includes:				
Foreign exchange gains	**79**	163	**9**	15
Amortisation and depreciation				
– buildings	**16**	9	**1**	1
– mine development, exploration and decommissioning assets	**148**	147	**16**	32
– mineral rights	**8**	17		–
– property, plant and equipment	**176**	148	**6**	11
– other	**92**	105	**9**	10
Auditors' remuneration				
– audit fees	**6**	5	**3**	2
– other services	**–**	1	**–**	–
Exploration expenditure	**30**	27	**2**	25
Inventory write down	**4**	20	**–**	–
Movement in provisions				
– long-term	**11**	14	**4**	–
– short-term	**23**	32	**16**	22
Operating lease payments	**1**	1	1	1
Rental income from investment property	**3**	–	**–**	–
Direct operating expense of investment property	**2**	–	**–**	–
Share transfer, secretarial and financial services	**3**	2	**2**	2
Staff costs				
– salaries and wages	**651**	568	**72**	92
– pension – defined contribution plans	**29**	32	**6**	7
– medical aid	**28**	30	**2**	4
– post retirement medical benefits	**1**	1	**1**	-
– retrenchment cost	**–**	8	**–**	8

Notes to the financial statements continued

For the year ended 30 June			GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
19.	**INCOME FROM INVESTMENTS**					
	Dividend income	– Unlisted	**–**	–	**35**	–
		– Listed	**–**	–	**61**	65
	Interest received	– subsidiary companies	**–**	–	**1**	1
		– Environmental trust fund (refer note 3)	**1**	1	**–**	–
		– other	**23**	21	**5**	9
			24	22	**102**	75
20.	**FINANCE COST**					
	Interest on finance leases		**4**	2	**–**	–
	Gross interest paid		**159**	177	**43**	26
	Less: capitalised (refer note 1)		**(29)**	(7)	**–**	–
			134	172	**43**	26
21.	**EXCEPTIONAL ITEMS**					
	Profit on dilution in TEAL		**132**	–	**–**	–
	Profit on disposal of 0.35 percent of Assmang (subsidiary to joint venture)		**25**	–	**30**	–
	Impairment of property, plant and equipment		**(10)**	(35)	**(10)**	(31)
	Loss on disposal of 50 percent of Nkomati		**(6)**	(82)	**(6)**	(82)
	Profit on disposal of Avgold		**–**	265	**–**	–
	Disposal of loans		**–**	–	**130**	–
	Other		**(2)**	7	**–**	14
	Exceptional items per income statement		**139**	155	**144**	(99)
	Taxation		**(3)**	(41)	**(3)**	(72)
	Minority interest		**–**	5	**–**	–
	Profit on disposal of property, plant and equipment		**3**	–	**–**	–
	Profit on disposal of property, plant and equipment in associate		**–**	4	**–**	–
	Net exceptional items		**139**	123	**141**	(171)

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
22. TAXATION				
South African normal taxation				
– current year	**231**	305	**74**	93
State's share of profits	**30**	38	**–**	–
Deferred taxation				
– temporary differences	**93**	196	**3**	62
– tax rate adjustment	**–**	(23)	**–**	(5)
Secondary tax on companies	**20**	14	**–**	–
Capital gains tax	**3**	–	**3**	–
	377	530	**80**	150
Dealt with as follows:				
Attributable to profit before exceptional items	**374**	489	**77**	78
Attributable to exceptional items (refer note 21)	**3**	41	**3**	72
	377	530	**80**	150
		Restated		Restated
Reconciliation of rate of taxation:	**%**	%	**%**	%
Standard rate of company taxation	**29**	29	**29**	29
Adjusted for:				
Disallowed expenditure	**5**	5	**5**	39
Exempt income	**(7)**	(4)	**(20)**	(12)
Effects of mining taxes	**2**	3	**–**	–
Deferred tax at capital gains tax rate	**–**	4	**1**	34
Secondary Tax on Companies	**2**	1	**–**	–
Tax losses not raised as deferred tax assets	**2**	2	**–**	–
Rate adjustment on deferred tax	**–**	(2)	**–**	(3)
Other	**–**	(1)	**3**	–
Effective rate of taxation	**33**	37	**18**	87
Estimated assessed losses available for reduction of future taxable income*	**277**	396	**–**	–
Unredeemed capital expenditure available for reduction of future mining income *	**2 636**	1 742	**–**	–

* Deferred tax has been raised on these estimated tax benefits.

The group had unutilised credits in respect of secondary tax on companies of R249 million at 30 June 2006 (2005: R153 million). No deferred tax asset has been raised on these credits.

The latest tax assessment for the company relates to the year ended June 2000.

The assessments for 2001, 2002, 2003 and 2004 have not yet been received. All returns, up to June 2004, have been submitted.

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006	GROUP Restated 2005
23. BASIC AND HEADLINE EARNINGS PER SHARE		
The calculation of basic earnings per share is based on basic earnings of R601 million (2005: R462 million – and a weighted average of 205 072 000 shares in issue (2005: 204 370 000) during the year.	**293**	225
The calculation of headline earnings per share is based on headline earnings of R462 million (2005: R339 million), and a weighted average of 205 072 000 shares in issue (2005: 204 370 000) during the year.	**225**	166
The calculation of fully diluted basic earnings per share is based on basic earnings of R601 million (2005: R462 million), with no reconciling items to derive at fully diluted earnings, and a weighted average of 206 780 000 (2005: 204 794 000) shares, calculated as follows:	**291**	226
Weighted average number of shares used in calculating basic earnings per share (thousands).	**205 072**	204 370
Potential ordinary shares due to share options granted (thousands).	**1 708**	424
Weighted average number of shares used in calculating fully diluted earnings per share (thousands).	**206 780**	204 794
The calculation of fully diluted headline earnings per share is based on headline earnings of R462 million (2005: R339 million) and a weighted average of 206 780 000 (2005: 204 794 000) shares.	**223**	166
The calculation of net asset value per share is based on net assets of R10 250 million (2005: R6 511 million) and the number of shares at year end of 206 367 000, (2005: 204 437 000) shares.	**4 967**	3 185
The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R1 243 million, (2005: R1 661 million) and the weighted average number of shares in issue of 205 072 000 (2005: 204 370 000).	**606**	813
24. HEADLINE EARNINGS		
Basic earnings per income statement	**601**	462
– Profit on dilution in TEAL	**(132)**	–
– Impairment of property, plant and equipment	**10**	35
– Profit on disposal of 0.35 percent in Assmang (subsidiary to joint venture)	**(25)**	–
– Loss/(profit) on disposal of property, plant and equipment	**(3)**	6
– Loss on disposal of 50 percent in Nkomati	**6**	82
– Profit on disposal of Chambishi	**–**	(7)
– Profit on disposal of Avgold	**–**	(265)
– Loss on dilution of Harmony	**–**	2

For the year ended 30 June	GROUP 2006 Rm	GROUP Restated 2005 Rm	COMPANY 2006 Rm	COMPANY Restated 2005 Rm
24. HEADLINE EARNINGS (continued)				
– Profit on disposal of property, plant and equipment in Harmony	–	(4)		
– Other	2	(8)		
	459	303		
– Taxation	3	41		
– Minority interest	–	(5)		
Headline earnings	462	339		
25. RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS				
Profit from operations before exceptional items	1 112	1 588	230	222
Exceptional items	139	155	144	(99)
Profit from operations after exceptional items	1 251	1 743	374	123
Adjusted for:	327	277	(104)	184
– Amortisation and depreciation of property, plant and equipment	425	426	31	55
– Long and short-term provisions	39	46	20	22
– Profit on sale of Avgold	–	(265)	–	–
– Impairment of property, plant and equipment	10	35	10	31
– (Profit)/loss on disposal of property, plant and equipment	(5)	6	–	(1)
– Surplus on disposal of investments	(25)	–	(31)	–
– Loss on disposal of 50 percent of Nkomati	–	82	–	82
– Unrealised foreign exchange (gain)/losses	(14)	(90)	(6)	(18)
– Inventory write off	4	20	–	–
– Profit on dilution in TEAL	(132)	–	(148)	–
– Share options	34	11	25	11
– Other non-cash flow items	(9)	6	(5)	2
Operating profit before working capital changes	1 578	2 020	270	307
(Increase)/decrease in inventories	(268)	(253)	2	15
Decrease/(Increase) in receivables	71	(362)	(97)	(94)
(Decrease)/Increase in payables	(138)	256	(42)	16
Cash generated from operations	1 243	1 661	133	244
26. TAXATION PAID				
Balance at beginning of year	304	63	90	48
Current taxation as per income statement	284	357	77	93
Normal tax	231	305	74	93
State's share of profits	30	38	–	–
Capital gains tax	3	–	3	–
Secondary tax on companies	20	14	–	–
Assmang changed from subsidiary to joint venture	(69)	–	–	–
Other movements	–	52	–	48
Balance at end of year	(135)	(304)	(97)	(90)
Taxation paid	384	168	70	99

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm
27. DISPOSAL OF 0.35 PER CENT OF ASSMANG		
With effect from 1 March 2006 Assmang is proportionately (50 percent) accounted for as an incorporated joint venture having previously been a fully consolidated subsidiary (50.35 percent). This change follows the sale by African Rainbow Minerals Limited of 0.35 percent of its investment in Assmang and the simultaneous conclusion of a joint venture agreement with Assore Limited. The analysis below indicates the quantam of balance sheet items, on a line by line basis which ceased to be consolidated on the effective date. The concomitant adjustment is in minorities.		
Note: We also disposed of our 37.8 percent in Village Main Reef Gold Mining Company (1934) Limited at year end but the transaction was immaterial.		
During the 2005 financial year the company sold fifty percent of Nkomati to LionOre South Africa (Proprietary) Limited The effective date of the transaction being 1 June 2005.		
Property, plant and equipment	**1 473**	180
Intangible assets	**3**	–
Environmental trust fund	**–**	2
Inventory	**698**	4
Debtors	**299**	93
Cash and cash equivalents	**14**	10
Deferred tax	**(379)**	(47)
Long-term borrowings	**(6)**	–
Long-term provisions	**(54)**	(4)
Creditors	**(183)**	(8)
Taxation	**(69)**	–
Short-term provisions	**(10)**	(2)
Net assets	**1 786**	228
Less: Minority interest	**(1 504)**	–
Minority share of realisation of profit on sale of mineral rights to Two Rivers Platinum (Proprietary) Limited	**(270)**	–
Realisation of profit on mineral rights sale to Two Rivers (refer note 1).	**(5)**	–
Net asset sold	**7**	228
Profit/(Loss) on disposal	**25**	(82)
Proceeds	**32**	146
Cash and cash equivalents	**(14)**	(10)
Net cash effect on sale	**18**	136

28. SEGMENTAL INFORMATION

Primary segmental information

Business segments

For management purposes, the group is organised into four major operating divisions. These are ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Exploration and Gold.

The nickel segment comprises Nkomati (reflected under ARM Platinum in the Corporate structure) at 100 percent until 31 May 2005 and 50 percent thereafter.

The ARM Ferrous segment comprises Assmang as a subsidiary up to 28 February 2006 and as a 50 percent joint venture proportionately consolidated thereafter.

ARM Exploration comprises of TEAL (2005: under ARM corporate)

The gold segment comprises Harmony which was treated as an associate from 3 May 2004 to 30 November 2004 after which it has been accounted for as an investment.

The group's products predominantly reflect the risks and rewards of trading and the operating divisions are therefore identified as the primary reporting segments.

	ARM Platinum		ARM	ARM	Corporate and other		
	Platinum Rm	Nickel Rm	Ferrous Rm	Exploration Rm	companies Rm	Gold Rm	**Total Rm**
Year to 30 June 2006							
Sales							
External Sales	767	444	3 411	–	–	–	**4 622**
Cost of sales	(608)	(191)	(2 505)	–	–	–	**(3 304)**
Other operating income	–	25	78	2	62	–	**167**
Other operating expenses	(6)	(16)	(179)	(74)	(98)	–	**(373)**
Segment result	153	262	805	(72)	(36)	–	**1 112**
Income from investments	4	1	4	4	11	–	**24**
Finance cost	(87)	–	(15)	–	(32)	–	**(134)**
Exceptional items	–	–	–	–	139	–	**139**
Taxation	(20)	(78)	(277)	–	(2)	–	**(377)**
Minority interest	(8)	–	(176)	21	–	–	**(163)**
Contribution to basic earnings	42	185	341	(47)	80	–	**601**
Contribution to headline earnings	42	185	338	(47)	(56)	–	**462**

Notes to the financial statements continued

28. SEGMENTAL INFORMATION (continued)

	ARM Platinum Platinum Rm	ARM Platinum Nickel Rm	ARM Ferrous Rm	ARM Exploration Rm	Corporate and other companies Rm	Gold Rm	**Total Rm**
Other information							
Segment assets	3 710	396	2 731	195	296	7 261	**14 589**
Taxation	–	–	–	–	22	–	**22**
Consolidated total assets	3 710	396	2 731	195	318	7 261	**14 611**
Segment liabilities	1 810	29	367	18	858	–	**3 082**
Unallocated liabilities (tax and deferred tax)							**1 136**
Consolidated total liabilities							**4 218**
Cash in/(out) flow from operating activities	(45)	224	723	(44)	(171)	–	**687**
Cash in/(out) flow from investing activities	(878)	(41)	(526)	(2)	3	–	**(1 444)**
Cash in/(out) flow from financing activities	507	–	(117)	226	277	–	**893**
Capital expenditure	1 064	50	554	2	1	–	**1 671**
Amortisation and depreciation	121	31	288	–	–	–	**440**
Primary segmental information							
Year to 30 June 2005 Restated							
Sales							
External sales	456	623	4 406	–	–	–	**5 485**
Cost of sales	(532)	(295)	(2 916)	–	–	–	**(3 743)**
Other operating income	–	46	166	–	61	–	**273**
Other operating expenses	(7)	(63)	(193)	(25)	(139)	–	**(427)**
Segment result	(83)	311	1 463	(25)	(78)	–	**1 588**
Income from investments	2	2	2	–	16	–	**22**
Finance cost	(104)	–	(41)	–	(27)	–	**(172)**
Loss from associate	–	–	–	–	–	(150)	**(150)**
Exceptional items	–	–	(10)	–	167	(2)	**155**
Taxation	66	(94)	(465)	–	(37)	–	**(530)**
Minority interest	20	–	(471)	–	–	–	**(451)**
Contribution to basic earnings	(99)	219	478	(25)	41	(152)	**462**
Contribution to headline earnings	(99)	219	480	(25)	(81)	(155)	**339**

28. SEGMENTAL INFORMATION (continued)

	ARM Platinum Platinum Rm	ARM Platinum Nickel Rm	ARM Ferrous Rm	ARM Exploration Rm	Corporate and other companies Rm	Gold Rm	**Total Rm**
Other information							
Segment assets	2 295	269	5 069	–	359	3 706	**11 698**
Taxation	–	–	–	–	68	–	**68**
Consolidated total assets	2 295	269	5 069	–	427	3 706	**11 766**
Segment liabilities	1 138	17	790	–	731	–	**2 676**
Unallocated liabilities (tax and deferred tax)							**1 118**
Consolidated total liabilities							**3 794**
Cash in/(out) flow from operating activities	(179)	304	1 307	–	(126)	–	**1 306**
Cash in/(out) flow from investing activities	(265)	(20)	(655)	–	114	–	**(826)**
Cash in/(out) flow from financing activities	(30)	–	(577)	–	58	–	**(549)**
Capital expenditure	280	20	699	–	38	–	**1 037**
Amortisation and depreciation	85	54	285	–	2	–	**426**

28.1 SEGMENTAL INFORMATION (ADDITIONAL INFORMATION)

Pro-forma analysis of the Ferrous segment on a 100 percent basis.

Year to 30 June 2006	Iron ore Division Rm	Manganese Division Rm	Chrome Division Rm	**Total Rm**
Sales	1 411	2 008	939	**4 358**
Contribution to earnings	399	327	(59)	**667**
Contribution to headline earnings	399	326	(64)	**661**
Other information				
Consolidated total assets	1 410	2 413	1 662	**5 485**
Consolidated total liabilities	278	162	1 231	**1 671**
Capital expenditure	346	239	120	**705**
Depreciation	121	127	112	**360**
Cash in/(out) flow from operating activities	526	124	89	**739**
Cash in/(out) flow from investing activities	(338)	(236)	(86)	**(660)**
Cash in/(out) flow from financing activities	(27)	(24)	(22)	**(73)**
Year to 30 June 2005				
Sales	837	2 409	1 160	**4 406**
Contribution to earnings	136	736	77	**949**
Contribution to headline earnings	135	738	86	959
Other information				
Consolidated total assets	1 097	2 230	1 742	**5 069**
Consolidated total liabilities	365	115	1 251	**1 731**
Capital expenditure	193	353	153	**699**
Depreciation	113	93	79	**285**
Cash in/(out) flow from operating activities	218	958	86	**1 262**
Cash in/(out) flow from investing activities	(192)	(344)	(119)	**(655)**
Cash in/(out) flow from financing activities	21	(554)	(44)	**(577)**

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm
29. SEGMENTAL INFORMATION		
Geographical segments		
The group operates principally in South Africa, however, TEAL operates in Zambia, the DRC, Namibia and other countries.		
Assets by geographical area in which the assets are located are as follows:		
– South Africa	**14 087**	11 051
– Europe	**186**	346
– Far and Middle east	**74**	174
– Americas	**235**	131
– Other	**29**	64
	14 611	11 766
Revenue by geographical area		
– South Africa	**1 159**	810
– Europe	**1 159**	1 497
– Far and Middle east	**1 086**	1 223
– Americas	**331**	787
– Other	**887**	1 168
	4 622	5 485
Capital expenditure		
– South Africa	**1 668**	1 666
– Africa	**3**	–
	1 671	1 666

30. 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 groups' cash flows to foreign exchange currency risks.

Derivative instruments used to hedge the position of the group against these risks include forward sale and purchase contracts as well as forward exchange contracts.

	Principle at year end $	Principle at year end R	Average rate for maturity R/$	Maturity date
Forward exchange contracts for ferrous metals	5m	36m	6.35	1 July 06 - 17 Nov 06
Forward exchange contracts for ferrous metals	5m	36m	6.35	1 July 06 - 20 Nov 06

	Foreign currency amount	Year end exchange
Financial assets		
Foreign currency denominated items included in receivables:		
30 June 2006	EURO 4m	9.16
30 June 2006	$69m	7.16
Foreign currency denominated items included in receivables:		
30 June 2005	EURO 11m	8.06
30 June 2005	$130m	6.65
Financial liabilities		
Foreign currency denominated items included in payables:		
30 June 2006	$1m	7.16

b Liquidity risk management

The group's executive meets 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.

Notes to the financial statements continued

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counter parties. The group minimises credit risk by evaluating couterparties before concluding transactions in order to ensure the credit worthiness of such couterparties. Cash is only deposited with institutions which have exceptional credit rankings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification.

d Treasury risk management

The treasury function is outsourced to Andisa Treasury Solutions (Andisa), specialists in the management of third party treasury operations.

Together with ARM 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 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 exposure limits as directed by the board of directors and audit committee.

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 $ and EURO 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.

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

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.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

g Fair value risk

Except for interest free loans given by the company to it's subsidiaries, the carrying amounts of trade receivables, cash and cash equivalent and trade and other payables approximate fair value because of the short term duration of these instruments.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets	Book value at year end Rm	Maturity date	Effective interest rate
Year ended 30 June 2006			
Cash – financial institutions $27m	190	overnight call deposit	2.75 – 4.5%
– financial institutions	215		7 – 8%
– fixed	34		7 – 8%
	439		
Year ended 30 June 2005			
Cash – financial institutions	206	overnight call deposit	6 – 8%
– fixed	82		6 – 8.5%
	288		
Financial liabilities			Year end rate
Year ended 30 June 2006			
Long term borrowings			
Loan facility 1 (Modikwa mine)	328	2010	15.99%
Loan facility 2 (Modikwa mine)	95	2010	16.99%
Loan facility 3 (Modikwa mine)	36	2010	Variable rate
Preference shares	50	2007	Prime
Leases	84	2010	1.5% to 2.65% below prime
Loan facility (Two Rivers mine)	468	2016	9.31%
Loan facility (Corporate)	261	2006	9.34%
Shareholders loan (Two Rivers mine)	506	-	Nil
Loan facility (Nkomati mine)	135	2008	9.45%
	1 963		
Less transferred to short term	(514)		
Total	1 449		
Year ended 30 June 2005			
Long term borrowings			
Loan facility 1 (Modikwa mine)	410	2010	15.99%
Loan facility 2 (Modikwa mine)	115	2010	16.99%
Loan facility 3 (Modikwa mine)	46	2010	14.23% – 16.74%
Preference shares	50	2012	Prime
Leases	17	2005	1.5% below prime
Shareholders loan (Two Rivers mine)	354		10.25%
Loan facility (Nkomati mine)	203	2008	10.25%
	1 195		
Less transferred to short term	(233)		
Total	962		

Notes to the financial statements continued

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial assets	Book value at year end Rm	Repricing date	Maturity date	Effective interest rate
Short-term financial liabilities				
Year ended 30 June 2006				
– Financial institutions	542	30/06/2006	30/06/2006	Linked to money market
– Financial institution	261	31/08/2006	Refinanced and transferred to long-term borrowings after year end	
Total	803			
Year ended 30 June 2005				
Short term financial liabilities				
– Financial institutions	612	30/06/2005	30/06/2005	Linked to Money Market
Total	612			

	GROUP		COMPANY	
For the year ended 30 June	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm
31. COMMITMENTS AND CONTINGENT LIABILITIES				
Commitments				
Commitments in respect of capital expenditure:				
Approved by directors				
– contracted for	**673**	251	–	11
– not contracted for	**1 641**	272	–	1
Total commitments	**2 314**	523	–	12

It is anticipated that this expenditure, which mainly relates to plant and equipment, will be incurred over a two – year period and will be financed from operating cash flows and by utilising available borrowing resources.

Taxation

The company has a contingent liability arising from its dispute with the South African Revenue Services (SARS) over the deductibility of a loan stock redemption premium claimed in the company's 1998 tax submission. The matter is currently under appeal and no trial date has yet been set by SARS.

The outcome of this dispute is not clear and as such the directors of the company are of the opinion that no provision should be raised in these results.

The potential liability for tax is R107 million excluding interest. The interest thereon is estimated at R102 million to June 2006.

31. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of guarantees issued to bankers by Assore (for Assmang) to secure a short-term export finance agreement facility of R180 million (2005: R180 million). Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2006 were R Nil (2005: R Nil).

ARM has provided an irrevocable and unconditional guarantee to Copperbelt Energy Corporation plc (CEC) and the Development Bank of Southern Africa Limited (DBSA) for the due and punctual payment by Chambishi Metals plc (Chambishi) of the capital charge component of the power supply assets installed and owned by CEC for which financing was obtained by CEC from DBSA. The total outstanding capital charge obligation started in 2002 at $10 million and will reduce over 10 years ending June 2012 as capital charge payments are made by Chambishi. This guarantee is in the process of being replaced by the current owners of Chambishi.

ARM has issued an indemnity of R107 million to facilitate the acquisition of shares by the ARM Broad-based Economic Empowerment Trust. The indemnity has been issued in favour of Harmony Gold Mining Company Limited who in turn has issued guarantees to a financial institution.

Chambishi liabilities and royalties

ARM has a potential cash flow stream following the disposal of Chambishi. In terms of the accounting requirements of IAS39, this unrealised, unearned potential future cash flow stream was valued at $7.7 million at 30 June 2006. In addition to the above and similarly linked to the Chambishi disposal, ARM also has potential future liabilities. Management estimates at 30 June 2006 indicate that these liabilities could amount to $7.4 million. No accounting entries have been processed for these issues due to the uncertainty of the amounts.

Litigation

Claims by community (ARM Mining Consortium Limited – Modikwa Joint Venture)

The litigation commenced in 2003 when correspondence was forwarded to Modikwa by Ntuli Noble and Spoor Inc, purporting to act on behalf of the Banareng Tribal Authority. Various allegations were made regarding the Bapedi Shaft (Maandagshoek Winze), and its alleged impact on the residents of the Sehlako Village. This case was dismissed with cost in 2004.

A second application was made during 2004 in the High Court of South Africa for certain claims to be heard.

The application was brought by the community and the respondents are cited as Rustenburg Platinum Mine Limited, ARM Mining Consortium, The Minister of Minerals and Energy, The Minister of Land Affairs, and the Government of the Republic of South Africa:

An internal task team has been appointed to resolve this matter in an amicable manner.

This action is still under negotiation. It is currently not possible to quantify the exposure.

Contractor in liquidation

A termination account of a contractor that went into liquidation in 2004 before contract completion, is in dispute.This account deals with claims and counter claims between Assmang Limited and the contractor in liquidation.The ultimate outcome of the matter cannot presently be determined and the Assmang directors are of the opinion that no provision for any liability needs to be raised.

Notes to the financial statements continued

32. LEASES

	GROUP 2006		GROUP 2005	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Finance leases (refer note 2 and 11)				
Within one year	**24**	**22**	4	2
After one year but not more than five years	**60**	**49**	13	10
Total minimum lease payments	**84**	**71**	17	12
Less amounts representing finance charges	**(13)**	**–**	(5)	–
Present value of minimum lease payments	**71**	**71**	12	12
Operating leases				
This is in respect of office building				
Within one year	**2**	**2**	2	1
After one year but not more than five years	**5**	**4**	6	6
Total minimum lease payments	**7**	**6**	8	7
Less amounts representing finance charges	**(1)**	**–**	(1)	–
Present value of minimum lease payments	**6**	**6**	7	7

33. RETIREMENT PLANS

The group facilitates pension plans and provident funds covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Fund 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 percent and 7.5 percent and employers between 6.2 percent and 18.12 percent of pensionable salaries to the funds.

For the year ended 30 June

34. POST-RETIREMENT HEALTH CARE BENEFITS

The group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions, a defined benefit plan, 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

The liability is assessed periodically by an independent actuarial survey. This survey uses the following principal actuarial assumptions:

- a net discount rate of between 1 and 2 percent.
- an increase in health care costs at a rate of between 5 and 9 percent.
- a 1 percent change in the net discount rate used is estimated to have an impact of 10,6 percent on the liability.
- the average expected working lifetime of eligible members was 11 years at the date of the evaluation in 2004.

The provisions raised in respect of post-retirement health care benefits amounted to R86 million (2005: R91 million) at the end of the year. Of this amount, R5 million (2005: R5 million) was charged against income in the current year (refer to note 13).

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 receive this benefit and the liability is relatively stable. The last actuarial valuation was conducted in 2004 and the next one will be in 2007. The liability for post-retirement health care benefits is not funded.

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.

35. SHARE-BASED PAYMENT PLANS

Equity-settled plan

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. The options vest one year after the grant date in three equal quantities annually. The contract life of each options is eight years from the grant date

	Shares 2006	Shares 2005	**Average price (cents) 2006**	Average price (cents) 2005
– Outstanding at the beginning of the period	**8 582 095**	4 264 974	**3 059**	3 399
– Granted during the period	**1 185 319**	5 695 846	**3 700**	2 756
– Forfeited during the period	**(511 539)**	(711 002)	**3 202**	3 531
– Exercised during the period	**(1 930 897)**	(228 489)	**3 135**	899
– Expired during the period	**(180 000)**	(439 234)	**2 700**	2 707
– Outstanding at the end of the period	**7 144 978**	8 582 095	**3 144**	3 059
– Exercisable at the end of the period	**1 277 798**	1 476 226		
– Weighted average options exercised strike price (cents)			**2 853**	1 623
– Range of options exercised strike price (cents)			**5 to 3 800**	5 to 3 800
– Range of options outstanding strike price (cents)			**1 625 to 3 950**	5 to 3 950
Weighted average contract life (years)	**6.1**	6.5		
Fair value of options issued during the year Rm	**18**	46		

Notes to the financial statements continued

For the year ended 30 June	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
35. SHARE-BASED PAYMENT PLANS (continued)				
The fair value of equity – settled share options granted is estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the range of inputs to the model used for the years ended 30 June 2006 and 30 June 2005.				
– Dividend yield (%)	**nil**	nil	nil	nil
– Expected volatility (%)	**35**	31-34	35	31-34
– Historical volatility (%)	**35**	31-34	35	31-34
– Risk-free interest rate (%)	**8**	7-8	8	7-8
– Expected life of options (years)	**2-5**	3.5-4.5	2-5	3,5-4,5
– Weighted average share price (cents)	**4 153**	3 088	4 153	3 088
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 was as follows (Rm)	**25**	11	**25**	11
Share appreciation rights plan TEAL Exploration & Mining Incorporated, a subsidiary of ARM, has established a share appreciation rights plan in order to provide incentive compensation to directors, senior management, employees and consultants of TEAL. The exercise price cannot be lower than the average list price on the 15 November 2005 on the Toronto Stock Exchange (TSX). The exercise period is within 8 years. The vesting is 40 percent on the second anniversaries, 30 percent on the third and 30 percent on the fourth anniversaries from the date of the grant. A holder who exercise share appreciation rights is entitled to receive an amount equal to the weighted average trading price of the Comman Shares on the (TSX) for the five trading days prior to the exercise date, less the exercise price and any applicable taxes, such amount to be paid by TEAL, at the option of TEAL, either in cash or Common Share.				

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm
35. SHARE-BASED PAYMENT PLANS (continued)	**Shares**	Shares
Outstanding at the beginning of the period	**–**	n/a
– Granted during the period	**4 718 745**	–
– Forfeited during the period	**–**	–
– Exercised during the period	**–**	–
– Expired during the period	**–**	–
Outstanding at the end of the period	**4 718 745**	–
Exercisable at the end of the period	**393 335**	n/a
The fair value of cash-settled share options granted is estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 30 June 2006 and 30 June 2005.		
– Dividend yield (%)	**Nil**	n/a
– Expected volatility (%)	**100**	n/a
– Historical volatility (%)	**n/a**	n/a
– Risk-free interest rate (%)	**4**	n/a
– Expected life of options (years)	**4**	n/a
– Range of options granted and outstanding strike price (cents)	**1 283-3 075**	n/a
– Weighted average share price (cents)	**1 988**	n/a
– Fair value of options issued during the year (Rm)	**43**	n/a
The expected life of the options is based on industry norm 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 grant were incorporated into the measure ment of fair value.		
The effect on the income statement was as follows	**9**	–
36. RELATED PARTY TRANSACTIONS		
The company in the ordinary course of business enters into various sale, purchase, services and lease transactions with subsidiaries, holding company, associated companies and joint ventures. A report on investments in subsidiaries, associated companies and joint ventures, that indicates the relationship and degree of control exercised by the company, appears on pages 166 and 167.		

For the year ended 30 June	GROUP 2006 Rm	GROUP 2005 Rm	COMPANY 2006 Rm	COMPANY 2005 Rm
36. RELATED PARTY TRANSACTIONS (continued)				
Transactions between the holding company, its subsidiaries, associated companies and joint ventures relate to fees, dividends, rents and interest and are regarded as intra-group transactions and eliminated on consolidation.				
Transactions between related parties are concluded at arms lengths and under terms and conditions that are not less favourable than those arranged with third parties.				
Assmang				
– Provision of services	–	–	88	89
– Dividends	–	–	96	46
Venture Building Trust (Proprietary) Limited, interest paid	1	1	1	1
Between subsidiaries and joint ventures				
Venture Building Trust (Proprietary) Limited, rent received from TEAL	1	–	–	–
Nkomati chrome sales to Assmang	28	–	–	–
Amounts outstanding at year end owing to ARM on current account				
Assmang	–	–	8	–
Sheffield	–	–	1	1
TEAL	–	–	2	–
Two Rivers	–	–	3	–
Venture Building Trust	–	–	5	2
Key management personnel				
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and comprise members of the Board of Directors. Details relating to Director's emoluments share-based payments and shareholding in the company are disclosed in the Director's Report.				
Shareholders				
The principal shareholders of the company are detailed in the Shareholder Analysis report.				
Executive Chairman Patrice Motsepe (a controlling shareholder of ARM) is involved through shareholdings and/or directorships in various other companies and trusts. Apart from the list below, there were no transactions between ARM and any of these bodies.				
Rental paid for offices at 29 Impala Road Sandton	1	1	1	1
This rental is similar to rentals paid to third parties in the same area for similar buildings.				

Report on investments

	COMPANY	
	2006	2005
For the year ended 30 June	**Rm**	Rm
Investments		
Listed: market value R8 389 million (2005: R8 352 million)*	**7 414**	3 969
Unlisted	**481**	481
	7 895	4 450
Amounts owing by subsidiaries (refer note 5)	**1 872**	1 485
Amounts owing to subsidiaries (refer note 16)	**(292)**	(292)
	9 475	5 643
*Harmony, Sub-Sahara Resources and TEAL, (2005: Harmony, Sub-Sahara Resources and Assmang)		
INCOME FROM SUBSIDIARIES AND JOINT VENTURES		
Dividends	**96**	46
Fees – management advisory services	**86**	85
Fees – technical advisory services	**3**	3
	185	134
MEMBERS' AGGREGATE INTEREST IN PROFITS AND LOSSES AFTER TAXATION OF SUBSIDIARIES		
Profits	**42**	478
Losses	**45**	99

Principal subsidiary companies

		Issued capital amount		Direct interest in capital		Book value of the company's interests: Shares		Indebtedness by/(to)	
For the year ended 30 June		**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Name	Class	**Rm**	Rm	**%**	%	**Rm**	Rm	**Rm**	Rm
African Rainbow Minerals Platinum (Proprietary) Limited – platinum mining	Ord	**–**	–	**100**	100	**257**	257	**1 240**	1 038
Anglovaal Air (Proprietary) Limited – air charter operator	Ord	**–**	–	**100**	100	**89**	89	**(212)**	(212)
Assmang Limited-manganese, iron ore and chrome mining and beneficiation	Ord	**–**	2	**–**	50.4	**–**	261	**–**	–
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	**–**	–
Jesdene Limited – share dealer	Ord	**–**	–	**100**	100	**–**	–	**6**	6
Kingfisher Insurance Co Limited – insurance	Ord	**–**	–	**100**	100	**35**	35	**–**	–
Lavino (Proprietary) Limited – company	Ord	**–**	–	**100**	100	**4**	4	**(9)**	(9)
Letaba Copper & Zinc Corp Limited – investment 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	Ord	**27**	27	**97**	97	**–**	–	**–**	–
Sheffield Minerals (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**(5)**	(5)
South African Base Minerals Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Tasrose Investments (Proprietary) Limited – mining investment	Pref	**–**	–	**100**	100	**24**	24	**(24)**	(24)
TEAL Exploration and Mining Incorporated – Exploration and Mining Company***	Ord	**226**	–	**64.9**	–	**150**	–	**–**	–
Two Rivers Platinum (Proprietary) Limited – platinum mining	Ord	**100**	100	**55**	55	**55**	55	**618**	433
Vallum Investments (Proprietary) Limited – investment company	Ord	**–**	–	**100**	100	**–**	–	**–**	–
Venture Building Trust (Proprietary) Limited – property investment	Ord	**–**	–	**100**	100	**1**	1	**8**	8

Notes

Ord – Ordinary shares

Pref – Preference 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.

* Listed company

** Incorporated in Guernsey, December year end, we consolidate June figures.

*** Primary listing in Canada with secondary listing in South Africa, incorporated in Canada.

Principal associate companies, joint ventures and other investments

	GROUP		COMPANY		GROUP	
As at 30 June	Number of shares held		Number of shares held		Effective percentage holding	
Name of company	**2006**	2005	**2006**	2005	**2006**	2005
Associated companies						
Listed						
Village Main Reef Gold Mining Company (1934) Limited						
Ordinary shares of 12.5 cents per share	**–**	2 292 500	**–**	2 292 500	**–**	38
Unlisted						
Lucas Block Minerals Limited (1936)						
Ordinary shares of 200 cents per share	**121**	121	**102**	102	**30**	30
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	**16.03**	16.18
Sub-Sahara Resources Limited	**6 265 664**	6 265 644	**6 265 644**	6 265 644	**3.9**	3.9
Unlisted						
Business Partners Limited	**323 177**	323 177	**323 177**	323 177	**0.2**	0.2
Joint Ventures And Partnerships						
Cato Ridge Alloys (Proprietary) Limited	**19 400**	19 400	**–**	–	**12.5**	25.2
Modikwa Joint Venture*	**–**	–	**–**	–	**41.5**	41.5
Nkomati Joint Venture	**–**	–	**–**	–	**50**	50
Assmang Limited (from 1 March 2006)	**1 774 103**	–	**1 774 103**	–	**50**	–

* December year end, audited June figures are consolidated.

Convenience translation into US$

	2006 R/$	2005 R/$
For the benefit of international investors, the balance sheet, income statement and statement of changes in equity and the cash flow statement of the group, presented in rands and set out on pages 126 to 130, have been translated into United States dollars and are presented on this page and pages 169 to 172.		
This information is only supplementary and is not required by any accounting standard and and does not represent US GAAP.		
The balance sheets are translated at the rate of exchange ruling at the close of business at 30 June each year and the income statements and 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 changes in equity is translated at the rate ruling at the close of business at 30 June each year.		
The exchange rates were as follows:		
Balance sheet	**R7.16**	R6.65
Income statement and cash flow statement	**R6.40**	R6.21
The dollar denominated balance sheets, income statements, statements of changes in equity and cash flow statements should be read in conjunction with the accounting policies of the group as set out on pages 117 to 125 and with the notes to the financial statements on pages 131 to 164 (those notes are shown in South African Rands).		

US$ balance sheets

Convenience translation At 30 June	Note	GROUP 2006 US$m	Restated 2005 US$m
ASSETS			
Non-current assets			
Property, plant and equipment	1	**698**	754
Investment property	1	**2**	2
Intangible asset	1	**–**	1
Deferred tax assets	12	**3**	10
Other investments	5	**1 016**	558
		1 719	1 325
Current assets			
Inventories	7	**99**	172
Trade and other receivables	8	**162**	230
Cash and cash equivalents	9	**61**	43
		322	445
Total assets		**2 041**	1 770
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	10	**2**	2
Share premium	10	**496**	526
Other reserves		**322**	(118)
Retained earnings		**611**	569
Shareholders interest in capital and reserves		**1 431**	979
Minority interest		**20**	220
Total shareholders' interest		**1 451**	1 199
Non-current liabilities			
Long-term borrowings	11	**202**	145
Deferred tax liabilities	12	**140**	122
Long-term provisions	13	**22**	29
		364	296
Current liabilities			
Trade and other payables	14	**88**	129
Short-term provisions	15	**7**	8
Taxation	26	**19**	46
Overdrafts and short-term borrowings	16	**112**	92
		226	275
Total equity and liabilities		**2 041**	1 770

US$ income statements

Convenience translation For the year ended 30 June	Note	GROUP 2006 US$m	Restated 2005 US$m
Revenue	17	**732**	887
Sales	17	**722**	883
Cost of sales		**(516)**	(603)
Gross profit		**206**	280
Other operating income		**26**	37
Other operating expenses		**(58)**	(59)
Retrenchment cost		**–**	(1)
Profit from operations before exceptional items	18	**174**	257
Income from investments	19	**4**	4
Finance costs	20	**(21)**	(28)
Loss from associate		**–**	(24)
Profit before taxation and exceptional items		**157**	209
Exceptional items	21	**22**	25
Profit before taxation		**179**	234
Taxation	22	**(59)**	(85)
Profit for the period		**120**	149
Attributable to:			
Minority interest		**25**	73
Equity holders of ARM		**95**	76
		120	149
Additional information			
Headline earnings	24	**72**	55
Headline earnings per share (cents)	23	**35**	27
Basic earnings per share (cents)	23	**46**	37
Fully diluted earnings per share (cents)	23	**46**	37
Fully diluted headline earnings per share (cents)	23	**35**	27

US$ statements of changes in equity

Convenience translation	Note	Share capital and premium US$m	Minority interest US$m	Revaluation of listed investments US$m	Other US$m	Retained profit US$m	**Total US$m**
GROUP							
Restated							
Balance at 30 June 2004		560	212	–	(31)	530	**1 271**
Translation adjustments		(32)	(14)	–	7	(37)	**(76)**
Basic earnings		–	73	–	–	76	**149**
Revaluation of listed investments	5	–	–	(155)	–	–	**(155)**
Deferred tax on revaluation of listed investment		–	–	23	–	–	**23**
Dividends paid to minorities		–	(7)	–	–	–	**(7)**
Re-allocation risk funding Two Rivers		–	(44)	–	–	–	**(44)**
Reversal of associate's other reserves		–		–	38	–	**38**
Balance at 30 June 2005		528	220	(132)	14	569	**1 199**
Translations adjustments		(31)	6	(33)	(2)	(58)	**(118)**
Basic earnings		–	25	–	–	95	**120**
Dividends paid to minorities		–	(9)	–	–	–	**(9)**
Revaluation of listed investments	5	–	–	556	–	–	**556**
Deferred tax on revaluation of listed investment		–	–	(81)	–	–	**(81)**
Transfer out of minority interest, Assmang accounted for as a joint venture		–	(235)	–	–	–	**(235)**
Share-based payments		–	–	–	–	5	**5**
Share options exercised	10	1	–	–	–	–	**1**
TEAL minorities at listing		–	13	–	–	–	**13**
Balance at 30 June 2006		498	20	310	12	611	**1 451**

US$ cash flow statements

Convenience translation For the year ended 30 June	Note	GROUP 2006 US$m	Restated 2005 US$m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**759**	853
Cash paid to suppliers and employees		**(564)**	(586)
Cash generated from operations	25	**195**	267
Translation adjustment		**(1)**	(1)
Interest received		**4**	4
Interest paid		**(21)**	(29)
Dividends received		**–**	3
Dividends paid		**(9)**	(7)
Taxation paid	26	**(60)**	(27)
Net cash inflow from investing activities		**108**	210
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(99)**	(114)
Additions to property, plant and equipment to expand operations		**(134)**	(48)
Proceeds on disposal of property, plant and equipment		**7**	6
Proceeds on disposal of investments		**–**	1
Net cash effects of disposal of 50 percent of Nkomati	27	**–**	22
Net cash effects of disposal of 50 percent of Assmang	27	**3**	–
Increase in investment loans and receivables		**–**	–
Investment acquired		**(2)**	(1)
Net cash outflow from investing activities		**(225)**	(134)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on exercise of share options		**9**	–
Funding received from minority shareholders at TEAL Listing		**35**	–
Long-term borrowings raised		**138**	18
Long-term borrowings repaid		**(29)**	(35)
(Decrease) in short-term borrowings and overdrafts		**(14)**	(72)
Net cash inflow/(outflow) from financing activities		**139**	(89)
Net increase/(decrease) in cash and cash equivalents		**22**	(13)
Cash and cash equivalents at beginning of year as previously stated		**5**	52
Add rehabilitation trust fund		**–**	5
Less overdrafts		**–**	(39)
Restated opening balance		**5**	18
Cash and cash equivalents at end of year		**27**	5
Cash generated from operations per share (cents)	23	**95**	131

Notice of annual general meeting

AFRICAN RAINBOW MINERALS LIMITED
(Registration number 1933/004580/06)

Share code ARI
ISIN ZAE000054045
(the "company")

Notice is hereby given that the 73rd annual general meeting of members of African Rainbow Minerals Limited will be held at the InterContinental Sandton Sun & Towers, Syringa Acacia Room, Room, Corner Fifth Street and Alice Lane, Sandton, on Friday, 24 November 2006 at 11:00, for the following purposes:

1. To receive and consider the annual financial statements for the year ended 30 June 2006.
2. To elect the following directors in accordance with the provisions of the company's articles of association, and who, being eligible, offer themselves for re-election, namely, Messrs Gule, McAlpine and Sisulu, and Dr Simelane.

   Refer footnotes for directors' curricula vitae
3. To elect the following directors who were appointed, as such, since the last annual general meeting and who, being eligible, offer themselves for election, namely, Messrs Mashalane and Rörich.

   Refer footnotes for directors' curricula vitae
4. To consider and, if deemed fit, to pass, with or without modification, the following:

   Ordinary resolution number 1

   "Resolved that the remuneration to be paid to the directors shall be paid out of the funds of the company as fees and is hereby increased from R121 000 to R139 000 per annum for the chairman and from R72 600 to R83 400 per annum for each of the other directors, and directors' meeting attendance fees be increased from R8 500 to R9 700 per meeting for the chairman and from R5 200 to R5 900 per meeting for each of the other directors, payable quarterly in arrears, with effect from 1 July 2006 until otherwise determined by the company in general meeting.

VOTING AND PROXIES

Each shareholder of the company who is registered as such and who, being an individual, is present in person or by proxy or which, being a company, is represented, at the annual general meeting is entitled to one vote on a show of hands.

On a poll, each shareholder present in person or by proxy or represented shall have one vote for every share held by such shareholder.

Votes in terms of shares held by the employee share incentive scheme trust will not be taken into account at the annual general meeting for the Listing Requirement approval purposes.

FOOTNOTES

DIRECTORS RETIRING BY ROTATION AND SEEKING RE-ELECTION

W M Gule, (54) BA (Hons) Wits, P & DM (Wits Business School), appointed to board in 2004 and appointed chief executive of ARM Platinum on 27 February 2005.

J R McAlpine, (65) BSc, CA, appointed to the board in 1998 as an independent non-executive director after retiring as executive director of Liberty Life. Serves on the boards of a number of listed companies.

Notice of annual general meeting continued

M V Sisulu, (61) MPA, MSc, independent non-executive director, currently group general manager at Sasol and has service on the boards of Denel, AMD and the HSRC.

R V Simelane, Dr, (54) BA (Econ and Acc) MA, PhD (Econ), independent non-executive director, is currently the CEO of Ubuntu-Botho Investments.

CONFIRMATIONS OF APPOINTMENTS OF DIRECTORS APPOINTED SINCE THE LAST ANNUAL GENERAL MEETING.

K S Mashalane, (44) BCom, H.Ed, PMD, appointed to the board on 9 May 2006 as chief executive, ARM Coal.

P C Rörich, (37), BCompt (Hons), CA(SA), appointed to the board on 9 May 2006 as executive director, investor relations and new business development.

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 member of the company. A form of proxy is attached for the use of those Entitled Shareholders who wish to be so represented. Such Entitled Shareholders should complete the attached form of proxy in accordance with the instructions contained therein and be deposited at the transfer secretaries, Computershare Investor Services 2004 (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).

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 authorisation to attend.

By order of the board

P F Smit (Mrs)
Company Secretary

9 October 2006

Form of proxy

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 authorisation to attend.

FORM OF PROXY

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 member 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 seventy-third annual general meeting of shareholders of African Rainbow Minerals Limited convened for 24 November 2006 at 11:00, 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 11:00 on 22 November 2006.

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 Chairman of the Board of Directors, or failing him/her the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at 11:00 on 24 November 2006 and at any 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

Resolutions	For	Against	Abstain
1. To receive and consider the annual financial statements for the year ended 30 June 2006			
2. To re-elect the following directors, who retire by rotation: W M Gule J R McAlpine M V Sisulu R V Simelane			
3. To confirm the appointments of the following directors made since the last annual general meeting: K S Mashalane P C Rörich			
4. Ordinary resolution number 1 To increase directors' fees			

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 _____ 2006

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 member 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 member shall have a 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 their 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 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (or posted to PO Box 61051, Marshalltown, 2107) (or faxed to the Proxy Department +27 11 688 5238) so as to be received not later than 11:00, South African time, on 22 November 2006 (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 expiration of six months from the date when it was signed except at an adjourned meeting in cases where the meeting was originally held within six months from the aforesaid date.

Glossary of terms

AAC	Anglo American
AERC	African Economic Research Consortium
Ag	silver
Al2O3	aluminium oxide
ARI	ARM's share code on JSE
ARM	African Rainbow Minerals Limited
ARMI	African Rainbow Minerals & Exploration (Proprietary) Limited
Assmang	Assmang Limited
Assore	Assore Limited
Au	gold
Avmin	Anglovaal Mining Limited
BaO	barium oxide
BBEE Trust	Broad-Based Economic Empowerment Trust
BKM Project	iron ore resources on the farms Bruce 544, King 561, Mokaning 560
BUSA	Business Unity South Africa
CaO	calcium
CHAMSA	Chambers of Commerce and Industry South Africa
CL	confidence limits
Co	cobalt
Cr	chrome
Cr_2O_3	chrome oxide
CRI	in-house referenced material
CSDP	Central Securities Depository Participant
CSIR	Council for Scientific and Industrial Research
Cu	copper
DRC	Democratic Republic of Congo
DTJV	Joint Venture with BHP Billiton
dumps	surface Mineral Reserves
EBIT	earnings before interests and tax
EPL	exclusive prospecting licence
FCA	Fellow of the Institute of Chartered Accountants
Fe	iron
FeCr	ferro chromium
FeO	iron oxide
FOB	free on board
Fy	financial year
GRI	Global Reporting Initiative
HDSAs	historically disadvantaged South Africans
HSRC	Human Sciences Research Council
Implats	Impala Platinum Holdings Limited
JORC Code	Joint Ore Reserves Committee Code
JSE	JSE Limited
JV	joint venture
K_2O	potassium oxide
KZC	Korea Zinc Corporation
LCD	liquid crystal display
LG	Lower group

Glossary of terms continued

LME	London Metal Exchange
LrPXT	Lower Pyroxenite
Main Reef	highest grade reef
MCHR	Massive Chromitite Unit
MgO	magnesium
ML	mining lease
MMZ	Main Mineralised Zone
Mn	manganese
MSB	massive sulphide body
Mtpa	million tonnes per annum
Na_2O	sodium oxide
NACI	Nation Advisory Council on Innovation
NAFCOC	National African Federated Chamber of Commerce and Industry
NEAF	National Environmental Advisory Forum
Ni	nickel
NUL	National University of Lesotho
OS	Ore Shale
P	phosphorus
PCMZ	Chromititic Peridotite Mineralised Zone
PCR	Chromititic Peridotite
Pd	palladium
PGE	platinum group elements
PGM	platinum group metals
PLA	Platinum Australia Limited
PNG	Papua New Guinea
Pt	platinum
R&D	research and development
RAB	rotary air blast
RBCT	Richards Bay Coal Terminal
RC	reverse circulation
Rh	rhodium
S	sulphur
SAMREC Code	South African Code for Reporting Mineral Resources and Mineral Reserves
SiO_2	silica
SLI	Stella Layered Intrusion
SRK South Africa	Stephen, Robertson and Kirsten Consulting
STRATE	Share Transactions Totally Electronic
tpa	tonnes per annum
TSX	Toronto Stock Exchange
UBLS	University of Botswana Lesotho and Swaziland
UG2	one of the two main platinum reefs on the Bushveld Complex
Washproduct	software packages
weathered	fully oxidised
wireframe	3-D geological model
Xpac	software packages
XRF	X-ray fluorescence
XSA	Xstrata South Africa

Investor relations

SHAREHOLDER INFORMATION

The company's shares are listed through a primary listing on the JSE Limited under "Resources - Mining, Other Mineral Extractors and Mines".

ARM also has a sponsored Level 1 American Depositary Receipt (ADR) programme with JP Morgan Chase Bank which is available to investors for "over the counter or private transactions".

SHARE CODES

JSE Limited:	ARI
Reuters:	ARIJ.J
Bloomberg:	ARISJ

Sector:	Other minerals extractors and mines
Nature of business:	Mining of PGMs, nickel, ferrous metals and coal
Number of shares in issue as at 30 June:	206,367,454
Market capitalisation as at 30 June:	R9.9 billion
	$1.6 billion
Closing cash price as at 30 June	R48.25
12 month high (July 2005 - June 2006)	R51.56
12 month low (July 2005 - June 2006)	R32.00

INVESTOR RELATIONS CONTACTS

Pieter Rörich
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Mobile: +27 82 887 9204
E-mail: portia.sebulela@arm.co.za

ANNUAL GENERAL MEETING

To be held on 24 November 2006 at 11:00
Inter Continental Sandton Sun & Towers
Syringa Acacia Room
Corner Fifth Street and Alice Lane
Sandton
Telephone: +27 11 780 5000

Investor relations continued

SHAREHOLDER ANALYSIS

Register date: 30 June 2006

Issued share capital: 206 367 454 shares

SHAREHOLDER SPREAD	NO. OF SHAREHOLDINGS	%	NO. OF SHARES	%
1 - 1,000 shares	2 044	67.93	607 832	0.29
1,001 - 10,000 shares	655	21.77	2 050 510	0.99
10,001 - 100,000 shares	197	6.55	7 557 329	3.66
100,001 - 1,000,000 shares	90	2.99	28 497 044	13.81
1,000,001 shares and over	23	0.76	167 654 739	81.24
	3 009	100.00	206 367 454	100.00

DISTRIBUTION OF SHAREHOLDERS	NO. OF SHAREHOLDINGS	%	NO. OF SHARES	%
Banks	93	3.09	23 575 971	11.42
Close corporations	29	0.96	61 930	0.03
Empowerment	1	0.03	28 614 740	13.87
Endowment funds	23	0.76	852 988	0.41
Individuals	2 132	70.85	2 614 134	1.27
Insurance companies	7	0.23	11 372 072	5.51
Investment companies	21	0.70	3 330 064	1.61
Medical aid schemes	2	0.07	12 803	0.01
Mutual funds	78	2.59	19 345 018	9.37
Nominees and trusts	345	11.47	1 675 240	0.81
Other corporations	46	1.53	321 038	0.16
Pension funds	117	3.89	25 939 669	12.57
Private companies	93	3.09	88 502 968	42.89
Public companies	22	0.73	149 719	0.07
	3 008	100.00	206 367 454	100.00

PUBLIC / NON – PUBLIC SHAREHOLDERS	NO. OF SHAREHOLDINGS	%	NO. OF SHARES	%
Non-public shareholders	9	0.30	116 507 851	54.46
Directors and associates' of the company holdings	5	0.17	60 902	0.03
Strategic holdings (or more than 10 percent)	3	0.10	87 832 209	42.56
Empowerment	1	0.03	28 614 740	13.87
Public shareholders	3 000	99.70	89 859 603	43.54
	3 009	100.00	206 367 454	100.00

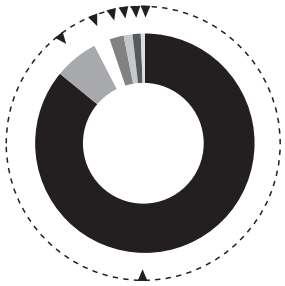
BENEFICIAL SHAREHOLDERS HOLDING OF 5% OR MORE	NO. OF SHARES	%
African Rainbow Minerals & Exploration Investments (Pty) Ltd	87 750 417	42.52
Allan Gray*	37 446 010	18.17
The ARM Broad-Based Economic Empowerment Trust	28 614 740	13.87
Merrill Lynch*	11 789 307	5.72
Old Mutual Group	11 510 236	5.58

*For and on behalf of its clients

Shareholder analysis by type of Fund – June 2006

Unknown and below threshold 1%
Insurance companies 7%
Unit trusts 13%
Pension funds 15%
Black economic empowerment 57%
Other 7%

Shareholders by geographic spread



South Africa 86%
England & Wales 6.5%
U.S.A. 2.4%
Bermuda 2.1%
Other countries 1.3%
Namibia 1.2%
Below threshold 0.6%

TOP 20 SHAREHOLDERS AS AT 30 JUNE 2006

HOLDER	PERCENTAGE OF ISSUED SHARES
African Rainbow Minerals & Exploration Investments (Pty) Ltd (ZA)	42.52
Allan Gray Investment Council (ZA)	18.17
ARM Broad Based Empowerment Trust (ZA)	13.87
Merrill Lynch Investment Managers (UK)	5.72
Old Mutual Asset Managers	5.58
STANLIB Asset Management (ZA)	2.12
Orbis Investment Management Ltd (BM)	2.08
Dimensional Fund Advisors	0.80
Metal Industries Beneficial Funds Administrators (ZA)	0.69
Hermes Pension Management Ltd (UK)	0.63
Investec Asset Management	0.61
Jennison Associates LLC (US)	0.60
Sanlam Investment Management (ZA)	0.55
Fidelity Management & Research Co	0.49
Sasfin Frankel Pollak Securities (ZA)	0.34
Investec Securities (Pty) Limited (ZA)	0.33
Prudential Investment Management Inc (US)	0.27
Metropolitan Asset Managers (ZA)	0.24
Wellington Management Company	0.22
Oasis Asset Management (ZA)	0.20

Investor relations continued

SHARE LIQUIDITY

Number of shares traded on the JSE Limited

MONTH	ACTUAL VOLUME
July 2005	2 662 266
August 2005	2 808 594
September 2005	3 751 894
October 2005	3 771 493
November 2005	4 228 522
December 2005	2 464 731
January 2006	8 873 975
February 2006	2 418 208
March 2006	1 225 695
April 2006	2 604 114
May 2006	2 326 308
June 2006	2 575 179
Total	39 710 979

SHAREHOLDER DIARY

Financial year-end	30 June
Annual general meeting	24 November 2006
Interim results released	February 2007
Preliminary results released	August 2007
Annual financial statements issued	October 2007

Administration

AFRICAN RAINBOW MINERALS LIMITED

Incorporated in the Republic of South Africa
Registration number 1933/004580/06
ISIN ZAE000054045

COMPANY SECRETARY
Patricia Smit

REGISTERED AND CORPORATE OFFICE
ARM House
29 Impala Road
Chislehurston
Sandton
2146

PO Box 786136
Sandton
2146

Telephone +27 11 779 1300
Telefax +27 11 779 1312
E-mail ir.admin@arm.co.za
Website http://www.arm.co.za

TRANSFER SECRETARIES
Computershare Investor Services 2004 (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone +27 11 370 5000
Telefax +27 11 688 5222
E-mail web.queries@computershare.co.za

Website
http://www.computershare.co.za

AUDITORS
External auditors
Ernst & Young
Internal auditors
KPMG

BANKERS
Absa Bank Limited
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

SPONSORS
Deutsche Securities SA (Proprietary) Limited

DIRECTORS
PT Motsepe (Executive Chairman)
RP Menell (Deputy Chairman)
AJ Wilkens (Chief Executive Officer)
F Abbott
Dr MMM Bakane-Tuoane**
JA Chissano (Mozambican)**
WM Gule
MW King**
AK Maditsi**
KS Mashalane
JR McAlpine**
PC Rörich
Dr PS Sibisi**
Dr RV Simelane**
MV Sisulu**
JC Steenkamp
ZB Swanepoel*
* Non-executive
** Independent non-executive

Russell & Associates
507/06

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