ARM
African Rainbow Minerals

Interim results for the six months ended 31 December 2009

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*“ARM’s financial position continues to be robust with net debt to equity of 8.4%.*

*We are pleased about the significant increase in headline earnings compared to the preceding six months; as well as the increased sales volumes and reduced unit costs relative to the corresponding reporting period”*

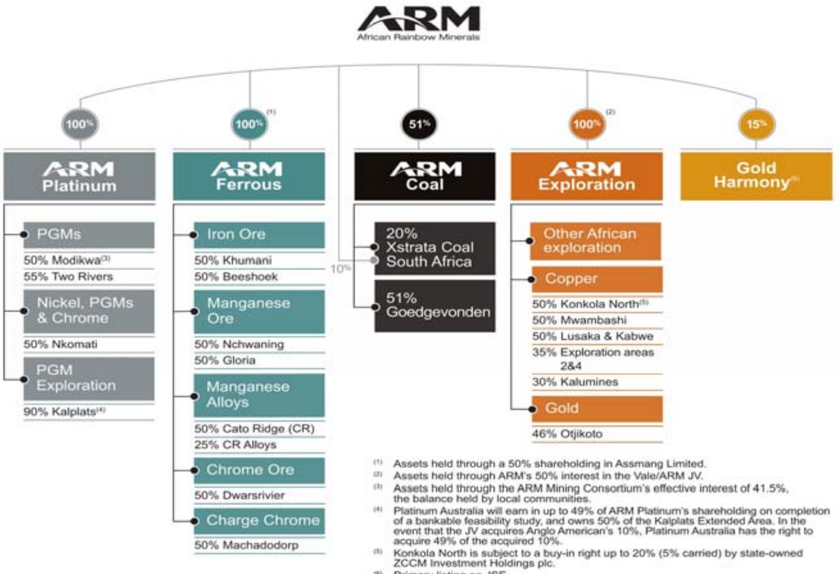
**Patrice Motsepe**
ARM Executive Chairman

# Disclaimer

Certain statements in this report constitute forward looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the AIDS crisis in South Africa. These forward looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.



# Corporate structure




(1) Assets held through a 50% shareholding in Assmang Limited.
(2) Assets held through ARM's 50% interest in the Vale/ARM JV.
(3) Assets held through the ARM Mining Consortium's effective interest of 41.5%, the balance held by local communities.
(4) Platinum Australia will earn in up to 49% of ARM Platinum's shareholding on completion of a bankable feasibility study, and owns 50% of the Kalplats Extended Area. In the event that the JV acquires Anglo American's 10%, Platinum Australia has the right to acquire 49% of the acquired 10%.
(5) Konkola North is subject to a buy-in right up to 20% (5% carried) by state-owned ZCCM Investment Holdings plc.
(6) Primary listing on JSE.

## Overview and strategy

Patrice Motsepe, Executive Chairman

## Salient features

- Headline earnings of R454 million reflect a decline of R1.78 billion relative to the corresponding period but reflect an increase of R369 million over the headline earnings of the preceding six months
- Significant decline in commodity prices and a strengthening of the Rand against the US Dollar negatively impacted earnings
- Increased sales volumes across platinum group metals, nickel, iron ore, manganese ore, chrome ore and alloys
- Decreased unit costs at platinum, nickel and iron ore operations

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## Salient features

ARM's financial position remains robust with net debt to equity of 8.4%

Khumani Iron Ore Mine ramping up to 10 million tonnes per annum

Phase 2a of the Nkomati Large Scale Expansion project commissioned

Goedgevonden Coal Mine commissioned; long-term off-take agreement signed with Eskom

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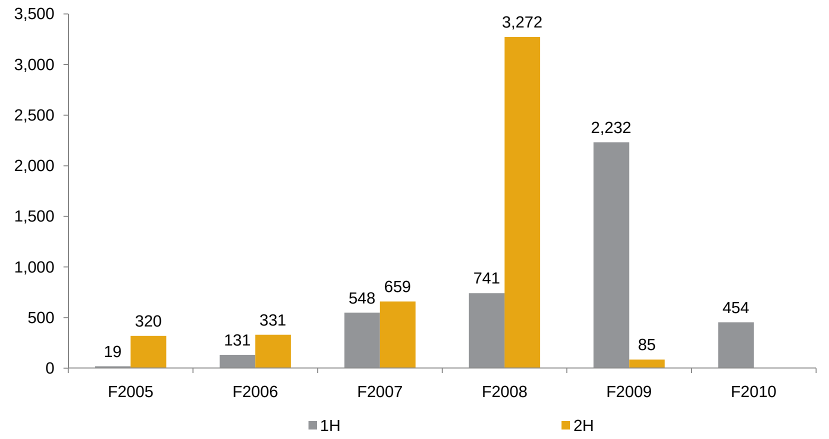
## Earnings recovering after global economic collapse

**Headline earnings (R million)**




Headline earnings per share of 214 cents (1H 2009: 1 055 cents per share)

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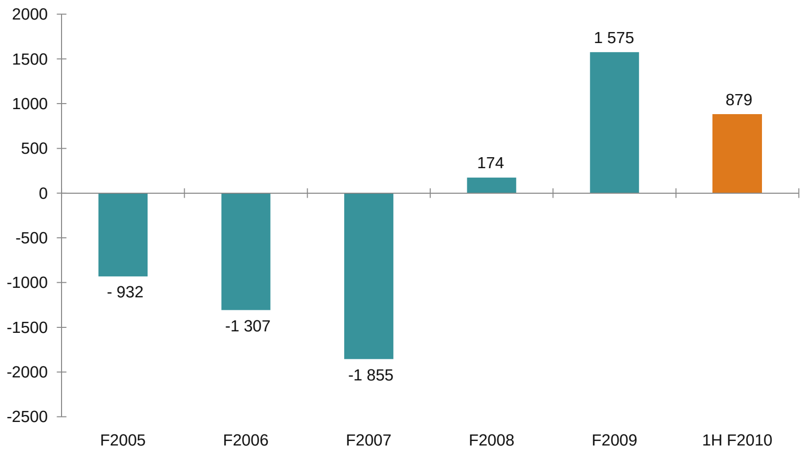
# Robust financial position

**Net cash/ (net debt) excluding partner loans (R million)**

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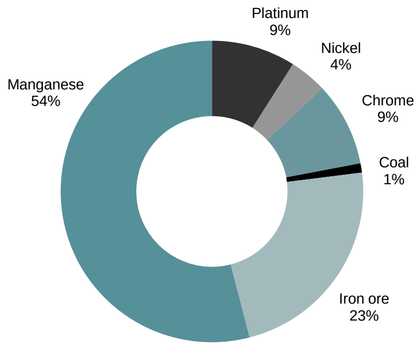
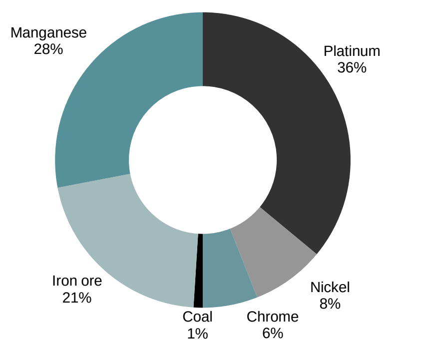
# Diversified revenues

**1H F2009 Revenue commodity contributions**




**1H F2010 Revenue commodity contributions**

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## Divisional headline earnings

**Contribution to headline earnings by commodity group**

| | 6 months ended 31 December | | | 6 months ended 30 June |
|---|---|---|---|---|
| | **2009** | **2008** | **% change** | **2009** |
| Platinum Group Metals | 131 | (293) | | (55) |
| Nkomati Nickel and Chrome | 36 | 24 | 50 | 5 |
| Ferrous Metals | 302 | 2 812 | (89) | 338 |
| Coal | 36 | 176 | (80) | (41) |
| Exploration | (85) | (454) | 81 | (235) |
| Corporate and Other | 34 | (33) | | 73 |
| **Total headline earnings** | **454** | **2 232** | **(80)** | **85** |

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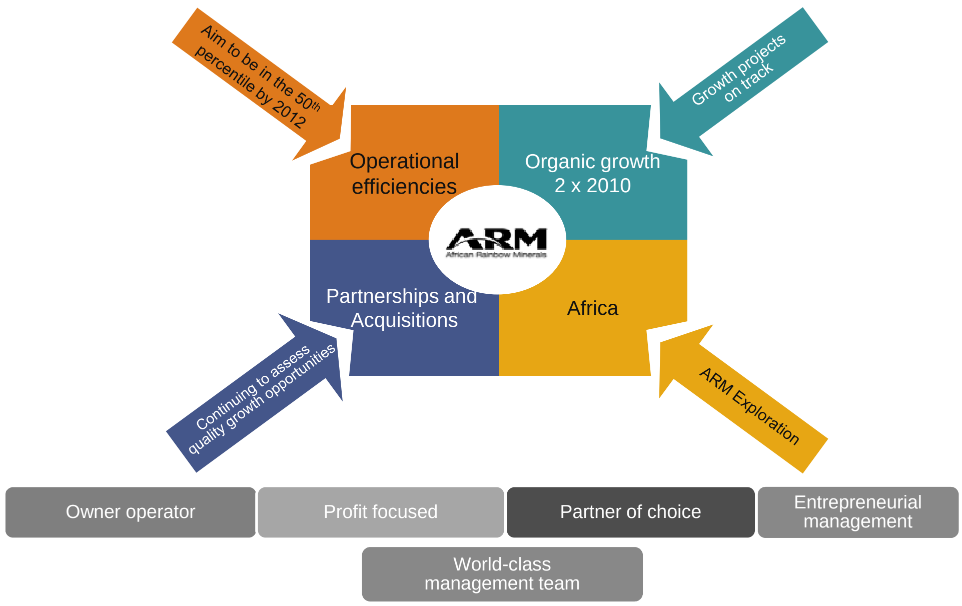
## ARM strategy

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# Investing in growth

## ARM's Portion

**F2005 – F2009** R10.8 bn Projects completed + **F2009 – F2012** R8.8 bn Ramp up → **F2005 – F2012** R19.6 bn

## Partners' Portion

**F2005 – F2009** R8.2 bn + **F2009 – F2012** R8.1 bn → **F2005 – F2012** R16.3 bn

**Projected total investment over 8 years in growth ±R36bn**



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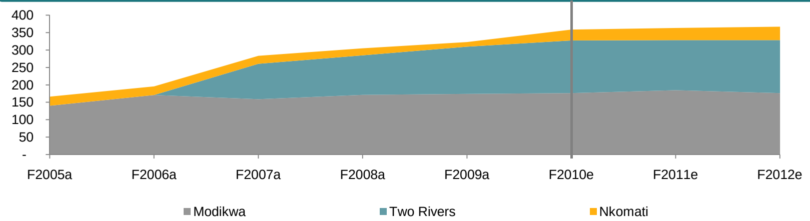
# Delivering quality growth projects



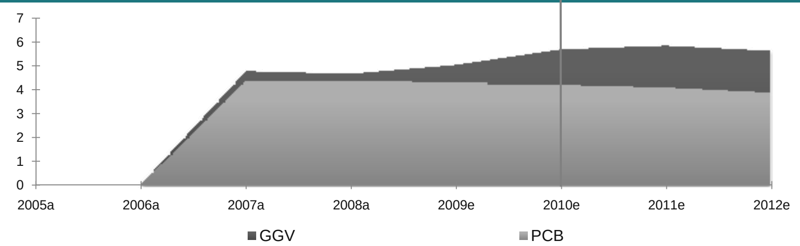
| | Khumani Iron Ore (10 mtpa) | Goedgevonden Thermal Coal | Nkomati Nickel Large Scale Expansion |
|---|---|---|---|
| Capex committed to date | 100% | 95% | 85% |
| Stage | Production ramp up | Commissioning | 375ktpm plant production ramp up |
| Commissioning (Calendar year) | 2008 | 2009 | 2009 |
| Full production (Financial year) | 2010 | 2012 | 2012 |
| Steady state | 10mtpa | 3.5mt local; 3.2mt export | 20 500t nickel |
| Position on cost curve | 40th percentile | 25th percentile | 40th percentile |
| Comment | More efficient, low unit cost | Dragline opencast operation | C1 cash cost net of by products of $3.50 |

## 2 x 2010 growth strategy – attributable

**PGM in concentrate sales**
Thousand ounces




**Thermal coal**
Million tonnes




The “a” included in the x-axis refers to actual and the “e” to estimate

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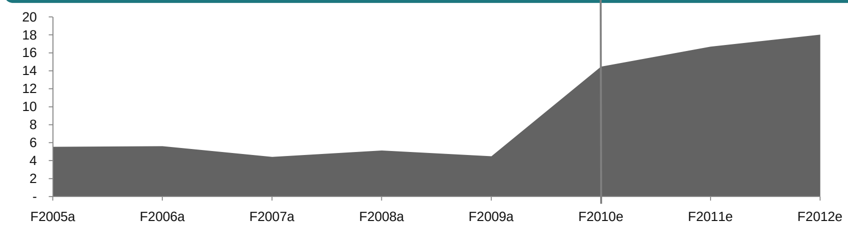
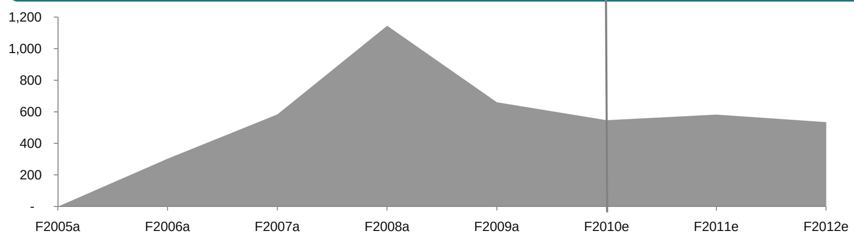
## 2 x 2010 growth strategy – 100% basis

**Nkomati nickel**
Thousand tonnes




**Chrome ore**
Thousand tonnes

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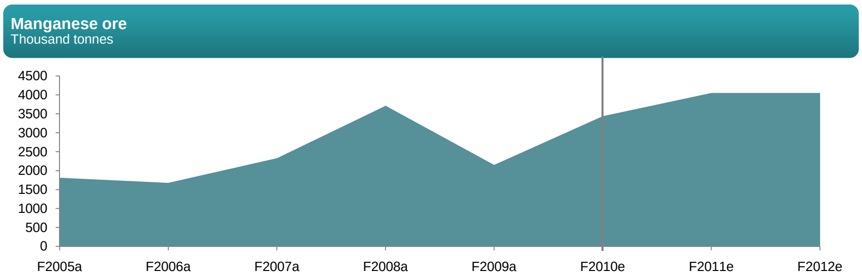
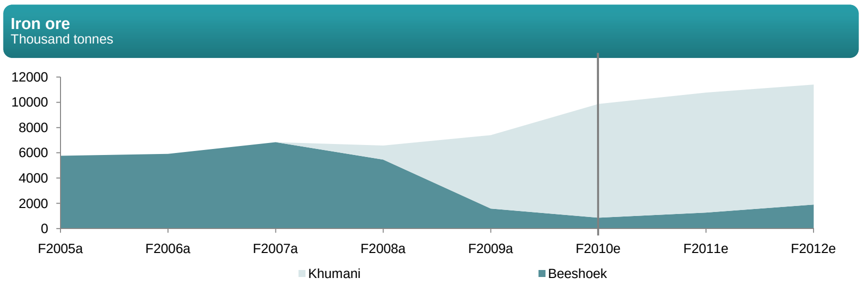
# 2 x 2010 growth strategy – 100% basis

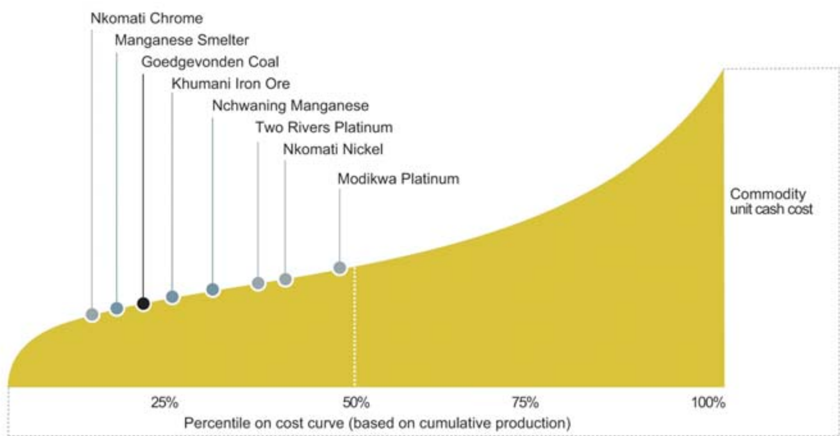





# Continuous focus on cost reduction

**ARM target for operations on the respective global cost curve by 2012**
(ARM estimate, benchmarked at steady state/normalised production volumes)



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## Safety and sustainable development

- Zero fatalities in this period
- Modikwa achieves 6 million consecutive fatality-free man shifts worked
- ARM accepted as a member of the International Council of Mining and Minerals



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## Outlook

- Commodity demand and prices improving
- China and Asia leading global recovery
- Growth projects ramping up production at Khumani, Goedgevonden and Nkomati
- Continuing focus on reducing unit costs
- Robust financial position

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## Operational review

André Wilkens, Chief Executive Officer

ARM African Rainbow Minerals

## Operational performance: Volumes

- 29% increase in iron ore sales to 4.4 million tonnes
- 13% increase in external manganese ore sales to 1.5 million tonnes
- 71% increase in manganese alloy sales to 120 thousand tonnes
- 11% increase in PGMs produced to 183 986 ounces
- 52% increase in contained nickel to 3 785 tonnes
- 26% increase in chrome ore/chrome concentrate to 537 thousand tonnes

All 100% basis, except for PGMs which are indicated on an attributable basis.

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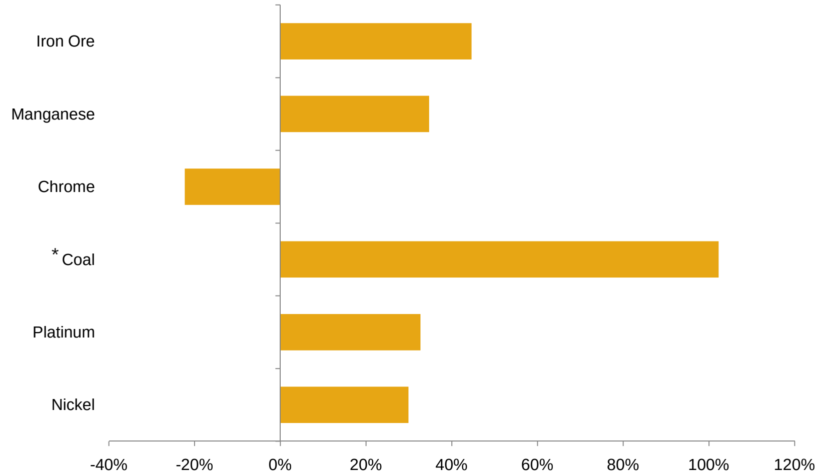
## Solid EBITDA margins

**ARM EBITDA margin is 29% for the period**




* Coal EBITDA margin is impacted by inventory increases and capitalisation of ramp up costs

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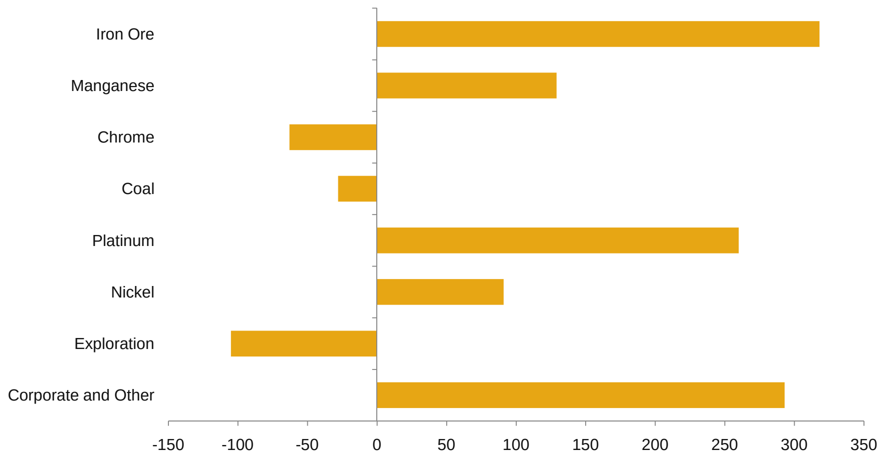
## Cash generated from operations

**ARM cash generated from operations (R million)**

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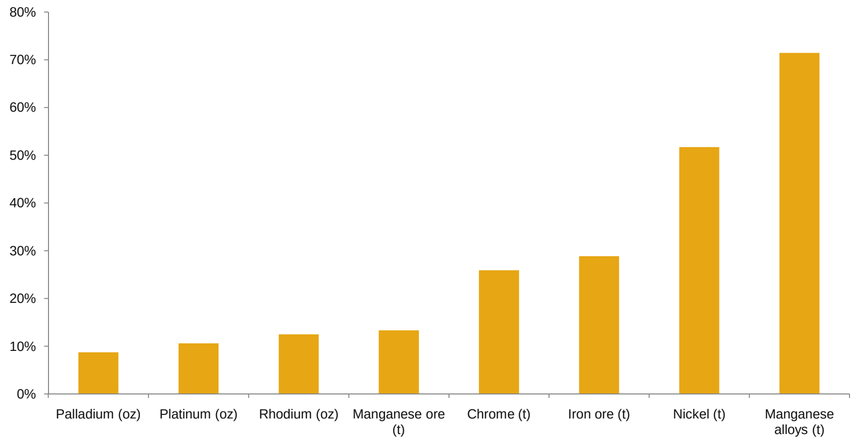
# Revenue drivers: Volumes

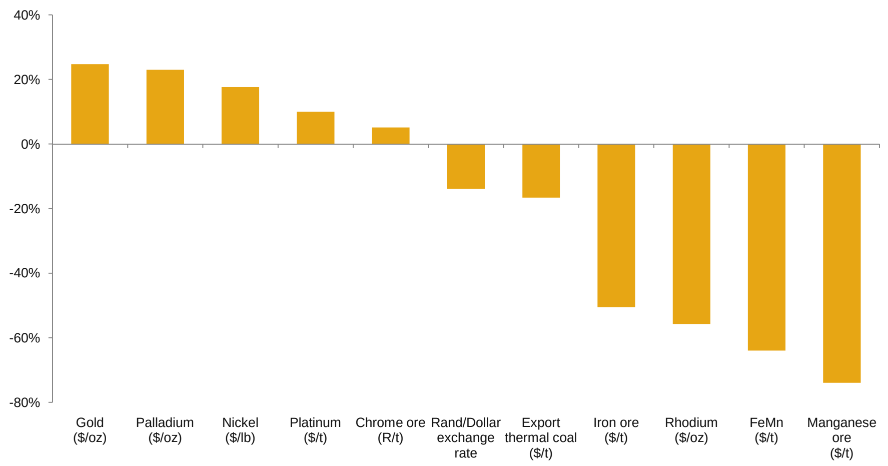
## 1H F2010 compared to 1H F2009 volume changes






# Revenue drivers: Commodity prices

## 1H F2010 compared to 1H F2009 average price changes



# Unit operating costs

Cost containment continues to be a key focus for ARM

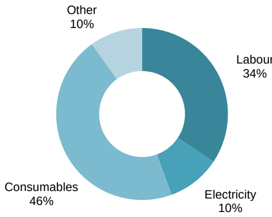
| Commodity group | Unit cost (metric) | % change 1H F2010 vs 1H F2009 (decrease)/increase | 1H F2010 EBITDA margin (%) |
|---|---|---|---|
| Nickel | R/tonne milled | (27.9) | 29.9 |
| Iron ore | R/tonne | (19.5) | 44.6 |
| Platinum | R/PGMs | (7.1) | 32.7 |
| Coal | R/tonne (on mine, saleable) | 5.0 | 102* |
| Manganese alloys | R/tonne | 7.7 | 18.0 |
| Charge chrome | R/tonne | 11.8 | (22.3) |
| Manganese ore | R/tonne | 25.9 | 34.7 |

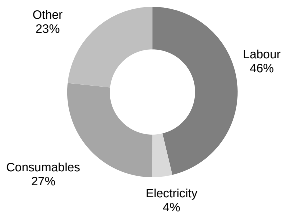
* Coal EBITDA margin impacted by inventory increases and capitalisation of ramp up costs

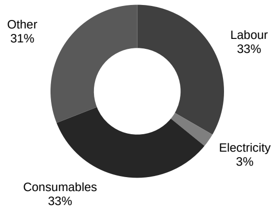


# Mining costs

| ARM Ferrous | ARM Platinum | ARM Coal |
|---|---|---|
| Increasing volumes, decreasing operating unit cost | Cost containment and plant optimisation with restructuring completed | Increasing volumes and local supply contract secured |
| Approximate on mine and smelter cash cost split | Approximate on mine cash cost split | Approximate on mine cash cost split |




All 1H F2010 figures attributable

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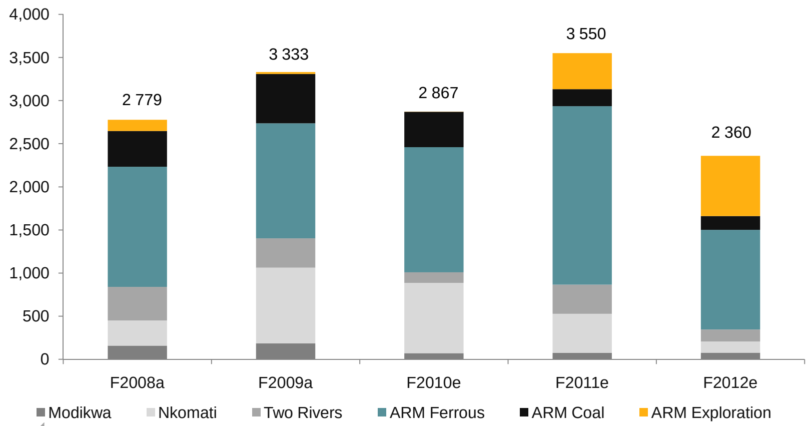
## Growth projects continue

**Attributable capital expenditure by division**
R million




F2005 – F2009: R>10bn

F2010 – F2012: R>8bn

The “a” included in the x-axis refers to actual and the “e” to estimated

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## Delivering company transforming internal growth projects

**Completed projects > R10 bn***

**F2005 - F2009**

- Khumani Iron Ore (10 mtpa)
- Nchwaning III Manganese
- Modikwa Platinum
- Two Rivers Platinum
- Nkomati Nickel Interim Plant
- Nkomati Chrome Mine
- Dwarsrivier Chrome Mine

* Total attributable capital expenditure

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## Delivering company transforming internal growth projects

**Projects in progress > R8 bn***

**F2010 - F2012**

- Khumani Iron Ore (+6 mtpa)
- Nkomati Nickel (20 ktpa)
- GGV Thermal Coal (6.7 mtpa)

* Total attributable capital expenditure

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## Khumani expansion: additional 6 mtpa



| | |
|---|---|
| **Total project cost** | R6.7 billion approved |
| **Capital expenditure to date** | R1.2 billion spent in 2009 (calendar year) |
| **Production ramp up** | Expected to begin production ramp up July 2012 |
| **Full production** | 2013 (financial year) |
| **Position on cost curve** | 40th percentile |
| **Comment** | Tariff agreed for railway transportation for additional 4 mtpa; 2 mtpa to be allocated to the local market |

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## 2 x 2010 growth strategy – Nickel

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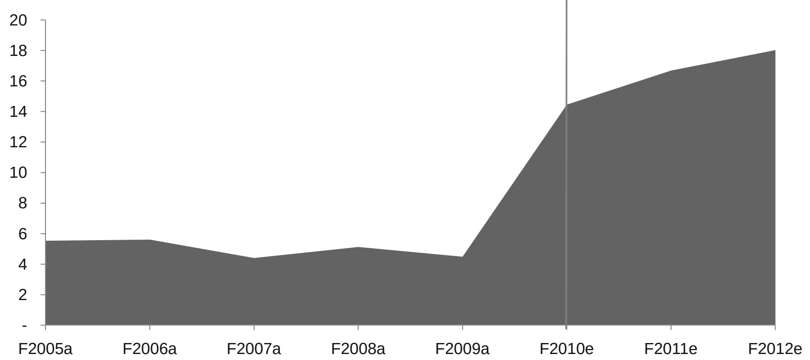
### Nkomati nickel (thousand tonnes)




The “a” included in the x-axis refers to actual and the “e” to estimate



## Delivering quality long-term growth projects:
### The Nkomati Nickel Expansion Project

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| | Nkomati Nickel Large Scale Expansion |
|---|---|
| Capex committed to date | 85% |
| Stage | 375ktpm plant production ramp up |
| Commissioning (Calendar year) | 2009 |
| Full production (Financial year) | 2012 |
| Steady state | 20 500t nickel |
| Position on cost curve | 40th percentile |
| Comment | C1 cash cost net of by products of $3.50 |

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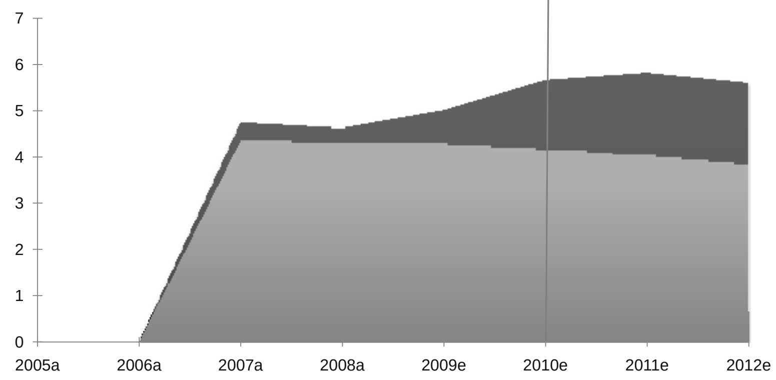
## 2 x 2010 growth strategy – Thermal coal

**Thermal coal * (million tonnes)**




* Tonnes attributable to African Rainbow Minerals
The "a" included in the x-axis refers to actual and the "e" to estimate



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## Delivering quality long-term growth projects: The Goedgevonden Project

| | Goedgevonden Thermal Coal |
|---|---|
| Capex committed to date | 95% |
| Stage | Commissioning |
| Commissioning (Calendar year) | 2009 |
| Full production (Financial year) | 2012 |
| Steady state | 3.5mt local; 3.2mt export |
| Position on cost curve | 25th percentile |
| Comment | Dragline opencast operation |

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# Delivering company transforming internal growth projects

## Potential Future Projects

- Konkola North Copper
- Modikwa Platinum expansion
- Smelter expansions
- Thermal Coal
- Kalplats Platinum

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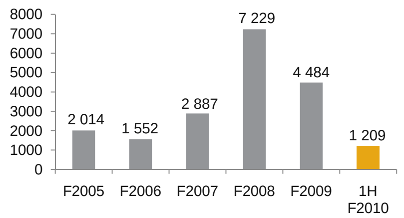
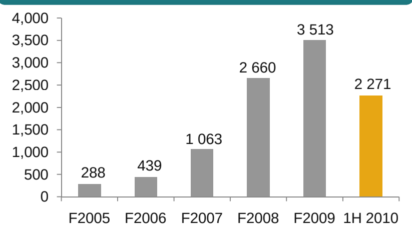
# Financial position strength continues

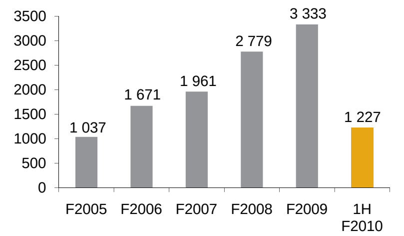
**EBITDA excluding exceptional items**
R million



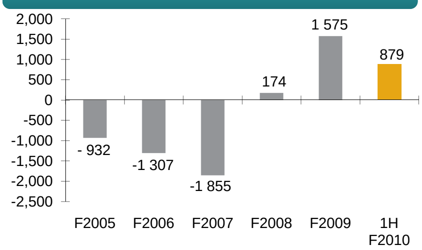

**Cash on statement of financial position**
R million




**Capital expenditure**
R million




**Net cash/(net debt) excluding partners loans**
R million

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# Questions

**Interim results for the six months ended 31 December 2009**

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# Appendix

**Interim results for the six months ended 31 December 2009**

# ARM operational summary

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| | | | | 1H F2010 | 1H F2009 | % change |
|---|---|---|---|---|---|---|
| **ARM Platinum** (100% basis) | **Modikwa** | PGMs in concentrate (6E) | Ounces | 183 449 | 181 968 | 1 |
| | | Cash cost | R/kg | 133 551 | 145 748 | (8) |
| | | Cash operating margin | % | 29 | (71) | |
| | **Two Rivers** | PGMs in concentrate | Ounces | 150 721 | 121 6783 | 24 |
| | | Cash cost | R/kg | 131 146 | 139 771 | (6) |
| | | Cash operating margin | % | 37 | (73) | |
| | **Nkomati** | Contained nickel | Tonnes | 3 785 | 2 495 | 52 |
| | | Chrome ore/ concentrate sold | 000 tonnes | 438 | 347 | 26 |
| | | C1 cash cost net of by-products | $/lb | 2.91 | 0.27 | >500 |
| | | Cash operating margin | % | 40 | 18 | 128 |
| **ARM Ferrous** (100% basis) | **Iron ore** | Sales tonnes | Mt | 4 452 | 3 455 | 29 |
| | | Change in costs compared to comparable period | % | (19.5) | 9.9 | |
| | | EBITA margin | % | 44.6 | 79.2 | (44) |
| | **Manganese ore** | Sales tonnes (excl intra-group sales) | Mt | 1 463 | 1 291 | 13 |
| | | Change in costs compared to comparable period | % | 25.9 | 34.4 | |
| | | EBITA margin | % | 34.7 | 87.5 | (60) |
| | **Manganese alloy** | Sales tonnes (excl intra-group sales) | kt | 120 | 70 | 71 |
| | | Change in costs compared to comparable period | % | 7.7 | 56.2 | |
| | | EBITA margin | % | 18.0 | 69.3 | 74 |
| | **Charge chrome** | Sales tonnes | kt | 75 | 65 | 15 |
| | | Change in costs compared to comparable period | % | 11.8 | 41.3 | |
| | | EBITA margin | % | (22.3) | 43.9 | |
| **ARM Coal** (Attributable) | **Thermal coal** | Total sales | Mt | 11.72 | 12.14 | (4) |
| | | On mine saleable cost | R/tonne | 200.27 | 184.26 | 5 |
| | | Operating margin | % | 34 | 47 | 27 |

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# ARM Exploration attributable headline loss reduced

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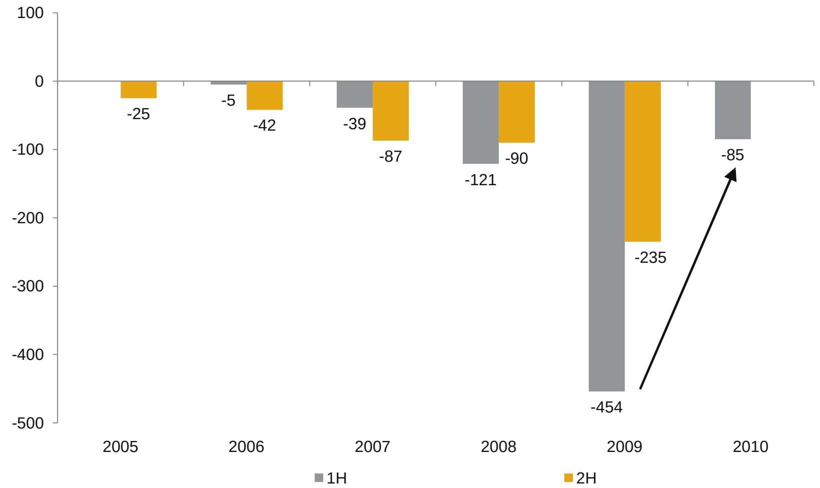
**Restructuring of ARM exploration together with the joint venture partnership with Vale yields a favourable impact on exploration costs**

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## Sufficient capacity to fund growth platforms

| Per statement of financial position | December 2009 | Net cash/ (Net debt) calculation | | |
|---|---|---|---|---|
| | | December 2009 | Dec 2008 | June 2009 |
| Cash and cash equivalents | | 2 271 | 3 660 | 3 513 |
| Long-term interest bearing borrowings | (2 743) | | | |
| Short-term interest bearing borrowings | (929) | | | |
| Total interest bearing borrowings | (3 672) | (3 672) | (4 220) | (3 744) |
| Assmang (50%) | (10) | | | |
| ARM company | (979) | | | |
| Vale/ARM JV | (8) | | | |
| Other | (37) | | | |
| Two Rivers | (344) | | | |
| Modikwa | (14) | | | |
| Modikwa (Anglo Platinum) | (132) | 132 | | 132 |
| Two Rivers (loan from Impala) | (539) | 539 | 586 | 539 |
| ARM Coal (loan from Xstrata) | (1 609) | 1 609 | 1 069 | 1 135 |
| ARM attributable total debt (excluding partner loans) | | (1 392) | (2 565) | (1 938) |
| **Net cash/ (Net debt) (excluding partner loans)** | | **879** | **1 095** | **1 575** |
| Net cash/ (Net debt) | | (1 401) | (560) | (231) |
| Net debt to equity | | 8% | 3% | 1% |

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## Summarised income statement

| | 6 months ended 31 December | | |
|---|---|---|---|
| | Unaudited | Unaudited | |
| **R million** | **2009** | **2008** | **% change** |
| Sales | **4 202** | 6 416 | (35) |
| Profit from operations (before exceptional items) | **744** | 3 313 | (78) |
| Income from investments | **136** | 205 | (34) |
| Finance costs | **(93)** | (224) | 58 |
| Income from associate | **15** | 180 | (92) |
| Exceptional items | **-** | (33) | |
| Taxation | **(276)** | (1 375) | 80 |
| Non-controlling interest | **(74)** | 165 | |
| Profit after tax and non-controlling interest | **452** | 2 231 | (80) |
| Headline earnings | **454** | 2 232 | (80) |
| Headline earnings cents per share | **214** | 1 055 | (80) |
| EBITDA | **1 209** | 3 675 | (67) |

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## Summarised cash flow

| | Unaudited | Unaudited |
|---|---|---|
| **R million** | **December 2009** | **December 2008** |
| Cash generated by operations | **895** | 4 553 |
| Net finance costs | **15** | 64 |
| Dividends received | **32** | 85 |
| Dividends paid | **(371)** | (847) |
| Tax paid | **(377)** | (1 057) |
| | **194** | 2 798 |
| Capital expenditure | **(1 213)** | (1 776) |
| Net borrowings raised / (repaid) | **(234)** | (67) |
| Other | **15** | 10 |
| **Net cash (decrease) / increase** | **(1 238)** | **965** |

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## Summarised statement of financial position

| | | Unaudited | Unaudited |
|---|---|---|---|
| **R million** | | **December 2009** | **December 2008** |
| **Non-current assets** | | **19 001** | 18 654 |
| Property, plant, equipment and other | | **12 697** | 10 962 |
| Investments | | **6 304** | 7 692 |
| | | | |
| **Current assets** | | **6 265** | 9 623 |
| Other | | **3 994** | 5 963 |
| Cash and equivalents | | **2 271** | 3 660 |
| **Total assets** | | **25 266** | 28 277 |
| | | | |
| Total Equity | | **16 745** | 17 022 |
| Non-current liabilities: | Long-term borrowings | **2 743** | 1 228 |
| | Other | **2 933** | 2 600 |
| Current liabilities: | Short-term borrowings | **929** | 2 992 |
| | Other | **1 916** | 4 435 |
| **Total equity and liabilities** | | **25 266** | 28 277 |

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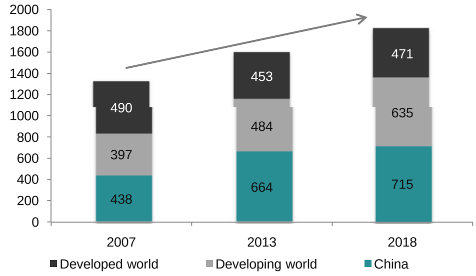
ARM African Rainbow Minerals

# Manganese and iron ore market outlook

- Both manganese and iron ore are used in the steelmaking process
- Manganese is used as an alloy agent and for its properties as a sulphide and deoxidant
- Average manganese consumption per tonne of steel is estimated at 10kg manganese alloy per 1mt of crude steel produced
- In 2009 South Africa, China, Australia and Gabon accounted for 69% of the world's manganese ore production
- Iron ore is used for its hardening qualities in steel production
- Although South Africa's share of the seaborne iron ore market is small relative to China, Australia and Brazil, South Africa benefits from good quality iron ore
- The world ex China uses c. 1.1 tonnes of iron ore per 1 tonne of steel produced
- China 's consumption of iron ore per tonne of steel, however, has increased since 2002. In 2009 it was estimated to be 32% higher than the rest of the world
- The outlook on steel is a positive growth trend driven mainly by China and the rest of the developing world
- This positive growth trend is expected to translate to increased demand in iron ore and manganese




Source: World steel; base steel demand scenario, CCM/Corporate Strategy demand model (November 2009)

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