African Rainbow Minerals

"ARM achieved very good unit cash cost control at most operations and maintained a robust financial position in a low commodity price environment."

Patrice Motsepe

Executive Chairman

Khumani Iron Ore Mine

African Rainbow Minerals

Overview and strategy

Patrice Motsepe, 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.

Group structure

ARM African Rainbow Minerals

- **100% ARM Platinum**
  - **PGMs**: **41.5%** Modikwa[1]; **51%** Two Rivers[2]
  - **Nickel, PGMs & Chrome**: **50%** Nkomati
  - **PGM Exploration**: **46%** Kalplats
- **100% ARM Ferrous**
  - **Iron Ore**: **50%** Khumani; **50%** Beeshoek
  - **Manganese Ore**: **50%** Nchwaning; **50%** Gloria
  - **Manganese Alloys**: **50%** Cato Ridge; **25%** Cato Ridge Alloys; **50%** Machadodorp; **27%** Sakura
  - **Chrome Ore**: **50%** Dwarsrivier [3]
  - **Charge Chrome**: **50%** Machadodorp
- **10%** (Participating Coal Business)
- **51% ARM Coal**
  - **Coal**: **20%** Participating Coal Business
  - **Coal**: **51%** Goedgevonden
- **100% ARM Copper**
  - **Copper**: **40%** Lubambe and Lubambe Extension
- **100% ARM Exploration**
  - PGMs
  - Manganese Ore
  - Coal
  - Base metals
- **14.6% Gold: Harmony**

1. ARM's effective interest in Modikwa Mine is 41.5%, local communities hold 8.5% of Modikwa Mine.
2. ARM and Impala Platinum have agreed to increase ARM's shareholding in Two Rivers' Mine from 51% to 54% on the incorporation of the Tamboti rights into Two Rivers Mine.
3. Ministerial consent has been received for the disposal of ARM's shareholding in Dwarsrivier Chrome Mine. The remaining conditions precedent for the disposal are expected to be finalised by the end of March 2016.

Salient features

Headline earnings decreased by 51% to R507 million (1H F2015: R1 026 million). Headline earnings per share were 233 cents compared to 473 cents in the corresponding period.

Basic earnings were a loss of R996 million (1H F2015: R801 million basic earnings) and were impacted mainly by a R1 404 million attributable impairment of the Lubambe Copper Mine assets.

Good cost reduction initiatives implemented at all operations resulted in on-mine unit costs at most operations increasing below the inflation rate.

Salient features

African Rainbow Minerals

Capital expenditure reduced by 27% to R589 million (1H F2015: R810 million) while attributable capital expenditure at ARM Ferrous was R779 million (1H F2015: R802 million).

ARM's financial position remains robust despite the commodity market downturn.

The Lubambe Copper Mine plan is under review to reduce cash funding requirements and preserve its resource value.

The Modikwa Platinum Mine recovery plan implemented at the end of F2015 is yielding positive results.

Salient features

African Rainbow Minerals

Ministerial consent was received in December 2015 for the disposal of ARM's 50% shareholding in Dwarsrivier Chrome Mine. Completion of the transaction is expected to occur by 31 March 2016.

ARM and Impala Platinum have agreed to increase ARM's shareholding in Two Rivers Mine from 51% to 54% on the incorporation of the Tamboti rights into Two Rivers Mine.

ARM is in the process of seeking shareholder approval to restructure the ARM BBEE Trust to ensure a permanent and sustainable funding solution for the Trust.

Safety

ARM maintained a good safety record in the six months under review. The Lost Time Injury Frequency Rate (LTIFR) for 1H F2016 improved to 0.32 per 200 000 man-hours (1H F2015: 0.40).

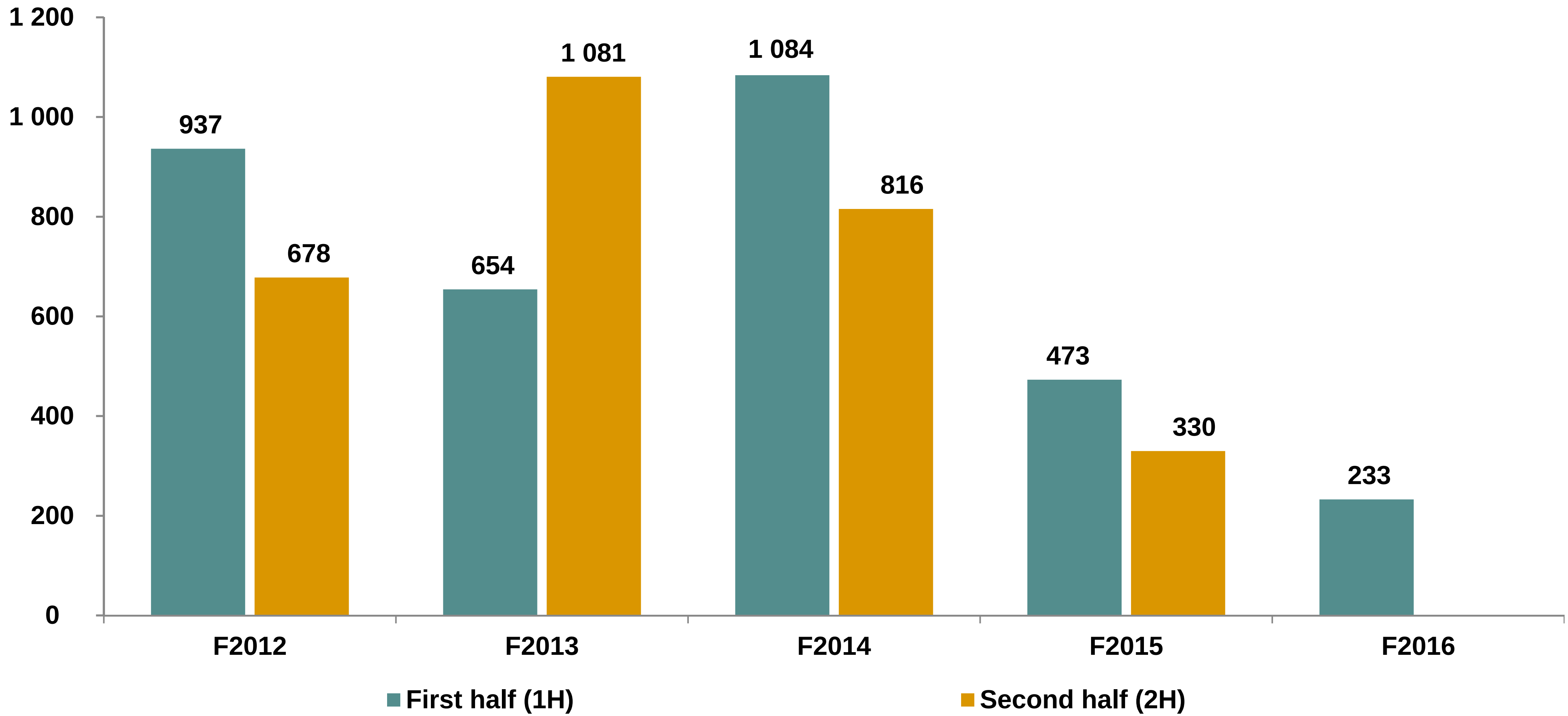
Beeshoek Mine completed 13.5 years fatality-free.

Modikwa, Lubambe and Black Rock mines achieved two, three and four million fatality-free shifts respectively.

Headline earnings per share

African Rainbow Minerals

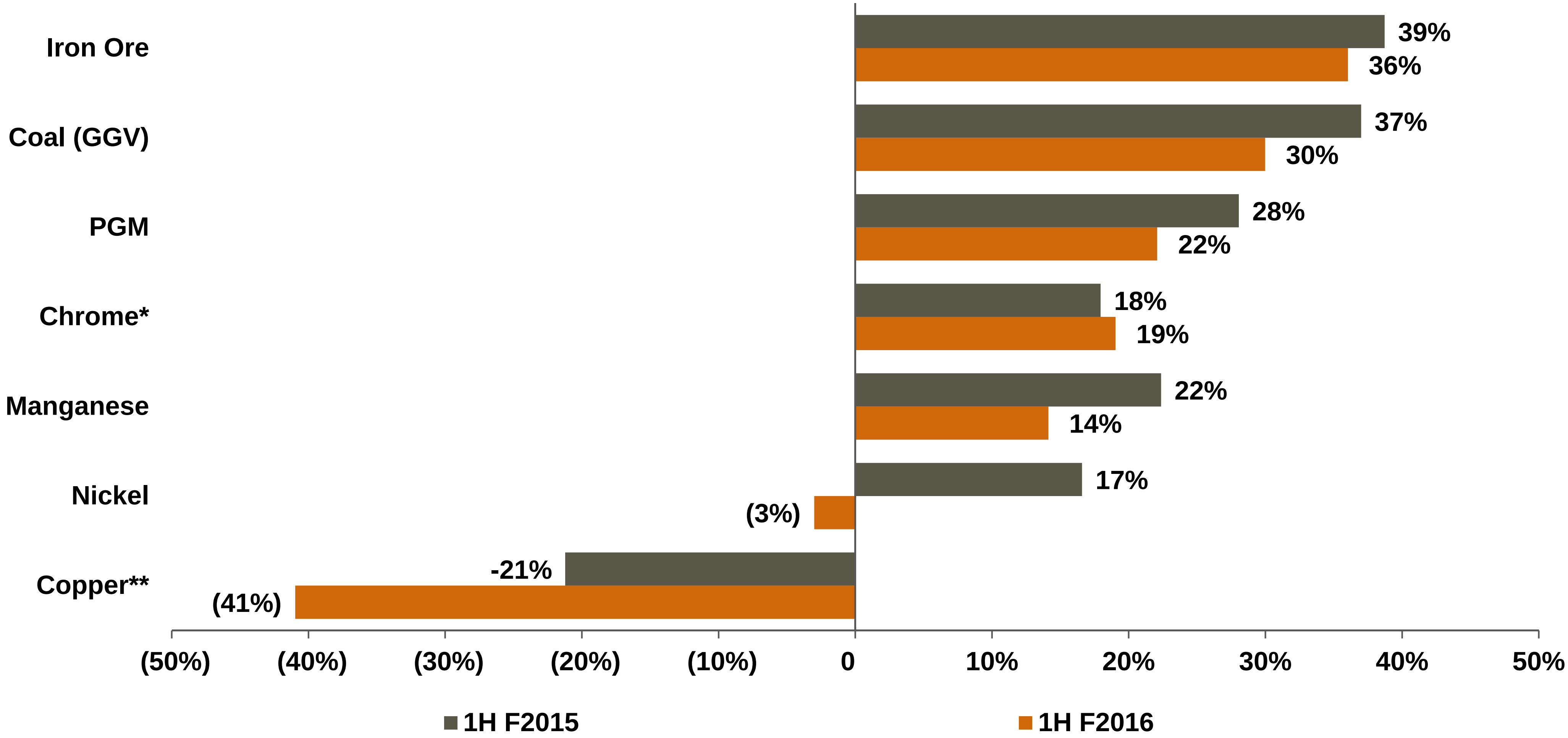
Headline earnings per share (cents)



EBITDA margins

African Rainbow Minerals

Segmental EBITDA margins by commodity (%)



** The Chrome Division includes Dwarsrivier Chrome Mine which is reflected as a discontinued operation under the ARM Ferrous segmental information.*

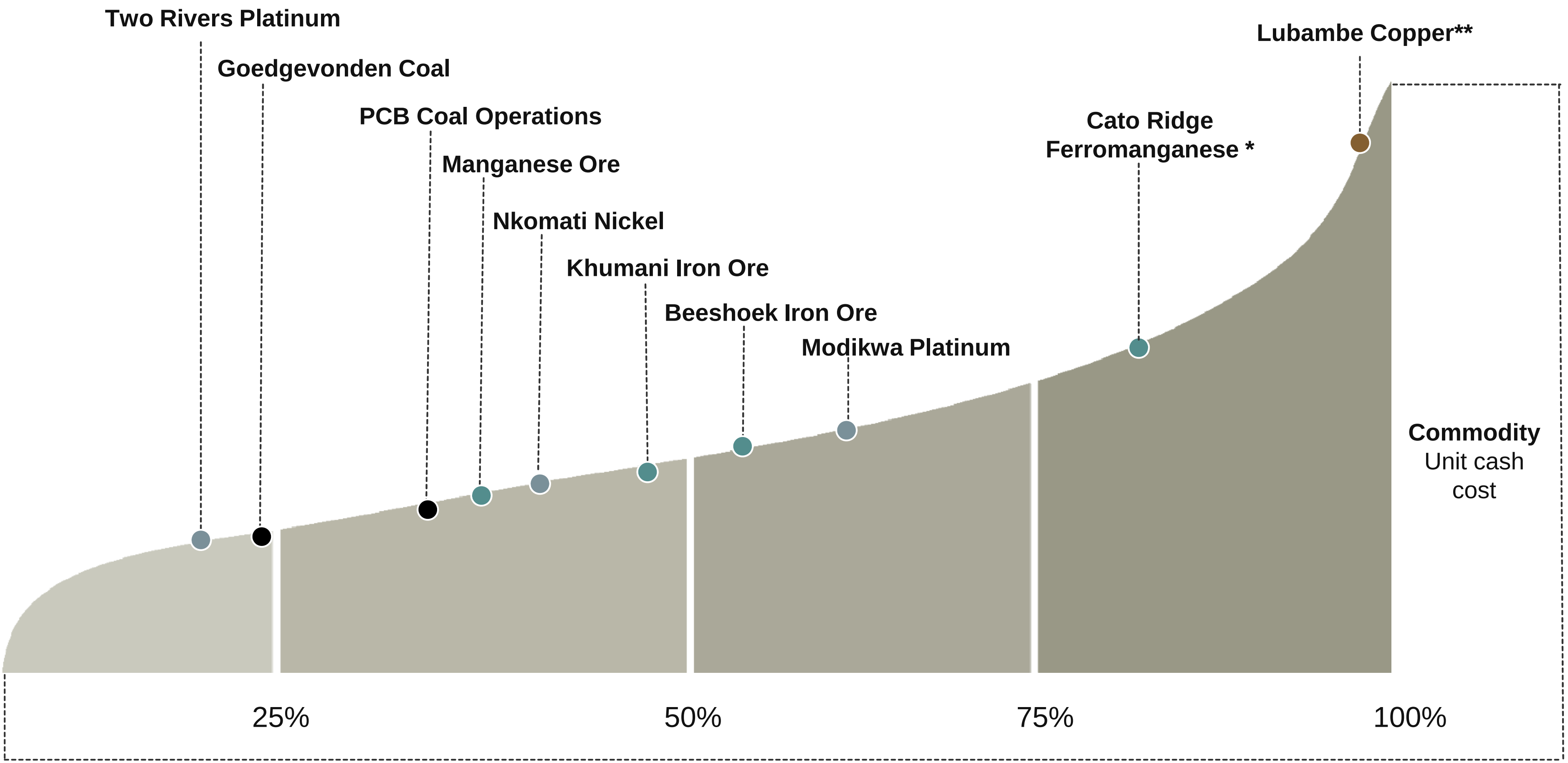
*** The Lubambe Copper Mine is under review.*

ARM strategy

Operational efficiencies

African Rainbow Minerals

ARM's objective is to ensure that all operations are below the 50th percentile



Percentile on cost curve (based on cumulative production)

**At the Cato Ridge Ferromanganese operation only three of the six furnaces are operating.*

*** The Lubambe Copper Mine is under review.*

Nkomati Nickel Mine

ARM
African Rainbow Minerals

Operational review

Mike Schmidt, Chief Executive Officer

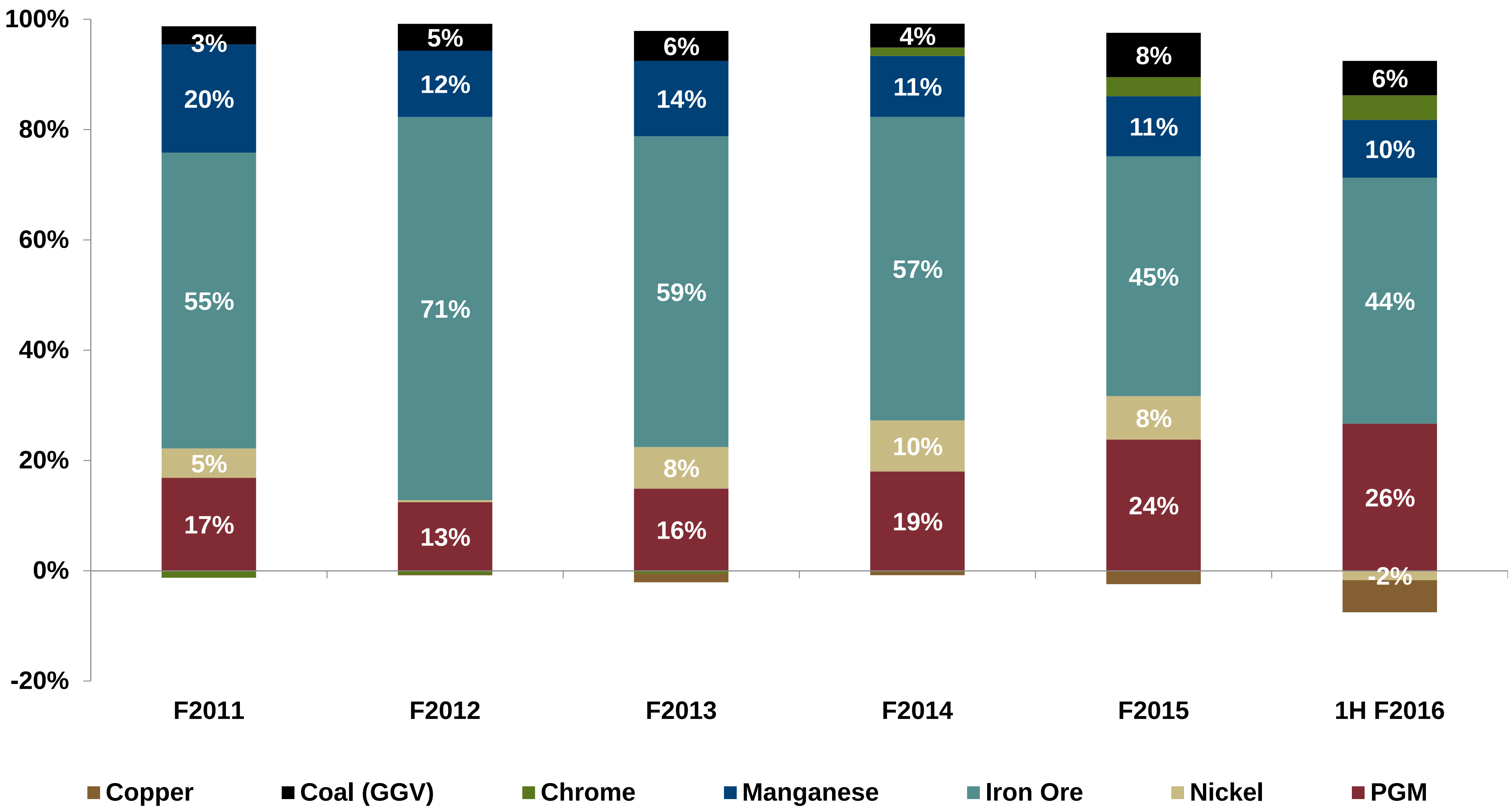
Headline earnings/ (loss) by operation/ division

	six months ended 31 December		
R million	2015	2014	% change
ARM Platinum	**(9)**	**277**	**(103)**
Two Rivers Mine	155	176	(12)
Modikwa Mine	(47)	-	-
Nkomati Mine	(117)	101	(216)
ARM Ferrous	**599**	**833**	**(28)**
Iron ore division	478	591	(19)
Manganese division	97	236	(59)
Chrome division	39	28	39
Consolidation adjustment	(15)	(22)	
ARM Coal	**(129)**	**(10)**	**>(250)**
Goedgevonden Mine	(24)	58	(141)
PCB Operations	(105)	(68)	(54)
ARM Copper	**(275)**	**(233)**	**(18)**
ARM Exploration	**(10)**	**(40)**	**75**
Gold	**-**	**-**	**-**
Corporate and other	**331**	**199**	**66**
ARM headline earnings	**507**	**1 026**	**(51)**

Contribution of commodities in our diversified portfolio

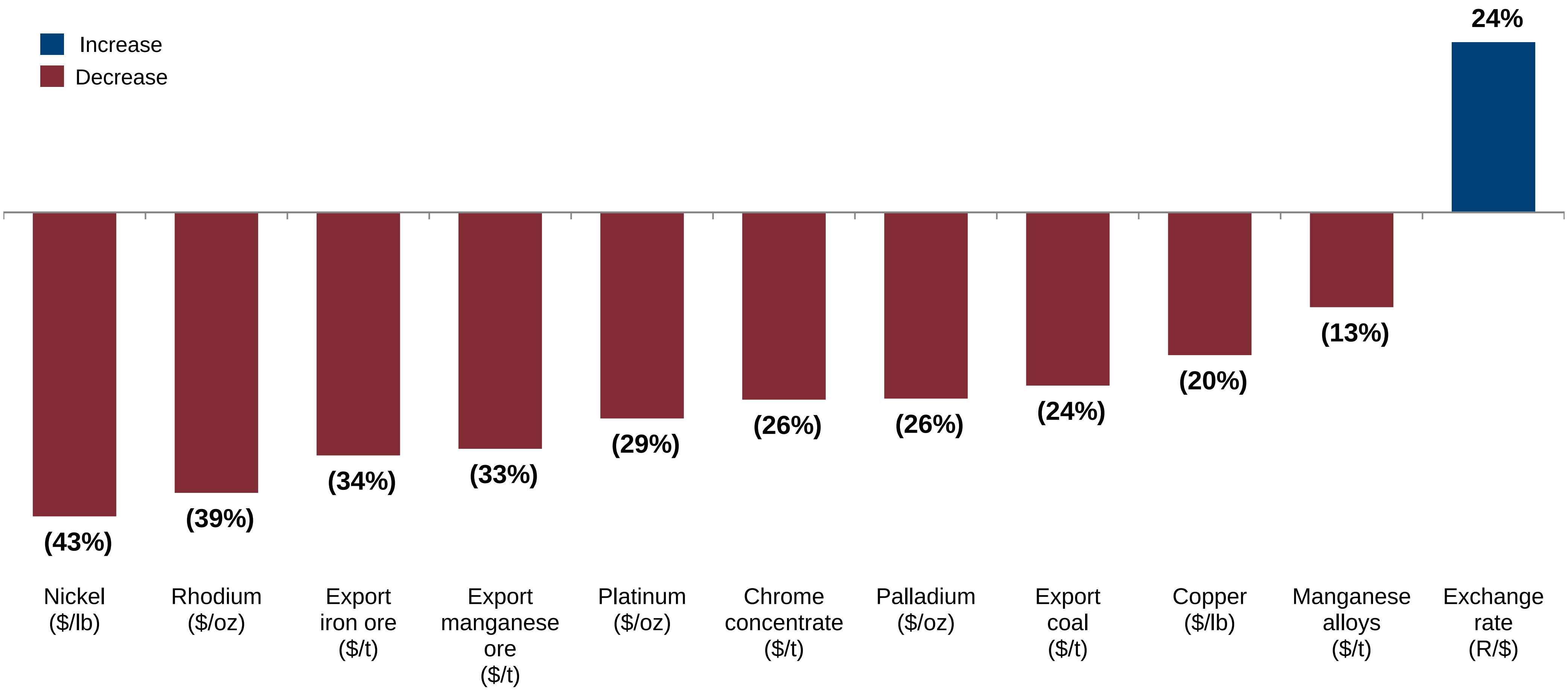
African Rainbow Minerals

Segmental EBITDA split by commodity (%)



Changes in average realised US Dollar prices and average exchange rate

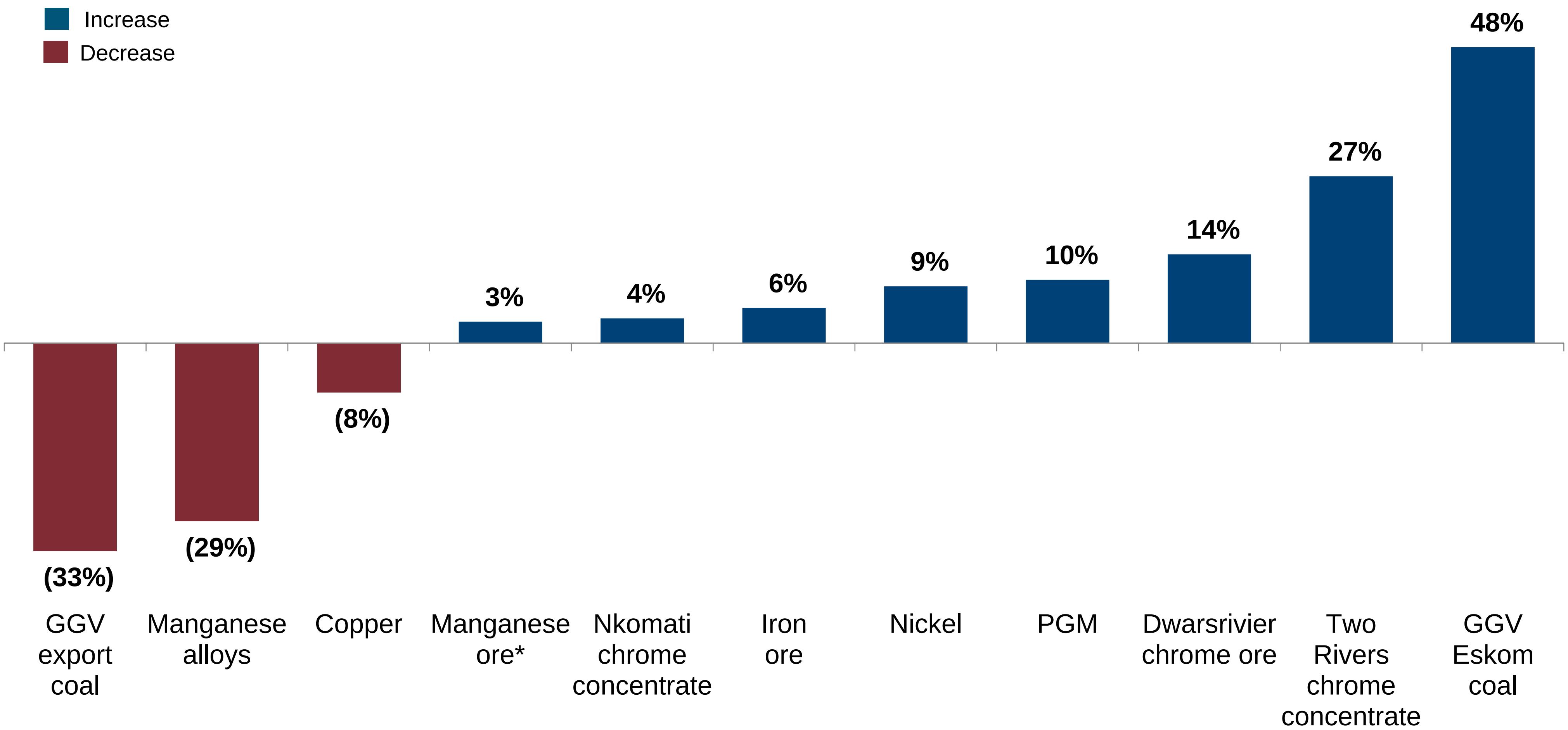
1H F2016 versus 1H F2015 average realised US Dollar prices and average exchange rate changes (%)



Changes in sales volumes

African Rainbow Minerals

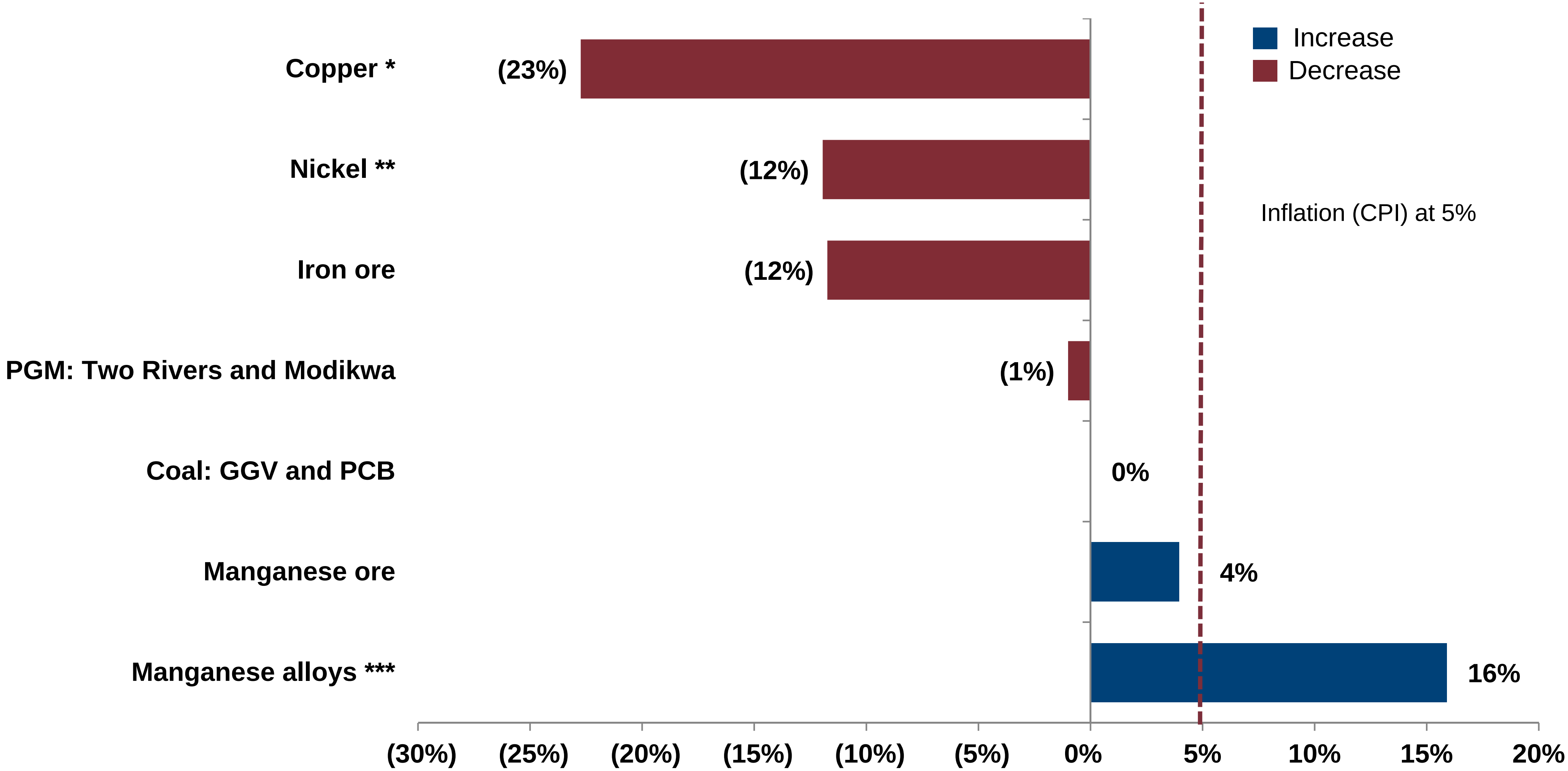
1H F2016 versus 1H F2015 sales volume changes (%)



**External sales only.*

Unit cost changes by commodity

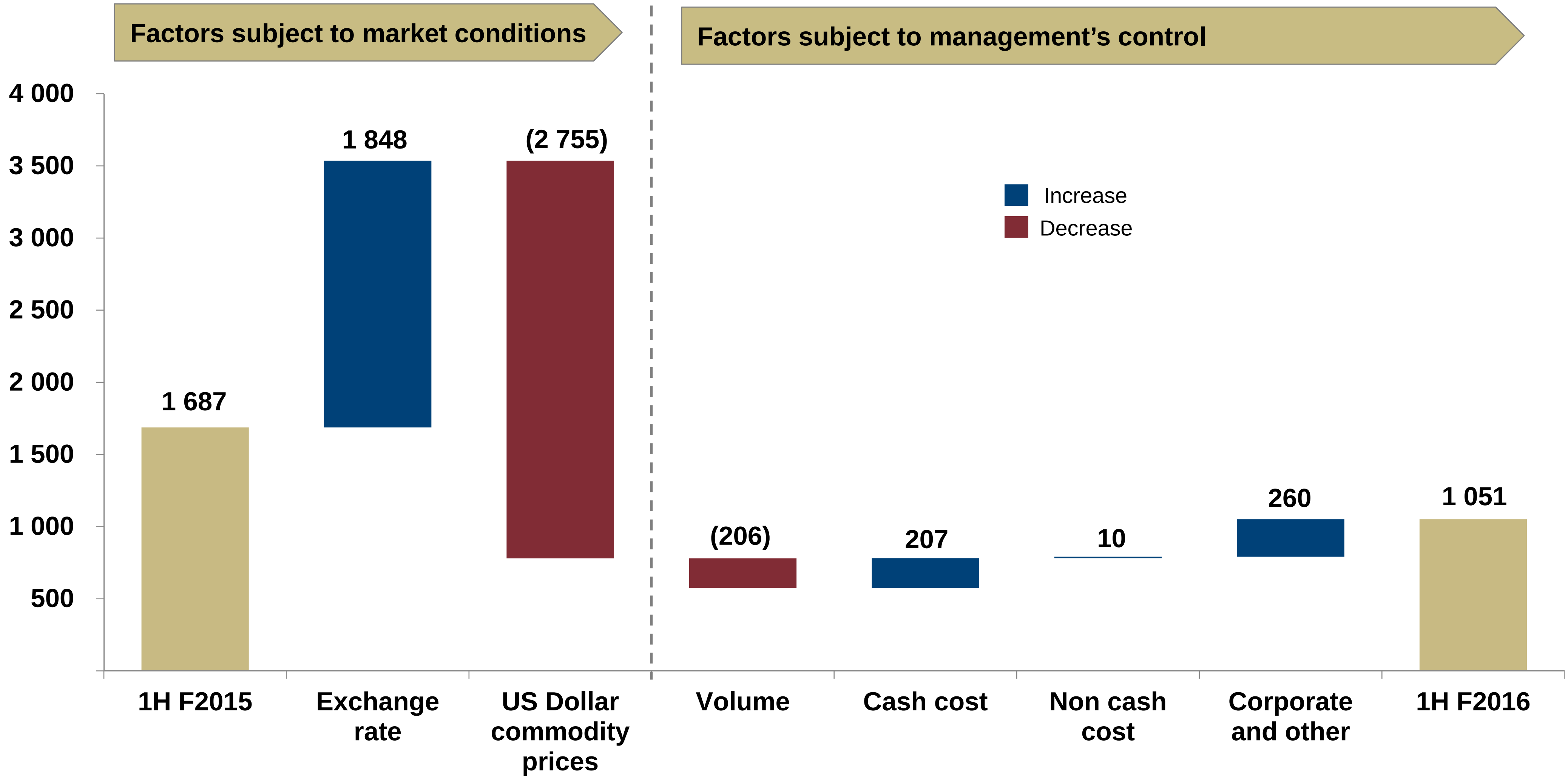
1H F2016 versus 1H F2015 on-mine unit production cost changes (%)



** The change in copper unit costs refers to C1 cash costs on a US Dollar per pound basis.*
*** The change in nickel unit cost refers to the C1 unit cash cost net of by-products on a US Dollar per pound basis.*
**** Production volumes at the manganese alloy operations were strategically reduced.*

Segmental profit variance analysis

Unaudited profit variance analysis – Profit from operations before special items (R million)



1H F2016 unit cash cost by operation

African Rainbow Minerals

	Unit	Unit Rand Cost	Unit US Dollar Cost*
ARM Platinum			
Two Rivers Mine	per 6E ounce	5 368	394
Modikwa Mine	per 6E ounce	7 970	586
Nkomati Mine	C1 cash cost per pound net of by products	60	4.40
ARM Ferrous			
Iron ore division	per tonne (FOB)**	402	29.55
Manganese ore operations	per tonne (FOB)**	1 216	89.35
Manganese alloy operations	per tonne	10 254	753
ARM Coal			
Goedgevonden Mine	per export tonne (FOB)**	419	30.78
PCB Operations	per export tonne (FOB)**	511	37.57
ARM Copper			
Lubambe Mine	per pound		2.39

The average R/US$ exchange rate used to convert the unit Rand costs to US Dollars is R13.61/US$.
***** FOB - Free on Board.***

ARM Ferrous: Iron ore

ARM African Rainbow Minerals

The iron ore operations achieved a 12% reduction in on-mine unit costs.

Khumani increased its lumpy yield from 50% to 52%. The mine is targeting a 55% lumpy yield.

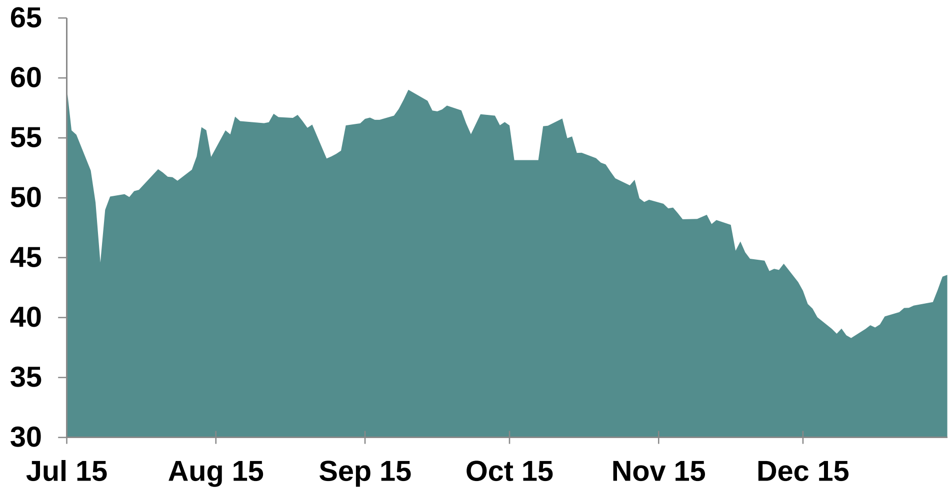
The Khumani off-grade plant yield increased by 3% from 60% to 63%.

The Khumani pit design has been optimised thus reducing the life of mine stripping ratio from 2.6 to 1.9. The life of mine is expected to be 23 years after the optimisation.

Iron ore operational performance (100% basis)

		1H F2016	1H F2015	% change
Export sales volumes	*000 tonnes*	6 558	5 999	9
Local sales volumes	*000 tonnes*	1 362	1 461	(7)
Change in on-mine unit production costs	*%*	(12)	2	
Capital expenditure	*R million*	518	710	(27)

62% iron ore fines spot price CIF* (US$/t)



** CIF – Cost Insurance and Freight*

Source: INet Bridge

ARM Ferrous: Manganese ore

ARM African Rainbow Minerals

On-mine unit production costs increased by only 4% compared to a 19% increase in 1H F2015.

The Black Rock Mine labour complement was reduced by 750 people.

Further cost saving initiatives are being implemented which are expected to positively impact costs in the second half of the financial year.

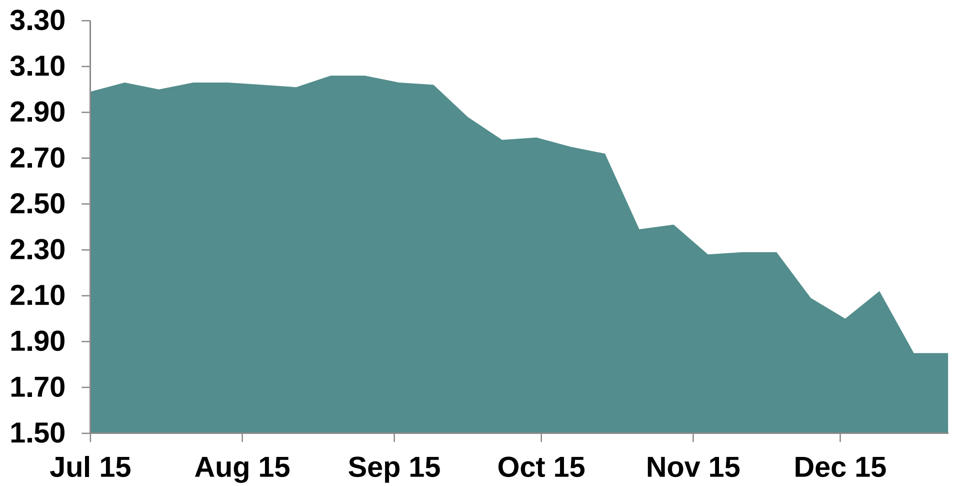
The upgrade of the Nchwaning 2 Shaft is progressing on schedule. Sales volumes will be maintained from stockpiles during the four months of the shutdown.

Manganese ore operational performance (100% basis)

		1H F2016	1H F2015	% change
Export sales volumes	*000 tonnes*	**1 433**	**1 383**	**4**
Local sales volumes*	*000 tonnes*	**38**	**39**	**(3)**
Change in unit production costs	*%*	**4**	**19**	
Capital expenditure	*Rm*	**1 047**	**832**	**26**

** Excluding intragroup sales*

44% manganese ore spot prices CIF* Tianjin (US$/mtu)



** CIF – Cost Insurance and Freight*

Source: INet Bridge

ARM Ferrous: Manganese alloys

ARM African Rainbow Minerals

Sales volumes have been reduced as a result of a decision to close down uneconomical furnaces.

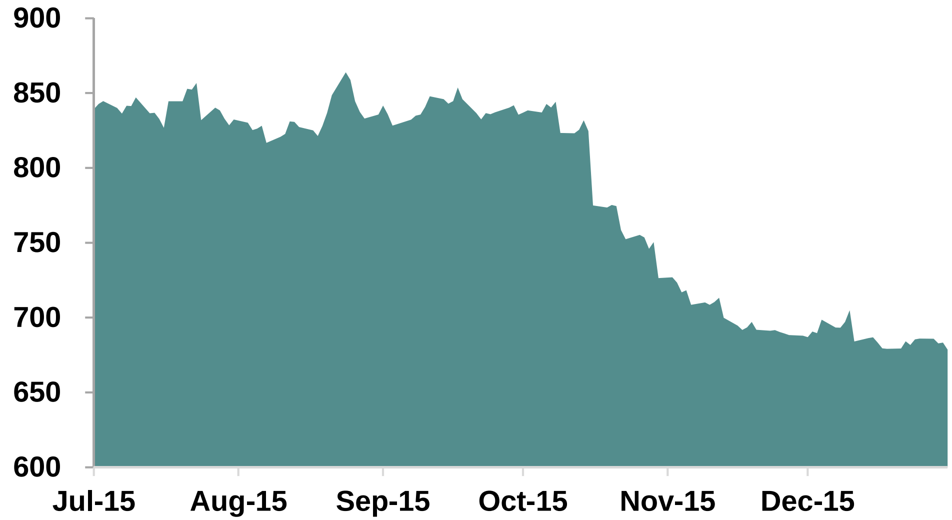
The only production remaining at Machadodorp Works is the recovery of ferrochrome from the slag dump, which has 18 months left.

The Sakura Ferroalloys Project starts hot commissioning in March 2016.

Manganese alloys operational performance (100% basis)

		1H F2016	1H F2015	% change
Sales volumes	*000 tonnes*	80	112	(29)
Change in unit production costs	*%*	16	4	
Capital expenditure	*Rm*	2	17	(88)

78% Ferromanganese spot price (US$/t)



Source: INet Bridge

ARM Platinum: PGM

ARM African Rainbow Minerals

Good unit cost control was achieved at the Modikwa and Two Rivers mines.

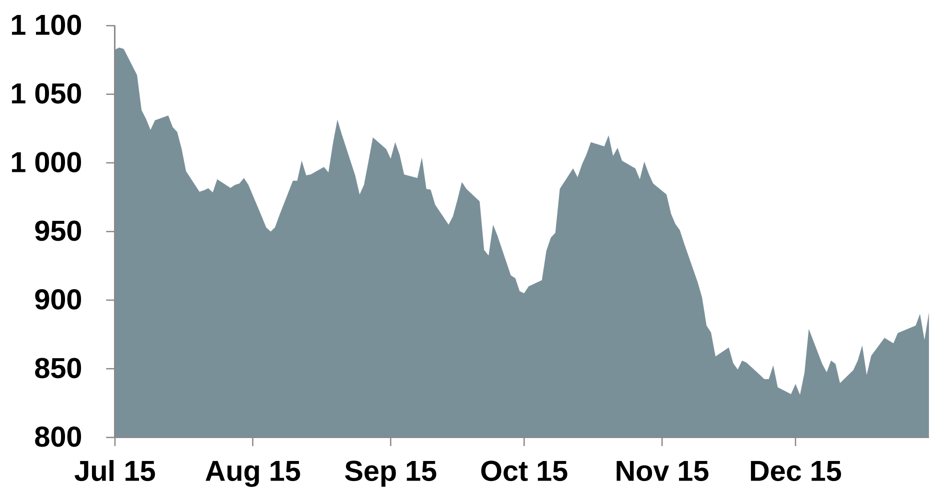
Modikwa Mine production volumes and unit costs are improving steadily.

A continuous improvement in efficiencies is expected from Modikwa Mine.

PGM operational performance (100% basis)

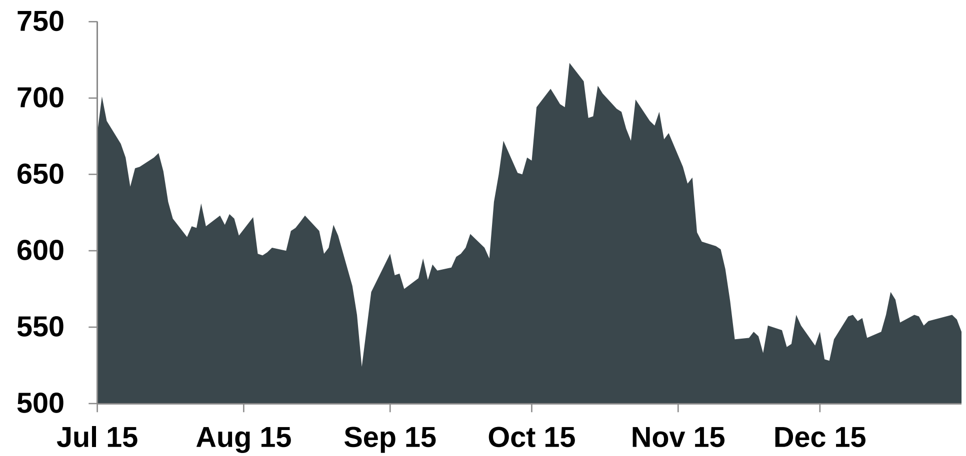
		1H F2016	1H F2015	% change
Production	*000 oz*	**437 207**	**396 813**	**10**
Modikwa cash cost	*R/oz 6E*	**7 970**	**8 029**	**(1)**
Two Rivers cash cost	*R/oz 6E*	**5 368**	**5 376**	**-**
Capital expenditure	*Rm*	**376**	**574**	**(34)**

Platinum spot price (US$/oz)



Source: INet Bridge

Palladium spot prices (US$/oz)



Source: INet Bridge

ARM Platinum: Modikwa Mine restructuring

African Rainbow Minerals

North 1 Shaft is performing well and commissioned two new operating levels with conveyor belts.

Equipping of South 2 Shaft is accelerating and is expected to commission in May 2016.

Mining at South 1 Shaft will be phased out over time and the labour will be redeployed to South 2 Shaft.

Annual production of 330 000 6E PGM ounces is targeted by F2017 at unit production costs of approximately R1 150 per tonne milled.

ARM Platinum: Nkomati Mine

ARM African Rainbow Minerals

All underground mining was stopped in December 2015.

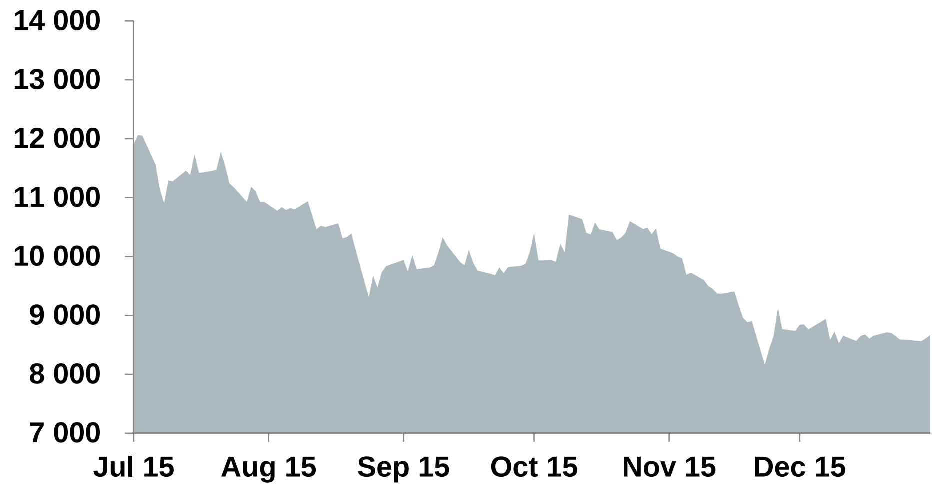
Waste stripping has been reduced for four months starting in December 2015. The reduced waste stripping will not affect the milling profile.

Labour costs are being reduced and non-core contracts have been terminated. A process is underway to reduce the Nkomati Mine labour complement.

Nickel C1 cash costs net of by-products

		1H F2016	1H F2015	% change
On-mine cash cost	*US$/lb*	**4.54**	**6.07**	**(25)**
Off-mine cash cost	*US$/lb*	**2.78**	**2.56**	**9**
By-product credits	*US$/lb*	**(2.92)**	**(3.63)**	**(20)**
C1 cash cost net of by-products	*US$/lb*	**4.40**	**5.00**	**(12)**
On-mine unit cost	*R/t milled*	**313**	**291**	**8**
Off-mine unit cost	*R/t milled*	**228**	**181**	**26**
Total unit cost	*R/t milled*	**540**	**473**	**14**

Nickel spot price (US$/t)



Source: INet Bridge

ARM Coal: GGV and PCB

ARM African Rainbow Minerals

GGV Mine reduced production volumes due to oversupply in the seaborne market and mining through a lower seam width area.

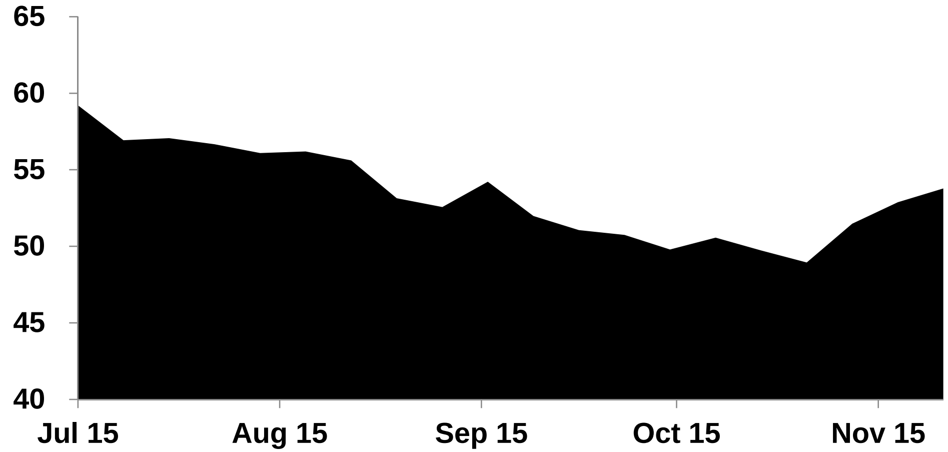
More thermal coal is being sold to India and North Africa which are able to take lower quality coal.

The Tweefontein Optimisation Project has been commissioned and is expected to reach the steady state production rate by the end of F2016.

GGV and PCB operational performance (100% basis)

		1H F2016	1H F2015	% change
Total export sales volumes	*Mt*	8.93	8.93	-
Total Eskom sales volumes	*Mt*	2.44	2.09	17
GGV on-mine saleable cost	*R/t*	215.50	189.10	14
PCB on-mine saleable cost	*R/t*	293.20	341.23	(14)

Thermal coal spot price FOB Richards Bay (US$/t)



Source: INet Bridge

ARM Copper: Lubambe Mine

ARM African Rainbow Minerals

A number of plans for the way forward for the mine are being evaluated to reduce cash requirements from the partners and preserve its resource value.

An attributable impairment of R1 404 million was recorded mainly as a result of a revision to:

(i) the short to medium term copper price outlook;

(ii) the mining plan; and

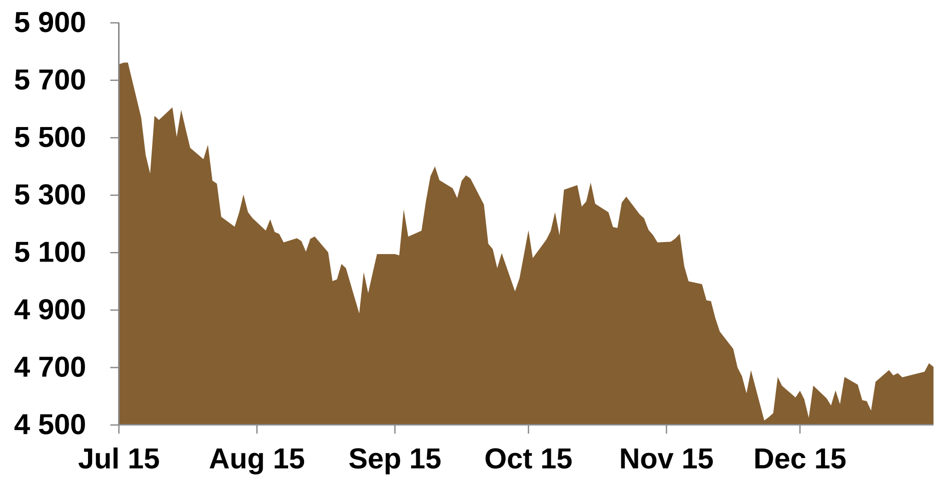
(iii) the discount rate used in the valuation of the Lubambe Mine.

Most expatriate contracts at Lubambe Mine have been terminated.

Lubambe Mine operational performance (100% basis)

		1H F2016	1H F2015	% change
Milled tonnes	*000t*	715	860	(17)
Mill head grade	*% Cu*	2.00	1.83	
Concentrator recovery	*%*	81.1	80.0	
Copper produced	*tonnes*	11 711	12 563	(7)
Copper sold	*tonnes*	11 714	12 718	(8)
C1 cash cost	*US$/lb*	2.39	3.11	(23)

Copper spot price (US$/t)



Source: INet Bridge

ARM Copper: Lubambe Mine

From March 2016 tonnes milled will be reduced to 80 000 tonnes per month yielding 14 000 tonnes of copper per annum for 2-3 years.

All ramp waste capital development has been stopped.

The mine's labour complement has been reduced.

Mine ramp up to full production is expected to commence in F2019 and reach full production in F2021 depending on the copper market.

Net debt to equity ratio

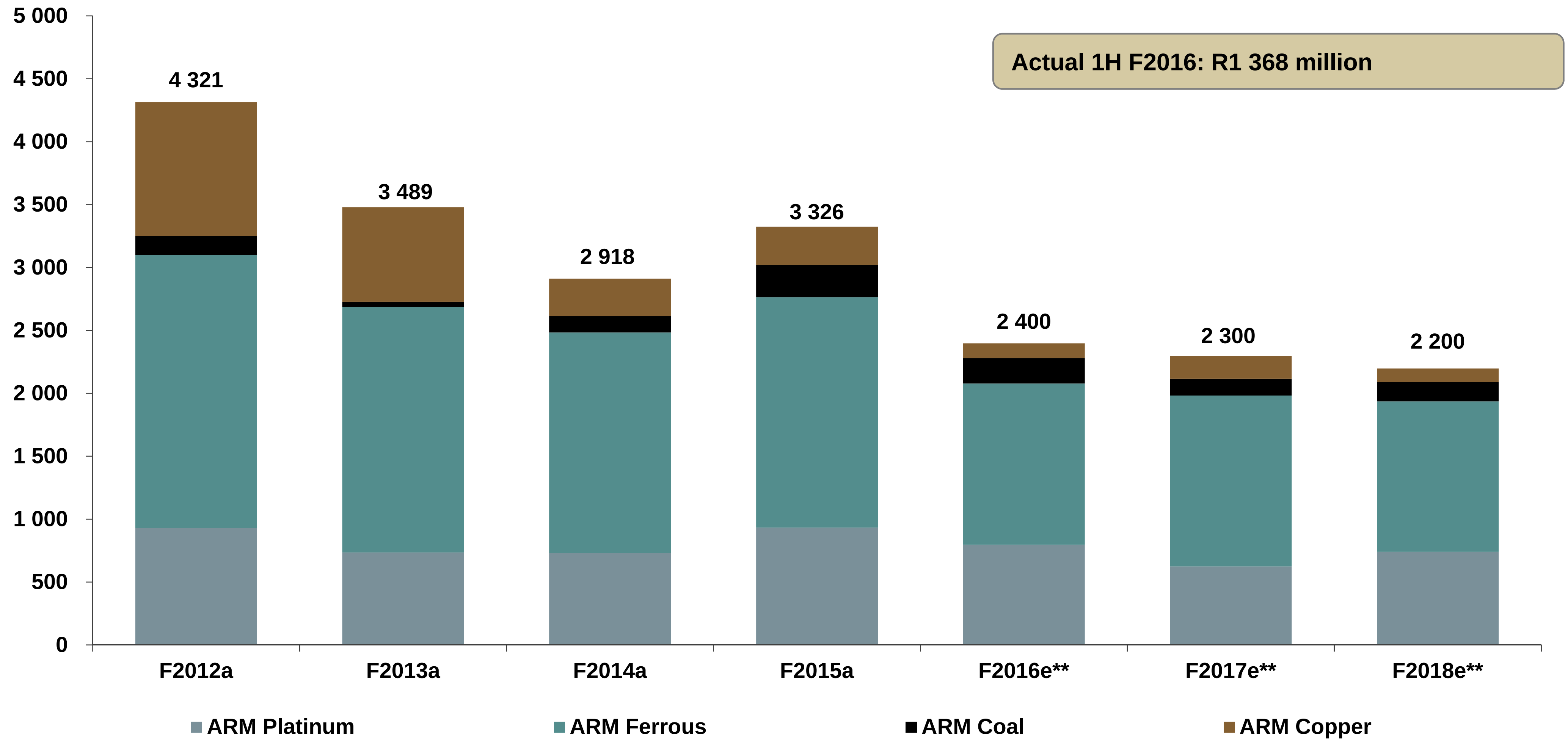
African Rainbow Minerals

R million	**31 December 2015**	**31 December 2014**	**30 June 2015**
Short-term borrowings	(1 357)	(1 557)	(1 371)
Long term borrowings	(2 767)	(2 363)	(2 511)
Total gross borrowings	**(4 124)**	**(3 920)**	**(3 882)**
Cash and cash equivalents	1 444	1 976	2 257
Net debt	**(2 680)**	**(1 944)**	**(1 625)**
Net debt to equity ratio	**10.9%**	**7.0%**	**6.0%**
Attributable cash and cash equivalents at ARM Ferrous	2 036	2 473	2 471

Capital allocation: segmental analysis

African Rainbow Minerals

Capital expenditure (R million)*



** Capital expenditure includes (i) deferred stripping at Nkomati and Khumani mines, (ii) Eskom sub-station as a finance lease at Nkomati Mine (iii) financed fleet replacement and sustaining capital expenditure but excludes the Sakura Ferroalloys Project.*
*** The forecasted capital expenditure for F2016 to F2018 is an estimation based on approved projects and projects under consideration.*

African Rainbow Minerals

Thank you

We do it better