African Rainbow Minerals

"Headline earnings increase by 234% to R1.69 billion mainly due to strong earnings from iron ore, manganese ore and Two Rivers.

Improved results for Nkomati, Lubambe and PCB Coal."

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 epidemic 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
  - **Charge Chrome**
    - **50%** Machadodorp
- 10% — (Coal: 20% Participating Coal Business)
- 51% — **ARM Coal**
  - **Coal**
    - **20%** Participating Coal Business (PCB)[3]
  - **Coal**
    - **51%** Goedgevonden (GGV)[3]
- 100% — **ARM Copper**
  - **Copper**
    - **40%** Lubambe and Lubambe Extension Area
- 100% — **ARM Strategic Services and 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 Implats reached an agreement to increase ARM's shareholding in Two Rivers Mine from 51% to 54%. Completion of the agreement is awaiting a Section 11 consent to transfer ownership of mining assets from ARM to Two Rivers.
3. ARM's effective interest in GGV is 26% and 20.2% in PCB.

Salient features

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Headline earnings increased by 234% to R1 693 million (1H F2016: R507 million).

Headline earnings per share increased by 283% to 893 cents compared to 233 cents in the corresponding period last year.

Basic earnings were a loss of R254 million (1H F2016: R996 million loss) and were mainly impacted by:

(i) an attributable impairment of the Nkomati Nickel Mine assets of R711 million after tax and

(ii) an attributable impairment of the Modikwa Platinum Mine assets of R734 million after tax and non-controlling interest.

Salient features

US$ prices for the ARM suite of commodities increased significantly during the last quarter of the reporting period.

Good cost containment achieved at all mines except Goedgevonden (GGV) and Nkomati where unit costs increased as a result of lower production.

Attributable segmental capital expenditure decreased by 15% to R1 159 million (1H F2016: R1 368 million).

Salient features

Cash dividends received from the Assmang joint venture increased to R988 million (1H F2016: R500 million).

ARM's financial position continues to be robust with a net debt to equity ratio of 15.4%.

Since the period end, ARM received a dividend of R1.5 billion from Assmang.

Safety

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All operations remain fatality free.

The Lost Time Injury Frequency Rate (LTIFR) for the financial year-to-date was 0.33 per 200 000 man-hours (compared to 0.32 at end December 2015).

Black Rock and Modikwa mines achieved five million and three million fatality-free shifts respectively.

Six-monthly headline earnings

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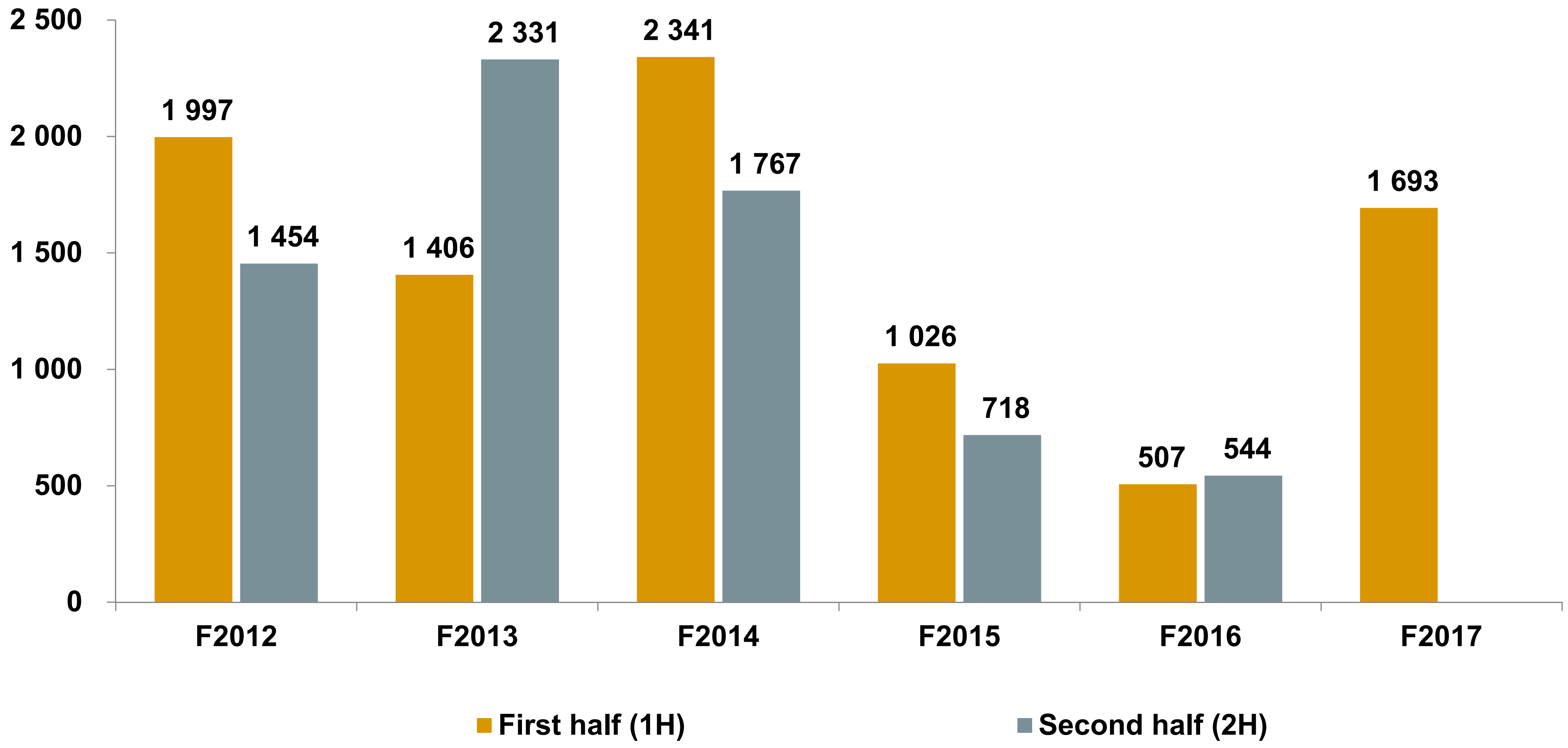
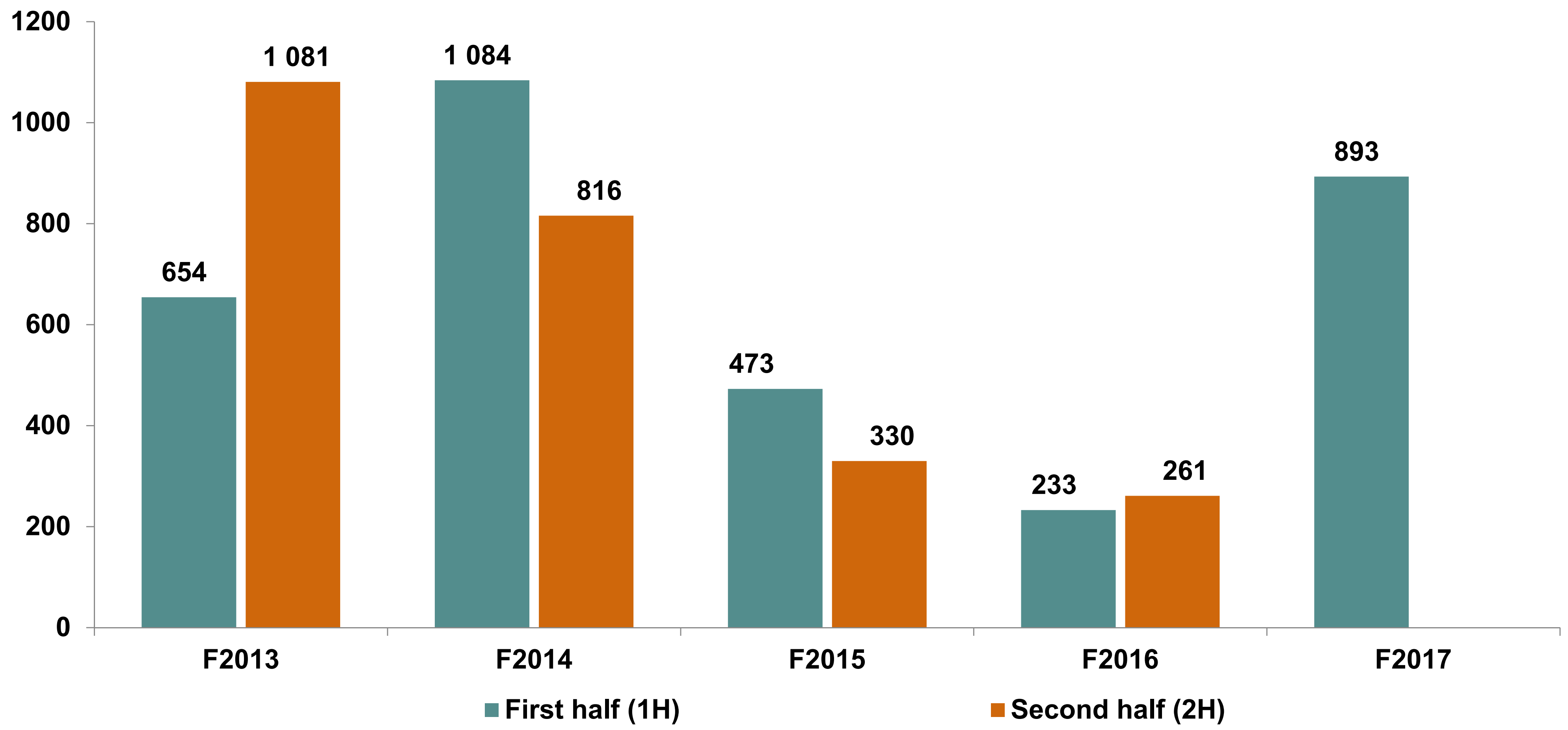
Headline earnings (R million)



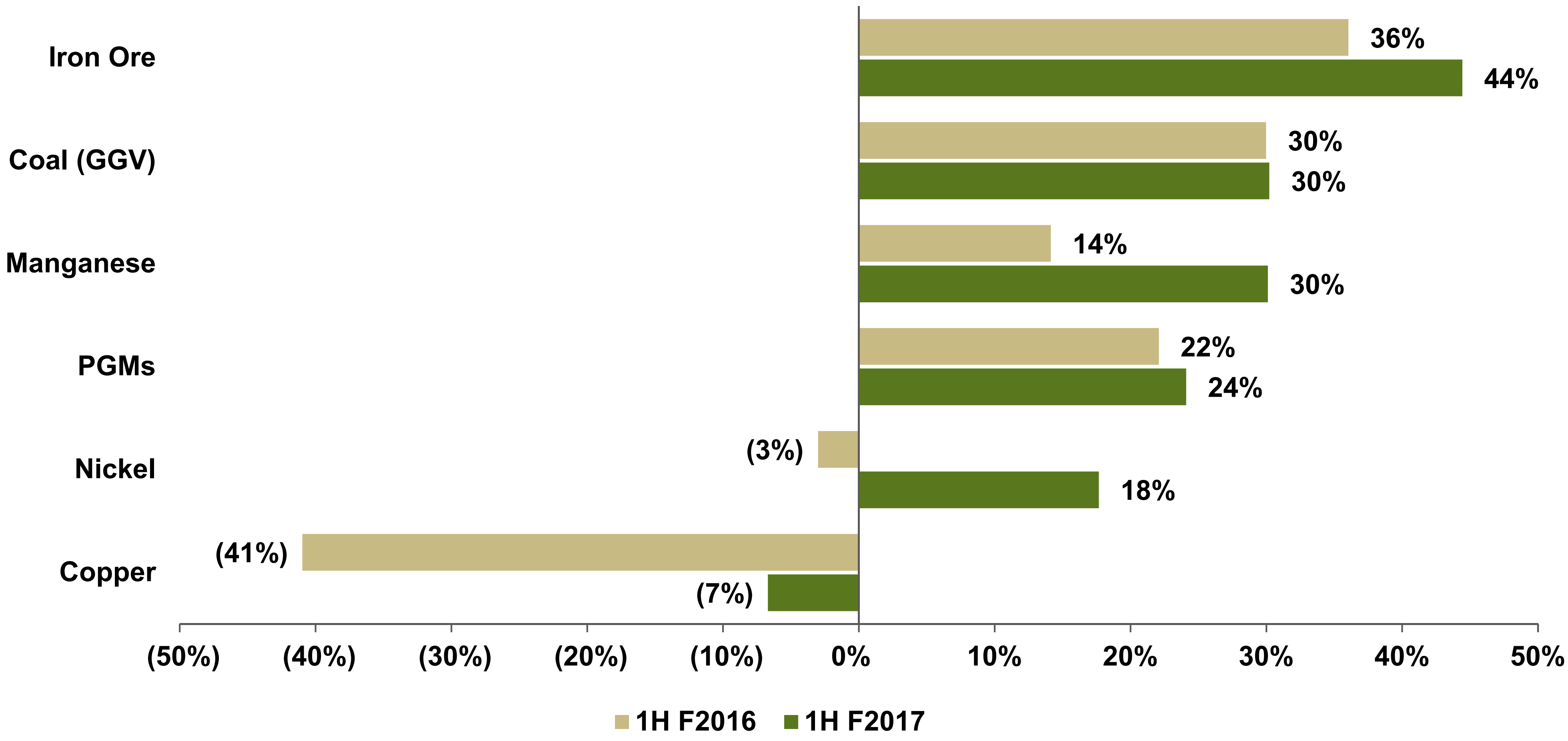
Six-monthly headline earnings per share

Headline earnings per share (cents)



EBITDA margins

Segmental EBITDA margins by commodity / division (%)



ARM strategy

World-class management team

Owner operator

Entrepreneurial management

Profit and cash flow focused

Employer of choice

Partner of choice

Partnering with communities, workers and other stakeholders

Operational efficiencies

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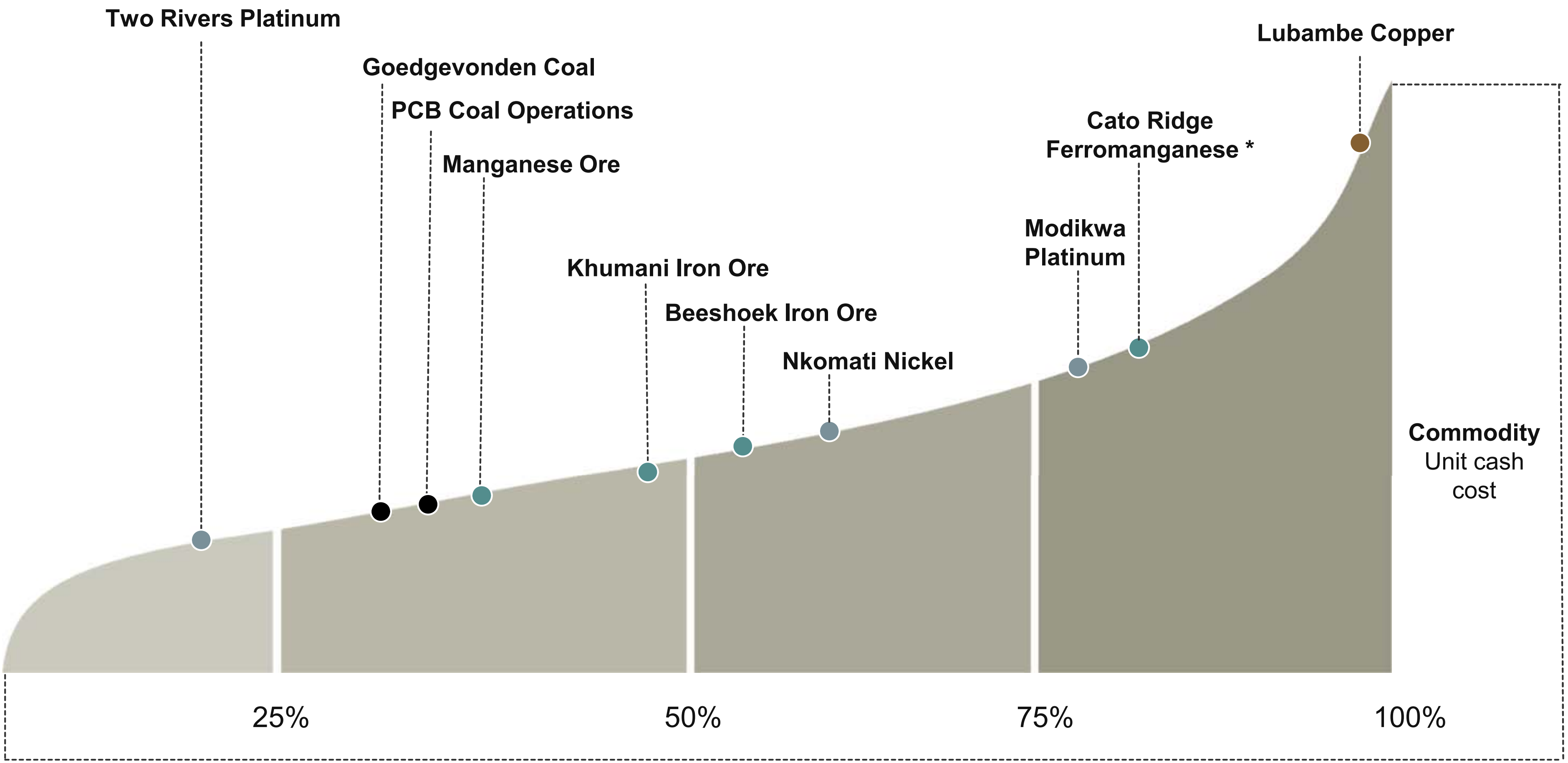
Objective is to ensure that all operations are below the 50th percentile



Percentile on cost curve (based on cumulative production)

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

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Operational review

Mike Schmidt, Chief Executive Officer

Headline earnings / (loss) by division / operation

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	6 months ended 31 December		
R million	**2016**	**2015**	**% change**
ARM Platinum	**179**	**(9)**	**-**
Two Rivers Mine	**205**	155	32
Modikwa Mine	**(54)**	(47)	(15)
Nkomati Mine	**28**	(117)	-
ARM Ferrous	**1 779**	**599**	**197**
Iron ore division	**1 023**	478	114
Manganese division	**378**	97	>200
Chrome division *	**374**	39	>200
Consolidation adjustment	**4**	(15)	-
ARM Coal	**99**	**(129)**	**-**
Goedgevonden Mine	**(26)**	(24)	(8)
PCB Operations	**125**	(105)	>200
ARM Copper	**(178)**	**(275)**	**35**
ARM Strategic Services and Exploration	**(12)**	**(10)**	**(20)**
Gold	**32**	**-**	**-**
Corporate and other	**(206)**	**331**	**-**
ARM headline earnings	**1 693**	**507**	**234**

** Includes Chrome discontinued operation contribution of R378 million as a result of the sale of ARM's effective 50% stake in the Dwarsrivier chrome mine. The Machadodorp Works is the only remaining chrome operation in Assmang*

Segmental EBITDA split by commodity (%)

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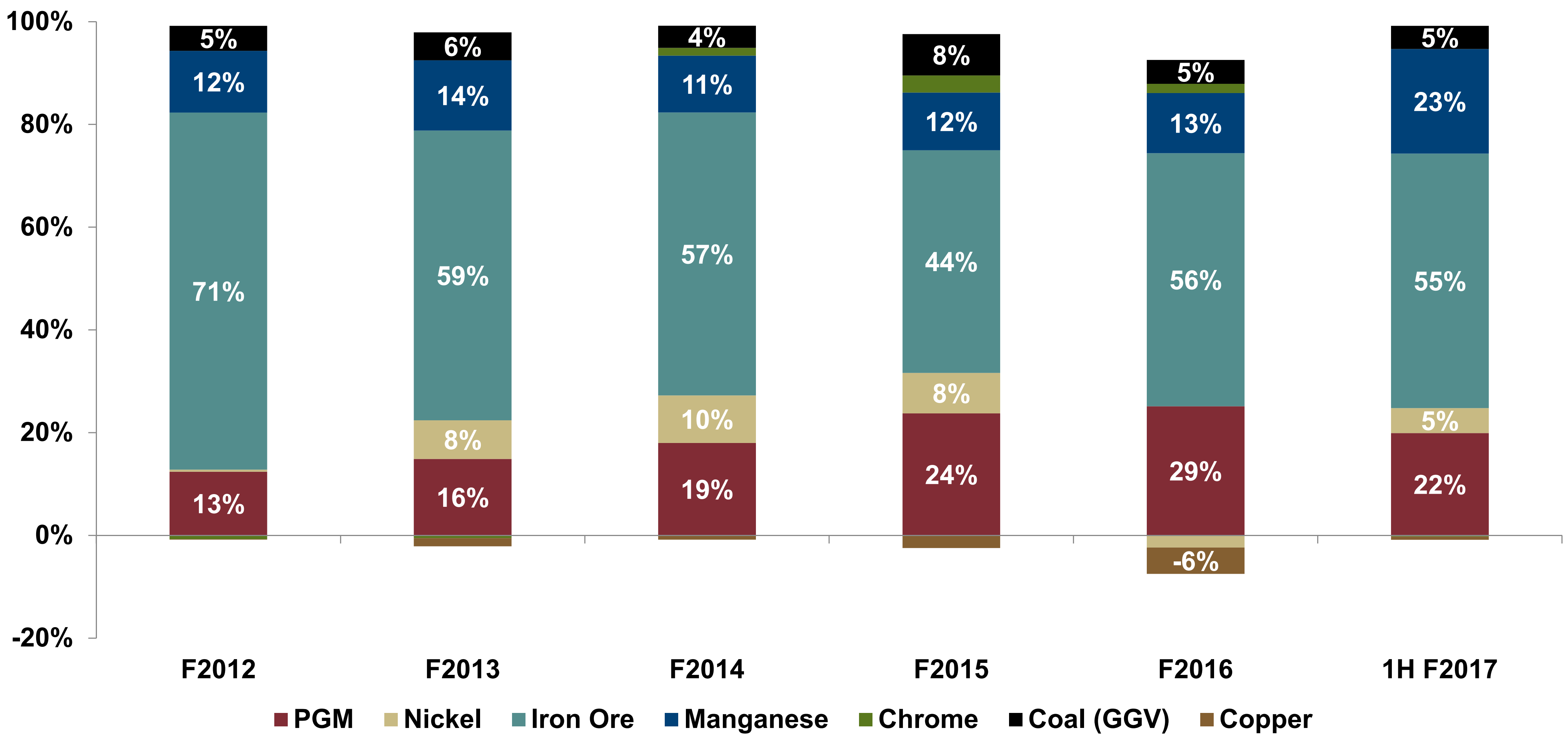
Contribution of commodities



Segmental profit variance analysis

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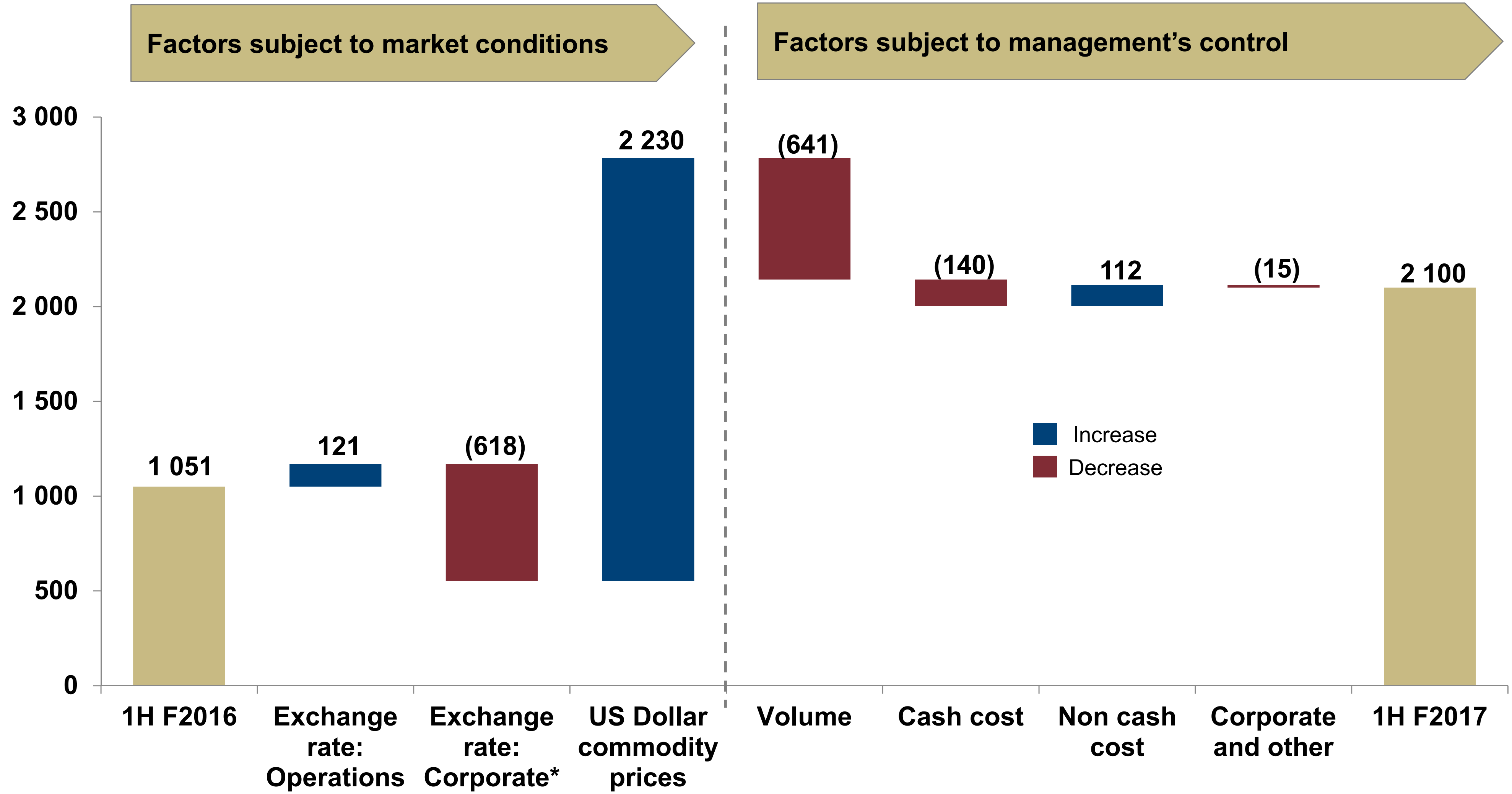
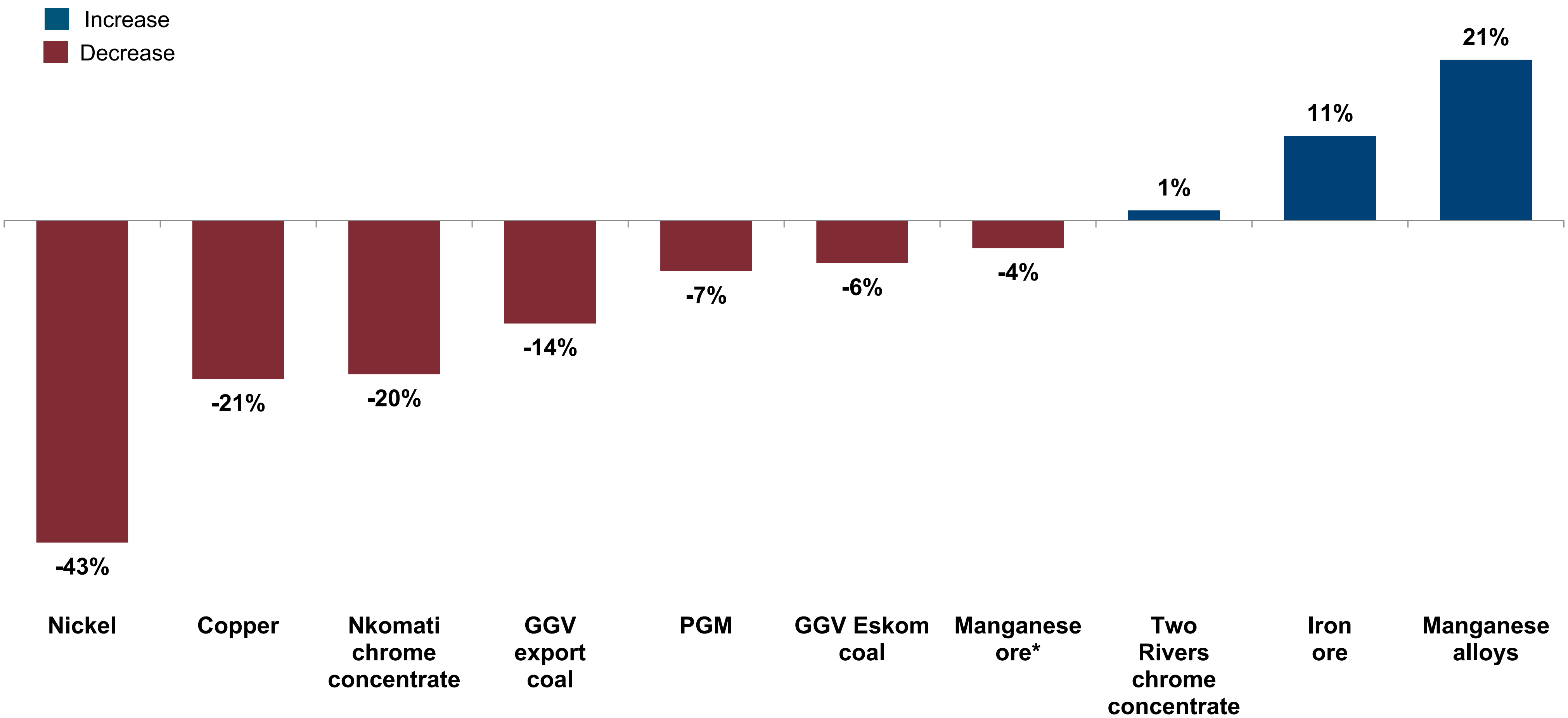
Unaudited profit variance analysis – Profit from operations before special items (R million)



** Movement in unrealised foreign exchange gains and losses on ARM US Dollar loans to Lubambe of US$170 million at 31 December 2016 (31 December 2015: US$148 million).*

Changes in sales volumes

1H F2017 versus 1H F2016 sales volume changes (%)



*External sales only.

Changes in average realised US Dollar prices

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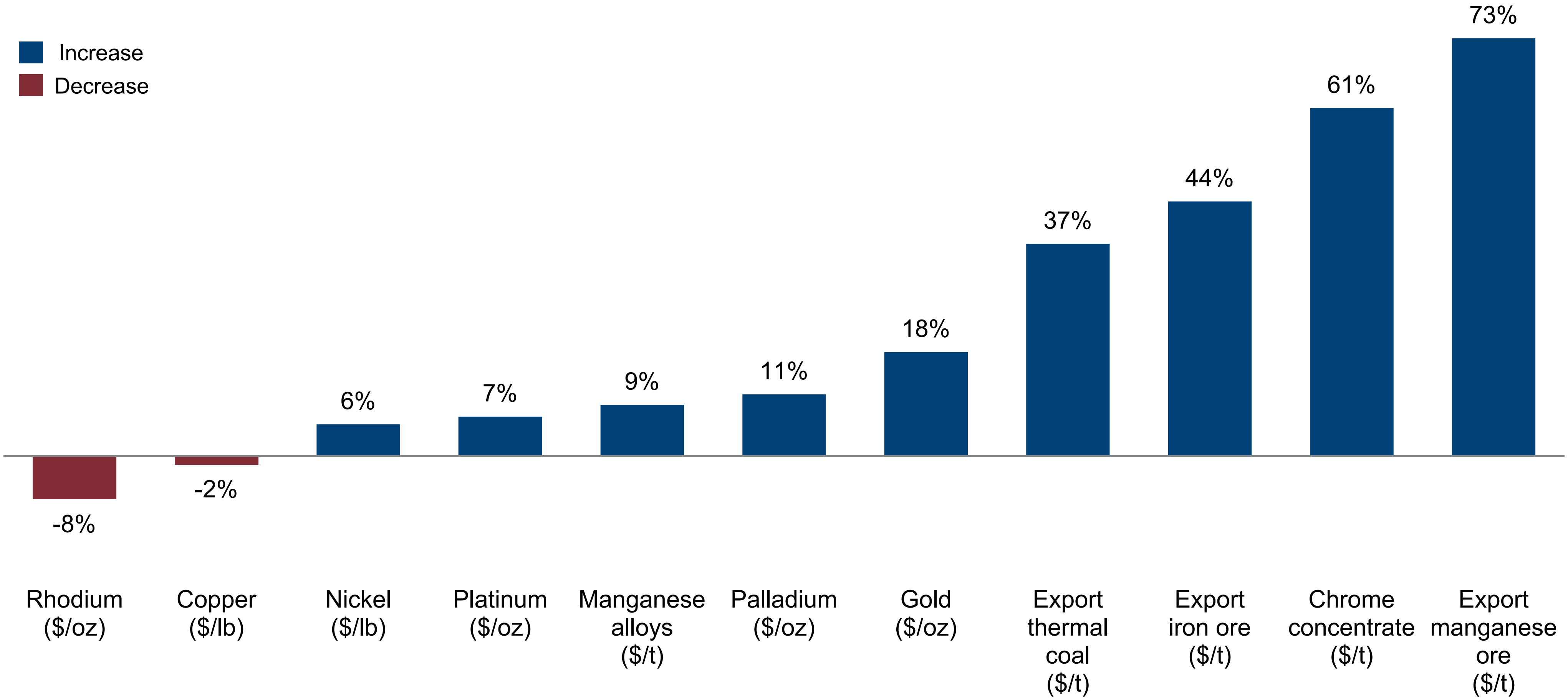
1H F2017 versus 1H F2016 average realised US Dollar prices changes (%)



R/US$ average exchange rate weakened by 3% from R13.61/US$ to R13.98/US$.

Changes in average realised Rand prices

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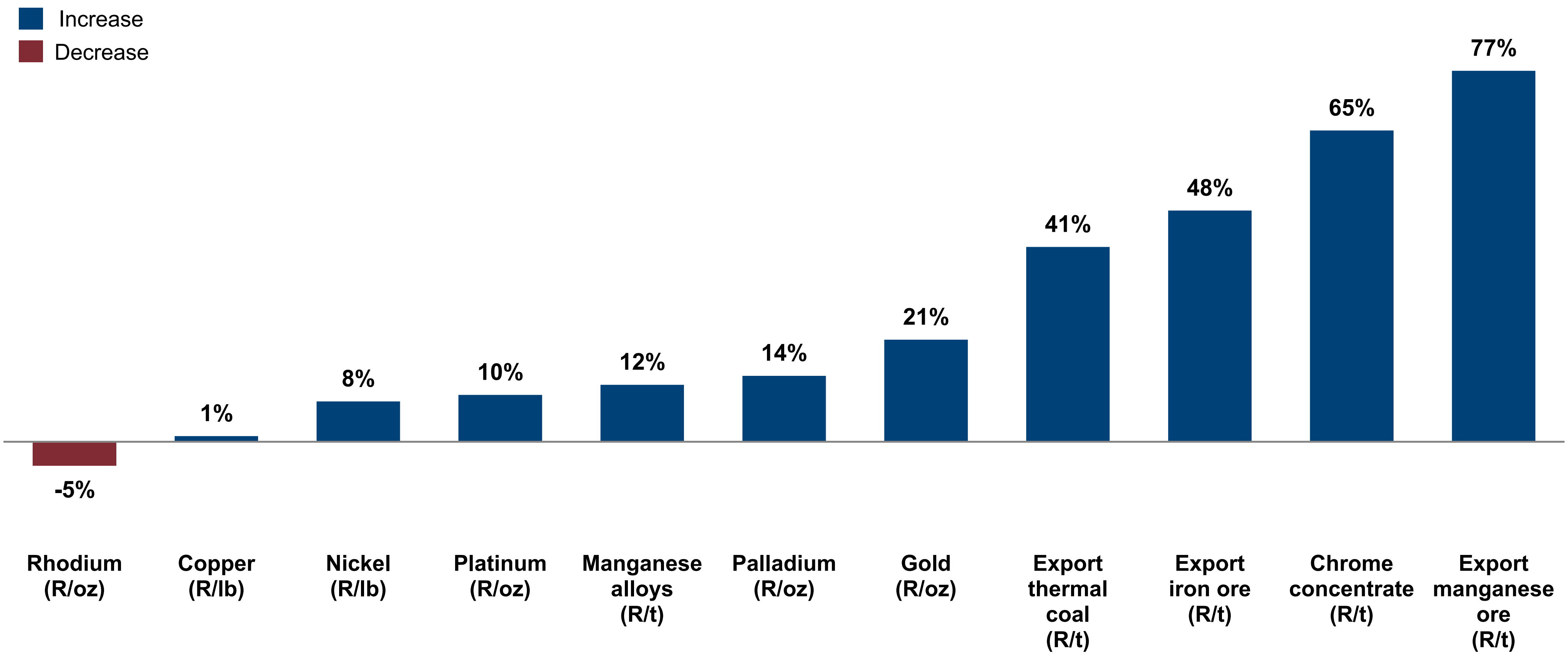
1H F2017 versus 1H F2016 average realised Rand prices changes (%)



Unit cost changes by commodity

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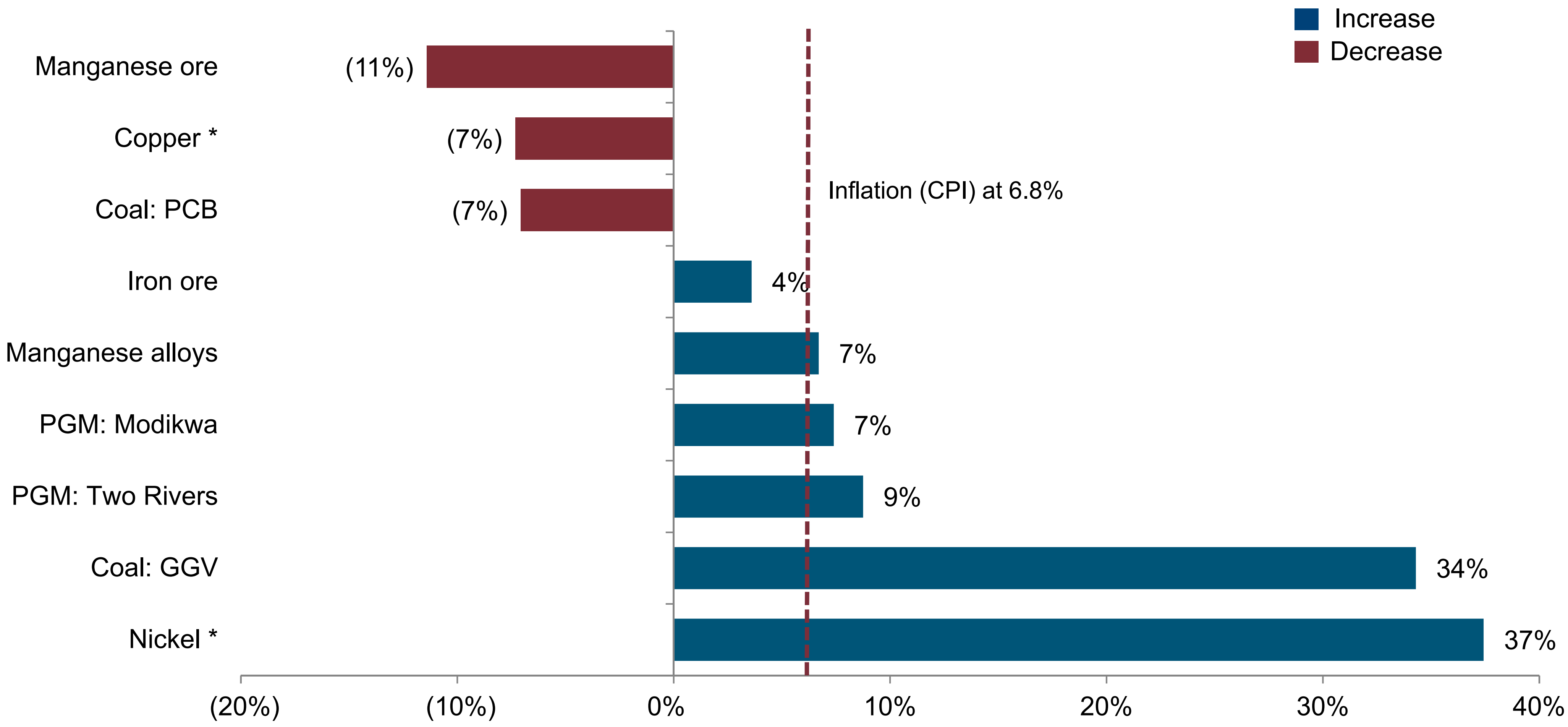
1H F2017 versus 1H F2016 on-mine unit production costs Rand per tonne basis (%)



** The change in copper and nickel unit costs refers to C1 cash costs on a US Dollar per pound basis.*

ARM Ferrous: Iron ore

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Sales of 8.8 million tonnes at 11% higher prices.

Khumani lumpy ore increased from 54% to 57%.

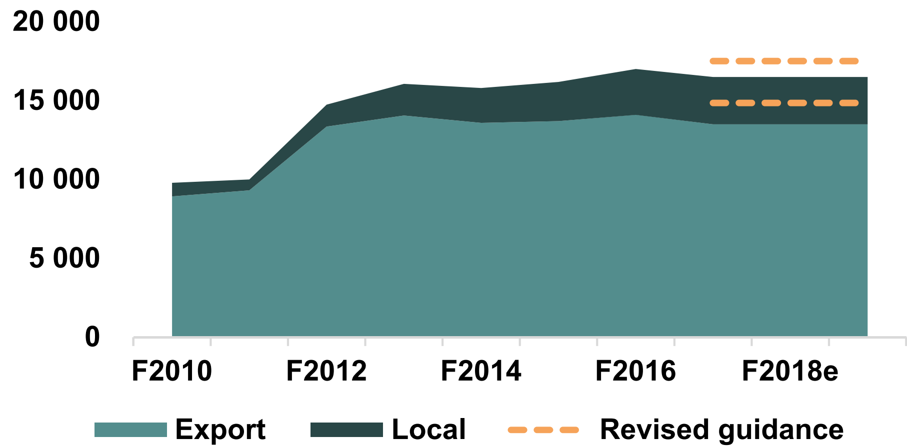
Ultra-fines recovery plant in construction phase. Commission by end F2017.

Unit cost increases below inflation.

Iron ore operational performance - 100% basis

		1H F2017	1H F2016	% change
Export sales volumes	*000 tonnes*	7 288	6 558	11
Local sales volumes	*000 tonnes*	1 517	1 362	11
Change in on-mine unit production costs	*%*	4	(12)	-
Capital expenditure	*R million*	368	518	(29)

Iron ore sales volumes (000t) – 100% basis *



** Per annum*

ARM Ferrous: Manganese ore

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Nchwaning 2 shaft upgrade completed in 1H F2017.

Unit costs reduced significantly by 11% to R434 per tonne mined.

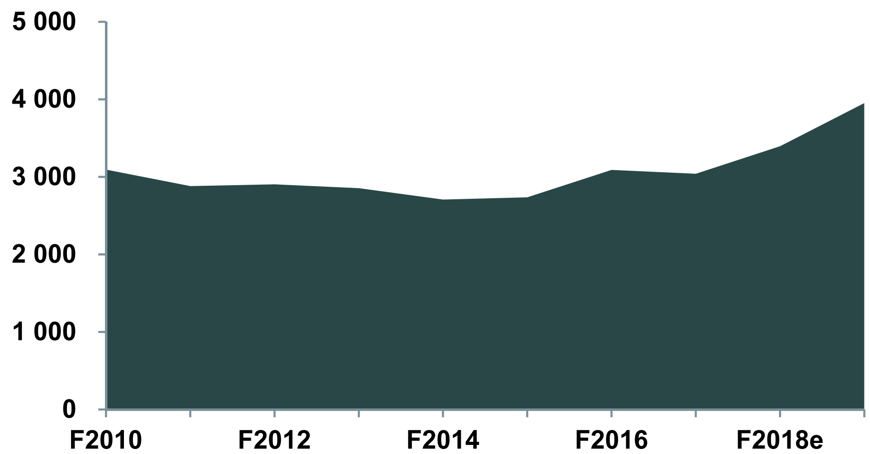
Load out facility will be commissioned in 1H F2018.

Manganese ore operational performance -100% basis

		1H F2017	1H F2016	% change
Export sales volumes	*000 tonnes*	**1 348**	**1 433**	**(6)**
Local sales volumes*	*000 tonnes*	**69**	**38**	**82**
Change in unit production costs	*%*	**(11)**	**4**	**-**
Capital expenditure	*R million*	**782**	**1 047**	**(25)**

** Excluding intragroup sales*

Manganese ore sales volumes (000t) – 100% basis *



** Per annum*

ARM Ferrous: Manganese alloys

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Both furnaces at Sakura commissioned successfully and achieving product specifications.

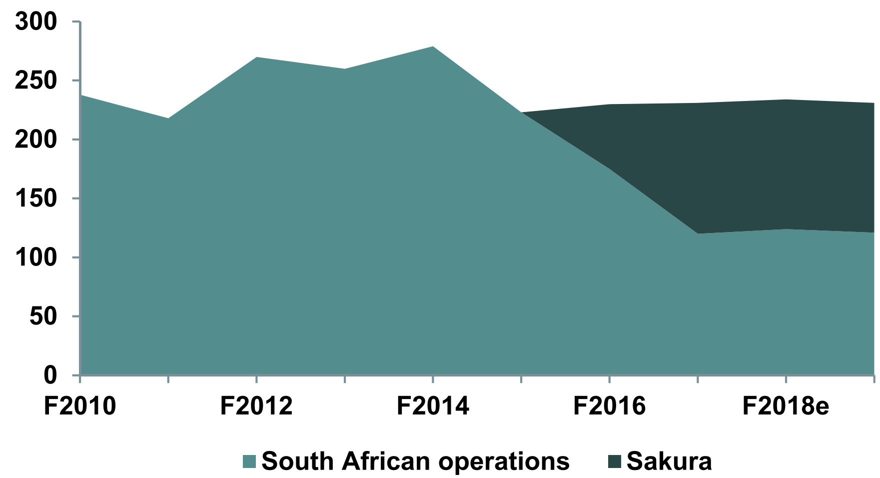
Potential to ramp up to full production of 170 000 tonnes per annum over 3 years at Sakura.

Cato Ridge Works operating three of the six furnaces.

Manganese alloys operational performance (100% basis)

		1H F2017	1H F2016	% change
Sales volumes (South Africa)	*000 tonnes*	97	80	21
Sales volumes (Sakura)	*000 tonnes*	42	-	-
Change in unit production costs	*%*	7	16	(56)
Capital expenditure	*R million*	4	2	100

Manganese alloys sales volumes (000t) – 100% basis *



** Per annum*

ARM Platinum: PGMs

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Modikwa South 2 shaft production ramp up was slower than planned due to a delay in the infrastructure.

Modikwa unit costs remain high due to low volumes; plans to improve productivity.

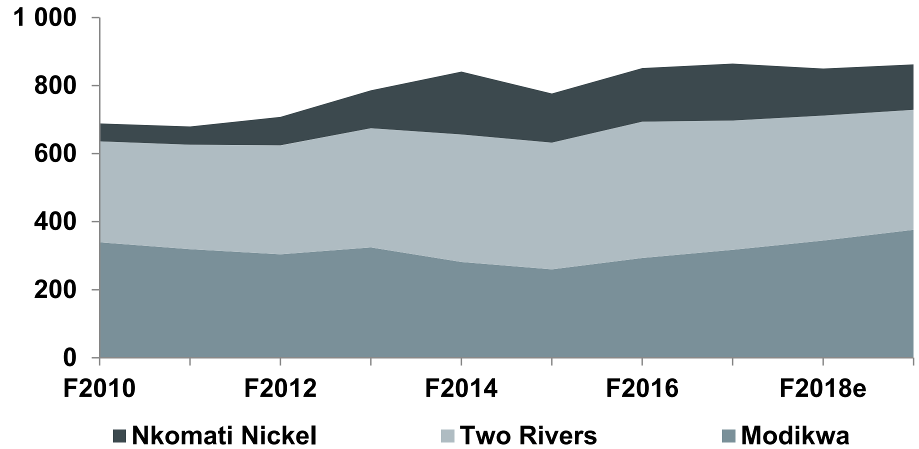
Two Rivers increases output and has very low unit costs.

PGM operational performance (100% basis)

		1H F2017	1H F2016	% change
Production	*6E PGM ounces*	407 846	437 207	(7)
Modikwa cash cost	*R/oz 6E*	8 559	7 970	7
Two Rivers cash cost	*R/oz 6E*	5 838	5 368	9
Capital expenditure *	*R million*	718	703	2

** Capital expenditure for ARM Platinum including Nkomati Mine.*

PGM production volumes (000 ounces) – 100% basis *



** Per annum*

ARM Platinum: Nickel

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Low waste stripping over past 2 years has limited mining availability of high grade ore.

The second pilewall under construction on western side of the pit.

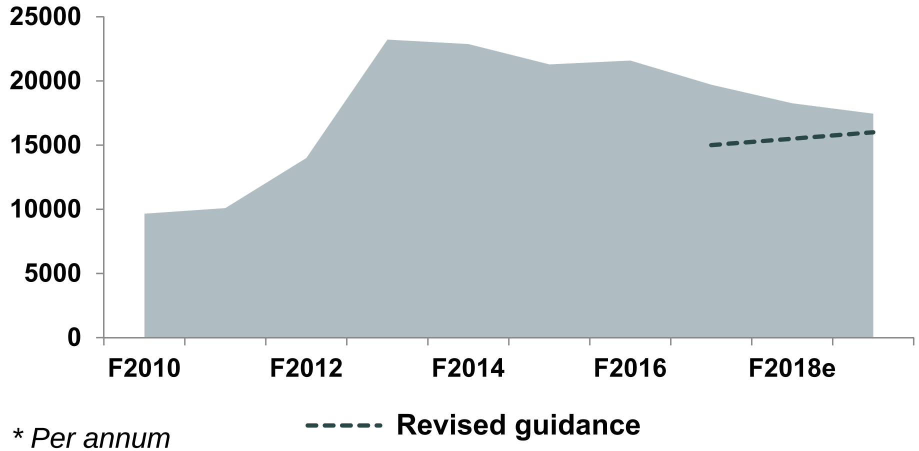
Mining limited to eastern side of the pit only which has lower grade.

Revised mine plan forecast approximately 16 000 tonnes nickel per annum for 3 years whilst treating low grade stockpiled ore.

Nickel C1 cash costs net of by-products

		1H F2017	1H F2016	% change
On-mine cash cost	*US$/lb*	**7.02**	**4.54**	**55**
Off-mine cash cost	*US$/lb*	**3.34**	**2.78**	**20**
By-product credits	*US$/lb*	**(4.31)**	**(2.92)**	**48**
C1 cash cost net of by-products	*US$/lb*	**6.05**	**4.40**	**37**
On-mine unit cost	*R/t milled*	**254**	**313**	**(19)**
Off-mine unit cost	*R/t milled*	**177**	**228**	**(22)**
Total unit cost	*R/t milled*	**431**	**540**	**(20)**

Nickel production volumes (tonnes) – 100% basis *



** Per annum*

ARM Coal: GGV and PCB

GGV saleable production down 8% resulting in high unit costs.

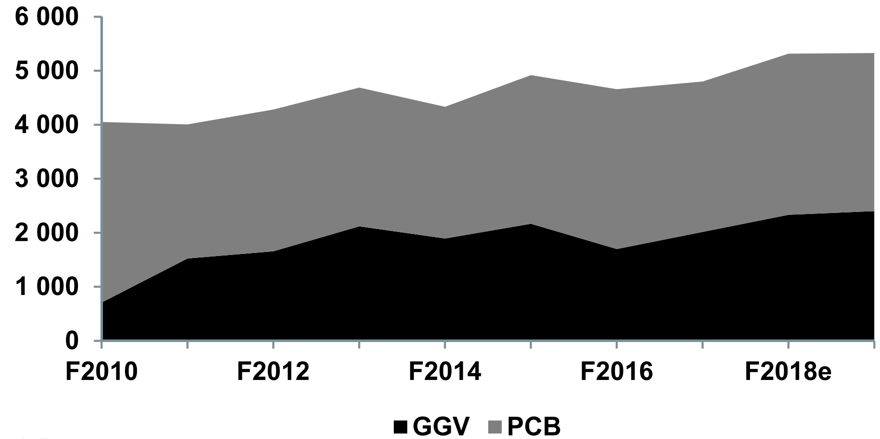
PCB unit cost improved by 7% to R272.51 per tonne.

Realised export prices improved by 43% to $63.97 per tonne for PCB.

GGV and PCB operational performance (100% basis)

		1H F2017	1H F2016	% change
Total export sales volumes	*Mt*	8.33	8.93	(7)
Total Eskom sales volumes	*Mt*	2.44	2.44	-
GGV on-mine saleable cost	*R/t*	289.4	215.50	34
PCB on-mine saleable cost	*R/t*	272.51	293.20	(7)

Saleable production volumes (tonnes) – attributable *



** Per annum*

ARM Copper

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Restructuring, dewatering facilities and cost reduction initiatives completed successfully.

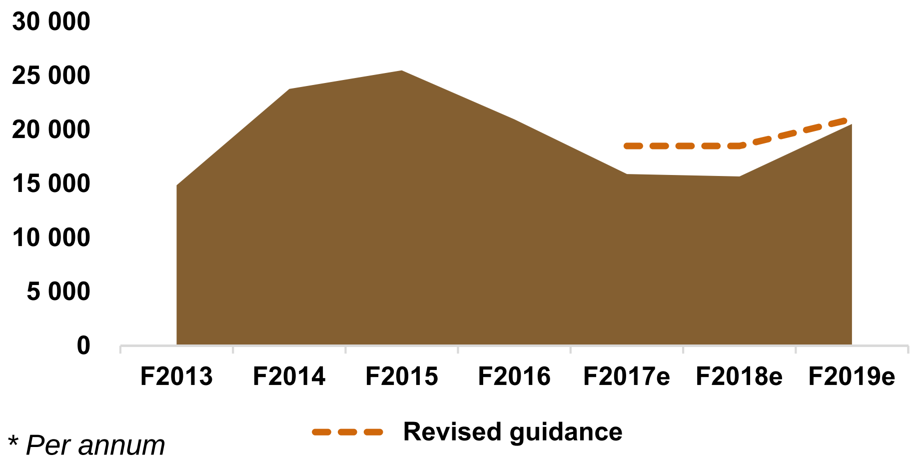
3 Ramps in progress of deepening and opening up ore reserves.

Lubambe mine evaluation is ongoing and an announcement will be made when appropriate.

Lubambe Mine operational performance (100% basis)

		1H F2017	1H F2016	% change
Milled tonnes	*000t*	545	715	(24)
Mill head grade	*% Cu*	2.09	2.00	4
Concentrator recovery	*%*	84.6	81.1	4
Copper produced	*tonnes*	9 644	11 711	(18)
Copper sold	*tonnes*	9 255	11 714	(21)
C1 cash cost	*US$/lb*	2.22	2.39	(7)

Copper production volumes (tonnes) – 100% basis *



** Per annum*

Net debt to equity ratio

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R million	1H F2017	1H F2016	F2016
Cash and cash equivalents	1 335	1 444	1 316
Total borrowings	(4 843)	(4 124)	(5 551)
Long-term borrowings	(3 618)	(2 767)	(4 171)
Short-term borrowings	(1 225)	(1 357)	(1 380)
Net debt	**(3 508)**	**(2 680)**	**(4 235)**
Total equity	**22 781**	**24 539**	**24 581**
Net debt to equity ratio	**15.4%**	**10.9%**	**17.2%**
Less: Partner loans	(2 347)	(2 298)	(2 356)
ARM Coal loans from Glencore	(1 564)	(1 472)	(1 546)
Vale / ARM joint operation from ZCCM-IH	(669)	(712)	(696)
Modikwa loan from Anglo Platinum	(114)	(114)	(114)
Less: ARM BBEE Trust loans (Nedbank; Harmony)	(500)	-	(501)
Adjusted net debt	**(661)**	**(382)**	**(1 378)**
Attributable cash and cash equivalents at ARM Ferrous	**2 588 ***	**2 035**	**2 399**

** Since the period-end ARM received a dividend of R1 500 million from Assmang.*

Capital allocation: segmental analysis

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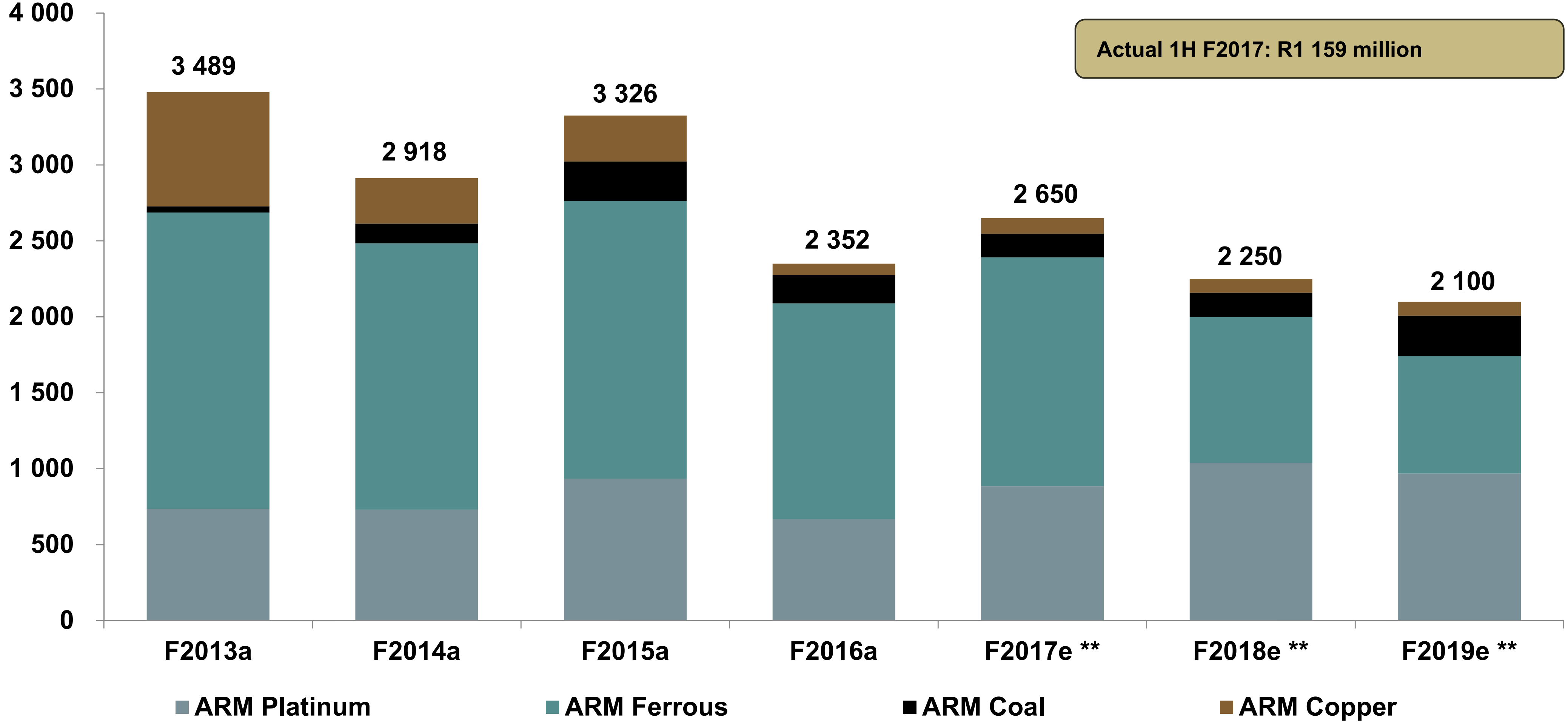
Capital expenditure (R million)*



** 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 F2017 to F2019 is an estimation based on approved projects and projects under consideration.*

ARM
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Thank you

We do it better