

***“ARM achieved record headline earnings in F2014 and declared an increased dividend of 600 cents per share. Excellent operational performances from Nkomati and Two Rivers mines as nickel and PGM’s contribution to headline earnings increased significantly.”***

**Patrice Motsepe**  
Executive Chairman



*Two Rivers Platinum Mine chrome treatment plant*



## Overview and strategy

Patrice Motsepe, Executive Chairman

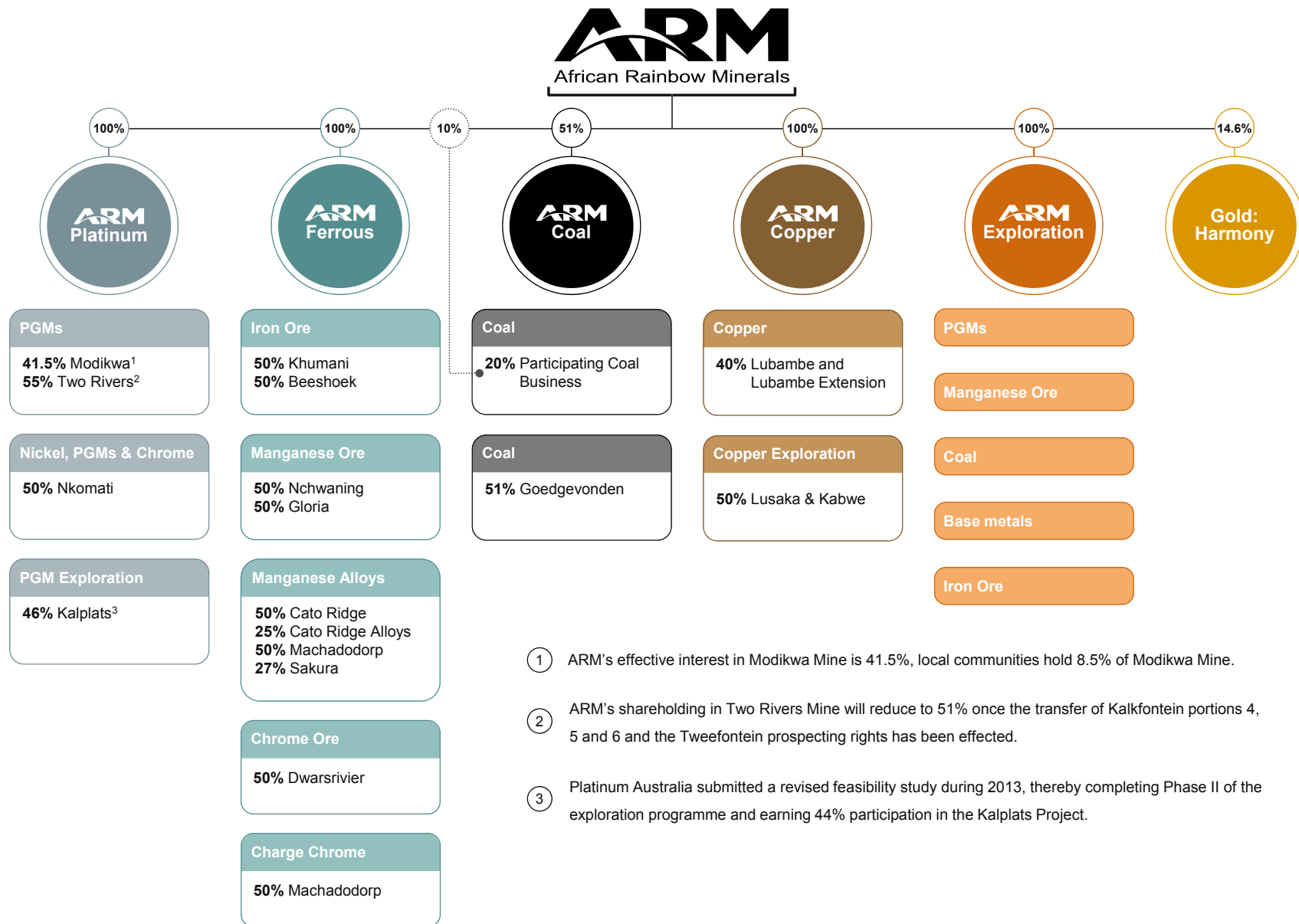


# Disclaimer

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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



# Salient features

**Headline earnings increased by 10% to R4.11 billion.  
Headline earnings per share increased from 1 735 cents  
to 1 900 cents per share.**

**Increased dividend declared of 600 cents per share  
(F2013: 510 cents per share).**

**Basic earnings were negatively impacted by exceptional items of R819 million  
the largest of which related to a R510 million unrealised mark-to-market loss  
after tax on the Harmony investment.**



# Salient features

**ARM Platinum's contribution to headline earnings increased by 68% to R883 million.**

**The ARM Ferrous contribution increased from R3.19 billion in F2013 to R3.74 billion in F2014.**

**Costs were well controlled at the Nkomati, Two Rivers and Dwarsrivier mines.**

# Salient features

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**Lubambe Mine continued its production ramp-up and produced 23 791 tonnes of copper (F2013: 14 871 tonnes).**

**The Sakura Ferroalloys Project commenced construction; R790 million has been spent to date.  
Full production of 170 000 tonnes of ferromanganese is expected in F2017.**

# Safety achievements

**ARM's number of lost time injuries decreased by 29% from 149 in F2013 to 106 in F2014.**

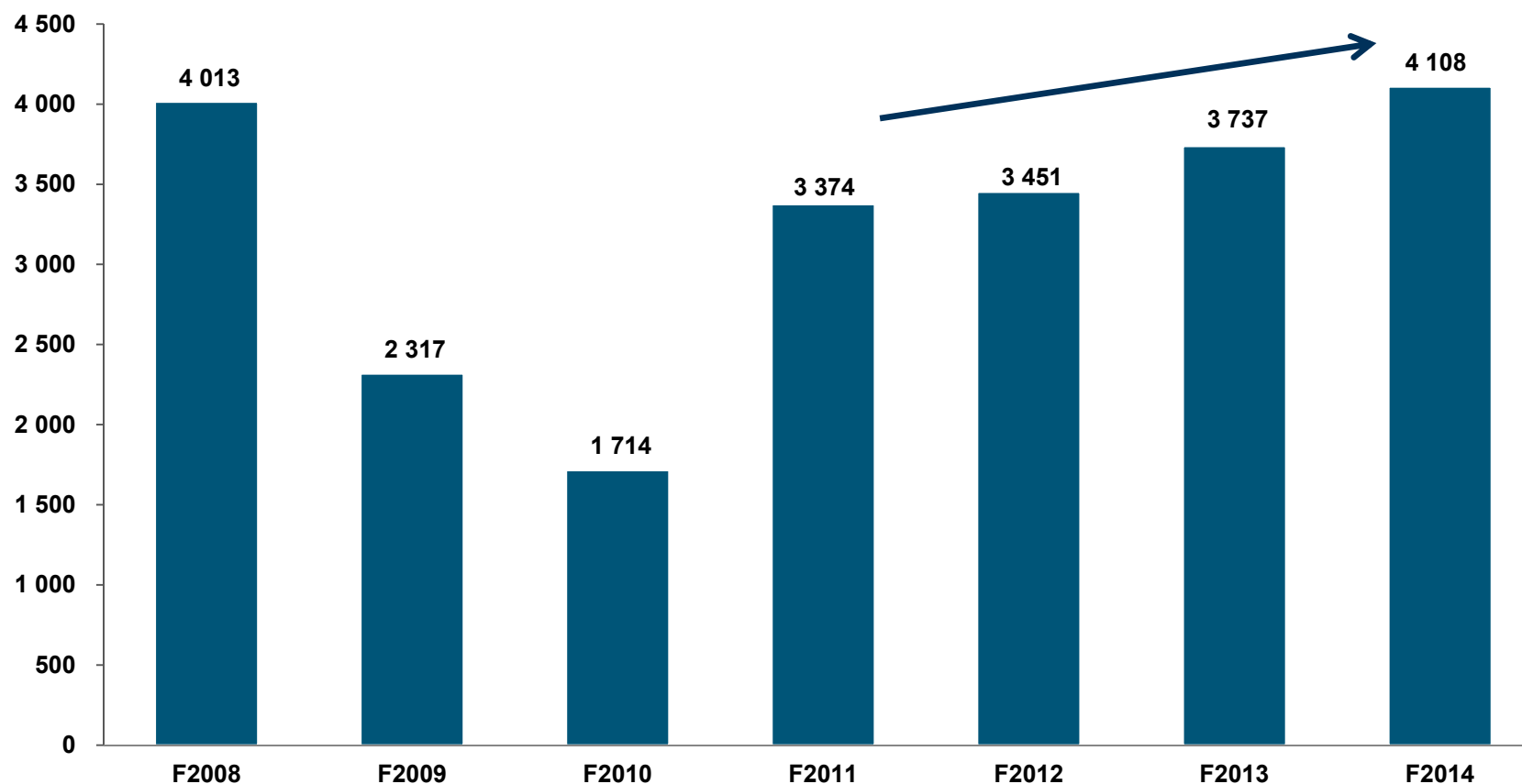
**Khumani, Black Rock and Dwarsrivier mines each completed more than two million fatality-free shifts.**

**On 21 May 2014, Nkomati Mine completed 365 consecutive days without a lost time injury.**



# Headline earnings

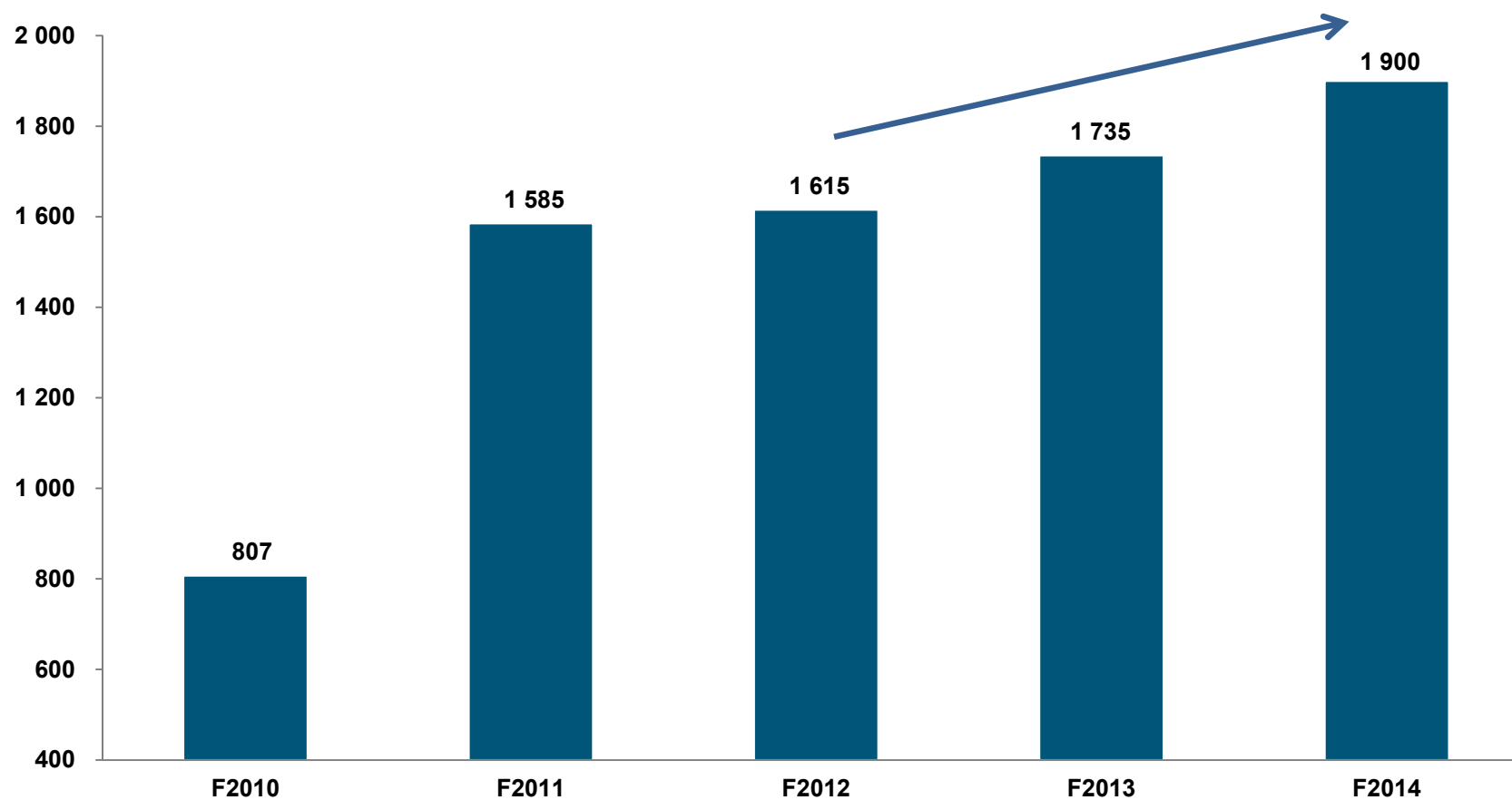
Headline earnings (R million)



Record headline earnings achieved.

# Headline earnings per share

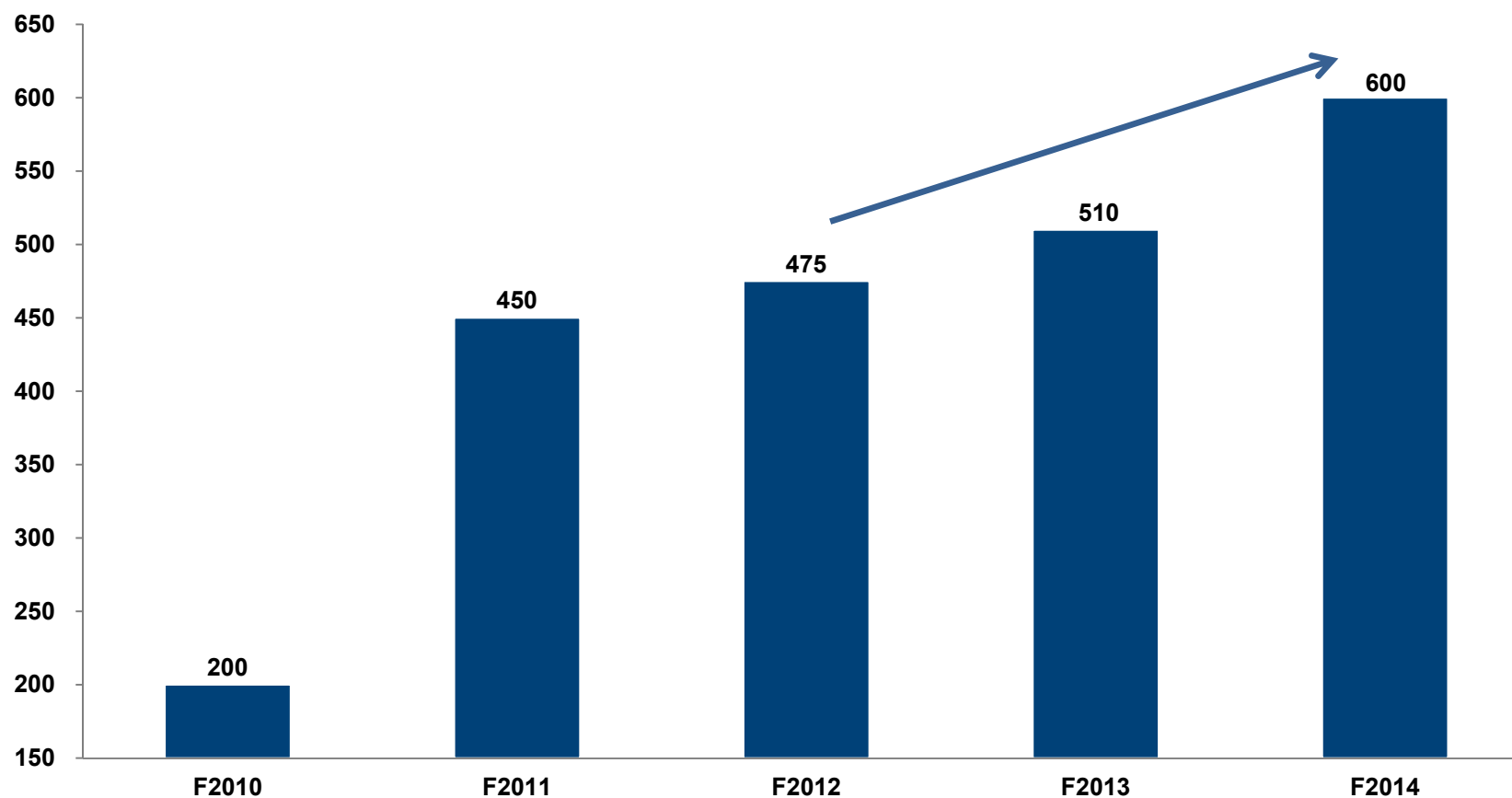
Headline earnings (cents per share)



Increased headline earnings per share.

# Dividends per share

Dividends (cents per share)



Record dividend declared.

# ARM strategy



Owner operator

Entrepreneurial  
management

Profit focused

Partner of choice

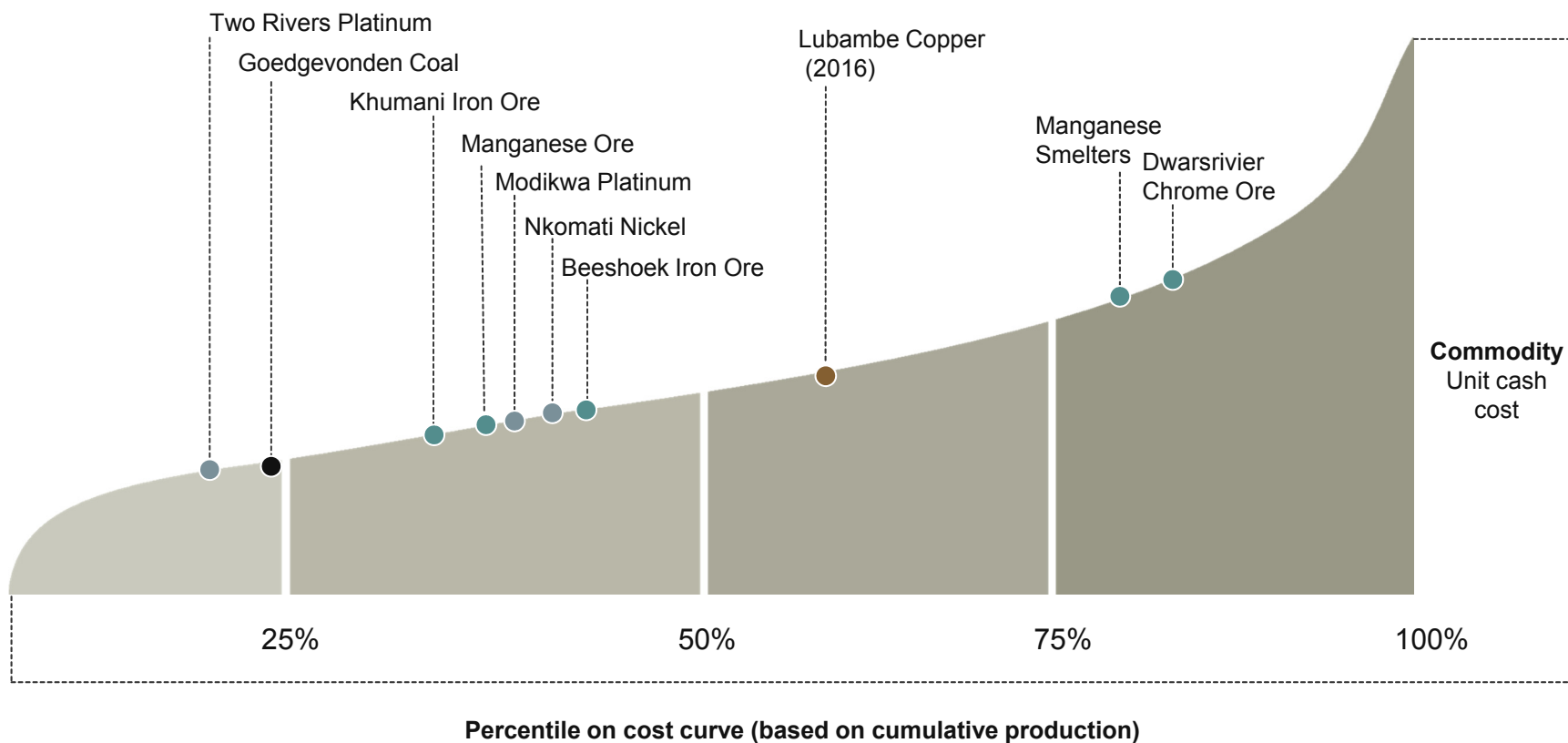
Employer of choice

World-class  
management team

Partnering with communities, workers  
and other stakeholders

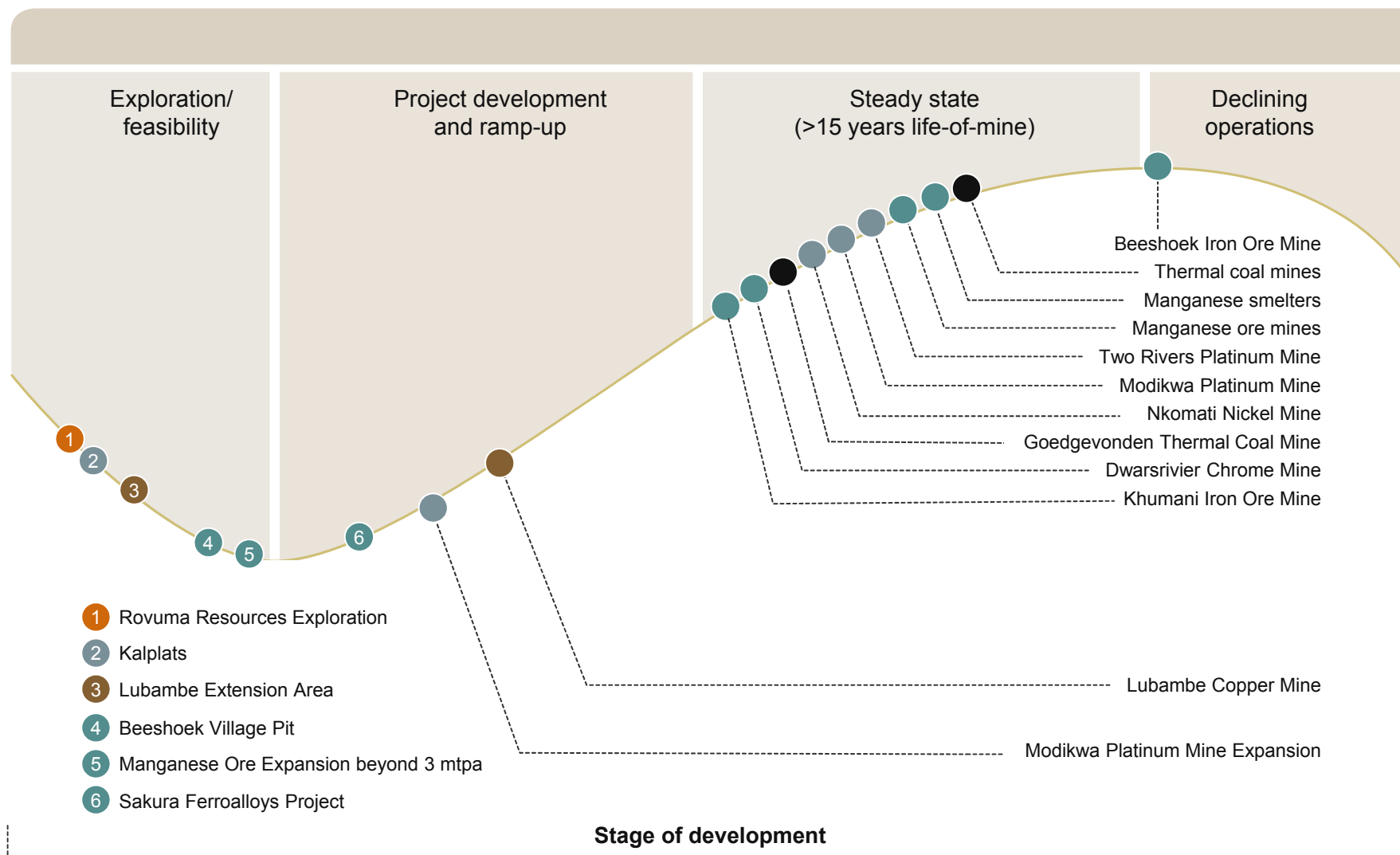
# Operational efficiencies

ARM's objective is that all operations to be below the 50<sup>th</sup> percentile



# Quality growth continues

## Ramping up volumes and initiating new growth projects



# ARM Exploration



## Africa

**Exploration is ongoing with Rovuma in Mozambique.**

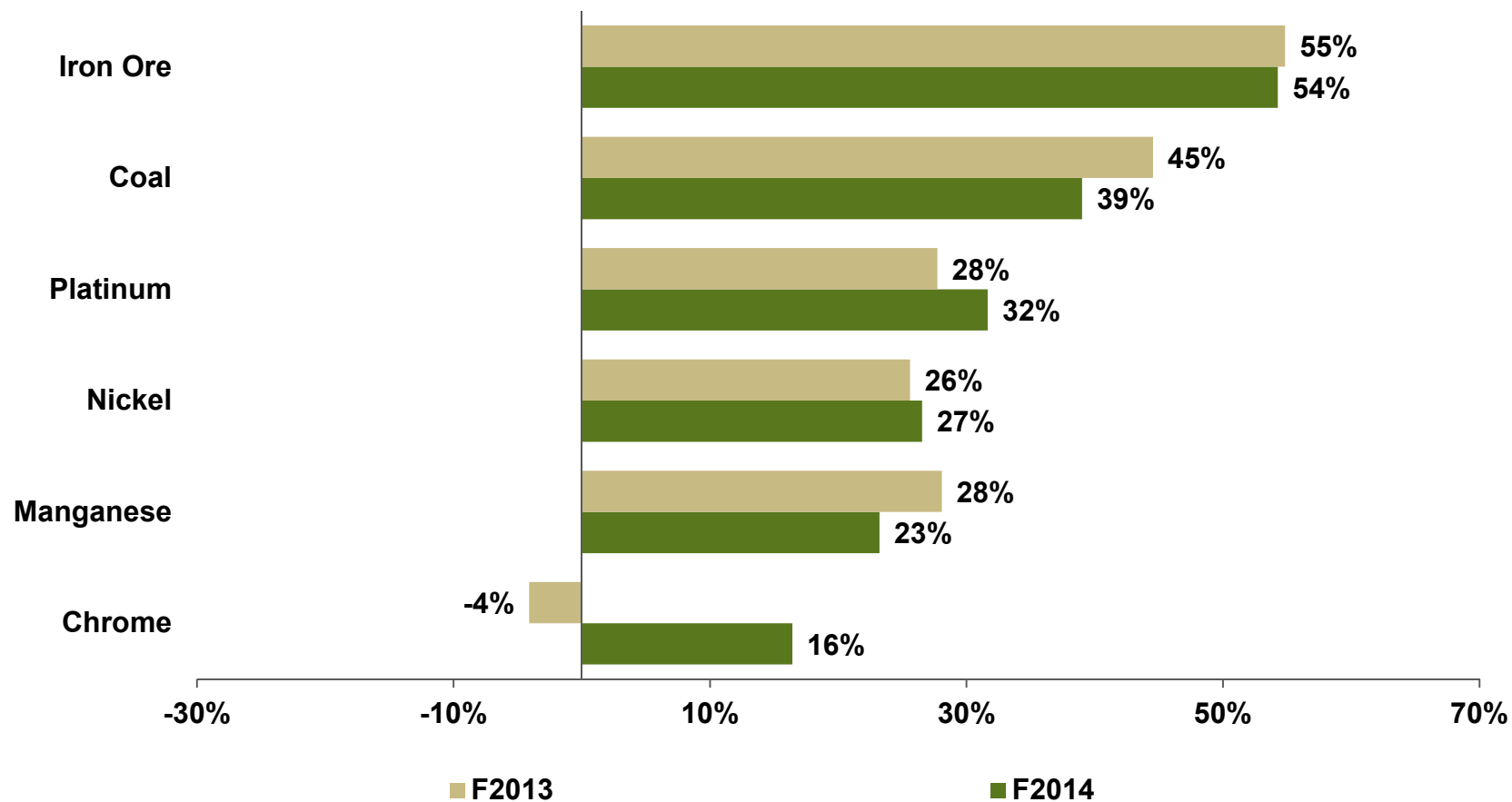
**ARM has agreed to continue with the option for a fourth year and will fund exploration at a cost of about US\$7 million.**

**ARM will have exclusive rights to exercise options to purchase prospecting and/or mining rights.**



# EBITDA margins

## EBITDA margins by commodity



EBITDA margins remain robust.

# Outlook

**Volatility in currencies and commodity prices continues with most commodity prices under pressure due to oversupply.**

**The United States and some European economies continue to recover; this bodes well for the long-term demand for our commodities.**

**Demand in China and other developing and developed markets for the commodities that ARM produces remains positive.**



*Khumani Iron Ore Mine pit*



## Operational review

Mike Schmidt, Chief Executive Officer

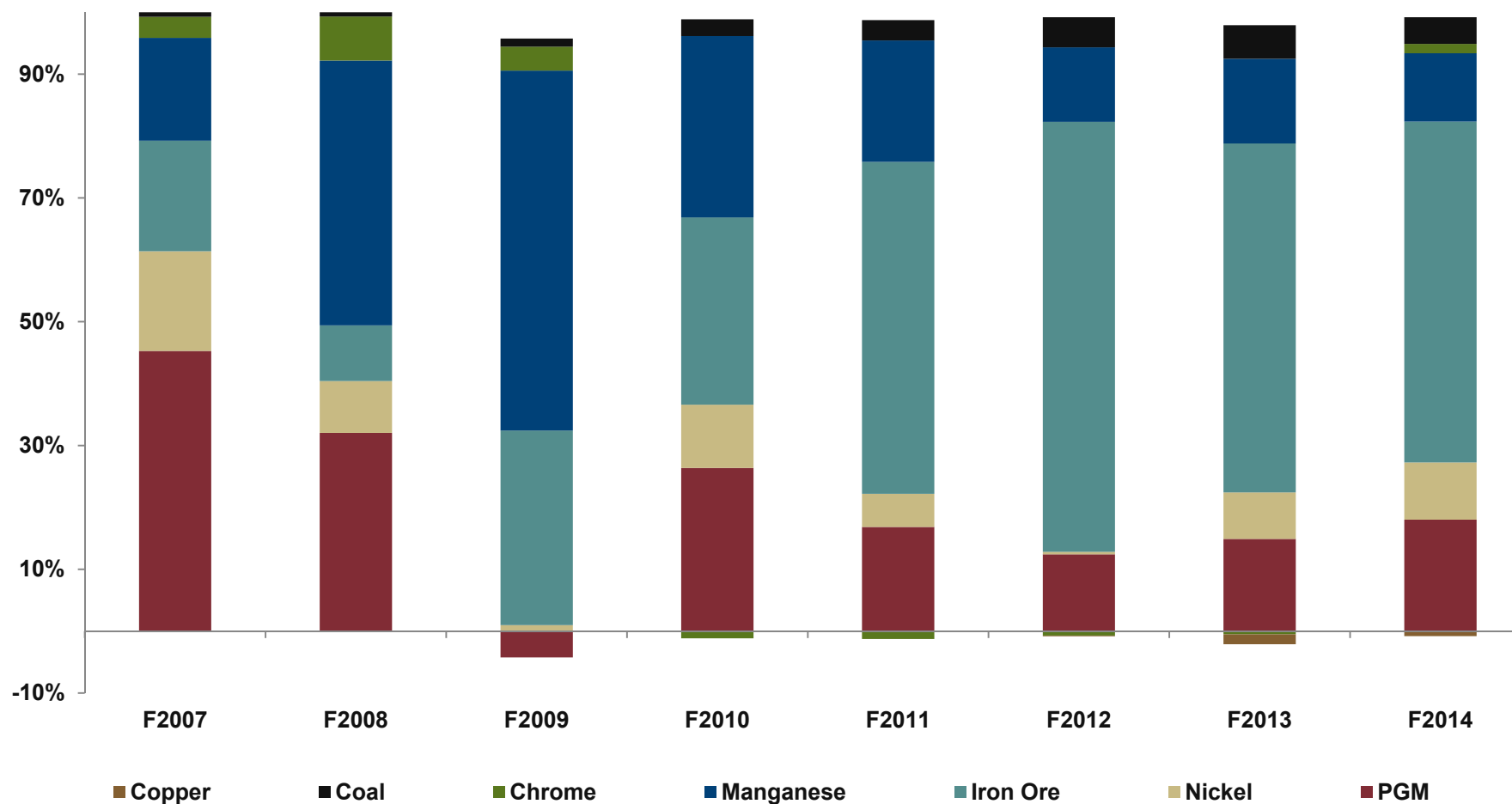
# Divisional contribution to headline earnings

Year ended 30 June			
<i>R million</i>	Reviewed	Reviewed and restated	
	2014	2013	% change
ARM Platinum	883	527	68
ARM Ferrous*	3 736	3 194	17
ARM Coal	(120)	148	-
ARM Copper	(309)	(135)	-
ARM Exploration	(81)	(88)	8
Gold	-	64	-
Corporate and other*	(1)	27	-
<b>ARM Headline Earnings</b>	<b>4 108</b>	<b>3 737</b>	<b>10</b>

\* Includes IFRS 11 adjustments related to ARM Ferrous.

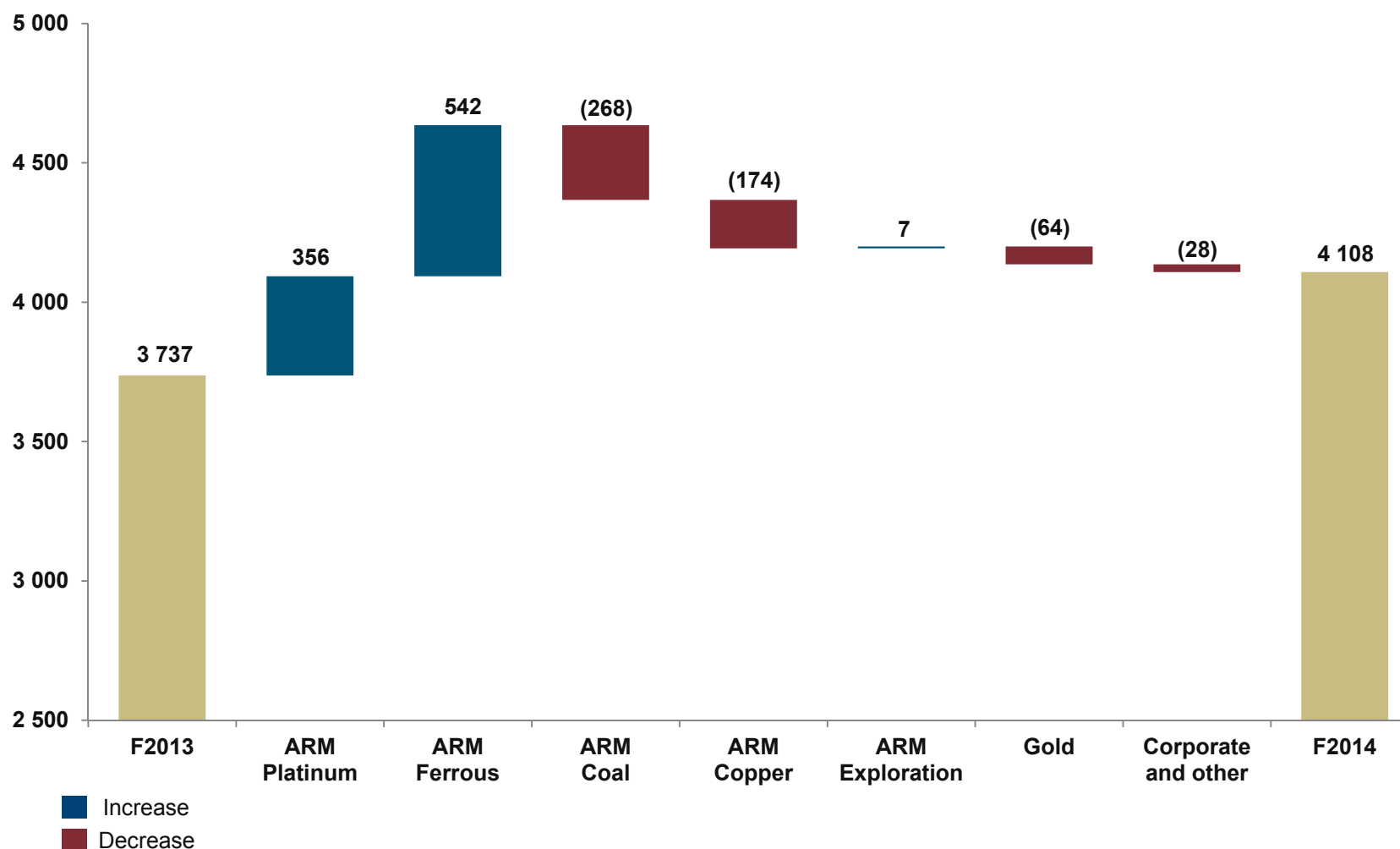
# Contribution of commodities in our diversified portfolio

EBITDA split by commodity



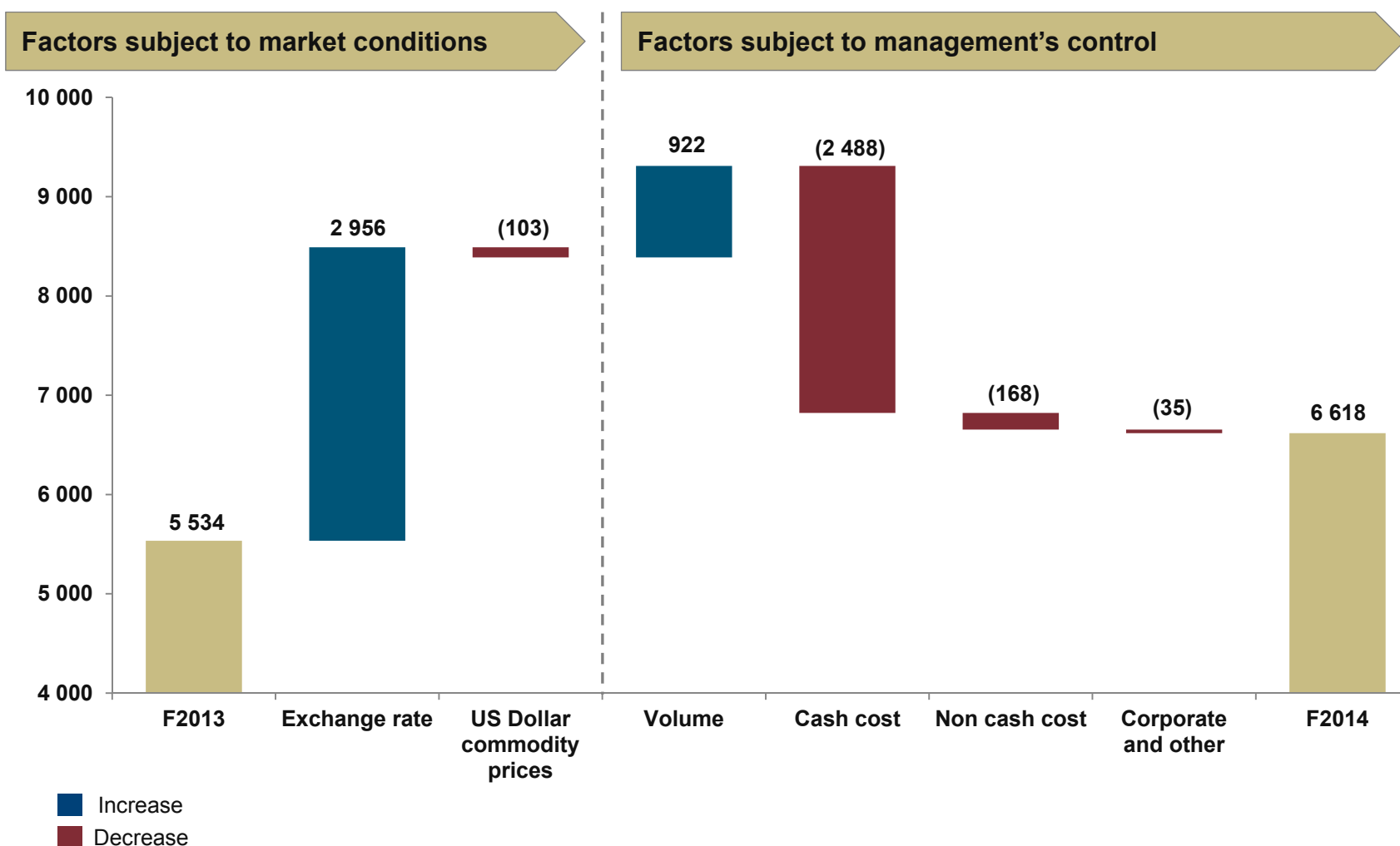
# Headline earnings variance analysis

Headline earnings variance analysis by division (R million)



# Segmental profit variance analysis

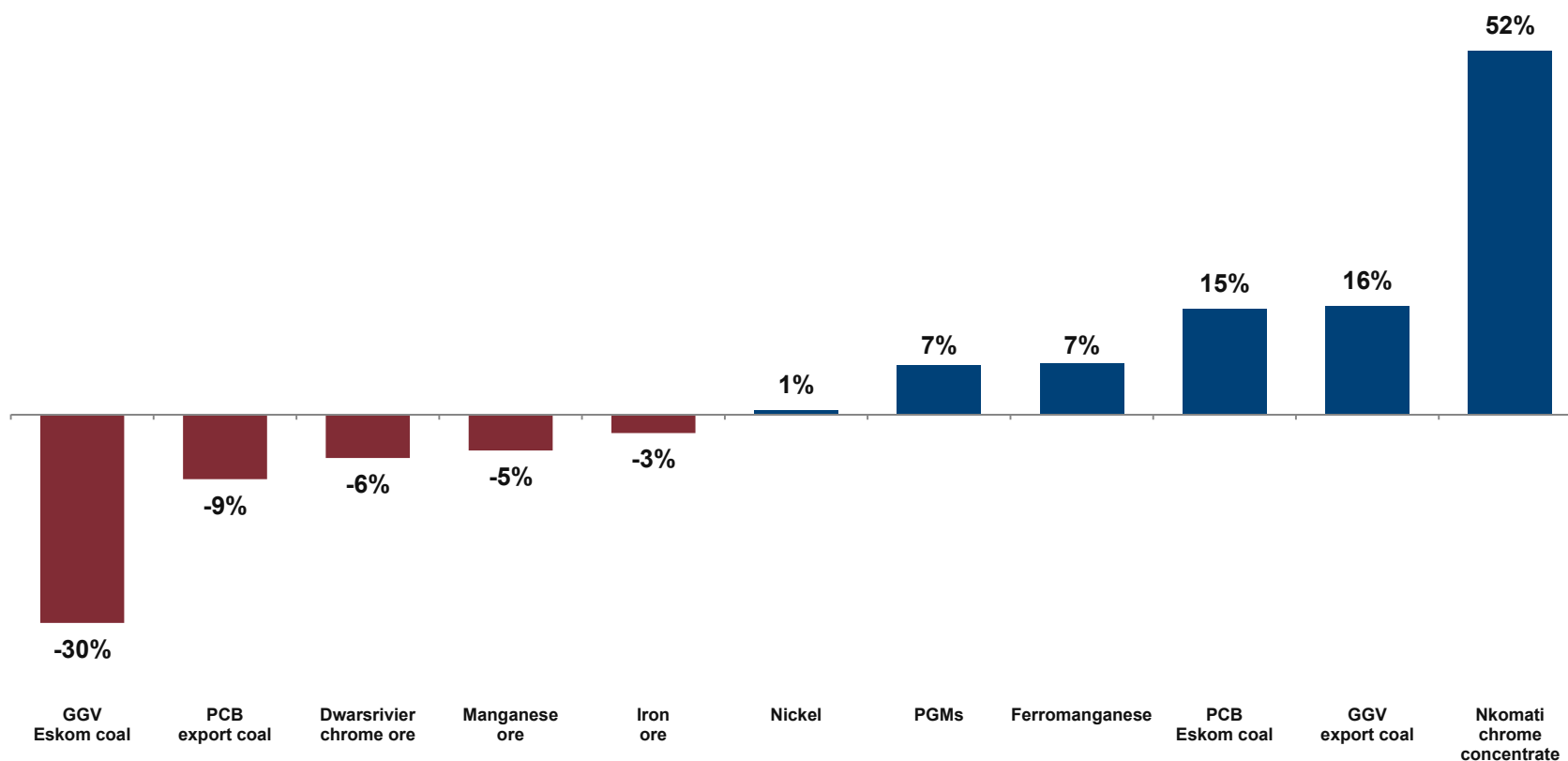
## Unaudited profit variance analysis – Profit from operations before exceptional items (R million)





# Changes in sales volumes

## F2014 vs. F2013 sales volume changes (%)

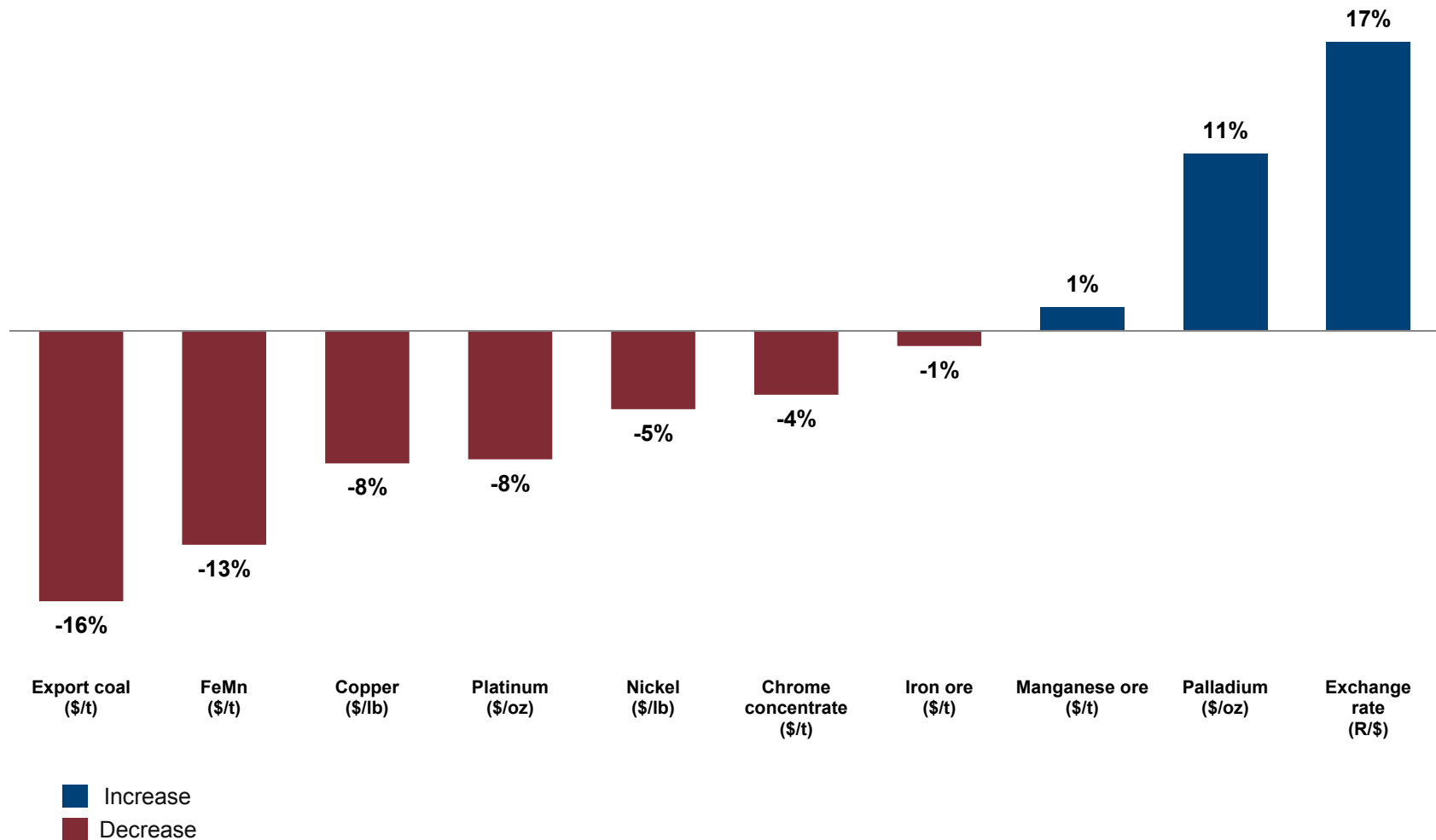


Copper sales volumes increased from 9 943 tonnes to 33 323 tonnes in F2014

■ Increase  
■ Decrease

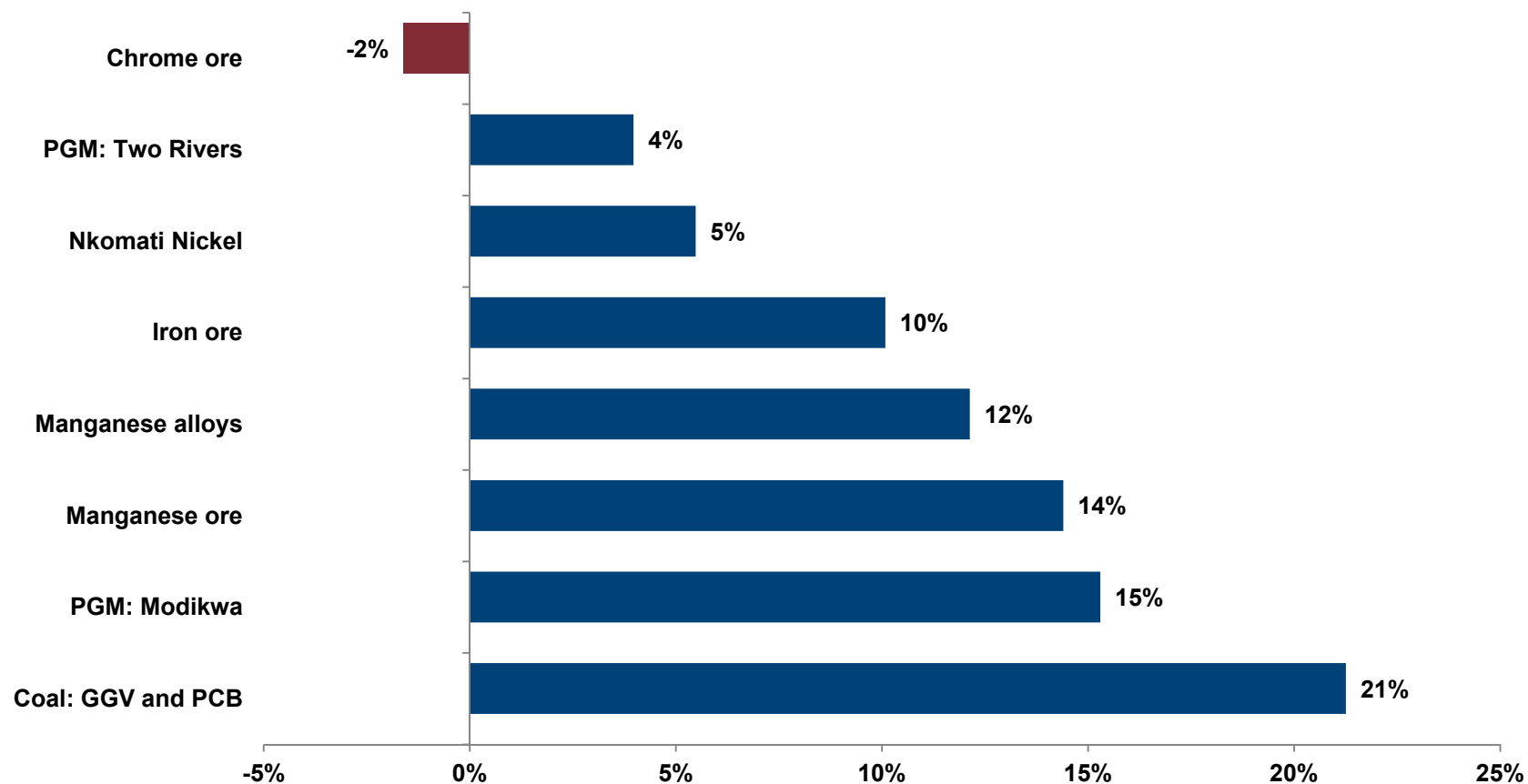
# Changes in US Dollar realised prices and exchange rate

F2014 vs. F2013 US Dollar realised prices and exchange rate changes (%)



# Unit cost changes by commodity

## F2014 vs. F2013 on-mine production unit cost changes (%)



Unit production costs continue to be under pressure due to higher than inflation increases in wages, electricity and diesel.

■ Increase  
■ Decrease

# Iron ore

Khumani Mine sales volumes were lower due to interrupted water supply.

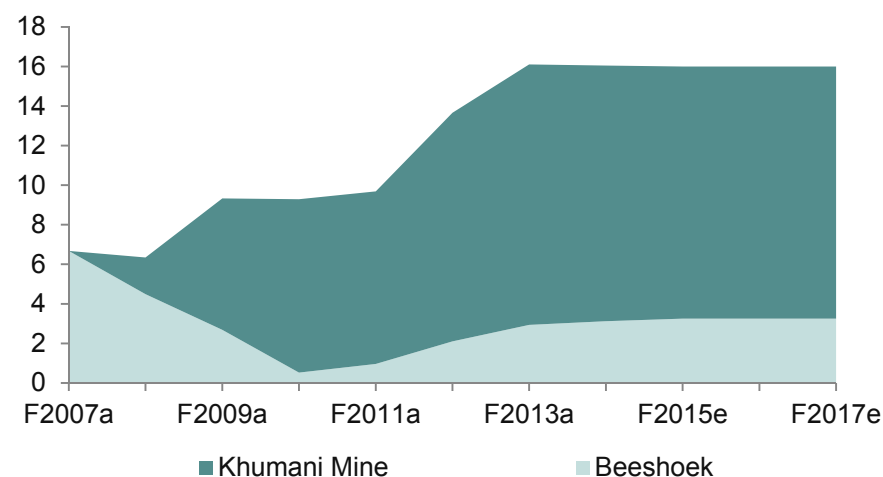
Development of the Beeshoek Village Pit is progressing well.

The Village Pit will allow Beeshoek Mine to sustain 3 million tonnes per annum for at least 12 years.

## Iron ore operational performance (100% basis)

		F2014	F2013	% change
Production	000 tonnes	16 054	16 103	-
On-mine production unit cost change	%	10	20	-
EBITDA margin	%	54	55	-
Capital expenditure	Rm	2 058	2 709	(24)

## Iron ore production volumes (Mt) (100% basis)



# Manganese ore

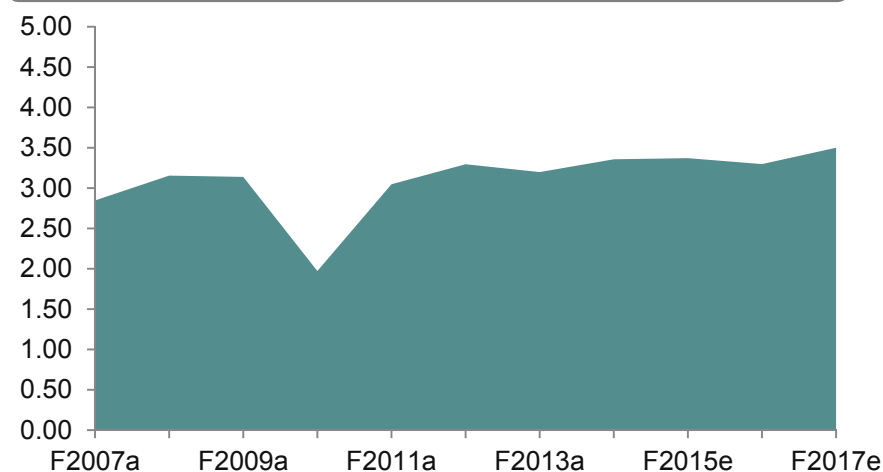
Manganese ore sales volumes were lower due to reduced local sales.

High production unit cost increases due to old shaft infrastructure. Modernisation of the mine is in progress.

## Manganese ore operational performance (100% basis)

		F2014	F2013	% change
Production	000 tonnes	3 358	3 199	5
On-mine production unit cost change	%	14	23	-
EBITDA margin	%	34	37	-
Capital expenditure	Rm	1 267	777	63

## Manganese ore production volumes (Mt) (100% basis)



# Manganese alloys

The smelters continue to produce at below capacity due to oversupply in the market.

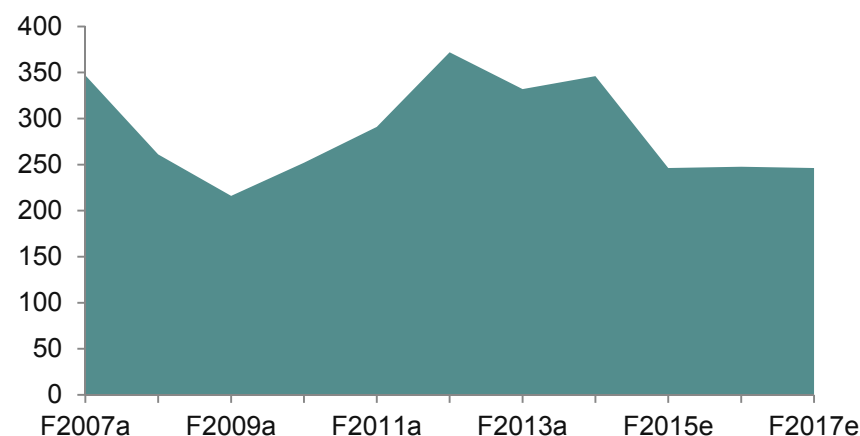
Unit production costs increased by 12% mainly due to higher electricity tariffs and low production.

The strategy for the smelters is currently being reviewed.

## Manganese alloys operational performance (100% basis)

		F2014	F2013	% change
Production	000 tonnes	279	260	7
Unit production cost change	%	12	12	-
EBITDA margin	%	5	6	-
Capital expenditure	Rm	73	439	(83)

## Manganese alloys production volumes (000t) (100% basis)



# PGMs

Two Rivers Mine delivered an excellent operational performance, headline earnings up 88%.

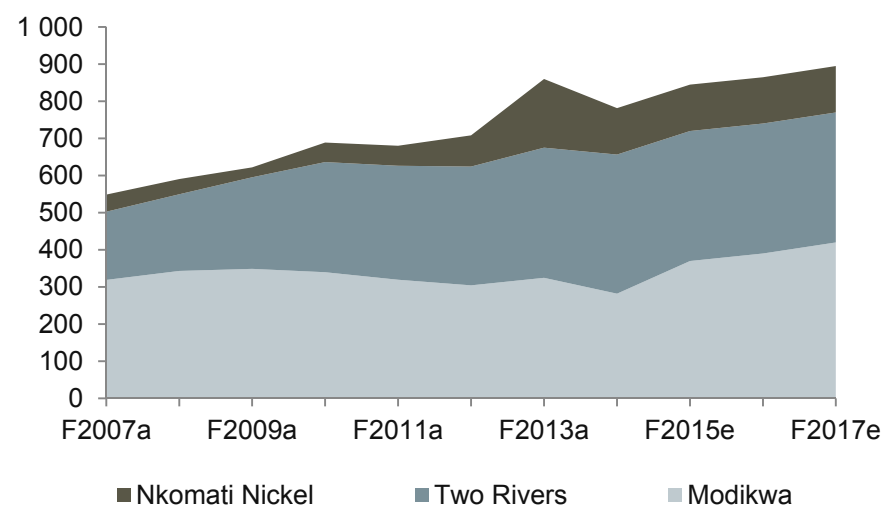
Modikwa Mine's performance was affected by industrial and safety related stoppages as well as a lack of mining flexibility.

The recapitalisation of Modikwa Mine is progressing well and is expected to decrease cost escalations going forward.

## PGM operational performance (100% basis)

		F2014	F2013	% change
Production	000 ounces	841	786	7
Unit production cost Modikwa	R/t	1 010	876	15
Unit production cost Two Rivers	R/t	602	579	4
Capital expenditure	Rm	887	784	13

## PGM production volumes (000 oz) (100% basis)





# Nickel

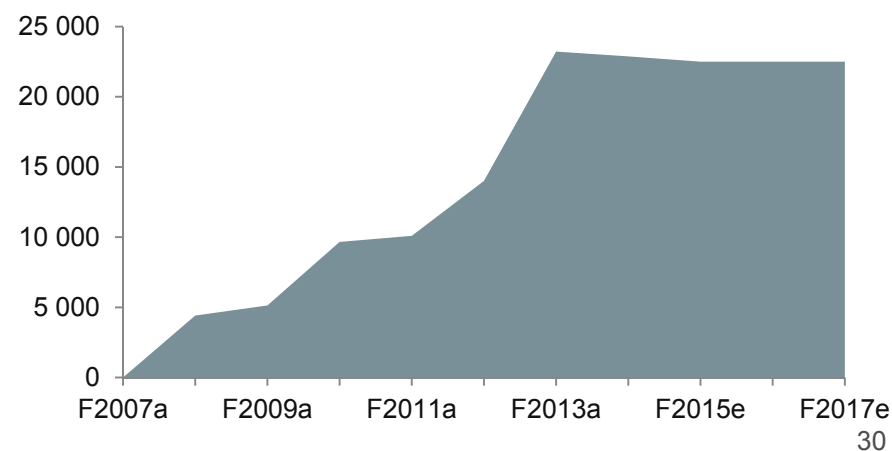
Nkomati Mine continued its excellent performance achieving a 91% increase in headline earnings.

The mine has achieved 3% decrease in C1 cash cost net of by-products.

## Nickel operational performance (100% basis)

		F2014	F2013	% change
Nickel production	tonnes	22 874	23 220	(1)
Chrome production	000 tonnes	342	225	52
On-mine cash cost per tonne milled	R/t	308	292	5
C1 cash cost net of by-products	US\$/t	4.81	4.98	(3)
Capital expenditure	Rm	258	189	37

## Nickel production volumes (tonnes) (100% basis)



# Coal

Saleable production was lower at GGV mainly as a result of a mining shovel being out of operation for two months.

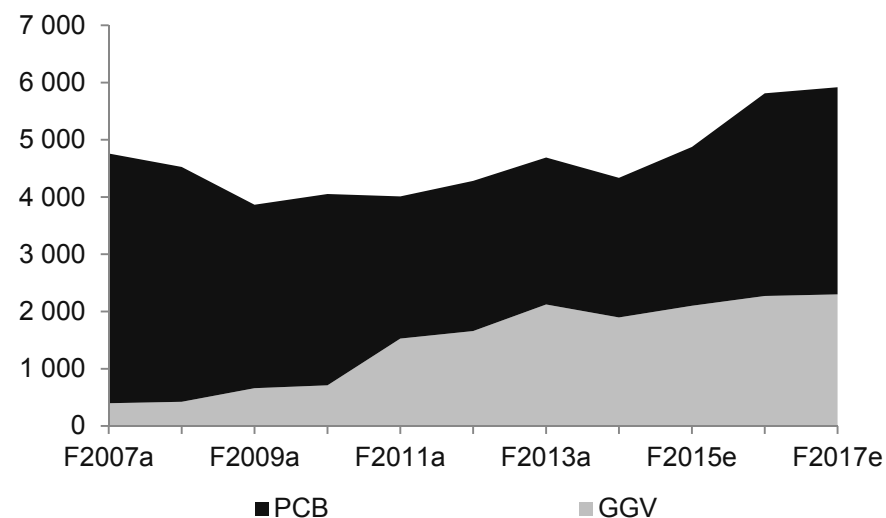
GGV F2014 unit costs at R208 per tonne are more consistent with steady state unit costs.

PCB has built up a stockpile of approximately 2 million tonnes mainly for the commissioning of the new TOP plant.

## Coal operational performance (attributable basis)

		F2014	F2013	% change
Saleable production	Mt	4.34	4.69	(8)
GGV on-mine saleable cost	R/t	208	171	22
PCB on-mine saleable cost	R/t	396	326	21
GGV capital expenditure	Rm	129	41	215

## Coal saleable production volumes (000t) (attributable basis)



# Copper

Lubambe Mine is continuing with ramp-up.

Grade challenges experienced due to both reef width and dip variability (dilution).

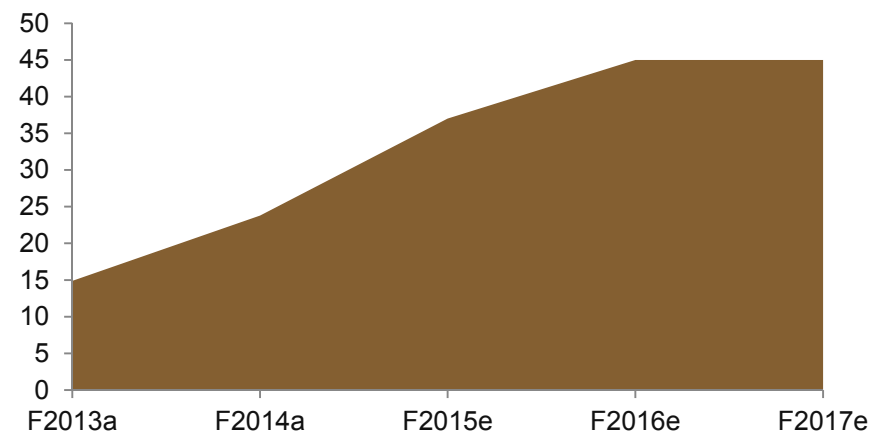
Challenges experienced with throughput in the rock pass systems and main tips have since been resolved.

Unit costs at steady state are expected to be US\$1.80/lb.

## Copper operational performance (100% basis)

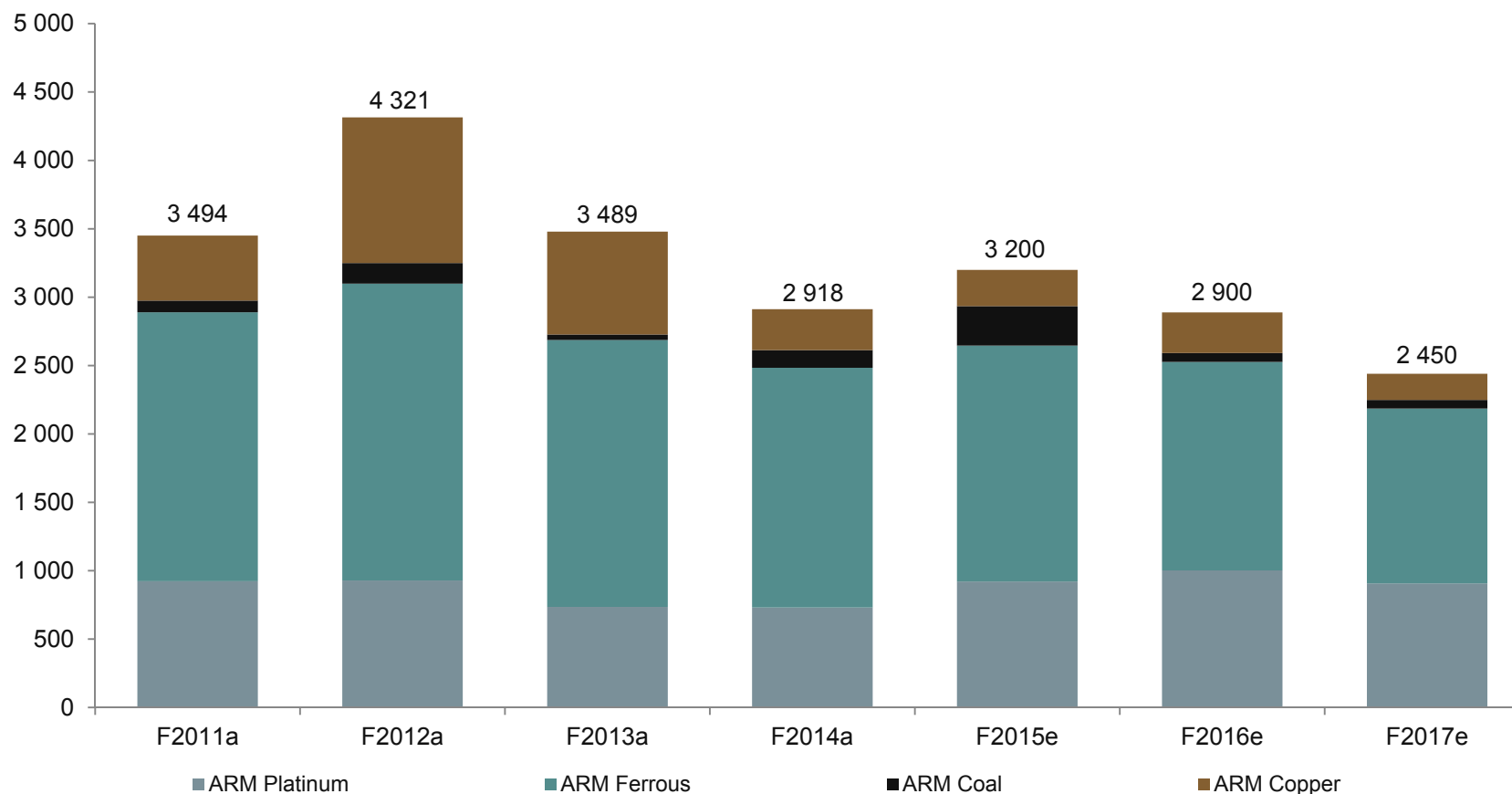
		F2013	F2014	Steady state
Milled tonnes	Mt	1.05	1.59	2.50
Mill head grade	% copper	1.92	1.95	2.30
Concentrator recovery	%	71.4	77.6	78.0
Copper produced	000 tonnes	14.9	23.8	45.0
Unit cash cost per tonne milled	R/t	-	83.48	71.00

## Copper production volumes (000t) (100% basis)



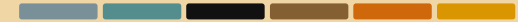
# Capital allocation: segmental analysis

## Capital expenditure (R million)\*



*\*The forecasted capital expenditure for F2015 to F2017 is an estimation based on approved projects and projects under consideration.*

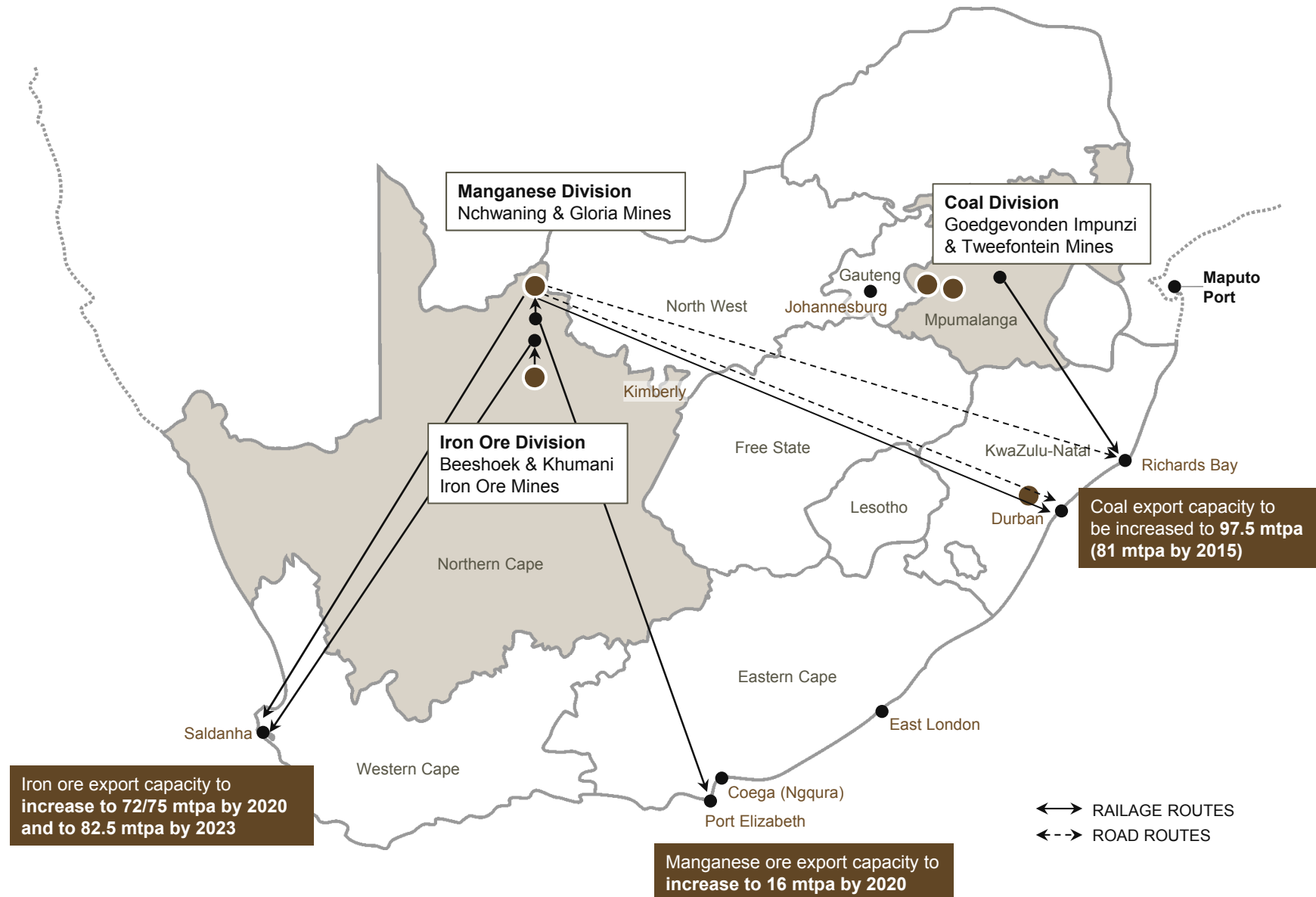
*\*Capital expenditure excludes the Sakura Ferroalloys Project and includes deferred stripping at Nkomati Mine.*



# Thank you

**We do it better**

# Transnet's Market Demand Strategy



# Accounting policy change

**ARM has implemented changes to its accounting policies following changes to IFRS.**

**The changes affect disclosures made in the financial statements but do not affect the earnings or the segmental analysis.**



# Accounting policy change

**Assmang is no longer proportionately consolidated.**

**ARM's share of Assmang is now disclosed as a single line item on the consolidated income statement as "Income from joint venture".**

**ARM's share of Assmang is disclosed on the statement of financial position as "Investment in joint venture".**

**ARM's share of Assmang is disclosed on the cash flow statement as "Dividends received from joint venture".**