African Rainbow Minerals

"Headline earnings increased by 204% to R3 196 million.

Dividend declared increased by 189% to R6.50 per share. This is the highest dividend to date.

ARM announced the disposal of its interest in Lubambe Mine and is restructuring the loss-making operations."

Patrice Motsepe
Executive Chairman


New load-out facility at Black Rock Manganese 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 – 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[4]
- **14.5%** Gold: Harmony

1. ARM's effective interest in Modikwa Mine is 41.5%, local communities hold 8.5%.
2. Two Rivers received consent during August 2017 i) to transfer the Tamboti rights to it, and ii) to have its mining right amended accordingly. The amended mining right will be issued to Two Rivers imminently at which point ARM's interest in Two Rivers will increase to 54%.
3. ARM's effective interest in GGV is 26% and 20.2% in PCB.
4. ARM announced on 15 August 2017 that an agreement had been concluded for the disposal of its 40% effective interest in Lubambe and Lubambe Extension Area. Completion of the disposal is subject to the fulfilment of conditions precedent.

Salient features

African Rainbow Minerals

Headline earnings increased by 204% to R3 196 million (F2016: R1 051 million).

Headline earnings per share were 1 684 cents compared to 494 cents in the previous corresponding financial year.

Dividend declared increased by 189% to 650 cents per share (F2016: 225 cents per share).

This is the highest dividend to date and is ARM's eleventh consecutive annual dividend.

Salient features

Higher US Dollar prices were realised for all the commodities in ARM's portfolio.

Realised Rand prices were higher for all commodities except platinum.

Cost containment initiatives yielded good results.

The iron ore, manganese ore, manganese alloy, nickel, copper and Participating Coal Business (PCB) operations achieved unit production cost increases below inflation.

Unit production cost increases at Modikwa and Two Rivers mines were in line with inflation.

The financial position has strengthened.

At 30 June 2017 ARM was in a net debt position of R1 271 million compared to net debt of R4 235 million at 30 June 2016.

Salient features

ARM and Vale announced the disposal of their 80% interest in Lubambe Mine for a purchase consideration of US$97 million.

Completion of the disposal is subject to the fulfilment of conditions precedent.

ARM's interest in Two Rivers to increase to 54% on execution of Two Rivers' amended mining right which is imminent.

ARM and Glencore Operations South Africa are in discussions concerning the restructuring of the ARM Coal partner loans to improve ARM's debt obligations in terms of these loans.

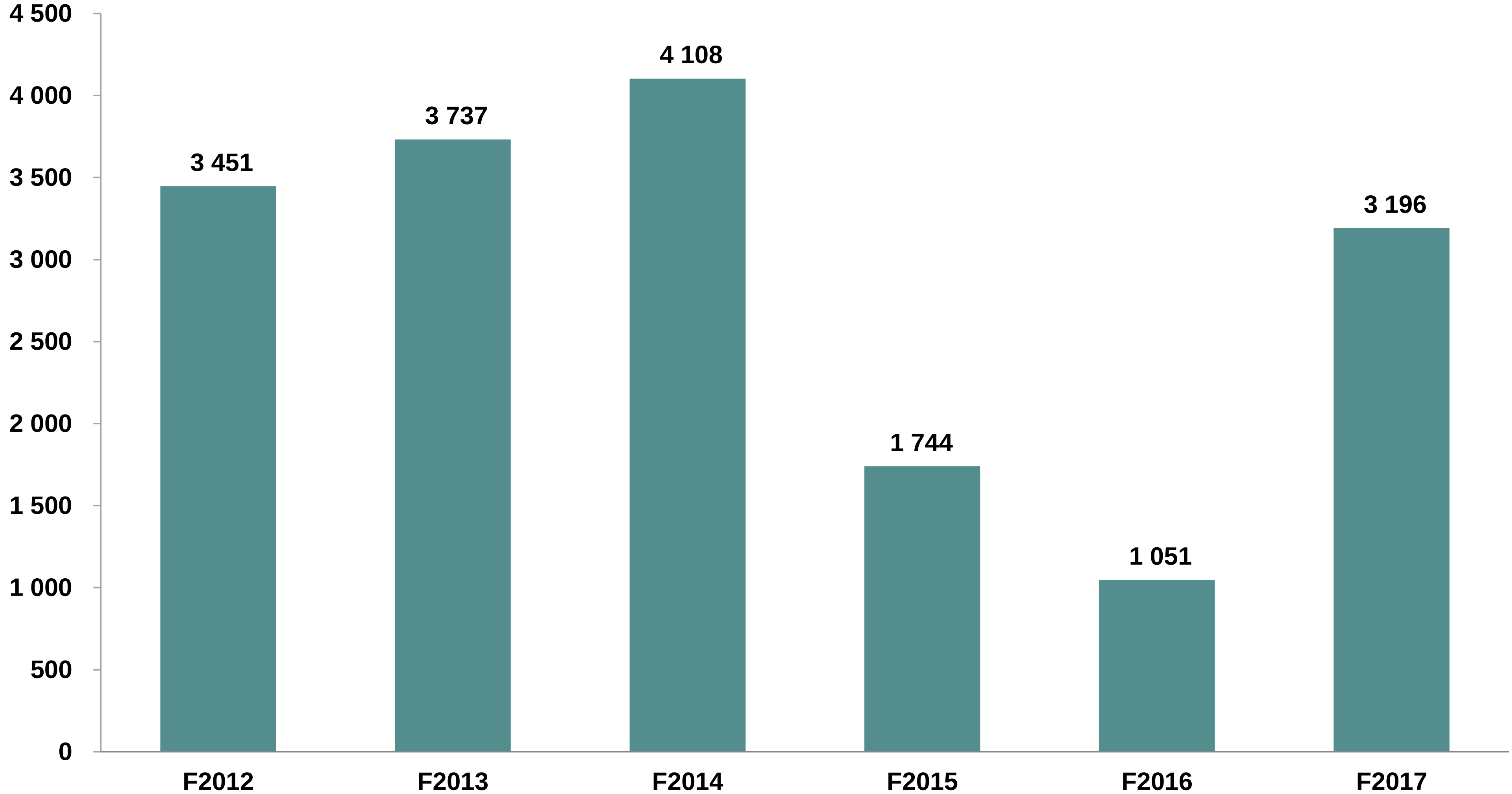
Safety

There were no fatalities at any of the operations in the financial year under review. ARM has been fatality-free for the past two financial years.

The Lost Time Injury Frequency Rate (LTIFR) improved by 14% from 0.32 per 200 000 man-hours in F2016 to 0.28 in F2017.

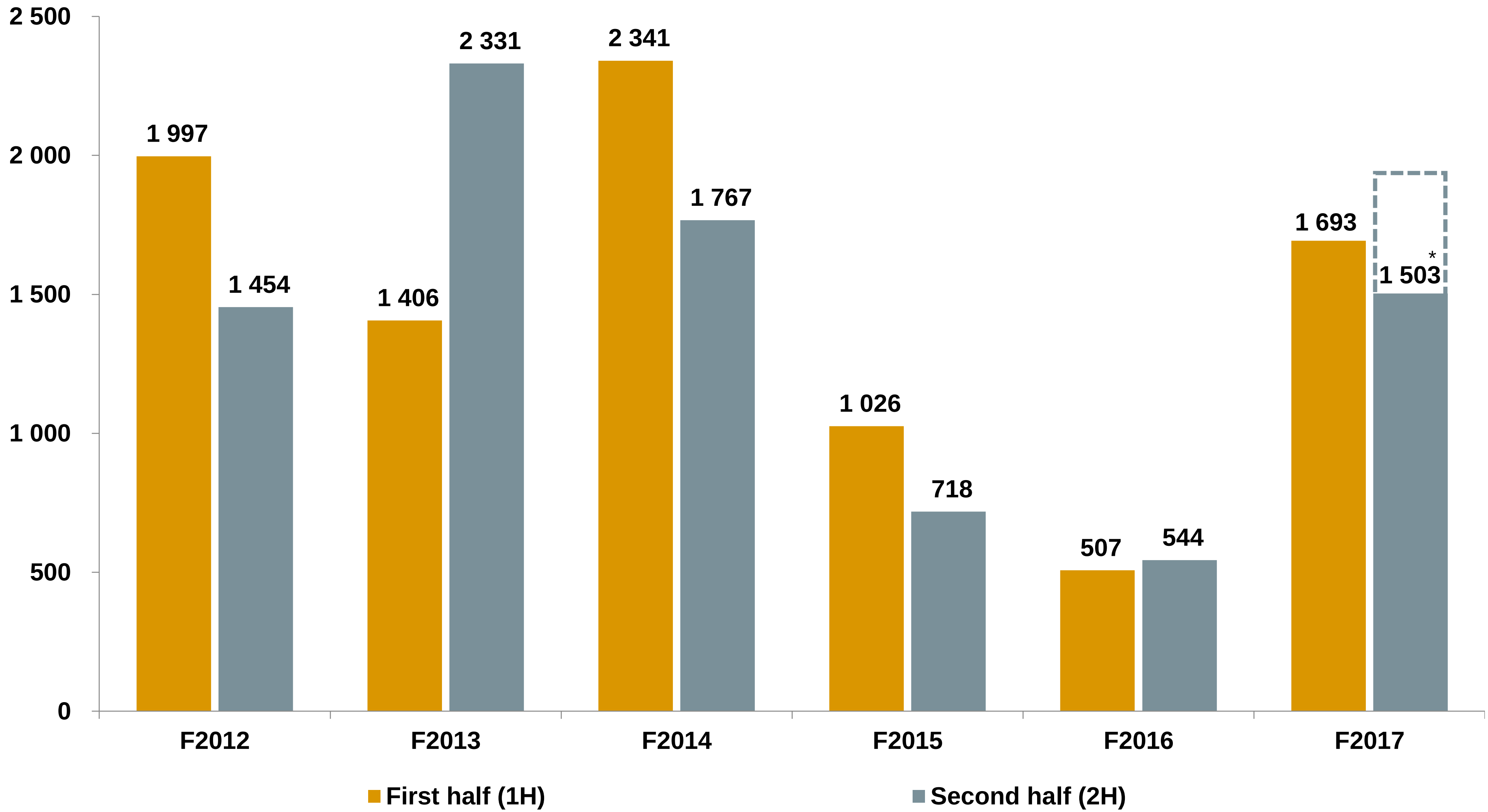
The Ferrous and Platinum divisions achieved their lowest LTIFR to date at 0.17 and 0.38 per 200 000 man-hours, respectively.

Annual headline earnings (R million)



Six-monthly headline earnings (R million)

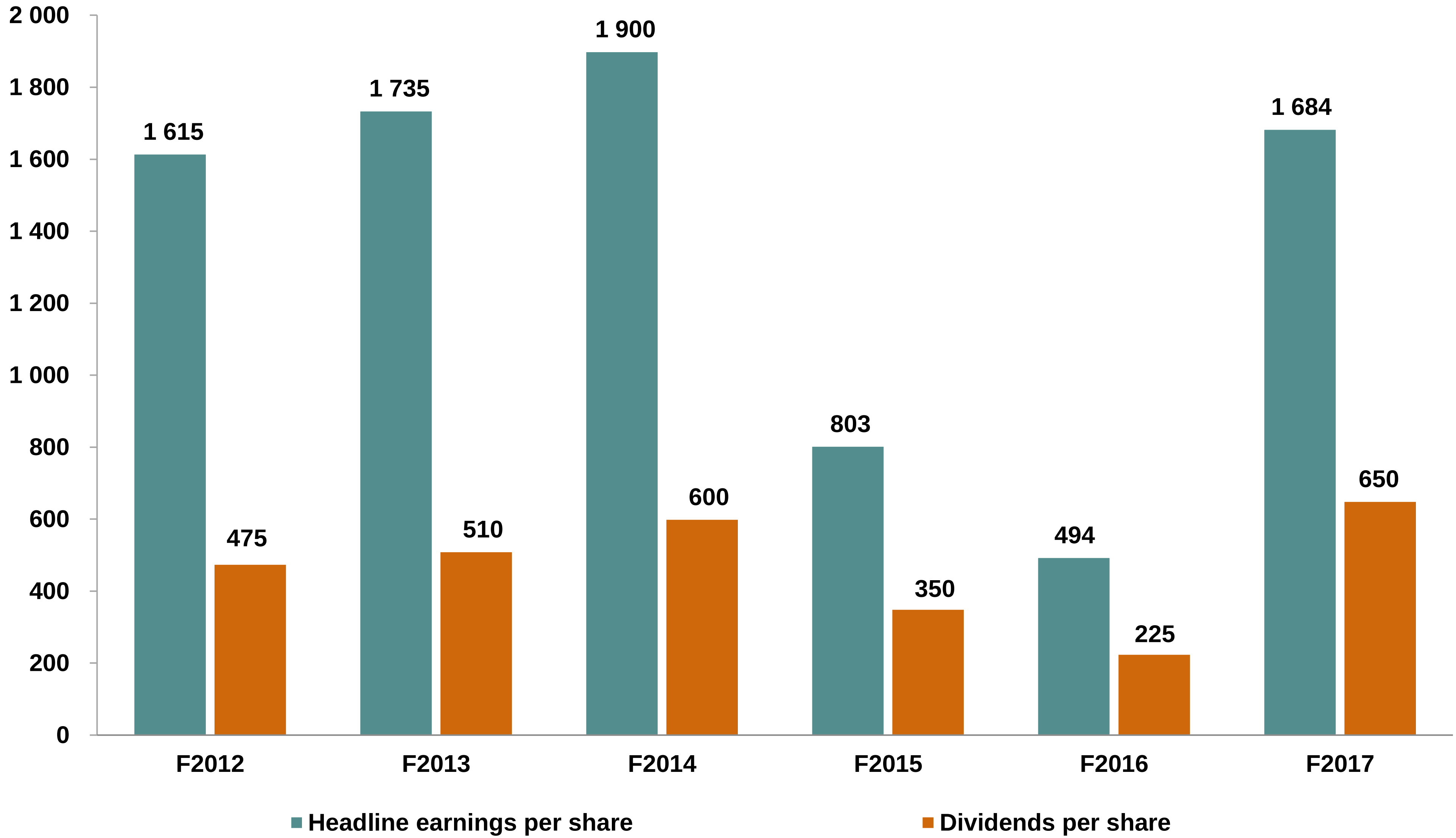
African Rainbow Minerals



*** R1 833 million excluding the R330 million provision for a possible settlement of the silicosis and tuberculosis class action claims and related costs.**

Headline earnings and dividends per share (cents)

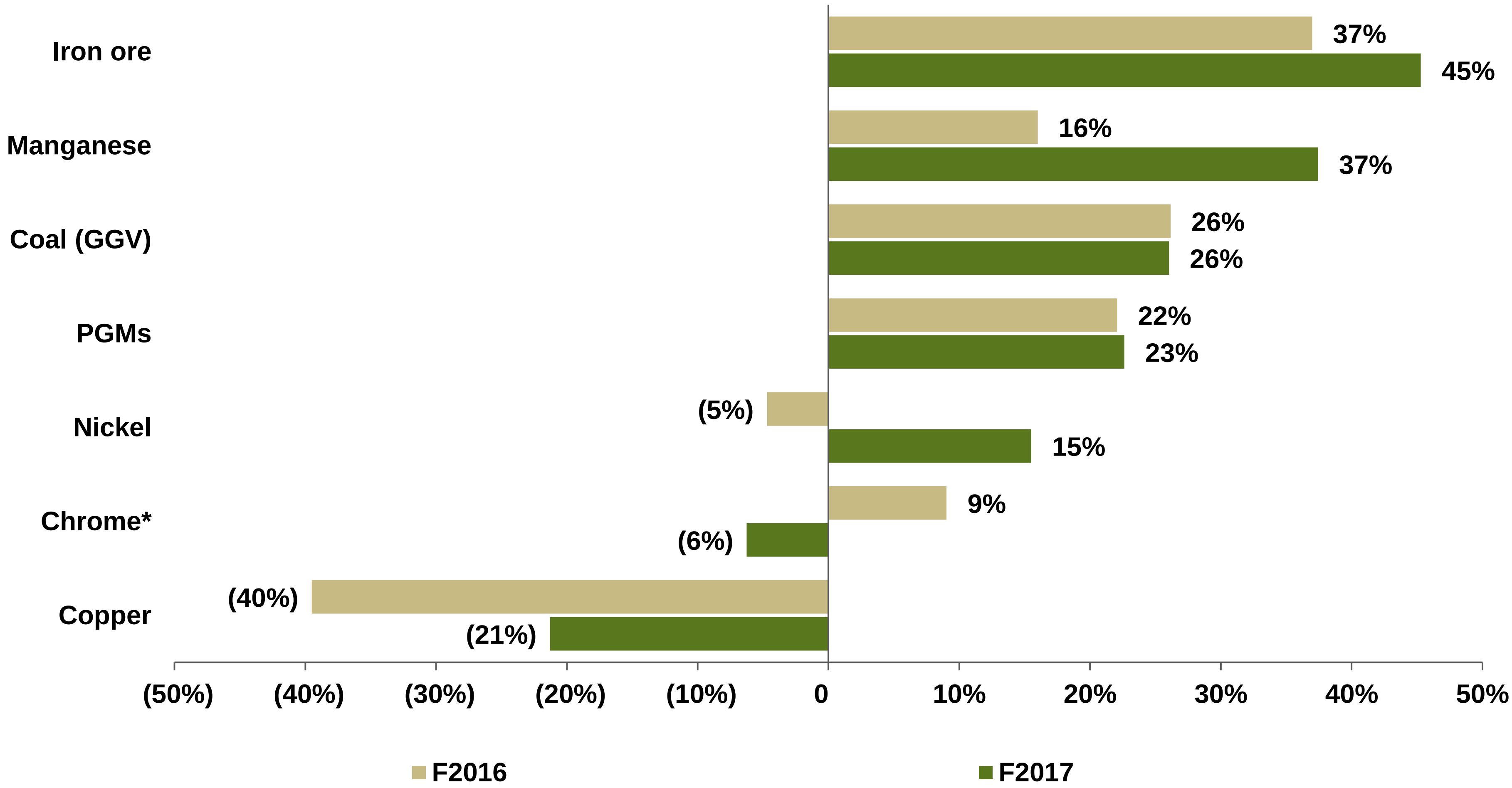
African Rainbow Minerals



EBITDA margins

African Rainbow Minerals

Segmental EBITDA margins by commodity (%)



** The Chrome EBITDA margin for F2016 includes the Dwarsrivier Chrome Mine which was sold effective 1 July 2016 and is not included in the F2017 EBITDA margin.*

ARM strategy

Owner operator

Entrepreneurial management

Profit and cash flow focused

Partner of choice

Employer of choice

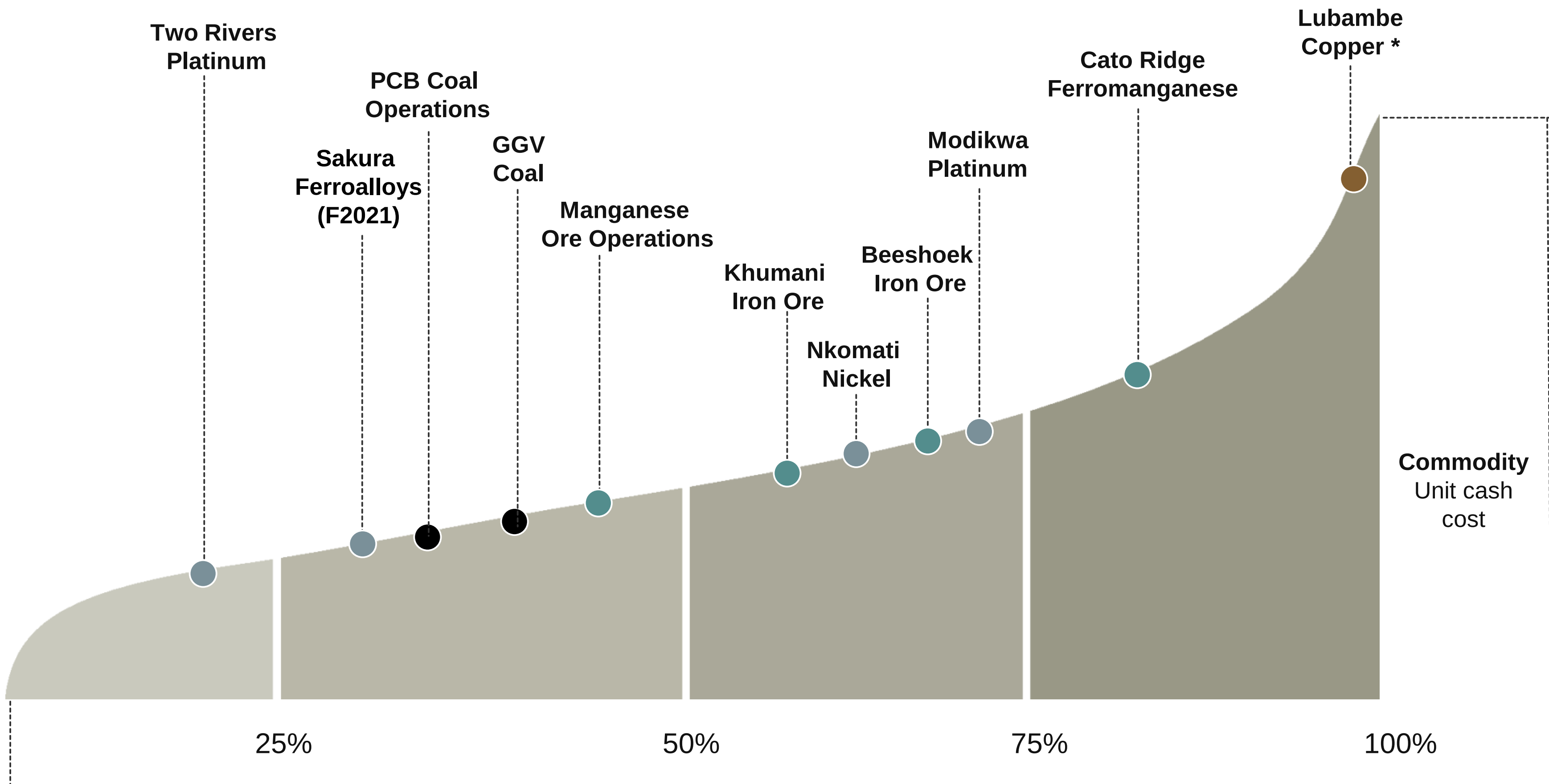
World-class management team

Partnering with communities, workers and other stakeholders

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)

** ARM announced on 15 August 2017 that an agreement had been concluded for the disposal of ARM 's 40% effective interest in the Lubambe Mine and Extension Area.*


Two Rivers Platinum Mine

African Rainbow Minerals

Operational review

Mike Schmidt, Chief Executive Officer

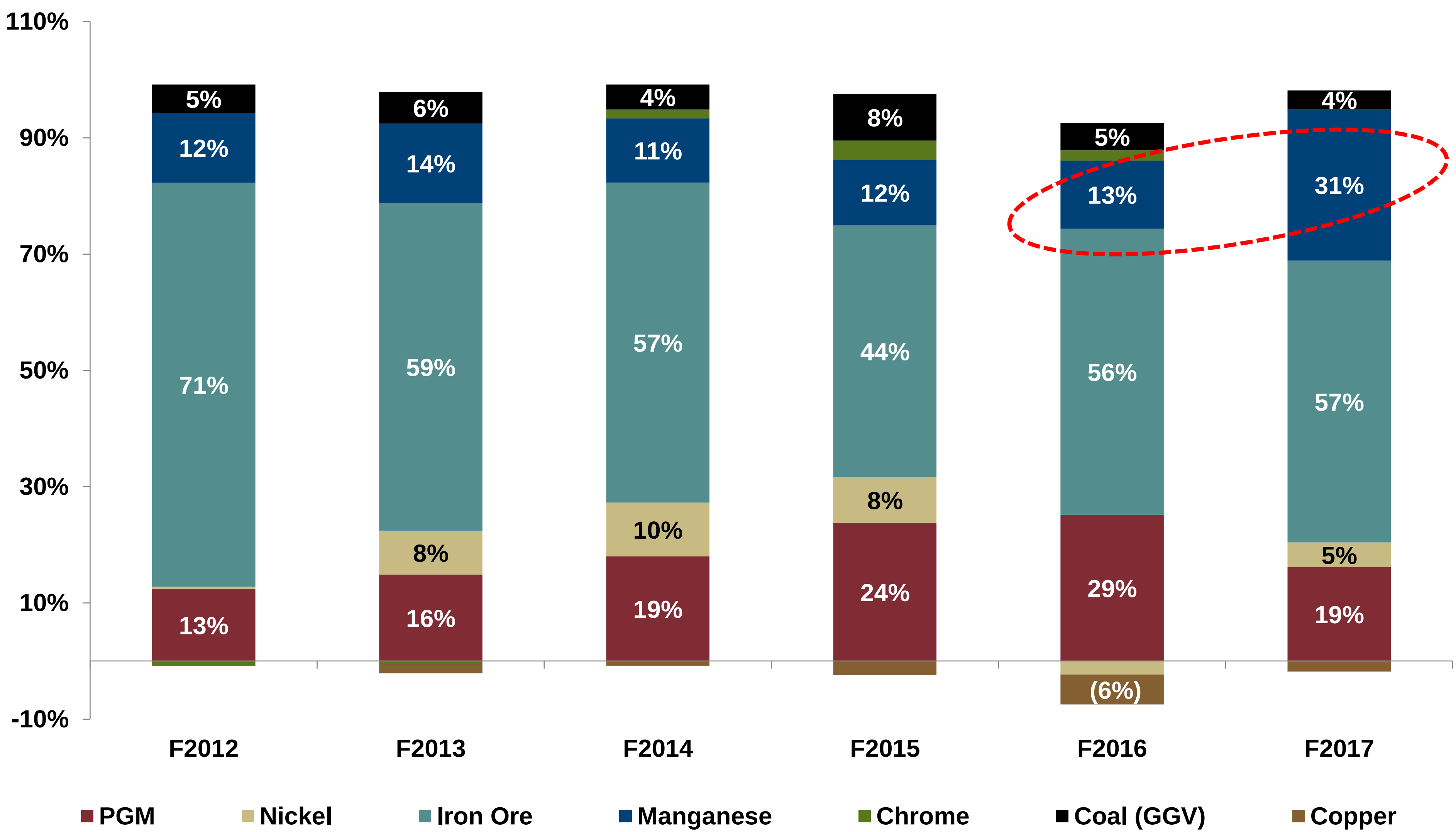
Headline earnings/(loss) by division/operation

	12 months ended 30 June		
R million	**2017**	**2016**	**% change**
ARM Platinum	**350**	(10)	>200
Two Rivers Mine	**325**	318	2
Modikwa Mine	**(66)**	(84)	(21)
Nkomati Mine	**91**	(244)	137
ARM Ferrous	**3 709**	**1 441**	**157**
Iron ore division	**2 187**	1 215	80
Manganese division	**1 161**	198	>200
Chrome division	**375**	55	>200
Consolidation adjustment	**(14)**	(27)	
ARM Coal	**82**	**(297)**	**128**
GGV Mine	**(99)**	(87)	(14)
PCB Operations	**181**	(210)	186
ARM Copper*	**(203)**	**(361)**	44
ARM Strategic Services and Exploration	**(28)**	**(23)**	(22)
Gold	**64**	**-**	-
Corporate and other*	**(778)**	**301**	(>200)
ARM headline earnings	**3 196**	**1 051**	**>200**

** Following the announcement of the disposal of ARM's interest in Lubambe Mine, the operation has been classified as held for sale at 30 June 2017 in terms of IFRS. As such intercompany interest accrued to ARM Company from Lubambe Mine of R219 million (F2016: R194 million) has been eliminated from both the ARM Copper and Corporate and other segments.*

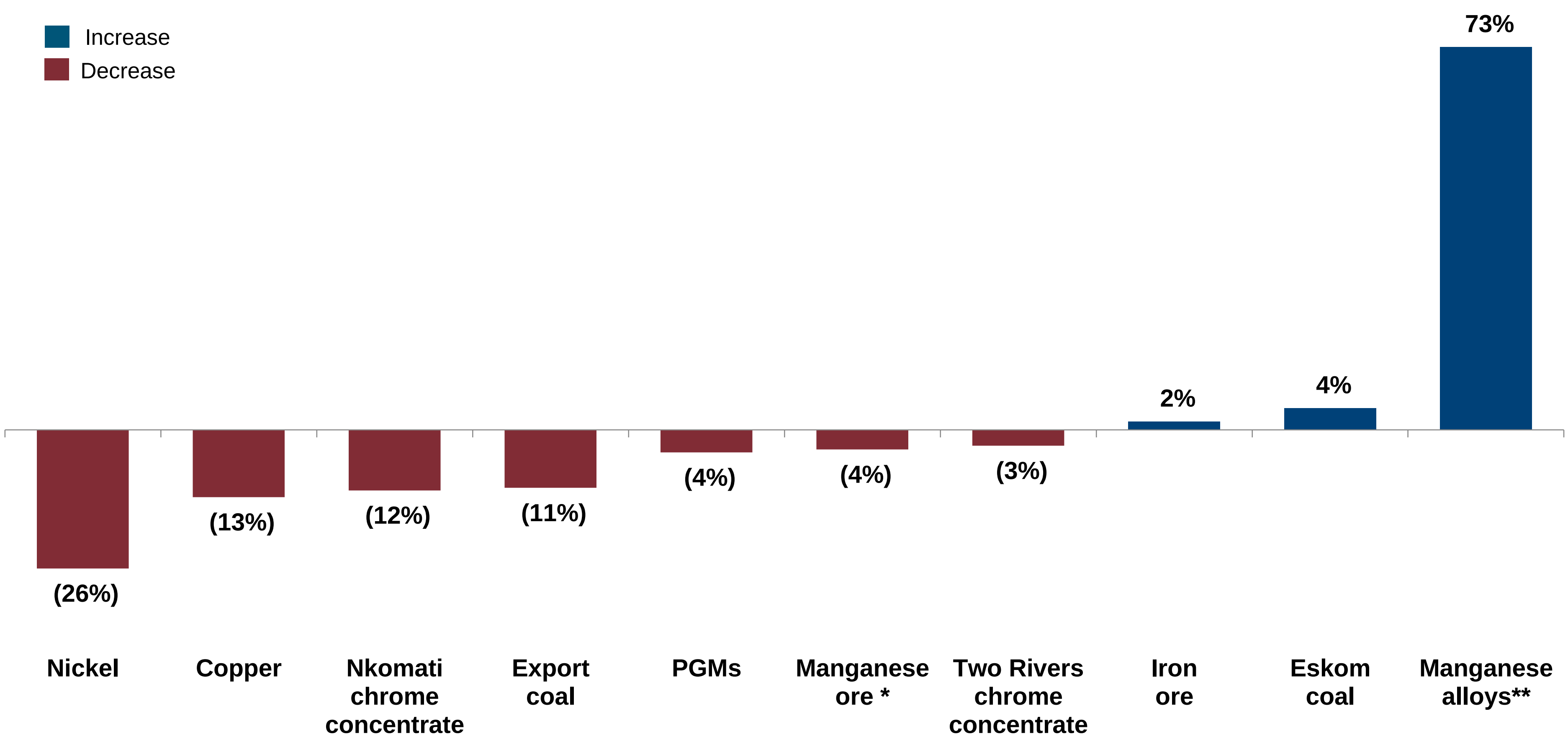
Segmental EBITDA split by commodity (%)

African Rainbow Minerals



Changes in sales volumes

F2017 versus F2016 sales volume changes (%)

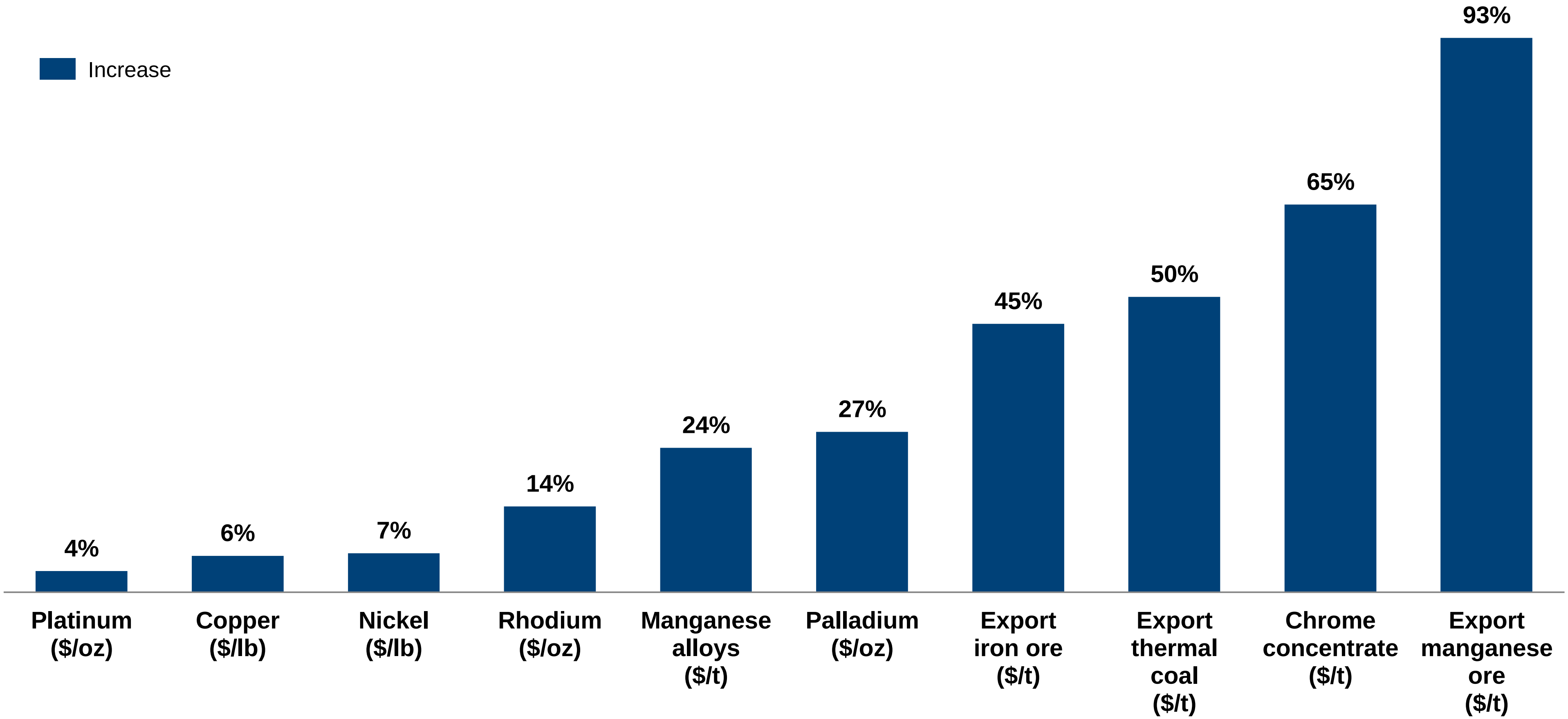


**External sales only.*
*** Includes Sakura Ferroalloy sales.*

Changes in average realised US Dollar prices

African Rainbow Minerals

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

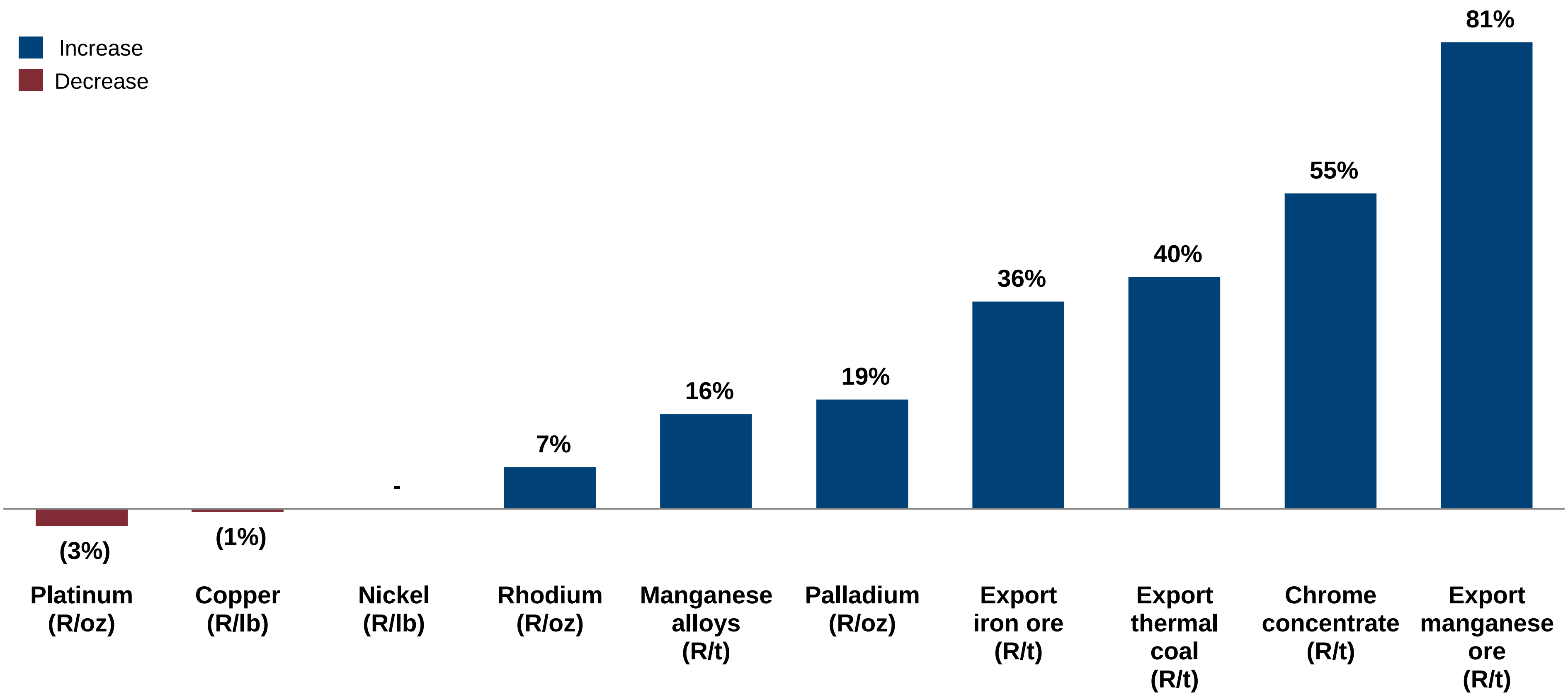


The average Rand/US Dollar exchange rate strengthened by 6% from R14.51/US$ in F2016 to R13.60/US$ in F2017.

Changes in average realised Rand prices

African Rainbow Minerals

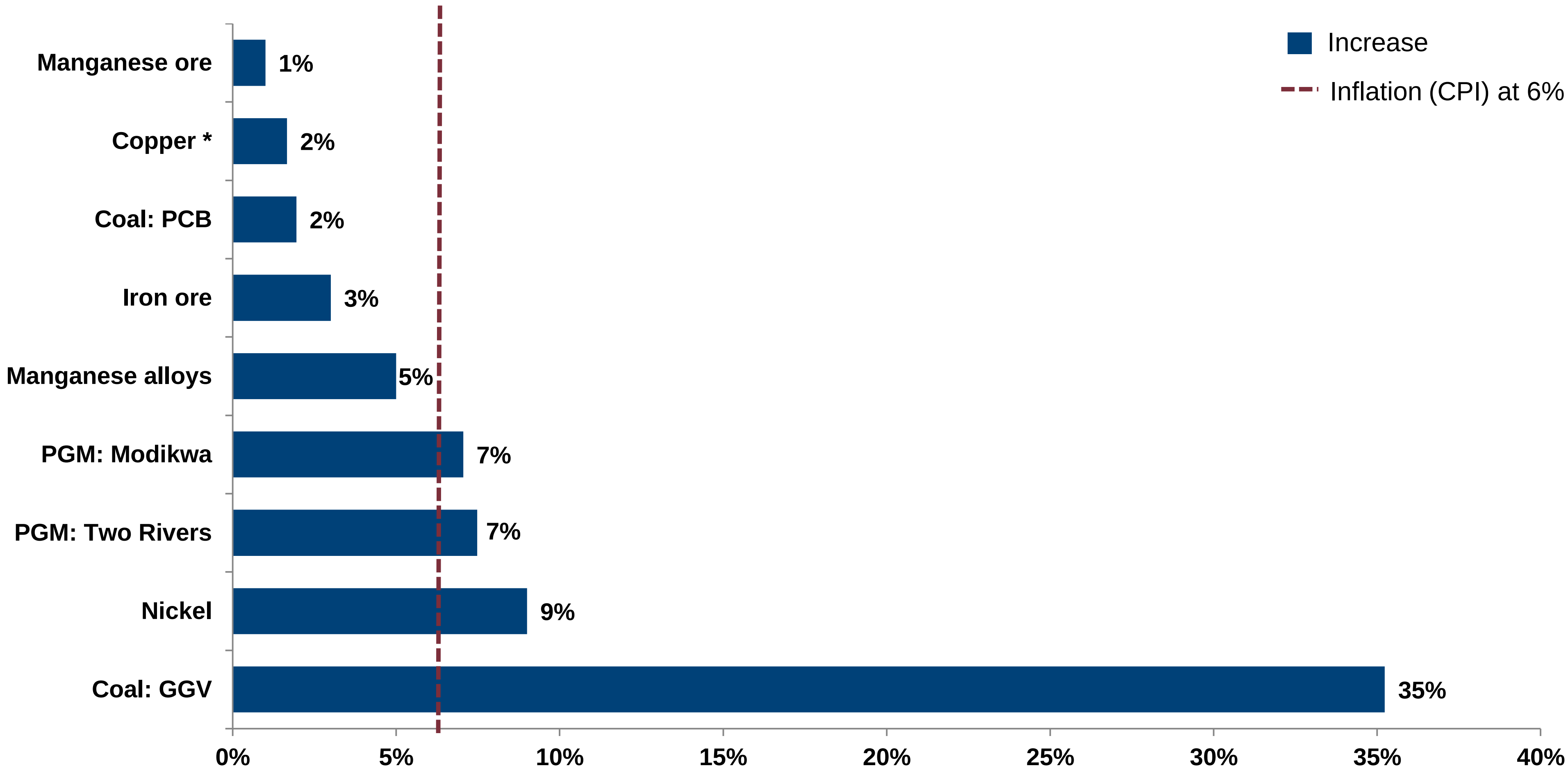
F2017 versus F2016 average realised Rand prices changes (%)



Unit cost changes by operation

African Rainbow Minerals

F2017 versus F2016 on-mine unit production costs per tonne (%)



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

ARM Ferrous: Iron ore

ARM African Rainbow Minerals

Operational performance - 100% basis

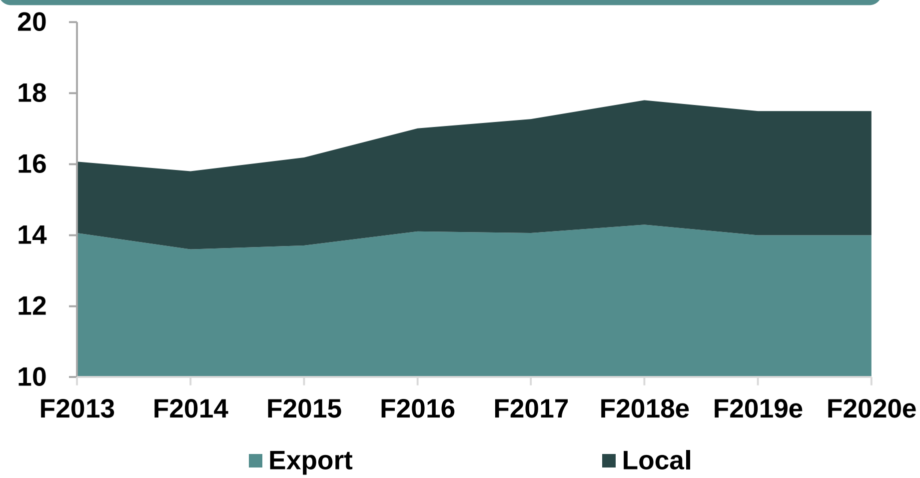
Record production volumes of 17.7 million tonnes. This level of production is sustainable.

Continued supply of high quality iron ore. 60% of export sales volumes were lumpy iron ore.

Below-inflation increases in unit production costs achieved for two consecutive financial years.

		F2017	F2016	% change
Export sales volumes	*000 tonnes*	14 061	14 103	-
Local sales volumes	*000 tonnes*	3 214	2 905	11
Change in on-mine unit production costs	*%*	3	(8)	
Capital expenditure	*R million*	1 169	901	30

Sales volumes (Mt)



ARM Ferrous: Manganese ore

African Rainbow Minerals

Operational performance – 100% basis

Black Rock Project is progressing well and is expected to ramp up to 4mtpa by F2020.

Production volumes increased 5% despite the Nchwaning Shaft being out of commission for six months (as part of the Black Rock Project).

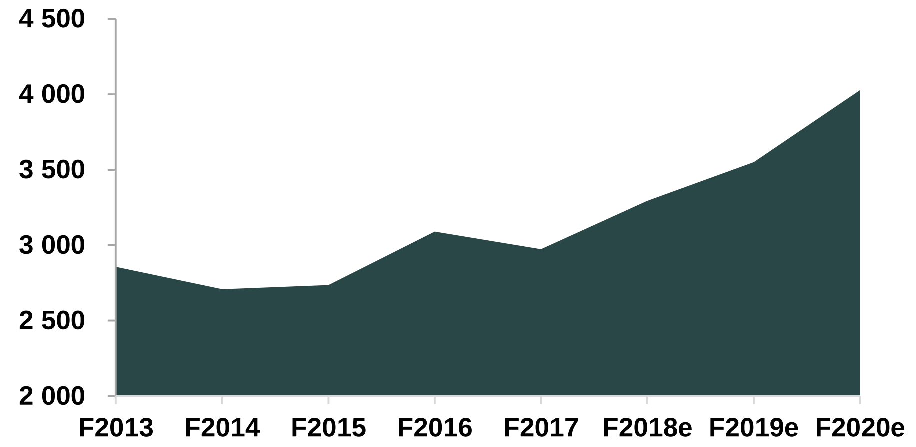
Unit production cost increases were below inflation for two consecutive financial years.

Negotiations with Transnet to align the ramp up of Black Rock Mine with Transnet's medium-and long-term (MECA2 and MECA3) processes are ongoing.

		F2017	F2016	% change
Export sales volumes	*000 tonnes*	**2 871**	**3 001**	**(4)**
Local sales volumes*	*000 tonnes*	**103**	**89**	**16**
Change in unit production costs	*%*	**1**	**(6)**	
Capital expenditure	*R million*	**1 617**	**1 939**	**(17)**

** Excluding intragroup sales*

Sales volumes (000t)



ARM Ferrous: Manganese alloys

African Rainbow Minerals

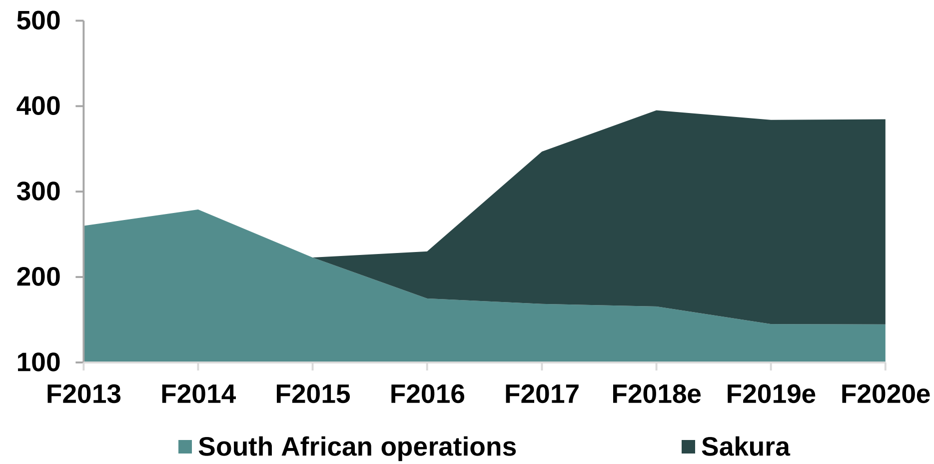
Operational performance – 100% basis

Sakura Project was completed on budget. Ramp up was slowed down in response to adverse market conditions.

		F2017	F2016	% change
Sales volumes	*000 tonnes*	303	175	73
Change in unit production costs	*%*	5	9	

Both furnaces at Sakura are now producing high-carbon ferromanganese and are exceeding design capacity at 230 000 tonnes per annum.

Sales volumes (000t)



Sakura is expected to be positioned in the second quartile of the global cost curve in the next four years.

ARM Platinum: PGM

ARM African Rainbow Minerals

Operational performance - 100% basis

ARM's interest in Two Rivers to increase to 54% on execution of Two Rivers' amended mining right which is imminent.

Production volumes at Two Rivers Mine were lower, impacted by lower grade as a result of mining of split reef. The lower grade is expected to persist for the next 2 to 3 years.

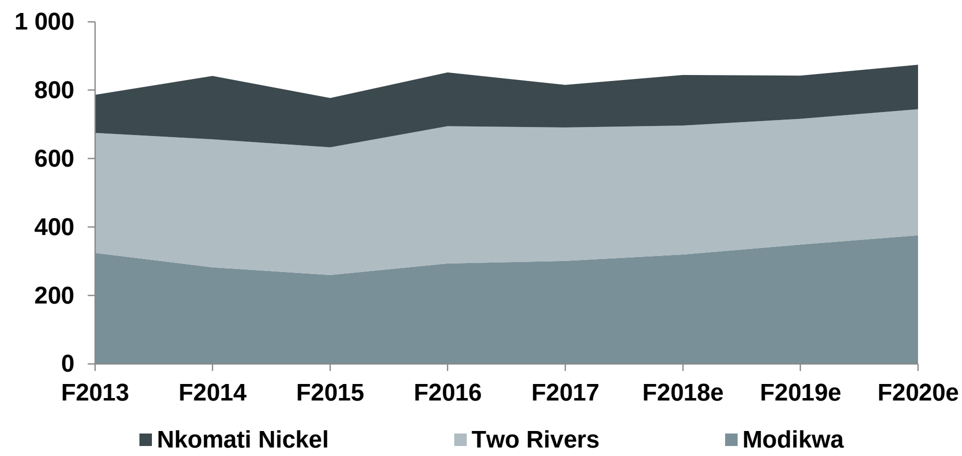
Several interventions are under way at Modikwa to improve the mine's profitability and cash flow and some progress has already been made.

Modikwa reported on-mine unit production costs of R1 174 per tonne milled for the fourth quarter.

		F2017	F2016	% change
Production	*6E PGM ounces*	815 188	851 924	(4)
Modikwa cash cost	*R/oz 6E*	8 463	8 244	3
Two Rivers cash cost	*R/oz 6E*	6 195	5 624	10
Capital expenditure *	*R million*	1 273	1 052	21

** Including Nkomati Mine.*

Production volumes (000 ounces)



ARM Platinum: Nickel

ARM African Rainbow Minerals

Operational performance - 100% basis

The Nkomati F2017 headline earnings were R91 million mainly due to increased chrome prices.

The mine is entering a challenging period for the next three years which is expected to negatively impact volumes, operating and capital costs.

In addition, ARM is concerned about the short-term outlook for nickel prices.

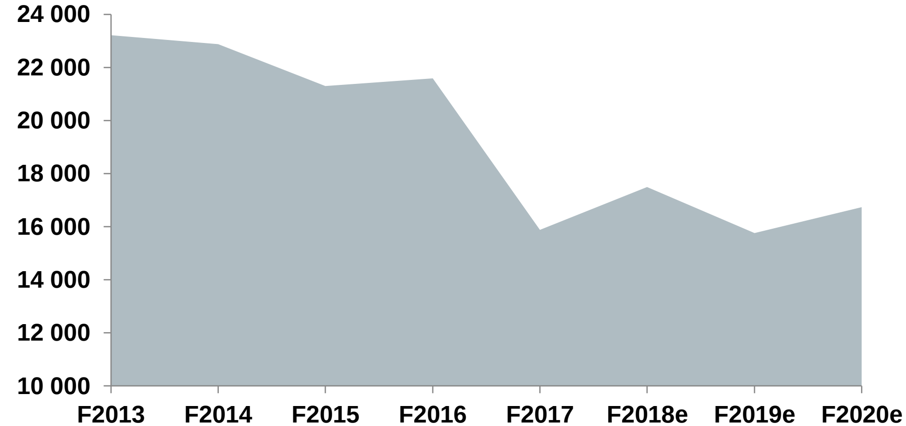
ARM is engaging our partner on the best way forward for the mine and various options are being considered.

Nickel C1 cash costs net of by-products

		F2017	F2016	% change
On-mine cash cost	*US$/lb*	**6.60**	**4.49**	**47**
Off-mine cash cost	*US$/lb*	**2.84**	**2.79**	**2**
By-product credits	*US$/lb*	**(4.63)**	**(3.11)**	**(49)**
C1 cash cost net of by-products	*US$/lb*	**4.81**	**4.18**	**15**
On-mine unit cost*	*R/t milled*	**367**	**338**	**9**
Off-mine unit cost	*R/t milled*	**162**	**222**	**(27)**
Total unit cost	*R/t milled*	**529**	**560**	**(6)**

** On-mine unit production costs including capitalised waste stripping costs.*

Nickel production volumes (tonnes)



ARM Coal: GGV and PCB

ARM African Rainbow Minerals

Operational performance - 100% basis

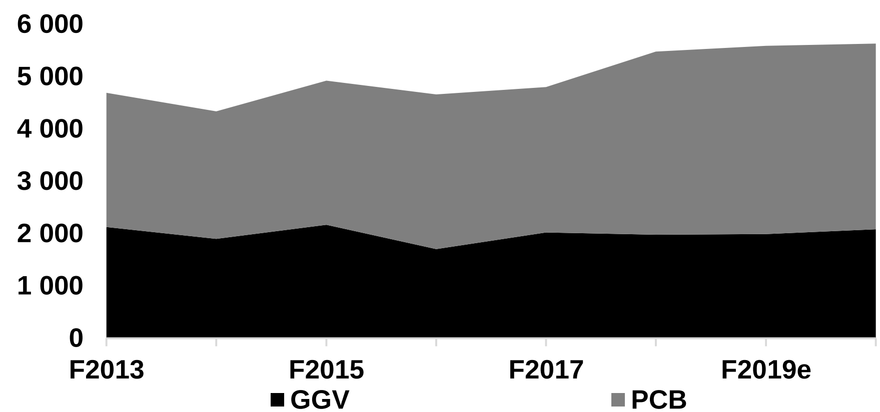
ARM and Glencore Operations South Africa are in discussions concerning the restructuring of the ARM Coal partner loans to improve ARM's debt obligations in terms of these loans.

GGV Mine unit production costs increased 35% mainly due to lower production volumes and additional expenditure incurred to catch up on waste stripping.

Unit production cost increases at PCB were below inflation. The operations are now at steady state.

		F2017	F2016	% change
Total export sales volumes	*Mt*	16.60	18.67	(11)
Total Eskom sales volumes	*Mt*	4.56	5.21	(12)
GGV on-mine saleable cost	*R/t*	323	239	35
PCB on-mine saleable cost	*R/t*	278	273	2
Capital expenditure (GGV)	*Rm*	753	712	6
Capital expenditure (PCB	*Rm*	1 218	1 059	15

Saleable production volumes (tonnes) – attributable



ARM Copper

ARM African Rainbow Minerals

Operational performance - 100% basis

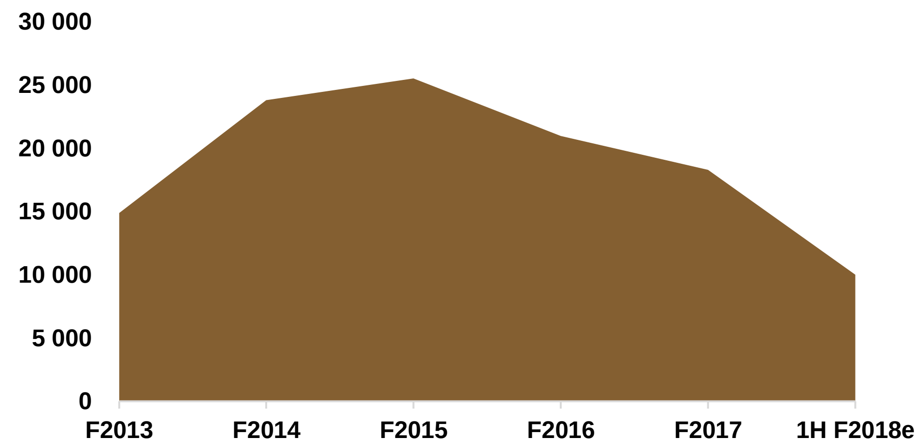
ARM and Vale announced the disposal of their 80% interest in Lubambe Mine for a purchase consideration of US$97 million.

Completion of the disposal is subject to the fulfilment of conditions precedent (which are expected to be fulfilled within 6 months from signature).

Despite the improvement in head grade, recoveries and operational efficiencies Lubambe remained loss-making for F2017.

		F2017	F2016	% change
Milled tonnes	*000t*	1 013	1 277	(21)
Mill head grade	*% Cu*	2.13	2.01	6
Concentrator recovery	*%*	84.6	81.5	4
Copper produced	*tonnes*	18 299	20 973	(13)
Copper sold	*tonnes*	18 244	20 936	(13)
C1 cash cost	*US$/lb*	2.45	2.41	2

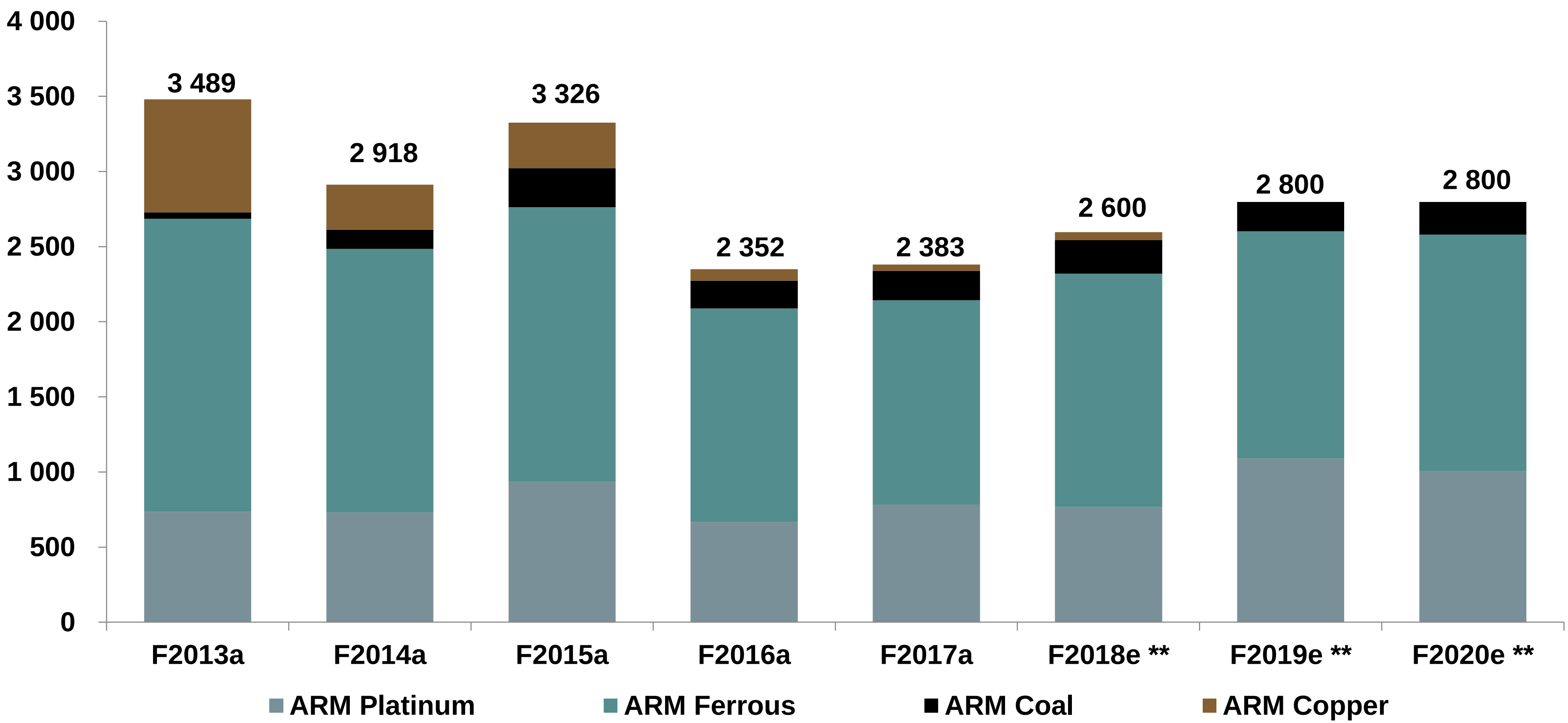
Copper production volumes (tonnes)



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 forecast capital expenditure for F2018 to F2020 is an estimation based on approved projects and projects under consideration.*

Net debt to equity ratio

African Rainbow Minerals

R million	F2017	F2016
Cash and cash equivalents	**1 488***	1 316
Total borrowings	(2 759)	(5 551)
Long-term borrowings	**(2 002)**	(4 171)
Short-term borrowings	**(757)**	(1 380)
Net debt	**(1 271)**	**(4 235)**
Net debt to equity ratio	**5%**	**17%**
Less: Partner loans	(1 719)	(2 356)
ARM Coal loans from Glencore	(1 605)	(1 546)
Vale/ ARM joint operation from ZCCM-IH	-	(696)
Modikwa loan from Anglo Platinum	(114)	(114)
Less: ARM BBEE Trust loans (Nedbank; Harmony)	**(528)**	(501)
Adjusted net cash/(net debt)	**976**	**(1 378)**
Attributable cash and cash equivalents at ARM Ferrous	**3 165***	**2 399**

** Since the year-end ARM received a dividend of R1 000 million from Assmang.*

Thank you

We do it better