

African Rainbow Minerals Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1933/004580/06)  
JSE Share code: ARI  
ISIN: ZAE000054045  
("ARM" or the "Company")

REVIEWED PROVISIONAL RESULTS FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2020 (F2020) AND CASH DIVIDEND DECLARATION

This short form announcement is the responsibility of the board of directors of ARM (the "Board") who acknowledge their responsibility to ensure the integrity of the provisional results.

The details contained in this announcement are only a summary of the information in the full announcement and do not contain full details of the Company's financial performance and position or other relevant information about the business for the financial year under review. Any investment decisions by investors and/or shareholders should therefore be based on the full announcement published on the Company's website at [www.arm.co.za](http://www.arm.co.za) and which is available on the following link:

<https://senspdf.jse.co.za/documents/2020/jse/isse/ARIM/FY2020.pdf>

The full announcement is also available for inspection free of charge during business hours (excluding weekends and public holidays) from Monday, 31 August 2020 at the registered office of ARM at ARM House, 29 Impala Road, Chislehurst, Johannesburg. In addition, copies of the full announcement may be requested by emailing the Company's investor relations department on [jongisa.magagula@arm.co.za](mailto:jongisa.magagula@arm.co.za)

Salient features

- Headline earnings increased by 6% to R5 534 million or R28.50 per share (F2019: R5 226 million or R27.18 per share).
- A final dividend of R7.00 per share is declared. In addition to the interim dividend of R5.00 per share, the total dividend for F2020 is R12.00 per share.
- Net cash improved by R1 189 million to R3 790 million at 30 June 2020 (30 June 2019: R2 601 million).
- Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to R11 009 million (F2019: R9 336 million)
- Basic earnings were R3 965 million or R20.42 per share and include an attributable impairment (after tax) of the ARM Coal assets of R1 524 million (F2019: R3 554 million or R18.48 per share, including attributable impairments of R1 070 million and R507 million of the Nkomati Mine and Sakura Ferroalloys assets).
- ARM Platinum headline earnings increased by R1 030 million to R1 142 million (F2019: R112 million).
- Production volumes, sales volumes and unit costs were impacted by the COVID-19 national lockdown and restrictions.
- Strict protocols to prevent spread of COVID-19 have been implemented and are ongoing across all operations.
- The Company net asset value per share increased by 13% to R143.65 per share (at 30 June 2019: R126.90 per share).

Safety performance

We remain committed to creating and maintaining a safe and healthy work environment for all employees. As reported in the first half of the financial year (1H F2020), three colleagues were fatally injured in separate accidents at the Two Rivers, Nkomati and Tweefontein mines. No fatalities were reported in the second half of the 2020 financial year (2H F2020).

The group lost-time injury frequency rate (LTIFR) per 200 000 man-hours increased marginally to 0.45 (F2019: 0.42). There were 86 lost time injuries (LTIs) reported in F2020 compared to 90 in F2019. Of these, 63 were reportable injuries (F2019: 76).

Safety achievements in F2020 include:

- Beeshoek Mine achieved 18 000 fatality-free production shifts on 16 August 2019, an accomplishment that has taken 16 years and 5 months to achieve. On 9 September 2019 the mine recorded

- 365 successive days without an LTI
- Khumani Mine achieved 3 million fatality-free shifts on 29 November 2019
- Black Rock Mine achieved 8 million fatality free shifts on 11 March 2020 which was a first for ARM Ferrous and took 11 years and two months to achieve. The mine also improved its LTIFR by 21% year-on-year
- Modikwa Mine achieved 1 million fatality-free shifts on 6 January 2020

Note: LTIs and LTIFR are presented on a 100% basis and are reported for those operations where ARM has direct or joint management and exclude the ARM Coal, Sakura and Harmony operations.

## Financial performance

### Headline earnings

The financial year ended 30 June 2020 was challenging, particularly in the second half of the year with the onset of COVID-19 pandemic. In this environment we are pleased to report a 6% increase in headline earnings to R5 534 million (F2019: R5 226 million). Our diversified portfolio of commodities again stood us in good stead as higher PGM and iron ore prices more than offset the negative impact of lower manganese ore, manganese alloys and thermal coal prices.

The weaker Rand against the US Dollar also contributed positively to headline earnings. The average realised Rand weakened by 11% versus the US Dollar to R15.68/US\$ compared to R14.19/US\$ in F2019. For reporting purposes, the closing exchange rate was R17.36/US\$ (30 June 2019: R14.09/US\$).

The F2020 headline earnings include re-measurement gains on partner loans of R441 million (F2019: R49 million).

Attributable headline earnings for ARM Ferrous were 10% lower at R4 479 million (F2019: R4 960 million) as a 9% increase in headline earnings in the iron ore division was more than offset by a 48% decrease in the manganese division headline earnings. Despite lower iron ore sales volumes (mainly as a result of the lockdown), profitability in the iron ore division improved driven by higher Rand export iron ore prices. In contrast, average realised Rand manganese ore prices were 22% lower which, coupled with a 6% decrease in manganese ore sales volumes, significantly impacted the manganese divisions headline earnings. Unit costs were well controlled at the manganese ore operations with on-mine unit production costs decreasing by 2% in the reporting period.

ARM Platinum attributable headline earnings increased by R1 030 million to R1 142 million in F2020 from R112 million in F2019. The Two Rivers and Modikwa mines benefitted from 6%, 54% and 144% increase in average realised platinum, palladium and rhodium prices, respectively. Modikwa Mine further benefited from its almost 1:1 platinum to palladium ratio. It should be noted that the temporary improvement in the purchase-of-concentrate agreement at Modikwa Mine expired on 31 December 2019.

Headline earnings at the PGM operations were impacted by penalty and treatment charges of R303 million and R11 million for Two Rivers and Modikwa Mine, respectively.

Production and sales volumes at both PGM operations were lower owing to grade challenges experienced in 1H F2020 and the lockdown in 2H F2020 (as discussed on page 6 of the full announcement). Unit cost increases at both operations were above inflation mainly due to the decline in volumes.

Nkomati Mine reported an attributable headline loss of R704 million for F2020. Scaling down of the Nkomati Mine in preparation for care and maintenance is progressing well with the mine now expected to cease production in February 2021 (previously September 2020).

Due to Nkomati Mine approaching the end of its economic life of mine and the planned care and maintenance the following expenses and provisions were included in the mine's F2020 attributable headline earnings:

- a provision relating to an increase in rehabilitation and decommissioning obligations of R384 million (discussed in detail on pages 12 and 13 of the full announcement).

- a provision relating to a tax diesel rebate currently under dispute with the South African Revenue Services of R131 million
- a provision for restructuring costs of R77 million
- an inventory write-down of R76 million
- off-take penalties for out of specification concentrate of R99 million

ARM Coal reported an attributable headline loss of R2 million (F2019: R411 million headline earnings) which includes re-measurement gains of R485 million (F2019: R245 million) on partner loans. Excluding the re-measurement gains, the ARM Coal headline loss was R487 million (F2019: R272 million headline earnings) as a result of the sharp decline in export thermal coal prices, lower sales volumes (owing to weather-related mining challenges) and above-inflation unit cost increases.

The Machadodorp Works headline loss was R163 million as research into the development of more energy efficient smelting technology progressed. In 2H F2020 expenditure at Machadodorp Works was curtailed to conserve cash in light of uncertainty due to COVID-19.

ARM Corporate and other headline loss was R85 million compared to R257 million in F2019. The reduced loss was mainly due to an increase in re-measurement gains of R108 million, and higher interest received of R62 million.

#### Basic earnings and impairments

Basic earnings were R3 965 million and include attributable impairments of the ARM Coal assets of R1 680 million before tax and R1 524 million after tax. An impairment indicator assessment was performed on Goedgevonden Mine and the PCB investment (as stand-alone and separate cash generating units). Impairment indicators were identified (including lower expected production and above inflation unit cost increases) which resulted in attributable impairment losses (after tax) of R559 million and R1 121 million being recognised for the Goedgevonden Mine and PCB investment cash generating units, respectively.

The recoverable amounts for the Goedgevonden Mine and PCB investment cash generating units were determined based on the fair value less cost of disposal calculation performed in terms of International Financial Reporting Standards (IFRS).

#### Financial position

ARM improved its financial position despite the operational and economic challenges arising from the COVID-19 pandemic. We are pleased to be able to declare a final dividend of R7.00 per share even during these difficult times while maintaining a robust financial position to further navigate this uncertain environment.

At 30 June 2020, ARM was in net cash position of R3 790 million (30 June 2019: R2 601 million), an improvement of R1 189 million compared to the net cash at the end of the corresponding year. This amount excludes attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R 3 208 million (30 June 2019: R3 053 million). There was no debt at ARM Ferrous in either of the two reporting periods.

ARM's financial position was further strengthened by a positive revaluation adjustment of R2 325 million (net of deferred capital gains tax) on the Harmony Gold Mining Company (Harmony) investment as the Harmony share price increased by 126% from R31.74 at 30 June 2019 to R71.86 per share at 30 June 2020.

#### Cash flow

Cash generated from operations increased by R1 743 million to R3 866 million (F2019: R2 123 million) after a R1 189 million increase in working capital requirements (F2019: R555 million) which was mainly due to an increase in debtors at the PGM operations.

Dividends received from the Assmang joint venture were R3 750 million (F2019: R3 315 million). In F2020, R2 717 million in dividends was paid to ARM shareholders representing the final dividend of R9.00 per share declared in F2019 (total amount paid was R1 741 million) and the interim dividend of R5.00 per share

declared for 1H F2020 (total amount paid was R976 million).

Net cash outflow from investing activities was R2 343 million (F2019: R1 271 million) and include investments in financial assets of R1 539 million. Certain cash and cash equivalents were invested in longer dated fixed deposits in F2020 to achieve better returns.

The Board approved a share buy-back which commenced on 19 March 2020. R57 million was spent acquiring approximately 623 thousand ARM shares at an average price of R90.86 per share. The share buy-back was terminated on 24 March 2020 to conserve cash owing to uncertainty created by the COVID-19 pandemic. Management continues to review share buy-backs in line with ARM's capital allocation guiding principles.

Borrowings of R264 million (F2019: R595 million) were repaid in the period, reducing gross debt to R1 925 million (30 June 2020: R2 031 million). Modikwa Mine repaid R485 million of its partner loans.

The Broad-Based Economic Empowerment (BBEE) Trust fully repaid its loan with Nedbank in October 2019.

#### Capital expenditure

Segmental capital expenditure was R3 506 million (F2019: R3 242 million) and included R394 million of capitalised waste stripping at the iron ore operations (F2019: R397 million).

#### Dividend declaration

ARM aims to pay ordinary dividends to shareholders equal to approximately 40-70% of annual dividends received from its group companies.

Dividends remain at the discretion of the Board which considers the company's capital allocation guiding principles as well as other relevant factors such as financial performance, commodities outlook, investment opportunities, gearing levels as well as solvency and liquidity requirements of the Companies Act.

ARM aims to pay an interim and final dividend. The weighting between the interim and final dividends is likely to result in the final dividend being higher than the interim dividend. ARM does not borrow funds to pay dividends.

For F2020, the Board has approved and declared a final dividend of 700 cents per share (gross) (F2019: 900 cents per share). The amount to be paid is approximately R1 563 million.

The dividend declared will be subject to dividend withholding tax. In line with paragraphs 11.17(a) (i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves
- The South African dividends tax rate is 20%
- The gross local dividend is 700 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend is 560.00000 cents per share for shareholders liable to pay dividends tax
- At the date of this declaration, ARM has 223 325 857 ordinary shares in issue, and
- ARM's income tax reference number is 9030/018/60/1.

A gross dividend of 700 cents per ordinary share, being the dividend for the financial year ended 30 June 2020, has been declared payable on Monday, 5 October 2020 to those shareholders recorded in the books of the company at the close of business on Friday, 2 October 2020. The dividend is declared in the currency of South Africa. Any change in address or dividend instruction applying to this dividend must be received by the company's transfer secretaries or registrar not later than Tuesday, 29 September 2020. The last day to trade ordinary shares cum dividend is Tuesday, 29 September 2020. Ordinary shares trade ex-dividend from Wednesday, 30 September 2020. The record date is Friday, 2 October 2020 while the payment date is Monday, 5 October 2020.

No dematerialisation or rematerialisation of share certificates

may occur between Wednesday, 30 September 2020 and Friday, 2 October 2020, both dates inclusive, nor may any transfers between registers take place during this period.

Review by independent auditor

The financial information has been reviewed by the external auditor, Ernst & Young Inc. (the partner in charge is PG Grobbelaar CA (SA)) whose qualified review report can be downloaded from the ARM website [www.arm.co.za](http://www.arm.co.za) or alternatively, is available for inspection at the Company's registered office. Please refer to note 6 to the financial statements for further details.

The Integrated Annual Report containing a detailed review of the operations of the Company together with the audited financial statements will be distributed to shareholders in October 2020. Any reference to future financial performance included in these results has not been reviewed or reported on by ARM's external auditors.

Basis of preparation

The Group provisional results for the financial year under review have been prepared under the supervision of the Finance Director Miss AM Mukhuba CA (SA). The Group provisional results for the year under review have been prepared on the historical cost basis, except for certain financial instruments that are fairly valued. The accounting policies used are in terms of IFRS and are consistent with those in the most recent annual financial statements, apart from the new standards adopted in the current year.

The Group provisional results for the financial year under review are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

ENDS

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