

# Contents

|  |
|--|
| <b>SUSTAINABILITY</b>  |
| <b>99 ABOUT THIS REVIEW OF OUR SUSTAINABILITY PERFORMANCE</b>                    |
| <b>99 OVERVIEW OF ARM'S OPERATIONS</b>   |
| <b>100 ARM'S SUSTAINABILITY PERFORMANCE AT A GLANCE</b>                          |
| 100 Overview of our principal achievements, challenges and strategic focus areas |
| 101 Our sustainability performance year-on-year                                  |
| <b>102 SUSTAINABLE DEVELOPMENT AT ARM</b>  |
| 102 Our approach to sustainability   |
| 102 Managing sustainability  |
| 103 Understanding our material issues  |
| 103 Improving our approach to managing sustainability                            |
| 104 ARM's Sustainable Development Reporting Framework                            |
| 108 Assurance programme  |
| 108 Ensuring sound governance  |
| 109 Engaging with our stakeholders   |
| <b>112 RESPONDING TO OUR MATERIAL ISSUES</b>                                     |
| 112 Adding value to the economy  |
| 113 Human Resources  |
| 117 Safety   |
| 120 Occupational Health and Wellbeing  |
| 123 Transformation   |
| 133 HIV & Aids   |
| 137 Corporate Social Investment  |
| 140 Environment  |

## About this review of our sustainability performance

This section of our annual report provides a summarised review of African Rainbow Minerals' (ARM) economic, social and environmental performance for the financial year which covers the period from 1 July 2009 to 30 June 2010. The review highlights a number of positive achievements and developments that we have made, and identifies some of our focus areas and areas for improvement. The review is aimed at a broad range of stakeholders and aims to present issues material to these stakeholders. ARM's sustainability reporting excludes those investments in which the Company does not have direct management control, namely Harmony Gold and Xstrata Coal. The management of Goedgevonden has been outsourced to Xstrata Coal. It also does not cover projects which are in exploration or development phase, nor does it cover Kalplats, which is at a feasibility phase.

All non-financial parameters are reported on a 100% basis, unless otherwise stated. All monetary amounts in the report are given in South African Rand, unless otherwise stated. To facilitate comparability with our previous reports, we have endeavoured to be consistent in the parameters reported against year-on-year. Data is provided for the last two years, and in some cases, the last three years. We continue to focus on enhancing the reliability and hence comparability of the year-on-year data we report.

This review has drawn on the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) for general guidance purposes. In our approach to reporting we will progressively seek to become more integrated, in line with the recommendations of the King Report on Governance for South Africa – 2009 (King III). In addition to this summarised version of our sustainability performance, a comprehensive stand-alone report has been published. The comprehensive stand-alone report is also available on [www.arm.co.za](http://www.arm.co.za).

We encourage you to share your thoughts with us on this report. To submit your comments, or to request further information, please contact:

### Nerine Botes-Schoeman

Group Manager: Sustainable Development Reporting  
African Rainbow Minerals Limited  
PO Box 786136, Sandton, 2146, South Africa  
Telephone: +27 (0) 11 779 1545; Facsimile: +27 (0) 86 575 9024  
E-mail: [nerine.botes@arm.co.za](mailto:nerine.botes@arm.co.za).

## Overview of ARM's operations

ARM is a leading South African diversified mining and minerals Company with world-class long-life, low-cost assets in key commodities. An integral part of ARM's business is the forging of partnerships with major players in the resource sector. The Company has operations in ferrous and base metals, platinum (with nickel and copper) and coal under the divisions ARM Ferrous, ARM Platinum and ARM Coal. The new ARM Copper Division is developing the Konkola North Copper Project in Zambia through its 50-50 joint-venture with the Brazilian company Vale S.A.

The Company has a holding in Harmony of 14.8%, which classifies it as an investment and not as an associate.

ARM in its current form was created in May 2004 to operate, develop, explore and hold significant interests in the South African and African mining industry. Despite recent market challenges, ARM continues to be profitable and grow its assets, while maintaining a strong financial position.

The diagram on page 2 illustrates the nature of the partnership ARM has for each of its operations.

## ARM's sustainability performance at a glance



### Overview of our principal achievements, challenges and strategic focus areas

This section provides an overview of our principal achievements during the financial year under review, and outlines our key challenges and strategic focus areas going forward. It also includes a table of quantitative performance data for the last two years.

#### Principal achievements

- Continuing strong financial performance, which provides the foundation for our sustainability performance.
- Increased our workforce by 35.76% (to 22 776 employees and contractors) and anticipate a steady increase in employees in line with our ambitious growth objectives. There were no retrenchments this year.
- Our Modikwa operation achieved six million fatality-free shifts.
- Continuous improvement in our management of HIV & Aids in the workplace, as measured against a performance evaluation scorecard and in alignment with the primary aims of the National Strategic Plan for South Africa (2007 – 2011).
- For the second year, our employment equity and gender diversity levels exceeded the targets set out in the SA Mining Charter.
- Increased our total Corporate Social Investment spend (CSI, LED and ARM BBEE Trust) to R72.9 million (R60 million in 2009).
- Calculated and analysed our corporate carbon footprint, and appointed a Group Electrical Engineer to assist in managing climate change and energy efficiency, with a view to developing a long-term carbon management strategy and implementation plan.

#### Challenges and strategic focus areas

- Preventing all workplace injuries and ensuring zero fatalities. We regret to report one work-related fatality this year. Our injury frequency rate remained relatively consistent and in line with industry standards. Enhancing our safety management is a primary focus.

- Developing, attracting and retaining an adequate skills pool (internal and external) to meet our ambitious growth objectives.
- Meeting the expectations of the International Council on Mining and Metals (ICMM), and aligning with the Broad-Based Socio-Economic Charter for the Mining Industry (Mining Charter), as recently revised.
- Further integration of sustainability risks into our Enterprise Risk Management system, and improving our systems for measuring and monitoring our sustainability performance and reporting practices.
- Formalising our stakeholder engagement processes.
- Decentralised management framework presents challenges to embedding sustainability throughout our operations. We continue to establish Group policies for key issues to ensure a congruent approach to developing and managing the business.
- Meeting reduction targets set for emissions at our smelters, and improving our water management.
- Ensuring BBBEE and BEE procurement supplier accreditation.
- Continued implementation of our housing strategy and furthering our transformation strategy in line with the new objectives of the revised Mining Charter.
- Developing a greenhouse gas (GHG) emissions reduction strategy and a climate change strategy, and respective implementation plans.

#### Production volumes

|                                | F2010     | F2009     |
|--------------------------------|-----------|-----------|
| Platinum Group Metals (ounces) | 636 383   | 621 888   |
| Nickel concentrate (tonnes)    | 46 416    | 52 029    |
| Iron ore (tonnes)              | 9 286 000 | 9 304 000 |
| Manganese ore (tonnes)         | 1 973 000 | 3 138 000 |
| Ferromanganese (tonnes)        | 252 000   | 216 000   |
| Charge chrome (tonnes)         | 200 000   | 169 000   |
| Chrome ore (tonnes)            | 587 000   | 684 000   |

## Our sustainability performance year-on-year

| Performance indicator   | F2010                         | F2009      |
|---|-------------------------------|------------|
| <b>Economic and related core baseline indicators</b>  |                               |            |
| Revenue (Rm)  | 11 425                        | 10 712     |
| Sales (Rm)  | 11 022                        | 10 094     |
| Duties, levies and taxes paid (Rm)  | 1 009                         | 1 727      |
| Headline earnings (Rm)  | 1 714                         | 2 317      |
| EBITDA (Rm)   | 3 907                         | 4 484      |
| Purchased materials and services (Rm)   | 5 624                         | 4 201      |
| Value added   | 5 653                         | 6 968      |
| *Procurement of capital goods, services and consumables from BBBEE suppliers (%)                  | 52.5 (target was 40%)         | 37.3       |
| Number of environmental administrative penalties/fines  | 2                             | None       |
| <b>Employee issues</b>  |                               |            |
| Total number of all ARM employees and contractors   | 22 776                        | 16 777     |
| – Employees (permanent)   | 10 281                        | 9 643      |
| – Contractors (mainly used in capital projects)   | 12 495                        | 7 134      |
| New jobs created (direct employment only)   | 802                           | 896        |
| Employee turnover (excluding contractors) %   | 5.7                           | 4.5        |
| Investment in employee training and development   |                               |            |
| – total expenditure (Rm)  | 50                            | 57         |
| – % of payroll  | 3.6                           | 6          |
| Employment equity (% representation of previously disadvantaged groups among permanent employees) |                               |            |
| – Top management  | 44                            | 44         |
| – Senior management   | 32                            | 32         |
| – Professionally qualified  | 45                            | 47         |
| – Technically qualified   | 67                            | 56         |
| Lost time injury frequency rate (LTIFR) (/200 000 man hrs)  | 0.770                         | 0.736      |
| Reportable/serious accidents  | 90                            | 82         |
| Number of lost workdays due to industrial action  | 2 411                         | 115        |
| <b>Environmental issues</b>   |                               |            |
| Total water withdrawn (m <sup>3</sup> ) (municipal, surface and groundwater)                      | 15 060 418                    | 14 314 155 |
| Energy usage  |                               |            |
| – Electricity (000 kWh)   | 2 003 918                     | 2 038 751  |
| – oil (000 litres)  | 3 626                         | 2 788      |
| – diesel (000 litres)   | 55 732                        | 54 625     |
| <b>Emissions</b>  |                               |            |
| Carbon footprint equivalent (equivalent tonnes CO <sub>2</sub> )                                  | In the process of determining | 2 664 549  |
| – CO <sub>2</sub> emissions – direct (tonnes) (Cato Ridge and Machadodorp only)                   | 562 487                       | 748 473    |
| – NO <sub>x</sub> (tonnes)  | 1 113                         | –          |
| – SO <sub>x</sub> (tonnes)  | 1 559                         | –          |
| – Particulate matter (tonnes)   | 350                           | –          |
| Domestic waste (tonnes)   | 38 960                        | 37 834     |
| <b>Corporate social investment</b>  |                               |            |
| CSI (Rm)  | 14.5                          | 19.3       |
| LED (Rm)  | 43.8                          | 28         |
| ARM BBEE Trust (Rm)**   | 14.6                          | n/a        |
| Total community upliftment and social investment (Rm)   | 72.9                          | 60         |

\* Non-financial data is based on 100% (vs attributable to equity), unless otherwise stated.

\* EE stats: Reported annually in October of each year, in line with SA Department of Labour.

\* LTIFR: Injury rates are measured per 200 000 man hours, in line with general SA practice, and include both ARM employees and contractor incidents.

\* Environmental indicators: we continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Accordingly, our figures for F2009 have in certain cases been restated.

\* Water usage: 2009 figures exclude Nkomati – consumption at Nkomati was 490 000 cubic metres, but recycling rates are not measured.

\* CO<sub>2</sub> kg figure for all mines not available (mines are currently in the process of establishing emissions inventories).

\* Energy usage: a nominal amount of petrol is used in transport at select operations and is not deemed material for reporting.

\*\* Dividends paid in F2009 but project spend only from 1 July 2009.

## Sustainable development at ARM

### Our approach to sustainability

The mining industry has high and direct social, environmental and economic impacts, as it is based on the exploration and development of non-renewable resources and the limited lifespan of mines has social implications. ARM takes the view that sustainable minerals development requires a life cycle approach to all aspects, from exploration to minerals extraction, through production, in order to bring about development that is economically viable, financially profitable and environmentally and socially responsible.

ARM believes that as long as environmental, social and governance-related challenges associated with mining are adequately managed through sound risk management-based practices, mining is a promising sector for investment and an important vehicle for development and poverty alleviation. ARM therefore embraces the responsibility that its mining operations present and responds through practising responsible environmental management, creating opportunities for capacity building, promoting skills development, generating employment opportunities, housing provision and driving transformation within its operations. We endeavour to minimise any adverse social and environmental impacts of our activities on the communities in which we operate, and invest in local economic development and improvement of infrastructure, thereby enhancing the socio-economic capacity of these communities to avoid dependence on our operations. ARM's investment in the development of small businesses and our preferential procurement from BEE compliant organisations support capacity building in the communities. While carefully understanding and managing potential negative impacts of our activities, we contribute positively on the social front through consultation with our stakeholders and ensuring that our projects receive broad-based stakeholder support.

In 2006, Mr Patrice Motsepe, Executive Chairman of ARM, established the ARM BBEE Trust, consisting of five provincial Trusts – the National Women's Upliftment Trust, the ZCC Church Trust, the South African Democratic Teachers Union (SADTU) Trust, the National Education, Health and Allied Workers Union (NEHAWU) Trust and individuals. These Trusts together own about 10% equity of the Company (ARM). The five provincial Trusts are made up of:

1. the Eastern Cape Rural Upliftment Trust
2. the KwaZulu Natal Rural Upliftment Trust
3. the Limpopo Rural Upliftment Trust
4. the Mpumalanga/Northern Cape Rural Upliftment Trust
5. the North West/Free State rural Upliftment Trust.

These Trusts have been created for the purpose of uplifting and benefiting rural communities in various provinces. ARM has to date distributed approximately R41 million to the above mentioned Trusts. In terms of welfare, these projects are anti-poverty initiatives in nature, with emphasis on continuous development and self-help initiatives, such as training in the

community, other community-based projects and agricultural projects. A total of 26 projects have been completed in the various provinces.

To strengthen its sustainable development outlook, ARM became a member of the International Council on Mining & Metals (ICMM) in 2009 because it shares the ICMM's vision of a respected mining and metals industry which is widely recognised as essential for society and as a key contributor to sustainable development. ICMM membership provides ARM with an international platform to share challenges and learnings, and gain insight into best practice.

As a member of the ICMM, ARM subscribes to the Extractive Industries Transparency Initiative (EITI), a global standard that promotes revenue transparency and the management of revenues from natural resources. Its aim is to strengthen governance which prevents the exploitation of natural resources by improving transparency and accountability in the extractives sector.

The EITI as a combined initiative of governments, companies, civil society groups, investors and international organisations, supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. It has a robust yet flexible methodology for monitoring and reconciling company payments and government revenues at the country level, a process which is overseen by the EITI Board consisting of members from governments, companies and civil society. The EITI Board and the International Secretariat are the guardians of the EITI methodology internationally.



### Managing sustainability

ARM intends to continue growing and driving sustainability within a diverse portfolio of mining operations, and has therefore put measures in place to promote sustainability at all its operations.

This section of the report reviews our activities during F2010 aimed at improving our understanding, management and reporting of our sustainability practices and performance. We briefly discuss our approach to identifying our most material sustainability issues, review our approach to managing and reporting on our sustainable development performance, and provide an overview of our stakeholder engagement activities.

The sustainable growth of our business is ultimately dependent upon the maintenance of a stable political environment, the ability to attract and retain appropriately skilled employees, continued access to natural resources, and maintaining good relationships with our principal stakeholders, including govern-



ments and the communities where we operate. As we strive to act in a socially responsible manner, it is essential that we remain informed and responsive. In our business, value protection is dependent on risk management, compliance and operational efficiency. An understanding of our material issues is an essential part of this process, and is discussed in the following section.

## Understanding our material issues

In line with the recommendations of the new King III Code on Corporate Governance in South Africa, we will progressively seek to demonstrate how social, economic and environmental considerations impact on our strategic growth drivers; and equally, to show how these issues are being effectively integrated within the Company's core strategy and throughout its sphere of influence.

As an owner and operator in the mining sector, ARM is subject to a wide range of risks. Understanding risks associated with our current and future operations will assist us in making sound investment decisions and allow us to implement effective policies and strategies to control and mitigate these.

In order to understand the relationship between sustainable development and our core value drivers, it is essential that we identify and respond to our material issues. We have identified our material sustainability issues through a process of internal evaluation and reflection that is informed in part by the outcomes of discussions with our stakeholders. A summarised review of the nature of our stakeholder engagement activities is provided later in this section.

Among those socio-economic and environmental issues that can have meaningful impact on ARM's financial performance are the following:

- The potential nationalisation of SA's mines and associated impacts on community wellbeing.
- Strategy considerations relating to mine closure planning, climate change and increasing resource constraints, particularly energy and water.
- Promoting transformation and skills development to meet business objectives.
- Financial considerations regarding competitiveness, Rand strength and commodity prices.
- Maintaining sound governance and compliance on all accounts to ensure value and reputational protection.

This year we took several steps aimed at gaining a better understanding of our material issues, and improving our management of sustainability and reporting practices. Subsequent to becoming a member of the ICMM in August 2009, we commissioned consultants to perform a gap analysis and assess alignment of ARM's sustainable development practices in relation to the ICMM requirements. This gap analysis was followed by initial assurance assessments at two of our operations, Two Rivers Platinum and Cato Ridge, in March 2010.

## Improving our approach to managing sustainability

Key recommendations made in the gap analysis were for ARM to enhance inclusion of sustainability issues in its risk management system, to ensure that this extends beyond legal compliance and encompasses emerging risks, and to strengthen the reporting framework based on the GRI.

In response, we engaged consultants to facilitate a collaborative internal workshop to review our material sustainability-related business exposures and identify the material sustainability risks the business faces in the short to long-term. The risks identified in this workshop were consistent with our existing understanding of our material risks, providing reassurance that our business is appropriately structured in terms of managing our material issues. In response to the process, we have broadened our "six pillar" approach to reporting on our sustainability performance, to integrate additional material issues. A transitional reporting model illustrated later in this section has been developed, which will inform our approach to managing sustainability going forward.

A principal challenge in our sustainability reporting is that currently Key Performance Indicators (KPIs) are reported by operations through a number of different management systems, which results in significant time being spent on consolidating data, as well as challenges around ensuring accuracy of data and comparability. We have therefore embarked on a longer term process of implementing uniform reporting systems across our operations. This system is being piloted in the ARM Ferrous Division and will subsequently be rolled out across our operations.

ARM has committed to undertake the following steps to improve our sustainable development management and reporting:

- Develop a formal stakeholder engagement process, based on best practice standards, and assign responsibilities to individuals for engaging with specific stakeholder groups.
- Revisit the Company's longer term sustainable development vision, informed by stakeholder engagement and risk management processes. We will allocate specific responsibility for addressing sustainability issues with clear sustainability indicators linked to performance appraisals and remuneration.
- Establish Group policies for key issues to ensure a congruent approach to developing and managing the business, thereby limiting the risk involved with our decentralised management structure.
- To ensure that data collected is pertinent and relevant, management will identify the KPIs required to be reported and assured in future, and develop comprehensive guidelines for these, benchmarked against peers in the relevant industry.
- Management will review the adequacy of the Company's current policies in light of the recommended risk and strategy workshops and select KPIs to generate information that will enable the assessment of progress towards meeting organisational goals and objectives, and ensure that processes, systems and controls are well designed and implemented for continuously improved reporting.

## Sustainable development at ARM continued

**ARM's sustainable development reporting framework**

As a JSE listed Company, ARM is required to comply with the Companies Act and King III, which includes sustainable development principles that provide the basis for integrated reporting. ARM has sought to adopt these sustainable development principles by revising its strategic approach to sustainable development reporting. This has led to a change in our approach from "the six pillars of sustainable development at ARM" model to a model that conforms more closely to both King III and the JSE Socially Responsible Investment (SRI) Index requirements. The JSE SRI is based on criteria that identify requirements that companies must meet in order to show that they have integrated Triple Bottom Line (TBL) practices into their activities. The indicators are structured along

the three broad categories of Environment, Social and Governance (ESG) and related sustainability concerns.

We consider our interim integrated reporting framework to be a key step in the process of improving our sustainable development management and reporting system. In the next year, ARM plans to further improve its stakeholder engagement process and raise its level of reporting, in line with the GRI sustainability reporting guidelines.

As a committed member of the ICMM, we strive to comply with the mandatory requirements of the ICMM sustainable development framework, which comprises three elements – principles, reporting and assurance. A review of our activities in this regard is provided later in this section.

## ARM'S SUSTAINABLE DEVELOPMENT REPORTING MODEL

**Governance (G)****Environmental (E)****Social (S)**

## Internal

## External

Compliance

Risk

Companies Act

King III

JSE SRI

Mining Charter

ICMM &amp; industry forums

Materials and Waste

Climate Change

Water

Energy

Emissions

Biodiversity

Mitigation

Human Resources

Safety

Occupational Health  
and Wellbeing

HIV &amp; Aids

Transformation

ARM BBEE Trust

CSI

SLP – LED

## Guidance from external sector and global frameworks

Our commitment to improving our sustainable development performance and reporting is significantly assisted by referring to the guidelines and expectations of a number of frameworks and stakeholders, including:

- Legislative requirements and codes including financial reporting and JSE Listing Requirements and the Companies Act.
- Safety, health and environmental legislation, the Mining Charter and labour legislation.
- Voluntary standards and disclosure requirements such as King III, the GRI G3 Guidelines and the GRI Mining and Metals Sector Supplement, and the Carbon Disclosure Project (CDP).
- Management systems standards such as ISO 9001, 14001 and OHSAS 18001.
- Industry associations, including the Chamber of Mines and the ICMM.
- JSE SRI requirements.
- Investor and stakeholder requirements.

We realise that sustainability reporting is only part of the process of driving sustainability throughout ARM. As we seek to improve

our management processes, this will assist in improving our reporting. This year ARM appointed a Group Manager: Sustainable Development Reporting responsible for reporting, as well as managing and driving sustainability.

## Adhering to the requirements of the ICMM

ARM is proud to be a member of the ICMM, which plays a leading role in promoting good practice and improved performance internationally and across different commodities. The ICMM is a CEO-led organisation representing 19 of the world's largest mining, minerals and metals companies, as well as regional, national and commodity associations. The ICMM provides a platform for industry and other key stakeholders to share challenges and develop solutions based on sound science and the principles of sustainable development.

We are committed to adhering to the requirements of the ICMM in terms of how we operate. This includes acting in accordance with ICMM position statements, including those relating to mining and indigenous peoples issues; climate change, mineral resources and economic development, mining and protected areas. The following table outlines our key activities and commitments in terms of the ICMM's Sustainable Development Framework.



*Ekujabuleni bakery bread loaves for sale*



## Sustainable development at ARM continued

## Management commitments and actions in relation to the 10 ICMM Principles

| Principles  | Key management commitments and activities   |
|---|---|
| “Implement and maintain ethical business practices and sound systems of corporate governance”   | <p>The Board is the foundation of ARM's corporate governance systems and provides effective control through a clear governance structure that has established Committees to assist it.</p> <p>Our code of ethics has recently been revised and provides the platform for enforcement.</p> <p>Continue to implement mechanisms and policies which are aimed at preventing and reporting of unethical behaviour.</p> <p>Continue to comply with or exceed legislative requirements.</p>   |
| “Integrate sustainable development considerations within the corporate decision-making process”   | <p>Integrate sustainable development principles into Company policies and practices.</p> <p>Integrate sustainable development into the enterprise risk management system.</p> <p>Apply the principles of sustainability at all stages in an operation: from planning and designing through operation and closure.</p> <p>Engage with all our stakeholder groups and facilitate training in sustainable development issues.</p> <p>Participate in the structures of the ICMM; benchmarking, learning and implementing best practice.</p>   |
| “Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities” | <p>We will continue to ensure fair remuneration and work conditions for all employees and refrain from using forced labour and child labour.</p> <p>Our code of ethics has recently been revised and all staff will be provided with training on this, which includes human rights.</p> <p>Constructively engage with our employees and unions on matters of mutual concern.</p> <p>Continuously review and ensure implementation of policies and procedures designed to eliminate harassment and unfair discrimination as well as maintain the anonymous whistleblowing facility.</p> <p>Embrace our cultural diversity and the process of transformation in our business.</p> <p>Respect the culture and heritage of the communities around our operations.</p>   |
| “Implement risk management strategies based on valid data and sound science”  | <p>Continue to integrate sustainable development into the enterprise risk management system at both corporate and operational level.</p> <p>Enhance the risk assessment process in all areas of our business, particularly in terms of the social, health, safety, environmental and economic impacts associated with our activities.</p> <p>Communicate with interested and affected parties in terms of material risks, management systems to mitigate risk and emergency response procedures.</p>  |
| “Seek continual improvement of our health and safety performance”   | <p>Ensure entrenchment of hazard identification and risk assessment in terms of the health and safety implications of all activities.</p> <p>Provide all employees and contractors with training on health and safety, risk assessment and the health and safety management systems of the operation.</p> <p>Implement safety and health management systems (OHSAS 18001) which focus on continual improvement and mitigation of risk to the health and safety of our employees, contractors and the communities where we operate.</p> <p>Take practical and reasonable measures to eliminate workplace fatalities, injuries and diseases among our employees and contractors.</p> <p>Implement occupational hygiene surveillance and integrate results into risk-based occupational health monitoring and management of employees and contractors.</p> |
| “Seek continual improvement of our environmental performance”   | <p>Assess, understand and quantify the risks in terms of direct and indirect environmental impacts which may result from our activities.</p> <p>Implement environmental management systems (ISO 14001) which focus on continual improvement.</p> <p>Comply with legislative requirements and changes and ensure that appropriate training is provided to our employees in line with these requirements.</p> <p>Provide adequate resources for rehabilitation of disturbed land in accordance with agreed post-mining land uses.</p>   |

### Management commitments and actions in relation to the 10 ICMM Principles continued

| Principles  | Key management commitments and activities  |
|---|--|
| "Contribute to conservation of biodiversity and integrated approaches to land-use planning"   | <p>Consult with all stakeholders to ensure integrated land-use planning.</p> <p>Respect and seek to preserve biodiversity in the areas in which we operate.</p> <p>Provide training to employees, contractors and communities in regard to sensitive and endangered species around our operations.</p> <p>Respect designated protected areas.</p>  |
| "Facilitate and encourage responsible product design, use, reuse, recycling and disposal of our products"                               | <p>Participate in industry forums such as the ICMM and keep abreast of insights and developments relating to the properties of metals and minerals and their life-cycle effects on human health and the environment.</p> <p>Develop and provide regulators and other stakeholders (including users) with comprehensive material safety data sheets and information regarding our products and operations.</p> <p>Support the development of policies, regulations, product standards and material choice decisions that encourage the safe use of mineral and metal products, based on scientific information.</p>   |
| "Contribute to the social, economic and institutional development of the communities in which we operate"                               | <p>Engage with interested and affected parties during planning of new projects or change/expansion to our operations, to communicate regarding concerns, issues or conflicts arising from our activities.</p> <p>Ensure that a formal stakeholder engagement policy and process is implemented to enable consistent interaction with affected parties.</p> <p>Contribute to community development through local economic and social project development and mine closure in collaboration with host communities and their representatives.</p> <p>Encourage partnerships with governments and non-governmental organisations to ensure that programmes (such as community health, education, local economic development) are well designed and effectively delivered.</p> <p>Continue to contribute to development that is aligned with our transformation targets, aiming to further the agenda of previously disadvantaged groups and minority groups.</p> |
| "Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders" | <p>Identify, understand and report on our material sustainability risks.</p> <p>Report on our economic, social and environmental performance and objectives.</p> <p>Provide information that is timely, accurate and relevant.</p> <p>Regarding inclusivity – engage with and respond to stakeholders about those issues which affect them and that are material to our business through transparent consultation processes.</p>   |



*Ekujabuleni Bakery and Eating House – a Nkomati project*



*Modikwa is investing R63 million in the upgrade of the Maandagshoek road*

## Sustainable development at ARM continued

### Assurance programme

Listed companies are required to comply with annual reporting changes prescribed by King III for financial years ending after 1 March 2011. One of the key aspects is to identify and develop a combined assurance plan to provide the Board with appropriate assurance that a company's risks are adequately and effectively managed and mitigated.

ARM is well prepared in regard to the management and control of its various businesses. ARM and its divisions have a number of management and control assurance providing initiatives and processes, which are effected and monitored as follows:

- Monthly performance reviews of operations through Operational Committee meetings.
- Quarterly performance reviews of operations through Executive Committee meetings.
- Quarterly ARM Management Risk Committee meetings.
- Quarterly ARM Sustainable Development Management Committee meetings.
- Quarterly operational Sustainable Development meetings.
- Quarterly ARM Audit Committee meetings.
- Quarterly Board meetings.

The meetings and regular reviews form an important part of the combined assurance process, ensuring appropriate oversight of management processes, and management and mitigation of associated risks to an acceptable level. The combined assurance model adopted by ARM recognises three levels of control: operational management, oversight functions and external assurance providers.

Further to ARM joining the ICMM in 2009 and undertaking an internal assurance gap analysis conducted by external consultants, the Company has committed to take the steps required to meet the proposed external assurance requirements in terms of our sustainable development reporting, which acknowledge King III requirements.

The process that will be followed will establish an assurance cycle aligned with our annual reporting cycles. ARM's Sustainable Development management and assurance programme going forward will entail:

- Conducting a Sustainable Development Strategy Review.
- Developing key policies.
- Implementing the recommendations from the 2009/10 internal assurance by external consultants.
- Ensuring continuous performance management (to remedy prior assurance deficiencies).

Interim reviews will be followed by external assurance being sought by F2012.

### Ensuring sound governance

ARM's efforts to achieve sustainability are underpinned by a commitment to maintaining the highest standards of good governance. This encompasses the concept of sound business practice, which is inextricably linked to the management systems, structures and policies of the Company.

ARM's Board is the foundation of ARM's corporate governance systems and is accountable and responsible for the Company's performance. The Board retains effective control through a clear governance structure and has established Committees to assist it. To ensure consistent standards of governance and internal controls, the Company's subsidiaries and joint ventures have established boards and committees, as required, that report to the Board regarding their activities and performance.

All directors and employees are required to maintain high standards of integrity and ethical behaviour. ARM's Sustainable Development Committee ensures that ARM is, and remains, a committed socially responsible corporate citizen. The Committee is charged with ensuring that best-practice standards in human resource management, safety and occupational health, as well as management of HIV & Aids, the environment and social



Beeshoek orchard project



The ARM BBEE Trust sewing project in Piet Retief

investment are maintained. The Committee advises the Board on policy issues, the efficacy of ARM's management systems for its sustainable development programmes and progress towards set goals, and compliance with statutory, regulatory and Mining Charter requirements. The Terms of Reference were reviewed by the Committee in 2010. Amendments are in progress to reflect the Company's obligations under King III

and the new Companies Act, as well as its new commitments pursuant to ARM's membership of the ICMM and the EITI.

Further information on ARM's governance structures and systems aimed at promoting the highest levels of good governance, including a review of risk management and internal audit and control procedures, is provided in the Corporate Governance report.

## Engaging with our stakeholders

ARM appreciates that shareholders' perceptions affect its reputation and the sustainable operation of its business in the social, economic and environmental context in which it conducts its business. Accordingly, each ARM operation engages with stakeholders in a unique manner appropriate to specific needs and concerns. Currently, operations keep engagement reports and minutes. ARM recognises that there is scope for improving on current practice, and that formalising these interactions is a material issue, to ensure that learnings are documented and shared effectively at both operational and corporate level.

An overview of the nature of current stakeholder interactions, the key issues of concern and interest raised by various stakeholder groups, and ARM's response to these, are set out in the table below.

| Principal methods and frequency of engagement   | Points of discussion and concerns raised by the stakeholders  | How ARM is responding   |
|---|---|---|
| <b>STAKEHOLDER GROUP</b>  |   |   |
| <b>Joint venture partners</b>   |   |   |
| Monthly or quarterly Joint Venture meetings, Executive and Steering Committee meetings  | <p>Ensuring growth (volumes, earnings); reduction in costs and improvement in cost controls; divestment due to a lack of fit within the Group.</p> <p>Skills attraction, retention and development.</p> <p>Transformation/employment equity, including dealing with issues such as housing and community development.</p> <p>Legal compliance, policies, procedures and external reporting.</p> | This is successfully addressed through good relationships with our joint venture partners, ensuring shared goals and regular formal and informal communication, as well as structured joint venture meetings where both partners are represented. |
| <b>Employees</b>  |   |   |
| <p>Monthly, or quarterly employee forums. Most of the operations use briefing systems where they communicate management information up/down the line. Each operation has its own newsletter (typically monthly and in some cases quarterly).</p> <p>Weekly news briefs are sent out to provide brief updates on anything of importance, or general site news.</p> <p>Future forums are deployed on a six-monthly basis (on average) to discuss the way forward at an operational and Group level.</p> | Matters relating to remuneration, health and safety.  | <p>Through open communication, fair labour practice and remuneration, and other elements of our human resources development plans.</p> <p>ARM has established itself as an employer of choice.</p>  |

## Sustainable development at ARM continued

| Principal methods and frequency of engagement   | Points of discussion and concerns raised by the stakeholders   | How ARM is responding  |
|---|--|--|
| <b>STAKEHOLDER GROUP</b>  |  |  |
| <b>Shareholders, institutional shareholders, analysts, investor relations</b>   |  |  |
| <p>Regular meetings.</p> <p>ARM maintains a website which provides information regarding the Company's operations, financial performance and other information.</p> <p>Shareholders are encouraged to attend the Annual General Meeting and to use this opportunity to engage with the Board and senior management.</p> <p>The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors in South Africa, the United Kingdom and North America, as well as investor roadshows and conferences.</p> <p>ARM does two roadshows annually; one each for its annual and interim results.</p> | <p>Ensuring growth (volumes, earnings); reduction in costs and improvement in cost controls; divestment due to a lack of fit within the Group.</p> <p>Skills attraction, retention and development; transformation/employment equity; dividends and share price.</p> <p>Due to a high percentage shareholding from off-shore, ARM needs to remain globally competitive.</p> <p>Managing HIV &amp; Aids.</p> <p>Mineral rights conversions and mining licences.</p> | <p>ARM is committed to transparent, comprehensive and objective communications with its stakeholders.</p> <p>ARM, being a series of JVs, where each partner has a different role to play, has discussions formally and informally with its partners and management, raising management awareness of what is expected by analysts and fund managers.</p> <p>Regular meetings, promoting open communication and transparency.</p> <p>Summaries of the results of decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.</p> <p>ARM's investor relations department is responsible for communication with institutional shareholders, the investment community and the media.</p> |
| <b>Unions/organised labour</b>  |  |  |
| <p>Monthly shop steward meetings; other meetings as required.</p>   | <p>Union employment related issues, including training, health and safety, and transformation.</p>   | <p>ARM strives to establish a good relationship with the unions, which is essential to the process of being a partner of choice; as well as the conclusion of recognition agreements with one or more unions.</p>  |
| <b>Communities</b>  |  |  |
| <p>All our operations have LED/SED/CSI Forums to discuss investments in the communities surrounding operations.</p> <p>In most communities, monthly/quarterly meetings are held to discuss LED/SED/CSI projects.</p> <p>Participation in the Future Forums.</p> <p>Community Open Days (CODs) occur anywhere from six-monthly through to annually.</p> <p>In cases of changes or expansions to our current operations, we consult with communities through prescribed stakeholder consultation processes.</p>   | <p>Agenda items such as the status, challenges and management of social projects, and the needs of the community. Other issues may include planned changes/expansions at our operations.</p>   | <p>Specialised discussions/meetings are constructed to engage with communities about specific concerns (attendance and minutes are kept).</p> <p>CODs are designed mostly around information sharing and developing relationships with communities.</p>  |



| Principal methods and frequency of engagement  | Points of discussion and concerns raised by the stakeholders   | How ARM is responding  |
|--|--|--|
| <b>STAKEHOLDER GROUP</b>   |  |  |
| <b>Government</b>  |  |  |
| Local government is engaged in particular with respect to LEDs as required.<br><br>National government engaged when required.  | Continuous liaison, depending on the purpose of the engagement: varies from social investment to health and safety, environmental management, transformation, etc. | Information is shared about the SED programmes around the operation, as they form part of LED strategies, and must be closely aligned to these strategies.<br><br>Ensure alignment and use shared experiences – outcomes from community engagement sessions – to guide/inform local government strategies. |
| <b>Local business</b>  |  |  |
| Depending on the area, regular meetings are held to consider issues that are common within the industry (e.g. Steelport Producers' Forum which consists of 15 different companies).  | Agenda issues.   | Meeting notes are summarised on a meeting-by-meeting basis.<br><br>Reports are submitted by the local operations on SED basis (in some cases monthly, but mostly on a quarterly basis).  |
| <b>Industry bodies</b>   |  |  |
| As a member of the Chamber of Mines (South Africa), ARM is represented on the Executive Committee, various Policy Committees and Work Groups as well as the Mining Industry Occupational Safety and Health (MOSH) task force (established towards meeting the Mine Health and Safety Act (MHSA) targets for 2013 in terms of safety and health through sharing and implementation of best practice in the mining industry). Engagement is mostly in the form of meetings, which take place monthly or as required. | Agenda issues.   | ARM participates as required.  |
| As a member of the ICMM, ARM is represented on the Executive body and working groups which meet six-monthly, in addition to regular telephonic meetings and discussions.   | Implementation of principles, best practice, agenda items.   | ARM participates as required.  |
| Member of the Ferro-Alloys Producers' Association (FAPA) and represented at meetings which take place, on average, quarterly.  | Agenda issues, mostly safety, health and environmental related.  | ARM participates as required.  |
| Various other industry bodies, including the Association of Mine Managers of South Africa (AMMSA), the Association of Resident Engineers and Business Unity South Africa (BUSA) where participation takes place in meetings and events.  | Agenda issues.   | ARM participates as required.  |
| <b>Bankers and funders</b>   |  |  |
| Debt funding by term loans and general banking facilities as well as day-to-day banking operations.  | No material issues raised.   | Ongoing maintenance of banking relationships through meetings and general discussions.   |

## Responding to our material issues

### Adding value to the economy

#### F2010 Key features – at a glance

- Successful conclusion of 2 X 2010 growth strategy.
- Continuation of aggressive growth in ARM's portfolio of commodities.
- Headline earnings of R1.7 billion, down from R2.3 billion in F2009, mainly due to a stronger Rand and lower commodity prices.
- Second half of F2010 headline earnings substantially up (178%) to R1.26 billion from the first half-year headline earnings of R454 million.
- R1 491 million paid to employees (R1 399 million in F2009).
- R1 009 million paid to the state as taxes (R1 727 million in F2009).
- R5 624 million paid to providers of products and services (R4 201 million in F2009).

Through its core activities, ARM contributes to the local economy of the countries in which it operates. This includes providing direct and indirect employment, generating business for local suppliers and service providers, paying corporate and local taxes and promoting the upliftment of communities through corporate social investment activities. From a quantitative financial perspective, a measure of the benefits associated with our activities include the levels of payment to employees and suppliers, and the distribution of value added (the difference between revenues and expenses) to our employees, providers of capital and to the public sector (see value added statement below).

Against the background of a decline in commodity prices and the strengthening of the South African Rand against the US Dollar, ARM achieved good operational results for F2010. Headline earnings for the year were R1 714 million or 807 cents per share and represent a 26% decrease compared to F2009. However, the second half of F2010 headline earnings of R1 260 million are 178% more than the R454 million achieved for the first half of F2010.

ARM's financial position remains robust. The Company successfully completed its 2 X 2010 production growth strategy which commenced in 2005, and will continue with an aggressive growth strategy in its portfolio of commodities. ARM recognises that its long-term viability and profitability depend on the Company's ability to adapt to prevailing market conditions. Looking ahead, ARM's organic growth projects with its partners remain on schedule and within budget.

Through the successful development of the Khumani Iron Ore expansion, ARM has achieved growth in iron ore while two other projects, the Nkomati Mine expansion and ramp-up of the Goedgevonden Coal Mine, will allow ARM to significantly increase its stake in the nickel and coal markets respectively. The approval of the development of Konkola North Copper Project in Zambia with our joint venture partner Vale will establish ARM as a leading participant in the copper market.

ARM's approach is to grow through partnerships with key players in various sectors to ensure that the Company is at the forefront of technological development and global practices, and has access to key markets and value-generating growth opportunities. ARM will pursue its growth strategy as a low-cost, profit-focused owner-operator, through striving to be the partner and employer of choice and employing and retaining a world-class management team.

### Our performance

| Value added statement                            | F2010<br>(Rm) | F2009<br>(Rm) | F2008<br>(Rm) |
|--|---------------|---------------|---------------|
| Sales  | 11 022        | 10 094        | 12 590        |
| <b>Net cost of products and services</b>         | <b>5 624</b>  | <b>4 201</b>  | <b>4 318</b>  |
| Value added by operations                        | 5 398         | 5 893         | 8 272         |
| Income from associations                         | (51)          | 147           | 461           |
| Exceptional items                                | 97            | 514           | 162           |
| Income from investments                          | 209           | 414           | 168           |
| Wealth created                                   | 5 653         | 6 968         | 9 063         |
| Applied as follows to:                           |               |               |               |
| Employees as salaries, wages and fringe benefits | 1 491         | 1 399         | 1 053         |
| The state as taxes                               | 1 009         | 1 727         | 2 084         |
| Providers of capital                             | 725           | 1 034         | 1 213         |
| – Equity – dividend                              | 371           | 847           | 315           |
| – Non-controlling interest                       | 162           | (198)         | 460           |
| – Outside – finance cost                         | 192           | 385           | 438           |
| Total value distributed                          | 3 225         | 4 160         | 4 350         |
| Re-invested in the Group                         | 2 428         | 2 808         | 4 713         |
| Amortisation                                     | 987           | 787           | 541           |
| Reserves retained                                | 1 441         | 2 021         | 4 172         |
| Wealth distributed                               | 5 653         | 6 968         | 9 063         |

\* ARM's long-term viability and profitability is based on agility – the ability to adapt to prevailing market conditions.

\* ARM's approach is to grow through partnerships with key players in various sectors to ensure that the Company is at the forefront of technological development and global practices, and has access to key markets and value-generating growth opportunities.

\* ARM's organic growth projects with its partners remain on schedule and within budget.

## Human Resources

### F2010 Key features – at a glance

- Total labour force of 22 776, comprising 10 281 full-time employees and 12 495 contractors, up from 16 777 in F2009 (9 643 full-time employees and 7 134 contractors).
- Labour turnover (net change in permanent employees) was 5.7% (F2009: 4.5%).
- Training spend of R50 million, amounting to 3.6% of payroll (R57 million/6% of payroll in FY2009); decrease in budget due to downturn in economic climate.
- Focus areas of human capital strategy are the development of skills, employment equity and related issues, including stakeholder relations.
- Progress in developing a comprehensive and integrated Human Resource management information system.
- No material non-compliance incidents were reported through our whistleblowing facility during F2010.

This section of the report provides an overview of the composition of our workforce, as well as a brief review of our efforts to ensure an equitable, satisfied and motivated workforce that is adequately skilled as the Company grows. Our management approach and performance relating to Occupational Health and Wellbeing, Safety, HIV & Aids and Transformation, are reviewed in other sections of the report.

### Managing our human capital

Our aim is to create a diverse workplace in terms of culture, gender and generation, in which our employees can contribute to the best of their ability and be empowered to develop rewarding careers.

Key focus areas of ARM's human capital strategy are the development of skills, employment equity and related issues, including stakeholder relations, with specific attention given to unions, employees and the communities surrounding the operations from which the majority of our employees are employed. The underlying aim is to establish the Company as an employer of choice, in line with the vision of the Mining Charter, which is to facilitate sustainable transformation, growth and development of the mining industry. We strive to do so by providing competitive remuneration and career development opportunities so as to retain, train and develop our talent pool and establish a leadership bench aligned with the objectives of the Mining Charter in terms of employment equity and skills development.

Senior responsibility for training and development resides with our Executive: Human Resources. Objectives and targets in regard to training and development are in place internally. We endeavour to meet and exceed requirements by referring to all

compliance, governance and ethical issues related to legislation, SLP, the Mining Charter, the JSE, King III and the ICMM. Regular benchmarking on Human Resource best practices is conducted and efforts are made to ensure that line management is regularly updated. Going forward, ARM is in the process of developing a comprehensive and integrated Human Resource management information system, comprising integrated employee information, a scorecard/reporting framework and a talent management tool. We will continue to foster an entrepreneurial culture and leadership that reflects ARM's culture and values, with the assistance of executive coaching and mentorship.

### Practices and policies

ARM is committed to fair labour practices and freedom of association. Policies are aimed at eliminating unfair discrimination and promoting equality in line with the South African Constitution, the Labour Relations Act and the Employment Equity Act, and taking cognisance of the Universal Declaration on Human Rights and Fundamental Human Rights Conventions of the International Labour Organisation (ILO). ARM does not make use of child labour or forced labour. Comprehensive disciplinary and grievance procedures meet all requirements in terms of fairness as set out in the applicable legislation.

All our Human Resource procedures have been negotiated with, and approved by, organised labour. ARM's Code of Ethics was reviewed in 2010 and amendments are in progress to reflect the Company's obligations under King III and the new Companies Act. Changes to the Code will be communicated to our employees through training.

An independent service provider operates ARM's whistleblowing facility, which is an ethics hotline that serves as an anonymous vehicle for providing a voice to employees and is promoted to employees for their protection. The whistleblowing process is reviewed at each Audit Committee meeting, and each incident reported to the hotline is investigated. No material non-compliance incidents were reported during the year under review. Out of a total of 16 cases reported to whistleblowers this year, nine were human relations-related allegations (including incidents of racism, favouritism, employment irregularities and discrimination). Upon investigation, six cases were deemed to be unfounded, two cases are still under investigation and in one case an employee was found guilty of employment irregularities and received a final written warning.

### Employee profile

ARM continues to expand its operations and accordingly increase its employee base, the majority of which is recruited from within the communities surrounding the respective operations. Our total labour force at 30 June 2010 was 22 776 (10 281 full-time employees and 12 495 contractors), compared to a total of 16 777 the previous year (9 643 full-time employees and 7 134 contractors).

The growth in our workforce numbers was predominantly in contractor positions. In terms of new permanent jobs, 802 were created (2.2 jobs per day) during F2010, compared to 896 in F2009, equating to 2.5 jobs per day. Creating opportunities for

## Responding to our material issues continued

permanent employment is a function of the progression and maturing of our projects through different phases: from construction (which is more contractor-intensive) to commissioning, ramp-up and operational phases which entail recruitment of new permanent employees. In terms of ARM's expansion plans going forward, a continued escalation in our workforce numbers is anticipated.

We are pleased to report that there were no retrenchments in the year under review.

### Employee turnover

Employee turnover (all turnover in permanent labour, including, for instance, resignations, dismissals, voluntary departure and retirement) was only recorded centrally from 2008. The employee turnover of 5.7% for F2010 (vs 4.5 in F2009) also reflects the 57 employees dismissed from Two Rivers for the illegal sit-in underground. This turnover remains of the lowest in the industry, which averages between 6% and 10%. We believe contributing factors here are that we are successful in being an employer of choice and recruiting local people.

### Attracting, developing and retaining talent

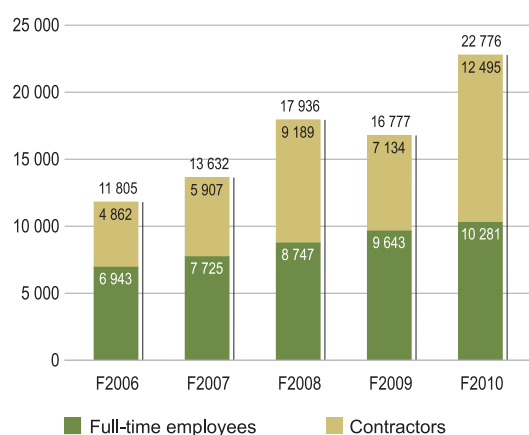
ARM's growth and future success depends on our ability to attract, retain and develop highly skilled individuals. Our operations require a wide range of skills, from scientists and engineers, to financial specialists, managers, artisans and skilled operators.

The tremendous rate of growth of ARM's operations creates employment opportunities, which in turn presents a significant challenge with respect to the skills pool (internal and external). In South Africa in particular, there is a large captive audience for limited skills, and a resource pool that is far too limited. This is a material issue for ARM, particularly when developing new mines, where there is a need to develop mine-required skills within the community, thereby reducing the risks associated with migrant labour.

As the Company grows, the need for the right technical and managerial skills to ensure effective delivery of projects becomes increasingly acute. In anticipation of our growth requirements, current and future initiatives aimed at mitigating the strain on available internal and external skills pool include:

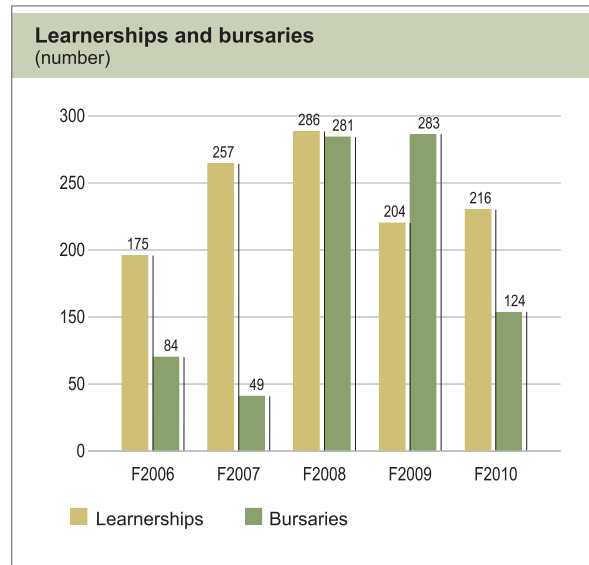
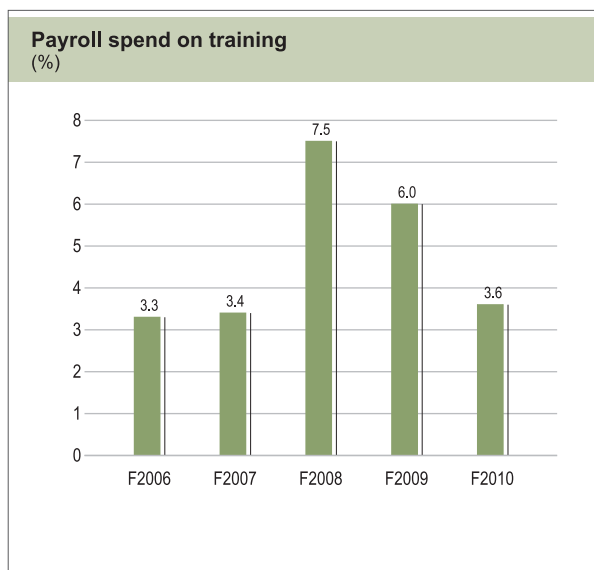
- Renewed talent management through talent identification, development plans and succession plans.
- Graduate development programme.
- Shiftboss/Mine Overseer development programme similar to historical and current learner official development programmes, with a strategy of developing talented individuals up to the general management level.
- Foremen development programme, which entails developing supervisory skills and developing artisans to management levels.

**Workforce – five years to 2010**  
(Number of full-time employees and contractors – 100% basis)



Each operation plans its training and development for the year for business plan purposes, submitting the budget required for all the proposed programmes for the financial year. At the end of March each year, each operation submits to the Mining Qualifications Authority (MQA) Sector Education and Training Authority (SETA) for the mining and minerals sector, both a Workplace Skills Plan (WSP) with all the details of the planned training and development for the year, and actual training and development undertaken against the previous submitted WSP. Each operation submits its own report as they are separately registered with the South African Revenue Service (SARS). Centrally, ARM only reports to the MQA on spend, learnerships, Adult Basic Education and Training (ABET) and bursaries.

We have made good progress in regard to our commitment to develop and implement an integrated Human Resource development IT system, including a career management process. The system, of which talent management is an integral part, has been designed and will be fully implemented at Khumani, as the pilot site, by the end of F2011. This system includes a comprehensive policy regarding management, measurement and reporting on Human Resource development. Each job has a role profile indicating requisite skills, competencies and qualifications, and assists in providing an organogram of career paths at the operation. It is anticipated that subsequent implementation of the system across ARM will take four months per operation with a view to achieving standardisation and the capacity to track career management centrally. Additional information regarding our efforts to develop skills within the organisation is provided in our review of our performance against the Mining Charter scorecard, in the Transformation section.



### Training and development spend

ARM invested a total of R50 million (3.6% of payroll) in training and skills development. The decrease on last year's investment of R57 million (6% of payroll) was due to training budgets being reduced during the economic downturn. Our investment this year, nonetheless, remains higher than the industry average, which is between 2% and 3%. The suggested new target in the Mining Charter will be 5% of payroll by 2014 and we will accordingly increase our training to meet this target. The majority of our permanent employees (9 254 or 90%) received a training and development review this year (8 747, also 90%, in F2009).

Beeshoek, Khumani, Black Rock, Modikwa and Nkomati are all accredited training centres. Machadodorp and Black Rock have partnered with VT Training, and by agreement they train community members in employable skills, and secure work for them. In addition, they train one employee for every two community members in life skills in order to comply with the SLP requirements regarding life skills training. A cost-effective roll-out to the rest of the Group is being investigated.

### Learnerships and bursaries

The number of learnerships this year increased slightly from 204 last year to 216. A main focus of the learnership programme is to develop engineering disciplines (apprentices). Currently, all apprentices that complete their courses are engaged at our operations. We have a few registered learnerships in other disciplines and plan to expand in these areas.

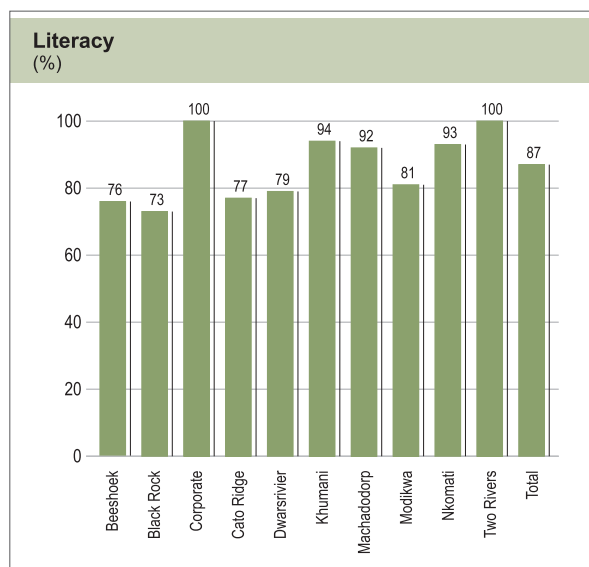
The number of bursaries provided this year was significantly lower than last year – 124 compared to 283 – due to a decrease in the number of applications received. The bursary scheme is an important means of promoting skills development within ARM. In the next financial year, each operation will set its strategic target of identifying key technical skills requirements,

and seek to develop these through promotion of the bursary scheme.

### Literacy

Literacy across ARM improved to 87% in F2010, from 84% in F2009. The highest levels were recorded at Two Rivers (100%), Khumani (94%) and Nkomati (93%). The lowest literacy levels were recorded at Black Rock (73%), which nonetheless improved by 10% from 63% in F2009.

Access to nationally aligned ABET is available at most of the operations, in some cases outsourced. More than 80% of operations have rolled out e-learning ABET delivery which ARM commits itself to as being essential in the future of learning.





## Responding to our material issues continued

Members of the community also attend ABET workshops, which have shown a steady increase in attendance of internal and external learners. This year, ABET attendance comprised 343 students (including 152 community members), which is a decrease on last year's 573 students (including 180 community members). This decline may be due to successful completion by generation students, as reflected by increased literacy levels. ABET generally attracts older generation participants.

ARM's literacy target remains 100% and we will continue to strive to achieve this within ARM and in the surrounding communities.

### Graduate programme

ARM supports its transformation efforts through attracting and developing suitable graduates who are passionate about the minerals and mining sector. Our Graduate Programme involves employing new graduates for two to three years' on-the-job training (technical and middle management), which provides graduates with strong technical, technological and business knowledge to serve at management level. The number of participants enrolled is limited to ensure quality training.

Since inception in 2006, we have employed 30 graduates in total: ten black females, two white males, one Indian male and

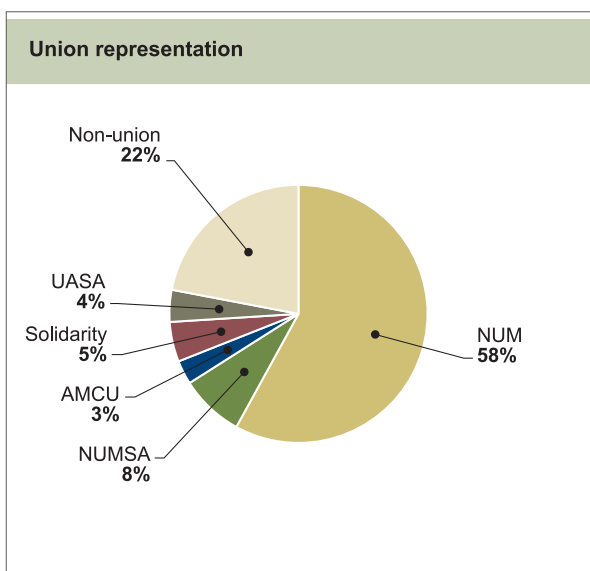
seventeen black males. To date, 17 out of 30 (57%) graduates are occupying senior positions within ARM. Ten of the 30 (33%) are still in the training programme, while only three out of the 30 have resigned.

### Encouraging positive labour relations

A total of 79% (F2009: 77%) of ARM's workforce is unionised and ARM has concluded recognition agreements with five major unions: NUM (National Union of Mineworkers), NUMSA (National Union of Metal Workers of South Africa) (smelter industry), Solidarity, UASA (United Association of South Africa) and AMCU (Association of Mineworkers and Construction Union). Wages and conditions of employment are negotiated at operational level.

Senior responsibility for union negotiations (where applicable) or employee relations/workforce consultation resides with Human Resource managers. Disciplinary and grievance policies/procedures are in place and communicated to all employees, through induction and collective bargaining processes.

This year we experienced 2 411 lost man-days (115 in F2009) due to industrial action at Modikwa and Two Rivers. The disputes involved were duly resolved.



*Bosfontein Primary School has received 20 computers and software from Two Rivers Mine*

## Safety

### F2010 Key features – at a glance

- One fatality (five in F2009).
- Slight increase in Lost Time Injury Frequency Rate (LTIFR): 0.770 (per 200 000 man hours) in F2010 compared to 0.736 in F2009.
- Encouraging decrease in the number of fall of ground related Lost Time Injuries (LTIs); reducing LTIs associated with mobile machinery, hand tools and equipment remains a challenge.
- Beeshoek achieves 7 000 fatality-free production shifts in the DMR competition in August 2009.
- Modikwa passes the 6 million fatality-free shifts mark (7 million achieved on 21 September 2010).
- Nkomati achieves 1 million fatality-free shifts.
- Two Rivers surpasses 1.5 million fatality-free shifts this year (the operation achieved 1 million fatality-free shifts last year).



Underground safety talk

Ensuring the safety, health and wellbeing of all our employees is of paramount importance to ARM. It is imperative that our workforce feels reassured and motivated to promote operational productivity and sustainability. The mining industry is generally labour intensive and involves exposure to health and safety risks. We strive continually to prevent injuries and ensure zero fatalities. There was one work-related fatality at our operations during the review period, compared to five during the previous year. However, no fatality is acceptable. This year has seen a slight increase in the frequency of injuries sustained at our operations and we have embarked on a significant safety drive as part of our commitment to ensure that safety risks are minimised.

### Approach to managing safety

The Group Sustainable Development Reporting Manager, reporting to the Chief Executive Officer and with oversight from the Sustainable Development Committee, reviews safety management policy, strategy and targets in alignment with the Board's commitment to uphold a zero tolerance of harm within all spheres of our business.

Divisional Safety, Health and Environmental (SHE) Management positions have been created by the Ferrous and Platinum Divisions to provide guidance to operations on entrenching ARM's corporate goals. Responsibility for safety at our operations lies with line management and line supervision. Each operation, because of its unique challenges and circumstances, has its own safety policy and strategy aligned with ARM's commitment to strive for zero harm through safe working conditions, risk management and empowerment of the workforce through appropriate training and safety awareness.

As a caring Company and through our membership of the South African Chamber of Mines, ARM is committed to meeting national milestones set out for improving health and safety in the mining industry. ARM actively participates in the Occupational Health and Safety Policy Committee of the Chamber of Mines. The implementation of the Mining Industry Occupational Safety and Health (MOSH) Task Force, mandated by the Executive Committee (comprising member CEOs) of the Chamber of Mines, is tasked with facilitating widespread adoption of knowledge, technology and practice that will significantly improve the health and safety performance in South African mines, thereby contributing to meeting the Department of Mineral Resources (DMR) milestones for 2013. ARM has senior representatives on the MOSH Task Force and related Adoption Teams and is especially involved in efforts regarding leadership, reduction and elimination of fall of ground incidents, occupational health and the recently formed moving machinery team. ARM's membership of the ICMM provides additional access to global health and safety best practices.

Certification in the international occupational health and safety management system, OHSAS 18001, has been completed at the following operations: Dwarsrivier, Nkomati, Beeshoek, Machadodorp Works and Cato Ridge Works. Due to strict cost

## Responding to our material issues continued

saving initiatives during the economic downturn, Modikwa has not pursued renewal of its OHSAS 18001 certification during the financial year under review, while Black Rock and Khumani are expected to complete certification of their safety management systems within the next financial year.

### Monitoring our performance

Corporate audits in the legal and operational fields of safety, health and environmental management, are undertaken every second year by externally appointed specialists. The audits serve to establish the current status of legal compliance and the related risk profiles of each operation, and to identify opportunities for improvement as part of the safety management systems. Action plans to address findings, risk improvement recommendations and gaps identified during the audits are compiled and addressed by each operation. These are presented at quarterly operational executive level SHE meetings, while learnings and challenges are shared by our SHE practitioners at a quarterly Corporate SHE Forum.

The most recent audit, performed in F2009, focused on safety management and legal compliance at both corporate and operational level. The audit findings concluded that previously identified operational gaps and non-conformances had been addressed at operational level, while at a corporate level, there was a need for corporate standards to be developed and enforced in specific areas. These standards have been compiled and are being implemented; they provide for standards on legal appointments, exemptions, change management, contractor management, risk assessment and legal compliance management. It was also identified that supervisory and management levels required more regular updates regarding legislative changes and this has been addressed through extensive legal training at all operations. The next round of audits will be performed during F2011 and will include a review of our compliance with corporate standards.

### Providing appropriate safety training

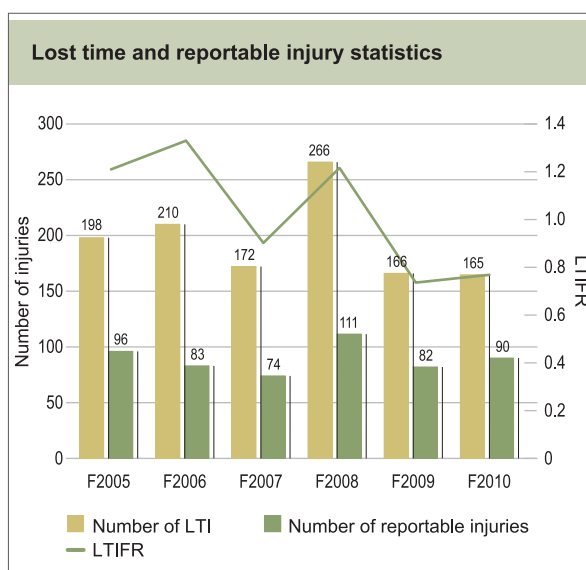
In order to ensure that training to promote safety throughout the Company is adequate and appropriate, training requirements are aligned with the safety risks identified and prioritised for each operation through our Enterprise Risk Management System. Health and safety training is provided to everyone performing work at any of our operations. This involves health and safety induction training, training in risk assessment and safe work procedures, as well as prescribed competency training. In addition, job and workplace-specific training is provided.

Mining remains a hazardous industry and is subject to extensive and increasingly more stringent SHE regulations and legislation. To ensure ongoing improvement, risk preparedness and compliance, ARM's officials continually monitor and review procedures, initiate and promote awareness campaigns, regularly engage with government and regulators, and monitor legislative requirements and changes.

### Our performance

ARM regrets that this year one employee lost his life in a work-related accident at Machadodorp Works on 10 April 2010. Mr Erick Maluka, employed as a slinger, was severely injured during slinging operations in the crane bay area while attempting to unhook the auxiliary chain from an empty ladle which had been placed by the crane. Mr Maluka passed away in hospital later. ARM and its Board consider any fatality as unacceptable and convey their sincere condolences to Mr Maluka's family, friends and colleagues.

The number of Lost Time Injuries (LTIs) recorded this year was similar to the previous year, totalling 166 compared to 165 in F2009. The Lost Time Injury Frequency Rate (LTIFR) for the year increased slightly to 0.770 (per 200 000 man hours) compared to 0.736 in F2009. Ninety reportable accidents (including the fatality referred to above) were recorded during the year, compared to 82 in the previous year. While we have achieved a general trend of improved LTIFR in recent years, management is focusing on efforts aimed at improving our safety performance. This will entail enhanced risk assessment, reviewing safe work procedures, increasing training on all levels and empowering health and safety representatives. Last year, we identified fall of ground and moving machinery as particular risks to our workforce and committed to concentrating on mitigating and managing those risks this year. We have implemented leading practice standards and procedures to combat fall of ground at our mines, in collaboration with the Chamber of Mines, and are pleased to report a reduction in the number of fall of ground related LTIs from 37 in F2009 to 15 in F2010. Mobile machinery, hand tools and equipment still constitute the highest risk and related LTIs have increased from 41 in F2009 to 54 in F2010. ARM is actively participating in the



\* Safety definitions are provided at the end of this section.

### Safety performance statistics for F2010 compared to F2009

| Operation         | LTIFR<br>per 200 000<br>man hours |             | Number of<br>LTIs |            | Number of<br>lost days |              | Number of LTIs that are<br>reportable/serious<br>accidents |           |
|-------------------|-----------------------------------|-------------|-------------------|------------|------------------------|--------------|--|-----------|
|                   | F2010                             | F2009       | F2010             | F2009      | F2010                  | F2009        | F2010  | F2009     |
| Beeshoek          | 0.18                              | 0.11        | 1                 | 1          | 37                     | 241          | 0  | 1         |
| Black Rock        | 0.52                              | 0.66        | 12                | 14         | 680                    | 737          | 6  | 6         |
| Dwarsrivier       | 1.96                              | 1.00        | 23                | 13         | 807                    | 198          | 13   | 12        |
| Khumani           | 0.28                              | 0.45        | 9                 | 5          | 177                    | 144          | 5  | 5         |
| Modikwa           | 1.14                              | 1.07        | 73                | 92         | 823                    | 851          | 36   | 35        |
| Nkomati           | 0.54                              | 0.19        | 16                | 6          | 629                    | 131          | 8  | 2         |
| Two Rivers        | 0.60                              | 0.57        | 16                | 17         | 185                    | 303          | 13   | 11        |
| Cato Ridge        | 0.97                              | 0.66        | 10                | 8          | 264                    | 132          | 5  | 4         |
| Machadodorp       | 0.48                              | 0.92        | 5                 | 10         | 214                    | 577          | 4  | 6         |
| <b>ARM Total*</b> | <b>0.77</b>                       | <b>0.74</b> | <b>165</b>        | <b>166</b> | <b>3 816</b>           | <b>3 314</b> | <b>90</b>  | <b>82</b> |

ARM Total\* includes the corporate offices.

recently established MOSH Adoption Team tasked with identifying and implementing leading practice with regard to safe use of mobile machinery. In addition, enhanced risk, assessment, training and review of compliance with safe work procedures are being undertaken, aimed at reducing injuries sustained as a result of using hand tools and equipment.

The inquiry convened by the Department of Labour into the explosion that took place at the Cato Ridge Works on 24 February 2008 in which, regrettably, six employees were fatally injured, continued with its hearings during the course of the reporting period under review. Proceedings have been adjourned until November 2010 and we will comment further on the matter once concluded. ARM has meanwhile established a Trust Fund to provide ex gratia assistance to the affected families.

The DMR served 21 Section 54 notices (11 in F2009) on ARM operations in terms of the Mine Health and Safety Act during the year: three at Dwarsrivier, one at Khumani, six at Beeshoek, seven at Black Rock and four at Modikwa. In terms of Section 55 of the Mine Health and Safety Act, eight notices (five in F2009) were issued: one at Two Rivers, three at Black Rock, three at Beeshoek and one at Modikwa. No prohibition notices were served at either of the two smelter operations by the Department of Labour during the financial year.

### Internal and external safety achievements

Two internal safety competitions within ARM are used to benchmark and recognise good performance among our operations. The Santa Barbara trophy is awarded to any operation that completes one million (or a multiple thereof) fatality-free shifts. This trophy has been awarded to two operations during the year – Modikwa for achieving 6 million fatality-free shifts and Nkomati for achieving 1 million fatality-free shifts. The “Excellence in Safety” competition is based on a weighted average of differential LTIFR data over the previous three financial years, with immediate disqualification of an operation at which a fatality occurred during

the year. Khumani won the “Excellence in Safety” trophy for the financial year under review.

Beeshoek achieved 7 000 fatality-free production shifts in the DMR competition in August 2009.

In terms of external safety achievements this year, Modikwa received an award at the Hardrock Safe Conference for significant safety achievement, as well as an award from AMMSA for 6 million fatality-free shifts, at its annual banquet. Modikwa also received a letter of commendation from the DMR for achieving 6 million fatality-free shifts by 2 December 2010, which by 21 September 2010 had been surpassed, with the operation achieving 7 million fatality-free shifts.

### Definitions

*In line with legislation and industry standards, ARM considers contractors as employees and all statistics include contractor hours worked as well as injuries sustained. Any work-related injury that results in an employee/contractor being unable to perform his/her normal duty or similar work on the calendar day following the day of the injury, is reported as a lost-time injury (LTI). If a suitably qualified medical professional advises that the injured person is unable to perform his/her normal duty or similar work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a lost-time injury is deemed to have occurred.*

*Although Restricted Work Injuries (RWIs) are reported separately in some industry forums in which ARM participates, all RWIs are included in our measurement of LTIs. (An RWI is defined as a work-related injury which results in the employee/contractor being unable to perform one or more of their routine functions for a full working day, from the day after the injury occurred as certified by advice from a suitably qualified health care provider.)*

*Reportable accident: For the mining operations to which the Mine Health and Safety Act applies; in terms of Chapter 23, reportable accidents refer to any accident that results in:*



## Responding to our material issues continued

- a) *the death of an employee;*
- b) *an injury, to any employee, likely to be fatal;*
- c) *unconsciousness, incapacitation from heatstroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents of or by any employee and which is not reportable in terms of par (d);*
- d) *an injury which either incapacitates the injured employee for performing that employee's normal or similar occupation for a period totaling 14 days or more, or which causes the injured employee to suffer the loss of a joint, or part of a joint, or sustain a permanent disability;*
- e) *an injury, other than injuries referred to in par (d), which incapacitates the injured employee from performing that employee's normal or similar occupation on the next calendar day.*

For the smelters to which the Occupational Health and Safety Act 85 of 1993 applies, reportable accidents are defined in Sections 24 and 25 of the Act, as follows:

*Each incident occurring at work or arising out of or in connection with the activities of persons at work, or in connection with the use of plant or machinery, in which, or in consequence of which:*

- a) *any person dies, becomes unconscious, suffers the loss of a limb or part of a limb or is otherwise injured or becomes ill to such a degree that he/she is likely either to die or to suffer a permanent physical defect or likely to be unable for a period of at least 14 days either to work or to continue with the activity for which he/she was employed or is usually employed;*
- b) *a major incident occurred; or*
- c) *the health or safety of any person was endangered and where:*
  - i) *a dangerous substance was spilled;*
  - ii) *the uncontrolled release of any substance under pressure took place;*
  - iii) *machinery or any part thereof fractured or failed resulting in flying, falling or uncontrolled moving objects; or*
  - iv) *machinery ran out of control.*

## Occupational Health and Wellness

### F2010 Key features – at a glance

- Managing noise-induced hearing loss (NIHL) in the workplace remains a priority focus for most operations to mitigate the impact on employees' health and meet the DMR milestones for 2013.
- Slight increase in the number of audiometric screening tests resulting in referrals to specialists (0.38% of cases compared to 0.31% in F2009), with 0.15% (F2009: 0.9%) of employees tested submitted for compensable NIHL.
- ARM appointed an external occupational health practitioner to audit and assist operational clinics on a quarterly basis, as part of efforts to enhance the effective management of occupational health.
- Due to the remote location of our operations, attracting and retaining qualified occupational medical staff remains a challenge to the effectiveness of our medical surveillance programmes.
- Focused efforts to mitigate employee exposure to dust, and to manage pulmonary tuberculosis (TB) as part of our integrated wellness and HIV management programmes, have contributed to a reduction in the number of new TB infections being reported, from 138 in F2009 to 104 during F2010.

### Our approach to managing occupational health and wellbeing

The safety and wellbeing of our employees is material to running our operations in a sustainable and efficient manner. The mining methods and degree of mechanisation involved in the various processes and activities in our smelter and mining operations determine the potential hazards in each workplace. In order to ensure that the specific health and safety risks presented in each of our operations are monitored through best practice medical surveillance, specialist external service providers are engaged to assist with implementation and management of medical surveillance programmes in all our operations.

Our medical surveillance contracts are managed by the SHE Manager at each operation. Our operations are generally located in rural areas and this presents an ongoing challenge to our medical surveillance service providers in relation to attracting and retaining qualified and experienced staff.

All operations perform medical surveillance in compliance with applicable legislation. Corporate SHE audits conducted in F2009 identified the need for standardisation in some areas of occupational health management, and ARM duly contracted an independent occupational nurse with extensive auditing experience to monitor and ensure uniform compliance with high standards of medical surveillance, across our operations. The occupational nurse reports to the Group Manager: Sustainable Development Reporting and visits each operation at least quarterly to perform audits, monitor progress in terms of any





*Hearing conservation is a key occupational health focus through awareness training, provision of personal protective equipment, medical surveillance and monitoring of noise emitted by machinery and equipment*

corrective action required in response to audit findings, and to provide guidance to medical surveillance staff. A number of occupational health corporate standards have also been developed to improve reporting and case management of noise-induced hearing loss cases, diseases such as TB and chronic diseases, such as high blood pressure and diabetes, which put the wellbeing of our employees at risk.

ARM recognises that the management of safety, occupational health (including HIV and occupational diseases) and hygiene are interlinked and therefore incorporates all these elements into “wellness management” within ARM. All permanent employees have access to medical aid as a condition of employment, and SHE staff, Medical staff and Human Resources staff work closely together to manage the wellness of our employees in an integrated fashion. All operations have appointed Wellness Officers, and most operations have established Wellness Committees to promote engagement between employees and unions in a partnership approach to managing wellness.

All our employees and contractors are trained in occupational health and hygiene as part of their induction programme, and ongoing training is facilitated by wellness officers and peer educators, in line with the specific risks identified at each operation.

Effective management of our integrated wellness programmes requires us to understand and monitor a range of behavioural indicators, including levels of absenteeism, chronic disease, emotional wellness and substance abuse, and to ensure close communication between clinic staff, line management, and HR and SHE staff. This has been a challenge, especially since we currently rely on decentralised separate information systems to

collate information, which can prove difficult to integrate. Consequently, as reported in the Human Resources section of this report, ARM is in the process of developing a comprehensive and integrated HR management system which will also facilitate closer coordination between the various departments in terms of input, data analysis and case management.

A second challenge to effective wellness management relates to the fact that continued expansion, improvement and development projects at our operations necessitate the use of contractor labour at certain phases of projects. Since contractors are regarded as ARM employees, they are included in the medical surveillance programmes. This can significantly augment the number of employees that pass through our clinics, under medical surveillance, which at times puts pressure on resources and could affect case management of those individuals who have been identified with occupational or chronic disease. Note that 37 734 medicals (entry, annual and exit) were performed for the 22 776 employees and contractors during the year. In order to address this challenge, we are working closely with the occupational hygienists and doctors at our operations to improve the management and effectiveness of our risk-based medical surveillance systems.

### **Principal occupational health issues**

The most common illnesses diagnosed among our workforce (including chronic and primary health related diseases) continue to be upper respiratory tract infections and back/muscular/skeletal ache. Our efforts to mitigate noise-induced hearing loss, which is a key focus, are discussed later in this section. While TB is not caused by mining, high levels of dust can cause complications for employees already infected with TB. South Africa has a high

## Responding to our material issues continued

TB incidence rate, and the disease is further complicated by HIV & Aids. We continue to focus on mitigating exposure to dust and on preventing and managing TB and HIV & Aids, as discussed elsewhere in this sustainability performance review. A focus of our wellness management is to raise awareness among our employees about chronic diseases, including TB, sexually transmitted diseases and other HIV-related opportunistic infections.

### Mitigating noise-induced hearing loss

In terms of direct occupational health management, hearing conservation remains a major focus at all our operations. We strive to achieve the 10-year targets agreed by Tripartite parties at the Mine Health and Safety Summit held in 2003 for elimination of noise-induced hearing loss.

As illustrated in the table below, this year we have seen an increase in the percentage of cases of employees referred for audiometric diagnostic screening, and in the number and percentage of cases submitted for compensation. We will strive to reverse this trend through increased efforts to reduce workplace noise emissions, in line with the objectives of the DMR's targets. Our hearing conservation programmes involve regular monitoring and measuring of the noise emission levels of equipment in the workplace. The frequency of employee hearing surveillance is informed by the relevant workplace exposure, but takes place at least annually for individuals exposed to high levels of noise. This is why the number of audiometric surveillance tests performed is significantly greater than the total number of our employees. Any deterioration in the hearing of an individual relative to the level of hearing at the time of employment (the baseline) results in the individual receiving counselling by clinic personnel, and an investigation of the individual's workplace noise emissions by the occupational hygiene departments, as well as continuous training. It is understood that some deterioration in hearing also results from age, illness or personal care. Any employee with deterioration in hearing of 10% is referred to an audiometrist for diagnostic audiograms (recorded as "referrals" in our statistics), and once an employee is confirmed to have suffered noise-induced hearing loss (NIHL), a compensation claim is submitted to either Rand Mutual Assurance (mining employees) or the Compensation Commissioner. Where possible, employees with noise-induced hearing loss are redeployed to workplaces with low noise levels and monitored on an individual basis.

#### Noise-induced hearing loss statistics (includes contractors)

|   | F2010                      | F2009                      |
|---|----------------------------|----------------------------|
| Number of audiometric surveillance tests performed          | 37 734                     | 42 419                     |
| Number of cases referred for audiometric diagnostic testing | 143<br>(0.38%<br>of total) | 133<br>(0.31%<br>of total) |
| Number of cases submitted for compensation                  | 58<br>(0.15%<br>of total)  | 36<br>(0.09%<br>of total)  |

### Mitigating dust and associated ailments

Our operations focus on dust mitigation measures in the workplace and suppression of dust in open-pits and on haul roads as part of efforts to reduce any negative impact on the health of our employees and the surrounding communities in which we operate. These measures, together with our continued focus on preventing and managing TB as part of our integrated wellness and HIV management programmes, have contributed to a reduction in the number of new TB infections being reported, from 138 in F2009 to 104 this year. TB cases are monitored and managed by our clinic staff in collaboration with the Department of Health. Of the 104 new infections recorded this year, 45 employees remain on treatment programmes.

In order to prevent the incidence of manganism (otherwise known as manganese poisoning – a toxic condition resulting from chronic over-exposure to manganese dust or fumes), ARM is committed to fulfilling all its legal obligations in terms of preventing exposure as prescribed in the Occupational Health and Safety Act, 1993, and the Hazardous Chemical Substances Regulations. In the past we have experienced select cases of employees at our Assmang plant in Cato Ridge being diagnosed with manganism. We have since taken steps to limit exposure and put control measures in place to prevent future incidents. Where high levels of fumes have been identified, workers are obligated to wear personal protective equipment in the form of respiratory masks. We also introduced a more technologically advanced option: an airstream helmet with a fan, powered by a battery pack, that blows air through a filter before it is inhaled. Over the past two years, R140 million has been invested in enhancing our management of dust and fume levels at Cato Ridge Works, and Assmang has contracted occupational health specialists to assist in determining a protocol for dealing with medical surveillance in this regard.

The Department of Labour has completed a report on the alleged cases of manganism at the Cato Ridge Works, following hearings completed in 2008. However, the report has not yet been made available to ARM. Compensation was provided to those employees who had been initially diagnosed with manganism, yet arbitration proceedings were instigated by these employees over claims of unfair dismissal. The arbitrator has concluded that the dismissals of the former employees had not been unfair, and has rejected their applications for reinstatement.

## Transformation

### F2010 Key features – at a glance

- Overall BEE procurement (as a percentage of total discretionary procurement spend) for F2010 was 52.5%, representing an increase of 15.2% on F2009's BEE achievement of 37.3%, and exceeding the 2010 target of 40%.
- An independent, SANAS-accredited verification agency performed a BEE audit for the financial year, and ARM's score of 66.36% classifies ARM as a Level 4 BEE contributor.
- Exceeded the SA Mining Charter (as provided for until September 2010) standards in terms of employment equity and gender diversity.
- HDSA representation in management remained level with last year, at 43%; HDSA representation within top and senior management was 31% (vs. 33% in 2009).
- Increase in female representation at senior management level, from 13% in F2009 to 15% this year.
- ARM has a 55% black ownership base (consistent with F2009).



ARM embraces cultural and gender diversity in the workplace

ARM embraces the South African national imperative to promote broad-based economic transformation. Our commitment to contributing to the transformation and inclusivity of the mining industry is demonstrated by our Broad-Based Black Economic Empowerment (BBBEE) and employment equity initiatives. Together with our stakeholders, we strive to make the mining industry reflective of all South Africans and provide all our people with a stake in South Africa's mineral wealth.

In line with the Broad-Based Socio-Economic Charter for the Mining Industry (Mining Charter) and all other relevant legislation, ARM has positioned itself to be a transformational leader in the industry. We currently exceed the Mining Charter (as provided for until September 2010) standards and targets in regard to employment equity and gender diversity.

### Managing transformation at ARM

ARM has established a Transformation Committee to facilitate and promote organisational transformation. The Committee will oversee ARM's various workplace related transformation initiatives, including promoting women in mining and employment equity, diversity awareness campaigns and the graduate development programme. The Committee comprises the ARM HR Executive as project sponsor, the ARM HR Manager as Chair of the Committee, Operations Representatives employed as organisational development/training specialists and transformation superintendents/managers.

The following documents have been drafted and debated by Committee members, and once finalised and approved, will inform our efforts aimed at promoting transformation within the business.

- Terms of reference – underpinning the reason for the existence of this Committee.
- Transformation policy – the guideline for ARM's transformation programme and initiatives.
- Strategy document – informing the operational activities as guided by ARM.
- Transformation policy statement – a synopsis of ARM's understanding of transformation in line with our values.
- Transformation risk assessment – conducted in order to assist ARM in understanding its current performance in relation to longer term goals and develop strategic risk mitigation strategies to enable it to realise its transformational vision.

### Adhering to the Mining Charter

ARM strives to comply with the Mining Charter elements which are integral to the way we are working to realise transformation within the business. ARM supports the Mining Charter's efforts, which we consider to be central to the future of mining in South Africa. The table overleaf outlines the manner in which ARM is working towards achieving the goals of the Mining Charter scorecard.

## Responding to our material issues continued

| ARM's progress achieved in F2010   | Going forward  |
|--|--|
| <b>Human Resources Development</b>   |  |
| <b>Has the Company offered every employee the opportunity to be functionally literate and numerate and are employees being trained?</b>  |  |
| <p><i>Literacy:</i> Total literacy across the Group improved to 87% from 84.37% in F2009. The highest levels were recorded at Two Rivers (100%), Khumani (94%) and Nkomati (93%), with the lowest levels at Black Rock (73%), which nonetheless improved by 10% on last year.</p> <p>Access to nationally aligned ABET is available at most of the operations, in some cases outsourced. Most of the operations have rolled out e-learning ABET delivery (&gt; 80%), which ARM believes and commits itself to as the future of learning.</p> <p>Members of the community also attend ABET workshops, with a steady increase shown in the number of internal and external learners attending. ABET attendance in F2010 comprised 343 students, including 152 community members. The decrease on F2009's 573 students (including 180 community members) may be due to successful completion by generation students, as reflected by increased literacy levels. ABET generally attracts older generation participants and learners.</p> | ARM's literacy target remains 100% and we will continue to strive to achieve this within ARM and in the surrounding communities.   |
| <p><i>Internal training:</i> Four operational training centres (Beeshoek, Black Rock, Modikwa and Nkomati) are accredited with the Mining Qualifications Authority (MQA), a Sector Education Training Authority (SETA) for the Mining and Minerals Sector. Dwarsrivier and Two Rivers are expected to receive accreditation during the next financial year, pending ISO 9001 accreditation of the training centres.</p>  | Accreditation of the Khumani training centre will be a priority during the next financial year.  |
| <p><i>External training:</i> ARM Human Resources Development professionals contribute significantly to the sectoral transformation process through their direct involvement with various committees and bodies at the Chamber of Mines (COM) and the MQA.</p>  | The implementation of our integrated Human Resource management system will take place progressively across the Group over the next few years.  |
| <b>Has the Company implemented career paths for HDSA employees, including skills development plans?</b>  |  |
| <p>Workplace skills plans covering all HDSA employees are submitted individually by each operation to MQA.</p> <p>Career paths for each discipline/department are prepared by each operation. HDSA employees earmarked for succession have individual development plans.</p> <p>ARM has made good progress on its F2009 target of developing and implementing an integrated HR management system. The system, of which talent management is an integral part, has been designed and will be fully implemented at Khumani (the pilot site). It includes a comprehensive policy regarding management, measurement and reporting on Human Resource Development. Each job has a role profile indicating requisite skills, competencies and qualifications and assists in providing an organogram of career paths at the operation.</p>   | <p>The integrated HR management system, designed and developed with the whole Group in mind, will be fully implemented at Khumani by the end of F2011.</p> <p>Implementation across ARM is expected to take four months per operation with a view to achieving standardisation and the capacity to track career management centrally.</p>  |
| <b>Has the Company developed systems to mentor empowerment groups?</b>   |  |
| <p>Coaching forms part of each supervisor's key performance indicators. Production supervisors are trained to assess on-the-job performance, give structured feedback to subordinates and mentor them.</p> <p>The manager one level up is expected to engage with each team member on a quarterly basis to review organisational progress and the individual's progress and needs.</p> <p>All training and HR development staff are trained in the Education, Training and Development Practices (ETDP) national skills programmes, including facilitation of learning, assessment and moderation processes.</p> <p>ARM provided 216 learnerships in F2010 (204 in F2009). Bursary applications declined from 283 in F2009 to 124 in F2010 due to a decrease in applications.</p>  | <p>In keeping with ARM's transformation and skills development priorities, this will remain a key focus area internally going forward.</p> <p>Externally, as part of our social investment projects and preferential BBBEE procurement policy, we continue to identify, develop and coach BBBEE compliant suppliers and provide, where necessary, basic business skills and education.</p> <p>Operations are tasked to focus on identifying their skills shortages and to promote bursaries accordingly.</p> |



| ARM's progress achieved in F2010   | Going forward   |
|--|---|
| <b>Employment Equity</b>   |   |
| <b>Has the Company published its Employment Equity plan and reported on annual progress in meeting this plan?</b>  |   |
| <p>As part of the transformation process, ARM operations submit their equity plans to the Department of Labour annually, after thorough analyses and consultation with management and unions. An independent BBEE verification auditor has been appointed to prepare a dti scorecard for each operation. This will be utilised to manage and improve on existing targets in accordance with the Employment Equity Act.</p> | <p>The employment equity plan will continue to be revised and updated to ensure that it is in line with existing legislation and the targets of the new Mining Charter, published in September 2010.</p>  |
| <b>Has the Company established a plan to achieve a target for HDSAs?</b>   |   |
| <p>A comprehensive manpower plan is used to establish, manage and measure performance in terms of HDSA targets. ARM's integrated HR management system will be used to enhance management of the HDSA talent pool.</p> <p>HDSA representation in management remains level with F2009 at 43%; HDSA representation within Top and Senior Management stands at 31% (vs 33% in 2009).</p>                                       | <p>ARM has achieved its 2009 target of 45% HDSA representation across its operations and will continue to work towards exceeding this target, as well as the target of the revised Mining Charter.</p> <p>Regarding our growth strategy, this remains a challenge. Skills shortage has been identified as a major risk and the mitigation of this risk is a primary focus within ARM.</p>   |
| <b>Has the Company identified a talent pool and is this being fast-tracked?</b>  |   |
| <p>In addition to the initiatives outlined above, ARM has 12 graduates enrolled in its graduate programme, which seeks to promote transformation through attracting and developing suitable graduates who are passionate about the minerals and mining sector. Since inception in 2006, we have employed a total of 30 graduates.</p> <p>In addition, we are using parallel appointments to fast-track employees.</p>      | <p>ARM, over the five-year period from 2005, has created 1.8 permanent jobs per calendar day. In view of our anticipated growth rate, we anticipate an escalation in our employee numbers, which will put strain on the available internal and external skills pool. We aim to address this through various initiatives:</p> <ul style="list-style-type: none"> <li>● Renewed talent management through talent identification, development plans and succession plans.</li> <li>● Graduate development programme.</li> <li>● Shiftboss/Mine Overseer development programme with a feeder to GM, and Foremen development programme.</li> <li>● Outside succession plan/talent pool.</li> <li>● Increase in effective training spend.</li> <li>● Learnerships and bursaries.</li> <li>● Liaison with Institutes of Higher Learning and students through "direct marketing" and the Minerals Education Trust Fund (METF).</li> <li>● Branding ARM as an employer of choice.</li> </ul> |
| <b>Has the Company established a plan to achieve the target for women participating in mining of 10% within the five years and is it implementing the plan?</b>  |   |
| <p>ARM has a Women in Mining development programme; five candidates have been earmarked for fast-tracking and 12 for mentorship. These 17 individuals were identified by Human Resources as having the potential to be accelerated into senior management and executive leadership roles. In addition, six candidates are being developed from lower levels.</p>   | <p>By the end of F2011, we aim to have assessed each candidate's personal development in terms of strategic leadership and to have significantly addressed our developmental gaps through mentoring and coaching interventions.</p>   |



## Responding to our material issues continued

| ARM's progress achieved in F2010  | Going forward   |
|---|---|
| <b>Migrant and Foreign Labour</b>   |   |
| <b>Has the Company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?</b>  |   |
| <p>No migrant labour is employed by ARM. The complement of foreign labour currently stands at 3.76% of the total workforce. All operations within ARM subscribe to the principles of promoting workplace equity and seek to eliminate all forms of discrimination. No incidents of xenophobia or valid complaints of discrimination were reported in F2010.</p>   | <p>This will continue to be our approach going forward, supported by our internal grievance procedures, whistleblowing facility and recently updated Code of Ethics.</p>  |
| <b>Mine Community and Development</b>   |   |
| <b>Has the Company co-operated in the formulation of integrated development plans (IDPs) and is it cooperating with Government in implementing these plans in communities where mining takes place and in labour-sending areas?</b>   |   |
| <p>All mining operations have submitted Mining Licence Conversion applications and associated SLPs. Dwarsrivier and Beeshoek are the only operations still awaiting the DMR's response.</p> <p>At all operations, participation in municipal IDPs has been the vehicle for identification of local economic development (LED) projects (as required by the SLPs). Various stakeholders are consulted and engaged to achieve the LED and community upliftment goals, concluded through consultation with the beneficiaries as well as the municipal leaders. Beneficiaries of the LEDs reside in and around each of the operations' labour sending areas. Progress at our operations is monitored via a Socio-Economic/Transformation Committee comprising management, unions and community representatives.</p> | <p>We will continue to promote mine community and rural development.</p>  |
| <b>Has the Company engaged with local mining communities and those in labour-sending areas?</b>   |   |
| <p>Future Forums have been established at all operations, in line with the requirements of the SLPs. Economic Development Forums meet at least quarterly at all operations to identify needs and report on status and progress of implementation.</p> <p>All operations are resourced with competent transformation leadership and staff to ensure delivery of the SLP targets and sound stakeholder relations. Liaison/communication structures are established and functioning in all the operations.</p> <p>LED spend in F2010 was R43.8 million (up from R28.5 million in F2009 and R13 million in F2008).</p>  | <p>ARM is committed to enhance the socio-economic capacity of the communities in which we operate, in collaboration with our stakeholders.</p>  |
| <b>Housing and Living Conditions</b>  |   |
| <b>For Company provided housing, has the mine in consultation with stakeholders established measures for improving housing, including the upgrading of hostels, conversions of hostels to family units and promotion of home ownership options for mine employees?</b>  |   |
| <p>ARM's housing policy seeks to promote home ownership and the facilitation of housing governance structures to provide for effective consultation with relevant stakeholders. By paying our employees between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the market, our remuneration strategy is geared towards ensuring affordability. Black Rock has to a large extent phased out its hostel, and hostel facilities are being used to accommodate contractors involved with expansion projects.</p> <p>Dwarsriver is investigating the possibility of converting its hostel into family quarters.</p>   | <p>ARM continues to make steady progress towards its long-term strategy of implementing the housing delivery model at all existing operations. A specialist has been appointed to drive, oversee and govern the implementation of the housing delivery model across operations. Since 2009, all operations have been engaged and are in various stages of implementation of the housing delivery model.</p> |

| ARM's progress achieved in F2010   | Going forward  |
|--|--|
| <b>Housing and Living Conditions</b>   |  |
| <b>Have measures been established to improve the nutrition of mine employees? What has been done to improve nutrition? Show plan to progress this over time and demonstrate that plan is being implemented.</b>  |  |
| <p>Hostel residents pay for their food and there is ongoing consultation regarding the menus. Menus are upgraded on a regular basis with advice from dieticians.</p> <p>At operational level, fatigue has been identified as a safety risk. Accordingly, all production employees are provided with a meal supplement per shift.</p>   | <p>ARM will continue to provide meal supplements to help combat fatigue where necessary.</p>   |
| <b>Procurement</b>   |  |
| <b>Has the mining company given HDSAs preferred supplier status?</b>   |  |
| <p>ARM is committed to bringing previously disadvantaged South Africans into the mainstream of the economy by identifying, developing, facilitating and availing business opportunities to broad-based BEE suppliers at all its operations. In addition, LED projects comprise a capacity building and mentoring phase for new SMME entrants, as well as relevant portable skills development (on-the-job training). BEE-preferred suppliers are supported and mentored to contribute to transformation.</p>   | <p>ARM will continue its focus and provide training and support where practical.</p>   |
| <b>Have current levels of procurement from HDSA companies in terms of capital goods, consumables and services been identified?</b>   |  |
| <p>BBBEE procurement (as a percentage of total discretionary procurement) increased to 52.4% (from 37.3% in F2009; 26% in F2008).</p>  | <p>Our level of BEE procurement is hindered by the fact that many of our vendors have not achieved formal accreditation status. Focus will be placed on ensuring supplier accreditation.</p> |
| <b>Has commitment been made to a progression of procurement from HDSA companies over a three to five year time frame in terms of capital goods, consumables and services, and to what extent has this been implemented?</b>  |  |
| <p>Our BEE procurement spend has increased steadily over the last four years.</p>  | <p>We will continue our focus on HDSA procurement and seek to set standards that influence supplier behaviour.</p>   |
| <b>Ownership and Joint Ventures</b>  |  |
| <b>What is being done to ensure the Company achieves 15% HDSA participation in terms of ownership of equity or attributable units of production within 5 years and 26% within 10 years?</b>  |  |
| <p>ARM has a 55% black ownership base. African Rainbow Mineral &amp; Exploration Investment (Proprietary) Ltd (ARMI) holds 41%. The sole shareholder of ARMI is a company which is owned by trusts established for the benefit of Mr Patrice Motsepe and that of his immediate family. The remaining 14% is held by the ARM BBEE Trust, comprising church groups, union representatives, broad-based provincial and women upliftment trusts, as well as community, business and traditional leaders.</p> <p>At an operational level, communities surrounding the Modikwa operation own a 17% stake in the ARM Mining Consortium Ltd, which in turn holds a 50% stake in Modikwa.</p> |  |

## Responding to our material issues continued

| ARM's progress achieved in F2010   | Going forward   |
|--|---|
| <b>Beneficiation</b>   |   |
| <b>Has the Company identified its current level of beneficiation?</b>  |   |
| In identifying its levels of beneficiation, ARM has not taken into account the first two stages of value-addition (mining and concentrating), and has only calculated beneficiation levels in the processing and refining stages of the beneficiation process.           | Various initiatives are under way to increase Mn alloy production beneficiation.  |
| Through its participation in Assmang Limited, ARM has a 50% interest in two smelting operations, namely Cato Ridge Works (which beneficiates manganese ore), and Machadodorp Works (which beneficiates chrome ore).  | Uncertainty of power supply is hindering planned beneficiation projects.  |
| ARM Platinum produces nickel and PGM concentrate which is smelted through our unincorporated joint ventures in terms of off-take agreements.   | ARM has engaged with the DMR to seek clarity as to the definition of beneficiation in respect of its iron ore. Further development is awaited.  |
| <b>Has the Company established its baseline level of beneficiation and indicated the extent that this will have to be grown?</b>   |   |
| The baseline of beneficiation has been established at F2004 production levels.* ARM has met and exceeded all of the HDSA ownership levels prescribed by the Mining Charter.  | Continue to investigate opportunities and initiatives for increased beneficiation. Seek to understand the requirements in terms of the revised Mining Charter and to review our strategy accordingly. |
| <b>Reporting</b>   |   |
| <b>Has the Company reported on an annual basis its progress towards achieving its commitments in its annual report?</b>  |   |
| ARM reports on progress in the Sustainable Development report which forms part of the Integrated Annual Report in terms of the Mining Charter requirements, and is building on the process of reporting in terms of the Global Reporting Initiative (GRI) G3 guidelines. | ARM will continue to use external benchmarks to monitor progress.   |

\* See table below.

## Production volumes (tonnes)

|                                       | F2010   | F2009   | F2008   | F2007   | F2006   | F2005   |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Manganese Alloys</b>               |         |         |         |         |         |         |
| HCFeMn                                | 179 054 | 166 528 | 184 628 | 265 338 | 234 063 | 226 761 |
| SiMn                                  | —       | —       | —       | —       | —       | 7 075   |
| Metal Recovery Plant                  | 25 893  | 28 900  | 32 905  | 24 376  | 20 594  | —       |
| Refined FeMn                          | 47 280  | 20 087  | 43 717  | 57 294  | 54 002  | 46 894  |
| <b>Chrome Alloys</b>                  |         |         |         |         |         |         |
| Chrome (furnaces)                     | 180 225 | 152 906 | 224 931 | 227 506 | 198 527 | 225 828 |
| Metal Recovery Plant                  | 19 709  | 16 376  | 24 833  | 14 182  | 26 956  | 28 193  |
| <b>Concentrate Production History</b> |         |         |         |         |         |         |
| Nickel concentrate (tonnes)           | 116 181 | 52 028  | 57 549  | 51 182  | 62 463  | 59 141  |
| PGM concentrate (tonnes)              | 108 934 | 118 760 | 108 003 | 95 712  | 83 036  | 80 040  |

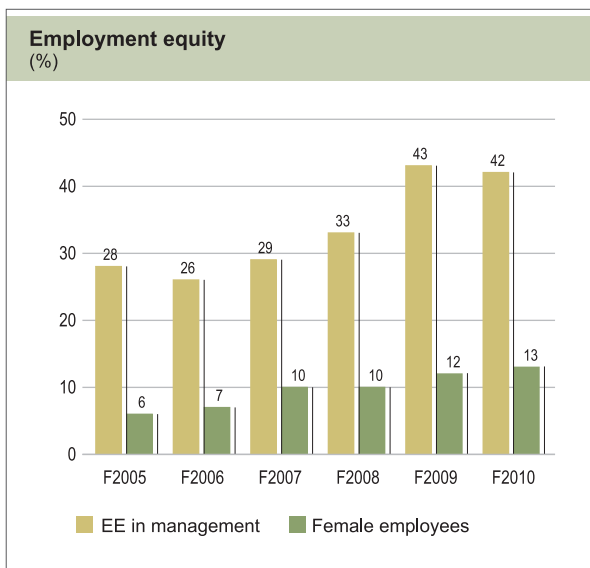
## Employment equity

ARM's scorecard for monitoring employment equity (EE) performance against targets is presented below.

### ARM's employment equity statistics

|  | F2010 | F2009 | F2008 | F2007 | F2006 |
|--|-------|-------|-------|-------|-------|
| <b>Board presentation</b>                        |       |       |       |       |       |
| Black Directors on the Board                     | 44%   | 53%   | 50%   | 50%   | 53%   |
| Women on the Board                               | 13%   | 13%   | 13%   | 13%   | 12%   |
| <b>Senior Management</b>                         |       |       |       |       |       |
| Top Management who are black                     | 44%   | 44%   | 50%   | 50%   | 50%   |
| Top Management who are women                     | —     | —     | —     | —     | —     |
| Senior Management who are black                  | 32%   | 32%   | 30%   | 19%   | 19%   |
| Senior Management who are women                  | 15%   | 13%   | 12%   | 11%   | 10%   |
| Steering Committee members who are black*        | 40%   | 45%   | 43%   | 40%   | 43%   |
| Steering Committee members who are women*        | 20%   | 20%   | 24%   | 20%   | 14%   |
| <b>Skilled employees</b>                         |       |       |       |       |       |
| Professionally qualified employees who are black | 45%   | 47%   | 34%   | 34%   | 30%   |
| Professionally qualified employees who are women | 18%   | 18%   | 14%   | 15%   | 12%   |
| Technically qualified employees who are black    | 67%   | 56%   | 54%   | 49%   | 43%   |
| Technically qualified employees who are women    | 13%   | 10%   | 9.5%  | 8%    | 7%    |
| <b>All employees</b>                             |       |       |       |       |       |
| Total employees who are black                    | 84%   | 85%   | 84%   | 84%   | 83%   |
| Total employees who are women                    | 13%   | 12%   | 10.6% | 9%    | 7%    |

\* Corporate members from Top and Senior Management.



Our employment equity performance this year was relatively consistent with our performance last year. At top management level the contingent of black employees remained consistent at 44%, and performance at senior management level was also level with last year, at 32%. Female representation at senior management level increased this year to 15%, from 13% last year. Women account for 13% of our total workforce.

ARM's Women in Mining development programme is aimed at advancing female representation across all occupational levels of the Company, particularly at senior levels. Five candidates have been ear-marked for fast-tracking within ARM and 12 for mentorship. These 17 individuals were identified by Human Resources as having the potential to be accelerated into senior management and executive leadership roles. In addition, six candidates are being developed from lower levels to successfully complete administration or equivalent courses.

## Responding to our material issues continued

### Preferential procurement

ARM is committed to assisting previously disadvantaged South Africans to become a part of the industry supply chain through identifying, developing, facilitating and availing business opportunities to both BEE and BBBEE compliant suppliers at all of its operations.

ARM's BEE/BBBEE procurement achievements should be viewed in the context of transformation, which includes Corporate Social Investment (CSI), Local Economic Development (LED) – which forms part of our Social and Labour Plans (SLPs), Small to Medium Enterprise (SME) initiatives, and our significant contribution to the ARM BBEE Trust.

ARM and its operations will strive to ensure that suppliers comply with both the Mining Charter scorecard requirements and the Department of Trade and Industry (dti's) reporting requirements (dti scorecard), through F2011. ARM and its operations may in many instances be regarded as being both producer and supplier. ARM is therefore compelled to report on both the Department of Minerals and Resources (BEE) and the dti (BBBEE) formats. In 2009, the DMR issued new requirements in relation to its BEE reporting requirements. Industry-wide consultation continued through 2009 and 2010 aimed at furthering an understanding of the impact of the new reporting requirements. ARM's preferential procurement policy and procedure documents will be reviewed and revised in line with the revised Mining Charter issued in September 2010, and applicable targets will be set accordingly.

### Our preferential procurement objectives

ARM's principal preferential procurement objectives include the following:

- To source and attract BEE and BBBEE compliant suppliers to provide goods and services to ARM and its operations.
- To set preferential procurement targets for all operations and measure the value of services, consumables and capital purchased from BEE and BBBEE compliant suppliers.
- To preferentially procure capital goods, services and consumables from BEE and BBBEE compliant suppliers, provided that they are competitive in terms of predetermined adjudication criteria.
- Where feasible, to encourage existing principal suppliers to form meaningful partnerships with BEE, BBBEE and SME vendors.
- Where feasible, to divide contracts into smaller components, thereby enabling emerging BEE and BBBEE compliant suppliers to qualify. Some contracts may be exclusively reserved for BEE, BBBEE and SME suppliers.
- To arrange favourable terms of payment for BEE, BBBEE compliant and SME suppliers, and ensure that all procurement processes are transparent and auditable.

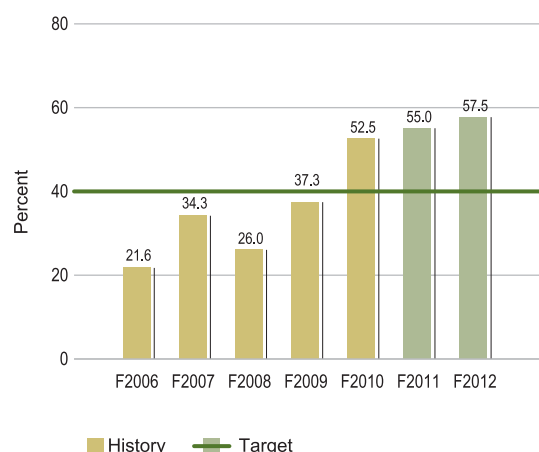
### Our performance and targets

ARM's BEE and BBBEE achievements in F2010 improved considerably on the previous year and exceeded the targets for the year, as indicated in the table alongside.

|                         | F2010        | F2010 Targets    | F2009 |
|-------------------------|--------------|------------------|-------|
| <b>Mining Charter:</b>  |              |                  |       |
| <b>Narrow-based BEE</b> | <b>52.5%</b> | <b>40% (own)</b> | 37.3% |
| <b>BBBEE</b>            | <b>59.3%</b> | <b>50% (dti)</b> | 43.9% |

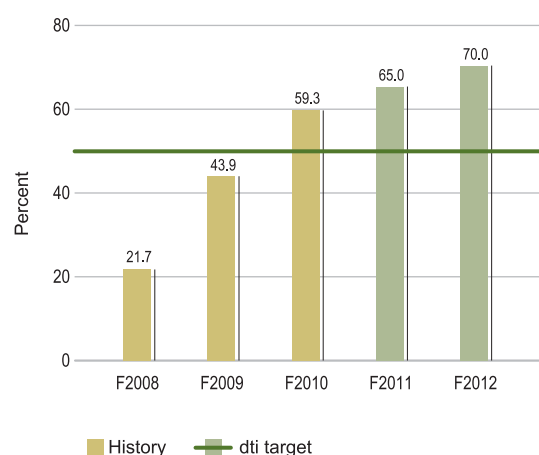
Procurement data is generally excluded for those operations in the Group which are managed by other entities. Modikwa's procurement data is separately managed by Anglo Platinum, and ARM Coal/GGV's procurement data is managed by Xstrata Coal. Procurement data for the ARM/Vale partnership is also excluded since these statistics are not yet available.

**ARM's narrow-based BEE procurement trends**  
(100% basis against our target of 40%)



ARM's BEE procurement targets for F2011 and F2012 are provisionally set to increase at 2.5% over the preceding years.

**ARM's BBBEE procurement trends**  
(100% basis against dti target of 50%)

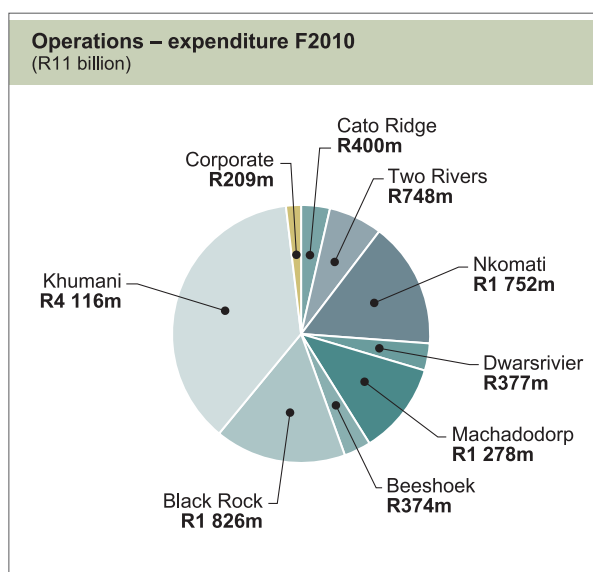


ARM's BBBEE targets for F2011 and F2012 are provisionally set to increase at 5% over the preceding years to meet the dti target of 70% in 2012.



## Procurement expenditure

The chart below provides a breakdown of expenditure at each of our operations during F2010. The most substantive expenditure was at Khumani, Blackrock and Nkomati. Expenditure over the period was R11 billion (Modikwa's expenditure, excluded from this chart, was an additional R662 million during the financial year).



## Ensuring supplier accreditation

ARM considers it imperative that all its operations transform their supplier base, and that the award of contracts favour BEE and BBBEE compliant suppliers with valid verified accredited BBBEE certificates. Ensuring valid verified supplier accreditation is an ongoing challenge for ARM's operations.

There are currently only 35 accredited rating agencies that are members of the Association of BEE Verification Agencies (ABVA). The limited number of accredited rating agencies has in some instances resulted in a slow turnaround time in the re-issuing of new certificates.

## Improving our transformation scores – our approach

During the period F2006 through F2010, ARM appointed DECTI, a company of corporate advisors and transformation project managers, to assist in rendering transformation across ARM. In addition to these services, funded by the individual operations, DECTI provided centralised assistance in developing our BEE and BBBEE initiatives. DECTI is an independent third party, and is not itself an accredited verification agency.

During the last quarter of F2010, ARM appointed BEE Verification Agency CC, a SANAS accredited verification agency, to perform an audit on all ARM's operations, according to the requirements of SANAS R47, in order to measure progress with transformation in terms of the dti's generic Codes of Good Practice on Black Economic Empowerment. The results of this audit will inform a review and revision of ARM's BEE strategy, so as to optimise our approach to driving transformation leadership in the Company.

The Transformation Committee and line management will be responsible for implementation of the improvement plans, which will be measured by means of a detailed scorecard which is currently being developed.

We are pleased to report that the aforementioned audit established ARM's total BBBEE score to be 66.36%, which classifies the Company as a Level 4 BEE contributor. Encouraged by the progress we achieved, we have identified clear objectives aimed at further improving our preferential procurement performance. This includes promoting interventions with our operations' procurement management, and with key suppliers, to drive BEE and BBBEE targets. Independent third party verification of ARM's BEE and BBBEE statistics will continue to be conducted on a quarterly and annual basis, on the basis of monthly operational BEE/BBBEE reporting by the individual operations.

We are developing a standardised approach to preferential procurement, to which all operations will be required to comply. In addition, operations must identify opportunities for Black Owned and Black Women Owned suppliers. Our operations are encouraged to put pressure on vendors who do not have narrow-based or broad-based status, to become BEE accredited by a SANAS approved agency. Benchmarking and sharing of BEE/BBBEE information and best practices at a regional level between the ARM operations should be encouraged.

## Responding to our material issues continued

**Black Economic Empowerment**

African Rainbow Minerals Limited complies with the requirements of the Mining BEE Charter, but decided to measure its progress with transformation in terms of the generic Codes of Good Practice on Broad Based Black Economic Empowerment as well. The reason for this decision is to have a measure of success that can be numerically compared with the rest of businesses in South Africa. The results of the BBBEE audit will be used as basis for adapting the ARM BEE strategy to ensure a leadership role on transformation.

BEE Verification Agency CC, a SANAS accredited verification agency (BVA014) was contracted to do a BBBEE audit for the financial year ended 30 June 2010. The audit was done according to the requirements of SANAS R47 and the results are as follows:

|                            |           |
|----------------------------|-----------|
| Ownership                  | 18.78/20  |
| Management Control         | 5.92/10   |
| Employment Equity          | 7.39/15   |
| Skills Development         | 7.35/15   |
| Preferential Procurement   | 11.91/20  |
| Enterprise Development     | 11.09/15  |
| Socio Economic Development | 3.92/5    |
| Total                      | 66.36/100 |

The score of 66.36% classifies African Rainbow Minerals Limited as a Level 4 BBBEE contributor.

## HIV & Aids

### F2010 Key features – at a glance

- Decrease in recorded HIV & Aids prevalence rate within ARM, from 18.2% in F2009 to 17.8% in F2010.
- During F2010, ARM counselled 40% of its total workforce (6 991 permanent employees and 2 088 contractors) and VCT was undertaken by 32% of the workforce (5 830 employees and 1 404 contractors).
- Marked progress achieved across most of our HIV & Aids performance scorecard indicators.
- Seven of our operations have HIV & Aids policies that address basic principles in the workplace.
- Five operations have developed well-documented HIV & Aids management strategic plans and detailed implementation plans with clear time lines and action plans.
- Seven operations have started integrating HIV & Aids programmes that also address community outreach projects through our CSI programmes.

ARM has made good progress this year in intensifying efforts to manage HIV & Aids in the workplace. We monitor and measure our performance across a range of indicators and have recorded marked progress against most of these indicators. We are satisfied with the progress we have achieved against most of the targets we set for the year in review. However, further effort is required in certain areas, as described later in this section.

The incidence of HIV & Aids continues to significantly affect our operations and the communities in which our employees reside. Four of our operations are located in areas of KwaZulu-Natal and Mpumalanga which have the highest infection rate in South Africa. Recognising that HIV & Aids has far-reaching consequences in terms of loss of life, impact on family life, loss of productivity, skills, education and training, we are committed to developing and advancing our policies, strategies and programmes to monitor and manage the impact of HIV & Aids at our operations. The aim is to both halt the spread of the disease and care for those who are infected and affected.

### Managing HIV & Aids

The ARM Group HIV & Aids Coordinator advises and coordinates management of sustainable HIV & Aids programmes at all nine of our operations in accordance with national and international best practices. Key corporate functions include the following:

- Providing HIV & Aids management support in line with the ARM HIV & Aids management guideline document.
- Assisting in the formulation of policies and strategic plans.
- Liaising with significant stakeholders, both internally and externally.
- Organising and evaluating HIV & Aids-related training for our operations.

- Coordinating operational HIV & Aids management reporting.
- Assisting operations in HIV & Aids-specific budget formulations.
- Establishing networks with other external structures such as government departments, local municipalities and non-governmental organisations.
- Conducting HIV & Aids management audits at all operations.

### Management guideline

ARM has developed an HIV & Aids management guideline document, based on the GRI Guideline on HIV & Aids, with the objective of providing its operations with a framework that sets out guidelines and standards for the management of HIV & Aids.

The HIV & Aids management guideline document describes each performance indicator, detailing the outputs and explaining the relevance and implications of each indicator in relation to overall HIV & Aids management. All our operations refer to the guideline document for the planning and implementation of their respective programmes. The document is regularly reviewed and updated, in line with internal and external developments.

The framework has been developed into a scorecard which we use to monitor and measure performance in all facets of our comprehensive HIV & Aids programme. Three internationally recognised HIV & Aids management guidelines were used as reference in compiling the ARM guideline document, namely the South African National Standard (SANS 16001:2007), the International Finance Corporation HIV & Aids Guide for the Mining Sector (IFC) and the GRI Guideline on HIV & Aids. The scorecard has 16 GRI performance indicators which are categorised into the following four areas:

- Good governance: includes elements on policy formulation, strategic planning, effective risk management and stakeholder involvement.
- Measurement, monitoring and evaluation: elements included are prevalence and incidence of HIV & Aids, and actual and estimated costs and losses.
- Workplace conditions and HIV & Aids management.
- Depth/quality/sustainability of HIV & Aids management.

An internal minimum standard, developed by ARM and called the "Sustainable Development Standard", is applied to all questions relating to the 16 GRI performance indicators to determine a comparative benchmark. Each operation is expected to achieve these targets. As each ARM operation manages HIV & Aids differently, this index establishes some form of commonality. Applying the Sustainable Development Standard provides each operation with a clear gap analysis and facilitates the development of an action plan. The graph on the next page indicates progress against the scorecard, which is discussed in our performance review overleaf.

### Informing and assisting our employees

ARM has developed a customised and standard HIV & Aids employee induction programme, which focuses on promoting prevention of infection through provision of information and

## Responding to our material issues continued

education about HIV & Aids to employees and contractors, information on important HIV & Aids services available on-site and within communities, and voluntary counselling and testing (VCT) and peer education.

All permanent employees belong to medical aid schemes which provide treatment benefits, and certain sites offer wellness centres and provision of anti-retroviral drugs (ARVs). VCT services at Khumani and Beeshoek also include the community, families and dependents of employees as from August 2010.

### HIV & Aids community outreach projects

ARM believes in comprehensive HIV & Aids management for both the workplace and community and accordingly plans to expand its HIV & Aids management programme in F2011 (with reference to the above mentioned internationally recognised HIV & Aids management guidelines) to the communities where our operations are situated.

Our interventions will be based on the primary aims of the National Strategic Plan for South Africa 2007 – 2011 (NSP 2007 – 2011), as follows:

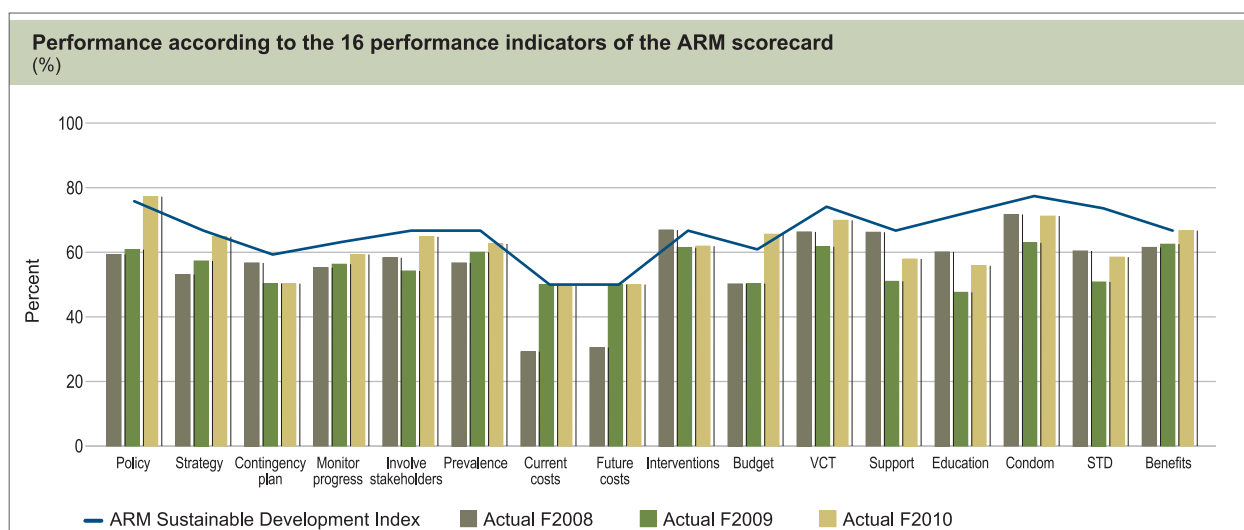
- To reduce the rate of new HIV infections within communities adjacent to our operations.
- To reduce the impact of HIV & Aids on individuals, families, communities and society by expanding access to appropriate treatment, care and support to HIV-positive individuals and their families.

ARM will manage these programmes by integrating our HIV & Aids community outreach projects with our current Corporate Social Investment projects in communities where our operations are situated. Our main focus areas will be providing support to community home-based care groups, orphans and vulnerable children, and school health projects for the youth (through programmes in conjunction with the Department of Education).

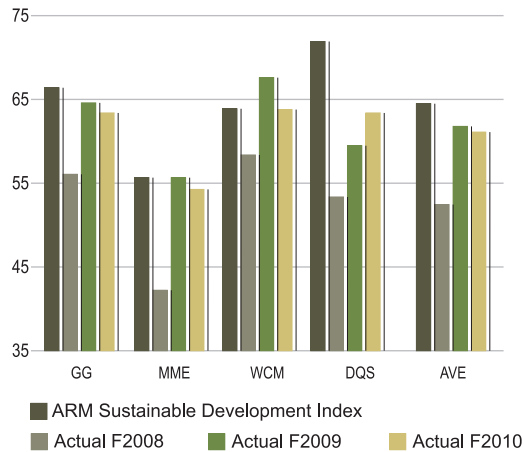
### Our performance

The prevalence rate amongst our employees this year was recorded as 17.8%, down from 18.2% in F2009. During F2010, ARM counselled 40% of its total workforce (6 991 permanent employees and 2 088 contractors) and VCT was undertaken by 32% of the workforce (5 830 employees and 1 404 contractors).

As indicated in the overview below of our performance against the 16 indicators of the ARM GRI-based scorecard, improvement was recorded in most areas this year. In terms of our performance against the four categories of indicators in the scorecard, our performance was relatively consistent with last year, with progress achieved in the category of depth, quality and sustainability of HIV & Aids management.



**Performance in terms of the four main aspects of the ARM scorecard (%)**



GG: Good governance  
MME: Measurement, monitoring and evaluation  
WCM: Workplace conditions and HIV & Aids management  
DQS: Depth/Quality/Sustainability of HIV & Aids management  
AVE: Average



*Nkomati-sponsored mobile clinic which is used by the Department of Health in the surrounding communities*

## Progress achieved in our stated target areas for F2010

The following table summarises the progress we made during the review period against target areas for improved HIV & Aids management, and provides an indication of our planned efforts in these areas going forward.

### ARM's HIV & Aids activities: progress achieved in our stated target areas for F2010

#### Establish policies at all operations agreed to by all stakeholders

Seven of our operations have HIV & Aids policies that address basic principles in the workplace, as per the GRI. The policies have been agreed upon with relevant stakeholders, including union leadership. The other two operations are in the process of finalising their agreements. Our HIV & Aids policy addresses incapacity management, disease management, and employee benefits. It is a condition of employment at ARM to belong to a medical aid scheme.

#### Establish a basic current and future cost analysis for each site which will involve determining prevalence rates

A basic cost analysis model has been established for use by ARM's operations to assist in understanding and managing the impact of new HIV & Aids infections on the business.

#### Gearing up and integrating VCT and encouraging HIV-positive employees to register for disease management programmes

There are comprehensive VCT programmes managed by qualified counsellors at six of our nine operations. However, we still need to work on the process of registration on various disease management programmes as part of these programmes. While the other three operations do not have in-house VCT facilities, they organise and undertake quality VCT campaigns. ARM actively participates in the National HIV and counselling (HCT) campaign as proposed by the South African National Aids Council (SANAC) to significantly scale up HIV testing and facilitate access to wellness and treatment services for our employees, contractors and the communities near our operations. Nkomati is one of our operations that is acting as a counselling and testing site in Mpumalanga. Beeshoek and Khumani have entered into partnership with UGM wellness in Kathu and Postmasburg, where the service will be extended to dependants and families in the community. Although we managed to encourage more than 6 000 of our employees and contractors to test their HIV status, we aim to improve on this as soon as our operations in the Northern Cape launch their VCT services through the UGM wellness.



## Responding to our material issues continued

| ARM's HIV & Aids activities: progress achieved in our stated target areas for F2010   |
|---|
| <b>Integrate community outreach programmes with SLPs</b>  |
| Seven operations have started a process to integrate HIV & Aids programmes that also address community outreach projects through our CSI programmes.  |
| <b>Manage pulmonary tuberculosis (TB) even more aggressively in conjunction with the Department of Health</b>   |
| A TB infection control management protocol has been developed as reference for all operations. Seven operations have implemented comprehensive TB management programmes that address referrals for treatment and infection control, while the other operations are in the process of implementation.  |
| <b>Work with the Department of Health to manage contractor programmes</b>   |
| HIV & Aids coordinators at operations are expected to attend local Aids council meetings at the local Municipalities, which include the Department of Health. This forms part of our performance indicators as per our GRI scorecard.   |
| <b>Strengthen channels for education, peer educators, and condom distribution</b>   |
| Seven of our nine operations have peer educators, trained by SETA-accredited service providers, as per the required South African Qualifications Authority unit standards. Peer educator training conducted at two of our operations this year did not meet the required standards set out in the ARM GRI-based scorecard guideline and will have to be repeated. Our peer educators are responsible for promoting and providing education and the distribution of condoms at our operations. All our peer educators are registered in the SABCOHA peer educators' database to ensure that they participate in the peer educator support programme, which allows them to network with fellow peer educators from other areas. This also provides a platform for their skills development. |
| <b>Enhance governance to be more formal and more consistent</b>   |
| Governance Committees at operations include a variety of stakeholder groups and meet regularly to monitor progress. These meetings are formal and minutes are kept.   |

## Focus areas and targets for F2011

We have identified the key areas we need to focus on improving in regard to managing HIV & Aids and have accordingly set the following targets for the next financial year:

- All operations to conduct prevalence studies through accredited service providers in order to provide comprehensive quality reports and demographics breakdown.
- Human Resource managers to use prevalence and Knowledge Attitude Practice and Behaviour (KAPB) survey reports to enhance contingency planning.
- Monthly operational reports to include review of progress achieved on strategic issues.
- Management of peer educators to be intensified, with evidence of documented monthly activities.
- Well-structured reports on awareness campaigns to include objectives, outcomes and partnerships.
- Development of a statistics database on VCT and registrations on disease management programmes (including ARV registrations and TB referrals) for both employees and contractors.
- Promotion of quality lifestyle awareness interventions, as well as integration of community outreach HIV projects.
- Introduction of TB infection control procedures for all operations.

- Renewed HIV & Aids management training for coordinators and managers.

## Working in partnership

ARM partners with community structures and organisations to fight HIV & Aids and also sponsors organisations which promote HIV & Aids awareness. We are a member of the South African Business Coalition on HIV & Aids (SABCOHA) and strongly believe in active participation in the South African National Aids Council with our counterparts in the private sector, especially within the mining industry. Our participation within SABCOHA activities allows us to share information with our peers within the industry and in the business sector in general about best practices.

This year, we were part of a global coalition of multinational and South African companies that contributed funding towards the trial of the HIV therapeutic vaccine project, VIRAX. The project was an innovative initiative to conduct a clinical trial in South Africa for the development of a therapeutic vaccine to be used for the clinical management of HIV-positive individuals. Preliminary reports indicate that the project did not meet its primary or secondary immunological endpoints and a comprehensive project report is expected by December 2010.

## Corporate Social Investment

### F2010 Key features – at a glance

- Total corporate social investment (through CSI, LED and ARM BBEE Trust) of R72.9 million.
- LED spend totalled R43.8 million, with 47% of budget spent on local HDI companies.
- A total of 658 jobs were created (407 temporary and 251 long-term) through the LED projects for F2010.
- CSI spend of R14.5 million and the ARM BBEE Trust spend of R14.6 million.

### Our approach to CSI

ARM seeks to make a significant contribution towards the national agenda of addressing the challenges facing South Africa, including poverty alleviation, job creation, education, welfare and healthcare. Our Corporate Social Investment (CSI) and Local Economic Development (LED) programmes are focused on actively contributing to the upliftment of communities surrounding ARM's mines and operations, and those communities from which ARM sources labour.

ARM's CSI strategy functions at three levels: at corporate level through the ARM CSI Trust and Chairman's Fund; at an operational level through operations-based participation in and funding of projects; and through the commitments to LED that are undertaken as part of ARM's Social and Labour Plans (SLPs).

ARM's CSI strategy is based on the following priority areas:

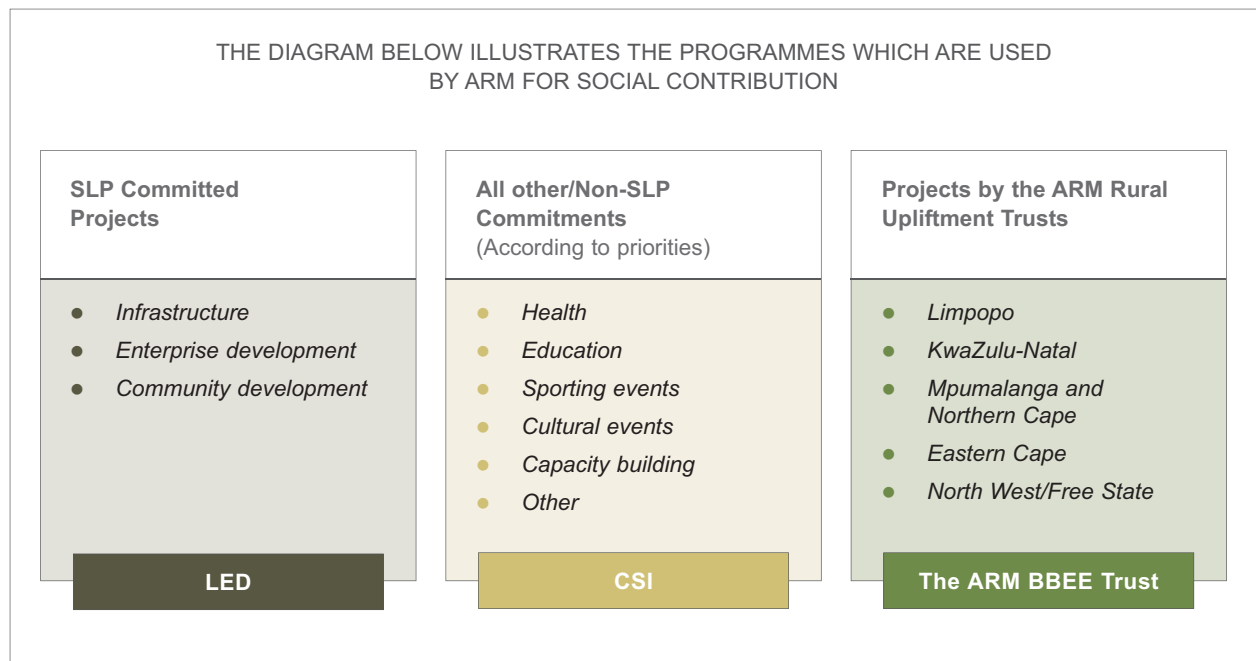
- Education, training and skills development.
- Health care promotion, with an emphasis on HIV & Aids programmes.
- Job creation with a focus on youth and women.
- Infrastructure development.
- Cultural events to unite communities.
- Capacity-building programmes aimed at enabling communities to participate actively in socio-economic processes and projects.
- Sporting events that brand ARM.

### Partnering to promote community upliftment

At each operation, specialist CSI personnel are employed to identify projects, ensure they align with local municipality IDPs and our corporate vision, and manage ARM's contribution towards these. CSI personnel are guided and supported by a CSI manager based at the corporate office. Communities and beneficiaries of ARM's programmes and projects are consulted in the process of project selection, implementation and evaluation, as part of the process to ensure that projects are meaningful and sustainable.

The roles and responsibilities of stakeholders and beneficiaries of projects and programmes are clearly defined in advance, with specific emphasis placed on financial controls and compliance with corporate governance protocols. Projects are aimed at building capacity in communities, prioritising women, advancement of the disabled, youth and the socially destitute.

THE DIAGRAM BELOW ILLUSTRATES THE PROGRAMMES WHICH ARE USED BY ARM FOR SOCIAL CONTRIBUTION



## Responding to our material issues continued

ARM ensures accountability and effectiveness by maintaining direct, regular contact with project beneficiaries and monitoring and evaluating adherence to stated objectives on an ongoing basis. In our monitoring and evaluation of Socio-Economic Development (SED) we recognise that there is scope to formalise our approach, in order to determine the return on corporate social investment. Going forward, we aim to conduct a social impact assessment in order to better gauge the extent to which investments are having an impact.

### CSI initiatives in the year under review included

- The installation of paraffin hot water geysers.
- The building of a four classroom block at Ratau Primary for the Mpuru community.
- The upgrading of the Badplaas skills centre.
- Sponsorship of a project in terms of which blind people produce fencing wire.
- Upgrading of facilities for the HIV & Aids Door of Hope Care Centre.
- Shelter and meals provided for children at Lerato Day Care Centre.
- A careers expo which was aimed at helping high school learners with career choices.
- Sponsorship of a group of matric pupils to attend a winter school in Lydenburg where they were tutored in Mathematics, Science, Accounting and English.

### ARM a proud contributor to the Mlalazi/Nkandla Crop Production Project

#### ARM is proud to partner with other organisations in support of the enterprising Mlalazi/Nkandla Crop Production Project in KwaZulu-Natal

ARM has donated three tractors worth R600 000, through the Jacob Zuma Foundation, to the initiative of Amakhosi and the communities who live in the area, who have collectively made an area of 550 hectares available for crop production. The Project is expected to benefit in the region of 1 100 households. Crops (including maize, beans and sorghum) will be planted in order to feed the community, and numerous employment opportunities will be created for the community members, including trained tractor operators, planters and ploughers, crop vendors and project managers. Planting is due to start when the seasonal rains start to fall in September.

ARM's donation was made at a function in July 2010, attended by various stakeholders, including President Jacob Zuma, on behalf of his Foundation, a keen sponsor of the Project. The Project is also being generously supported and assisted by the Department of Agriculture and Environmental Affairs, the Department of Rural Development and Land Reform, the Department of Water Affairs, the Ingonyama Trust, and private sector companies.



*President Jacob Zuma and Inkosi Dube receiving the keys of the three tractors on behalf of the Mlalazi/Nkandla Crop Production Project from ARM's Executive Chairman, Mr Patrice Motsepe*

| Examples of ARM's LED initiatives per operation |   |  |  |  |
|---|---|--|--|--|
| Name of mine                                    | Name of project   | Beneficiaries  | Description of project, need addressed and project spend to date   | Outcome  |
| <b>ARM Platinum</b>                             |   |  |  |  |
| <b>Modikwa</b>                                  | Matimatjati Road Construction.  | Mooihoek and Maandagshoek Communities, 28 temporary jobs created.  | Construction of all-weather gravel access road into the village. R10.5 million.  | The contract has worked on almost 10km of the 12km of the road.  |
| <b>Two Rivers</b>                               | Bakery.   | 20 Participants in Bakery trust and their families.  | Infrastructural Improvements, Technical and skills transfer. Provision of bread to the rural community. R441 998.                                  | Complete for current year. To continue with next phase of plan in next financial year.   |
| <b>Nkomati</b>                                  | Josias Mathebula Strawberry Project.  | Waterval Boven and Emgwenya Community and beyond – 25 permanent and 11 temporary jobs created.   | Creation of infrastructure, job creation and skills transfer. R501 814.  | Completed, project sustainable and only monitored going forward.   |
| <b>ARM Ferrous</b>                              |   |  |  |  |
| <b>Beeshoek</b>                                 | Upgrading of the Postmasburg, Kimberley, Kathu and Beeshoek Crossing.   | Members of the surrounding communities (31 013). 34 temporary and 14 permanent jobs created.   | Creation of safe road crossing. R6.64 million.   | Crossing upgrading concluded and handed over to the Provincial Roads Department.   |
| <b>Khumani</b>                                  | Gamagara integrated cleaning enterprise.  | 100% BEE with a total number of 80 employees: Gamagara Residents. Eight temporary and 70 permanent jobs created.   | Enterprise development. R290 847.  | Restructuring of the staff component and shareholding – Board functioning. Delivery vehicle purchased. Working on maximising intake in cleaning and increasing manufacturing from the existing three products. |
| <b>Dwarsrivier</b>                              | Early childhood development.  | Six different local communities; schools in local community that benefited include Magakantshi primary, Maelebe primary, L Shadai daycare, Madibeng primary and Mmahlagare primary school. | Creation of infrastructure, development of teachers. R552 197. 513 learners and six teachers completed the program during the past financial year. | Ongoing project roll-out Project has been running for five years now, and in second year cycle for current schools.  |
| <b>Black Rock</b>                               | Northern Moshaweng bulk water supply infrastructure development in seven villages: Majemancho Water Reticulation. | 100% BEE, Majemancho Village.  | Infrastructure development for the supply of potable water to seven villages.  | All works 30% complete as planned pertaining to Majemantsho Water Reticulation Project. The remaining balance is proposed to be used for a bulk water tanker.  |
| <b>Machadodorp</b>                              | Health care and trauma centre.  | Community of Emakhazeni Local Municipality.  | Enterprise development. R952 999. Medical practitioner consultation costs. R651 860.   | Clinic fully functional and self sustainable.  |

## Responding to our material issues continued

### The ARM BBEE Trust

The ARM Broad-Based Economic Empowerment (BBEE) Trust was established in 2005 with the primary objective of facilitating socio-economic development. The trust provides funding to provincial Rural Upliftment Trusts established by ARM to carry out welfare, community development and anti-poverty initiatives. Emphasis is placed on education-focused projects. These trusts and individual unit holders own a 10% equity interest in ARM and are funded, along with their projects, through dividends that ARM declares to shareholders.

Efforts have been made by ARM to ensure that the various Premiers of Provinces are kept abreast of developments on projects in their provinces by having regular meetings with their offices. Some provinces (North West and Eastern Cape) have appointed individuals to attend the trusts meetings as invitees.

### Our performance

Our total community upliftment and social investment spend in F2010, on a 100% basis, was R72.9 million (CSI: R14.5 million; LED projects: R43.8 million; ARM BBEE Trust Projects: R14.6 million). This year, the extent of our investment in CSI and LED projects was variable across our operations, with the most impressive performances demonstrated by Nkomati, Beeshoek and Two Rivers.



*Eradication of invader species at Nkomati*

## Environment

### F2010 Key features – at a glance

- Collected greenhouse gas (GHG) emissions data for F2009 and analysed our partial corporate carbon footprint.
- Targets set to reduce emissions at our smelters; our mines are establishing emission inventories.
- Appointed a Group Electrical Engineer to manage climate change and energy efficiency.
- Increase in our environmental impact across our key environmental performance areas, in line with the continued increase in business growth and production.
- Energy Efficiency Charter developed to guide the development and implementation of energy efficient practices across ARM.
- Ongoing focus on water management and biodiversity conservation.

As an owner and operator in the mining sector, an energy intensive industry, we are particularly mindful of the impact of our operations on the environment. We strive to mitigate our impact through the implementation of environmental management systems such as ISO 14001 and working closely with regulatory authorities in applying sustainable mining methods.

The environmental challenges facing ARM include climate change; resource management, in particular water and energy; biodiversity conservation and land management; emissions and dust; air quality; waste and tailings management; as well as rehabilitation and mine closure planning.

This section provides a review of our environmental management and performance. We are committed to improving the measuring and monitoring of our environmental performance and to reduce our environmental impacts. In particular, we are developing systems to ensure the accurate measurement of our greenhouse gas (GHG) emissions, which will enable us to set meaningful targets to reduce our carbon footprint.

### Environmental management – our approach

ARM's Sustainable Development Committee has been tasked by the Board to oversee implementation of sustainable environmental management. Each operation has its own environmental policy and strategy aligned with ARM's commitment to responsible environmental stewardship, with implementation supported by senior management. Environmental management systems at all operations include identification of impacts of activities, mitigation plans and monitoring of performance, so as to better assess risks.

ARM is ISO 14001 compliant across two-thirds of its operations, namely Nkomati Mine, Dwarsrivier Mine, Machadodorp Works, Cato Ridge Works, Black Rock Mine and Beeshoek Mine.

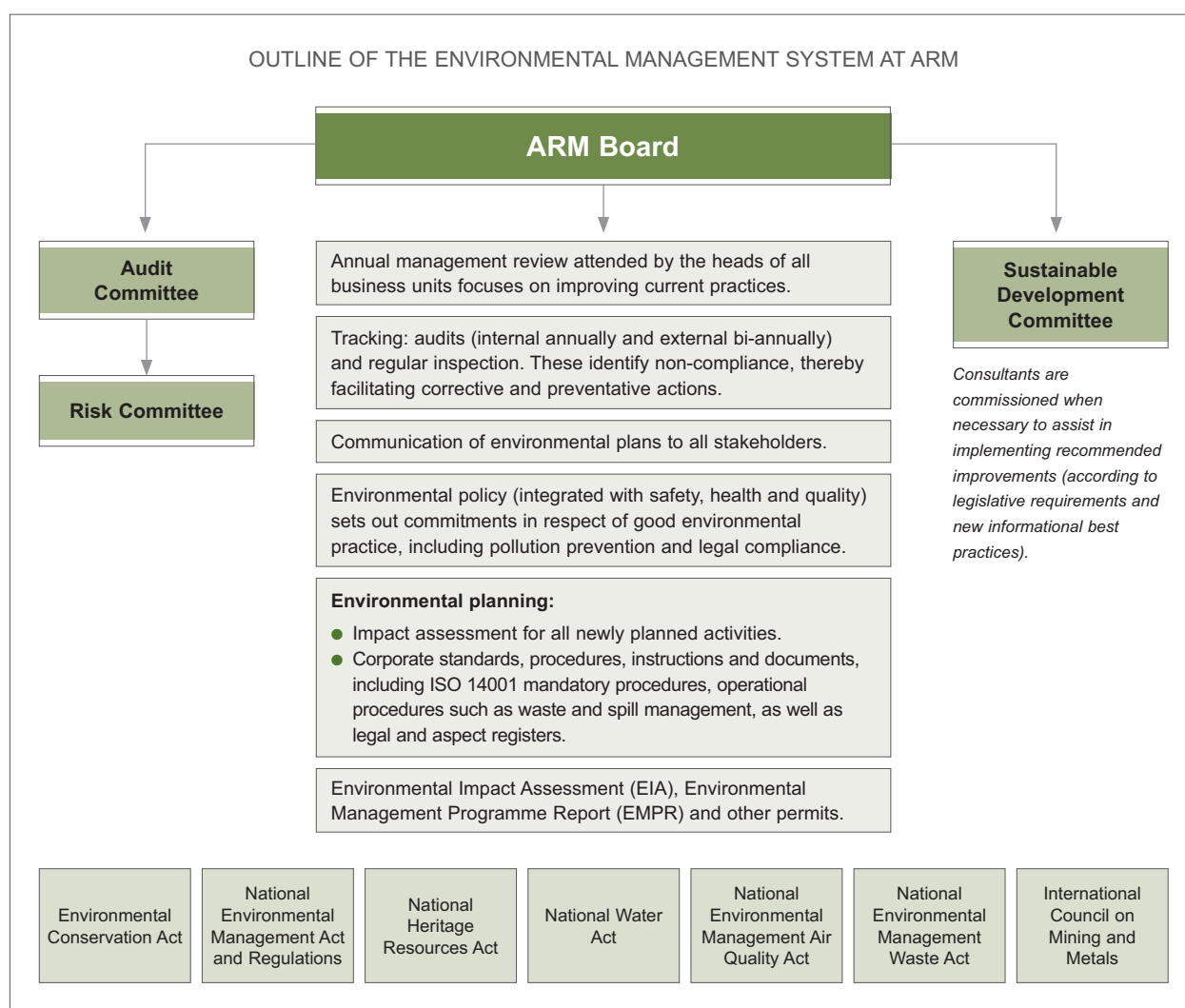


Operations not certified include Modikwa Mine (which decided to place ISO certification on hold during the economic downturn), Two Rivers Mine and Khumani Mine, the latter planning to be certified before the end of F2011.

Quantified targets and objectives exist for all key environmental parameters such as water management, emissions (currently only at our two smelters) and other environmental impacts such as biodiversity. These are generally contained in the conditions of individual licences and permits of each operation, for instance water use licences, Environmental Management Programme Reports (EMPRs), emission and waste licences. All operations compile quarterly reports in regard to compliance with permit targets.

A review of environmental performance takes place quarterly in executive SHEQ meetings chaired by divisional executives and attended by corporate SHEQ staff.

Internal audits are undertaken annually and external audits of SHE performance at all of ARM's operations are undertaken bi-annually. The most recent external audit, conducted in F2009, identified certain areas requiring attention, which were addressed during F2010. In the first instance, certain rectification applications were submitted to the authorities in terms of Section 24G of NEMA. This resulted in Nkomati Mine paying an administrative penalty of R351 000 (the mine having an approved EMPR but not having obtained environmental authorisations in terms of NEMA for certain specified activities), and Black Rock Manganese Mine paying an administrative penalty of R161 000 (for not having an environmental authorisation in terms of NEMA for the start-up for a housing development). The F2009 audit also identified the need for corporate standards either to be updated or developed. These have been revised and compiled and are being implemented, including corporate standards on risk assessment, legal compliance, water management, waste management, contractor management, biodiversity and emissions management.



## Responding to our material issues continued

ARM has committed to exploring viable technological advances to minimise negative environmental impacts and ensure improvements. Progress in this area was limited during the year and there is scope for improvement in this area.

Stakeholder dialogue in terms of environmental management takes place at all operations in broadly three forms: i) interested and affected party and community forums (for instance the Gladdespruit Forum at Nkomati Mine, the Monitoring Committee at Cato Ridge, the Machadodorp Community Forum and the Dwarsrivier Mine Community Forum), generally on a quarterly basis; ii) formal public consultation processes in accordance with NEMA Regulations in the event of any listed activity being undertaken which necessitates an EIA; and iii) public/open days at the operations.

### Climate change

As a member of ICMM, ARM strives to adhere to the ICMM position statement with regard to climate change, which we consider to be a principal challenge for the Company. This year, we reviewed our understanding of the risks and opportunities for our business associated with climate change, and conducted a partial carbon footprint analysis.

The main contributors of direct GHG emissions are our two smelter operations, Cato Ridge Works and Machadodorp Works, as a result of carbonaceous reductants in the smelting process. Total emissions for the smelters for F2009 was 748 473 tonnes CO<sub>2</sub> and for F2010, 562 487 tonnes CO<sub>2</sub>. The lower emissions in F2010 were proportional to reduced production. Targets have been set to reduce emissions at these operations and our other mines are in the process of establishing emission inventories.

The six primary GHGs are CO<sub>2</sub>, methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs) and sulphur hexafluorides (SF<sub>6</sub>). Except for CO<sub>2</sub>, none of these are produced by any of ARM's operations, although naturally occurring methane may be exposed by mining operations. This is an explosion hazard in the mining industry and monitoring for methane occurrence underground takes place on a continuous basis.

Other emissions potentially caused by ARM's operations include, at our smelters, sulphur dioxides, nitrous oxides and total particulate matter (which includes dust) emissions caused by smelting of ore and reduction processes in the arc furnaces and associated pelletising plants. At our mines, potential emissions include total particulate matter emissions as a result of blasting, crushing, transport, conveying, screening and handling of ore as well as H<sub>2</sub>O emissions as a result of ventilation.

### Measuring our carbon footprint contribution

For the first time this year, we undertook a carbon footprint analysis. Based on the findings of this data collection and an analysis conducted by external consultants, in the next year we will develop a long-term carbon management strategy and implementation plan, including an emissions reduction strategy

and implementation plan. We have appointed a Group Electrical Engineer responsible for energy efficiency.

GHG emissions activity data for F2009 was collected by the employees of ARM and its joint ventures. Data quality and comprehensiveness screening as well as calculations were undertaken by external consultants.

Our submission to the Carbon Disclosure Project (CDP) for F2009 was the first step in the process of establishing and reporting on GHG emissions and covered Scope 1 and Scope 2 emissions (direct) for all operations, namely the two smelter operations as well as the seven mining operations. We also partly analysed our Scope 3 emissions (indirect) but recognised that we need to improve our reporting systems in order to ensure we collect reliable and comprehensive information. Information collection systems are being improved and we will report more comprehensively on our indirect emissions in the next CDP reporting cycle.

### Our performance

The following table provides an overview of key environmental performance areas for the Group. Our environmental impact has increased across these parameters, consistent with our continued growth. A breakdown of these performance areas by operation is provided later in this section. Significant increases in resource usage are often attributed to a dramatic increase in production at the relevant operation.

#### Performance overview

| Indicator                                     | F2010      | F2009      |
|---|------------|------------|
| Oil (000 litres)                              | 3 626      | 2 788      |
| Diesel (000 litres)                           | 55 732     | 54 625     |
| Electricity (000 kWh)                         | 2 003 918  | 2 038 751  |
| Water consumption (m <sup>3</sup> )           | 15 060 418 | 14 314 155 |
| Water recycled (m <sup>3</sup> )              | **         | **         |
| Carbon footprint (CO <sub>2</sub> equivalent) | 2 664 549  |            |
| Domestic waste (tonnes)                       | 38 960     | 37 834     |

*\*\* Beeshoek and Khumani recycled more than 90% of water, while Black Rock recycled 86.3% of water. At Nkomati, Modikwa and Dwarsrivier Mines as well as Machadodorp Works, calculation of recycling is difficult since storm water (high volumes during high rainfall) as well as water from dewatering of mining operations, where applicable, are included in the water reticulation systems.*

## Energy and emissions

Management of energy use is a key focus area at ARM, since energy utilisation has a significant impact on operational and financial efficiency. It is also imperative to ensure uninterrupted power supply in underground mines, from a safety perspective. Increased energy efficiency also contributes to a reduction in GHGs.

The Ferrous Division of ARM, trading as Assmang Limited (a JV with Assore Limited), is the major consumer of electricity in the Group because of its two smelter operations. Assmang Limited has joined the Energy Intensive Users Association and has developed an Energy Efficiency Charter which maps the development and implementation of energy efficient practices for the organisation.

Electricity usage increased dramatically at our Nkomati operation as a result of production increase during the past 18 months.

All our South African operations are signatories to the National Energy Efficiency Campaign which recognises that improvements in energy efficiency are fundamental to South Africa's sustained economic growth and development, and international competitiveness. Commitments in terms of the initiative include actively monitoring usage to facilitate reductions over time, conducting awareness campaigns, appointing an accountable member of staff to take responsibility for energy efficiency, and cooperating with government and other stakeholders to develop and review interventions to assess national energy challenges.

Generators have been installed at certain sites to address short-term energy shortages and various energy efficiency initiatives have been explored and implemented, including fitting solar panels for geysers, and optimising ventilation systems and conveyor belt running and sequencing. The use of alternative energy is another area in which we are exploring options, especially in planning new projects and expansions.

## Water management

Water is fundamental to our business operations in respect of mining, smelting and beneficiation. Natural resource constraints are a long-term risk for ARM, and water availability, consumption and pollution are key risks throughout the Group. At our smelting operations, water is sourced from municipalities while at the mining operations, it is sourced from rivers and boreholes in line with integrated water use licences (WUL) obtained through the lead authority, the Department of Water and Environmental Affairs (DWEA). These WULs are regulated by DWEA and a

formal process and specification is prescribed by DWEA for compilation of a WUL. This entails consultation with local irrigation boards, water users' associations and catchment management agencies on a local level, and with DWEA on a provincial and national level.

Water balances are prepared for all operations. Aquifer level monitoring, groundwater and surface water sampling, chemical analyses and bio-monitoring form part of operational water management plans. Where necessary, legitimate water trading with downstream users is initiated. Most operations run closed circuit water systems as far as practically possible in order to minimise discharge into the environment. Any incidents of non-compliance are reported to the authorities in accordance with legislation.

Due to the diverse nature of the processes and operations, water recycling rates vary throughout the Group. Beeshoek and Khumani recycled more than 90% of water, while Black Rock recycled 86.3% of water. At Nkomati, Modikwa and Dwarsrivier Mines as well as Machadodorp Works, calculation of recycling is difficult since storm water (high volumes during high rainfall) as well as water from dewatering of mining operations, where applicable, is included in the water reticulation systems. At Dwarsrivier, 100% of dewatered water is recycled, while at Two Rivers, 50% of tailings water and water dewatered underground is recycled. At Cato Ridge Works, 15% of water used is recycled and re-used for gas cleaning purposes.

Some operations have to deal with legacy issues of groundwater contamination. Cato Ridge Works is addressing the situation through the following projects: slag management (existing and expansion), slimes dams and baghouse dust management, polluted stormwater management and treatment, and rehabilitation of historically contaminated land which impacts the surface and groundwater.

## Waste management

Integrated waste management plans are implemented at each of our operations. Waste typically comprises industrial waste such as slag, waste rock and tailings, as well as domestic waste and hazardous waste. Domestic waste is disposed of in municipal landfill sites while hazardous waste is disposed of by specialist contractors in approved facilities.

Initiatives undertaken to reduce waste are specific to the prevailing circumstances at each operation. These include recycling materials, for instance oil at Nkomati and Black Rock, and scrap metal at Beeshoek.

## Responding to our material issues continued

### Environmental rehabilitation

ARM aims to rehabilitate mined areas where practicable and conserve natural resources. Comprehensive mine closure planning and rehabilitation assessments are performed annually at all operations. The process is done by means of external estimation of closure and rehabilitation requirements and provisions raised in the various trust funds. Closure plans are developed in accordance with the requirements of each EMPR and costing is done according to the methodology and standards specified in the EMPR.

### Rehabilitation provisions at ARM operations

| Operation   | Estimated closure cost as at 30 June '10 | Contributions                |                                    |            |                 | Total, incl guarantees | Anticipated shortfall, excl guarantees | Anticipated shortfall, incl guarantees |
|-------------|--|------------------------------|------------------------------------|------------|-----------------|------------------------|--|--|
|             |  | Trust fund 2010 Contribution | Est fund balance as at 30 June '10 | Guarantees | Cash provisions |                        |  |  |
| Beeshoek    | 87 004 696                               | 5 911 740                    | 51 523 988                         | –          | –               | 51 523 988             | 35 480 708                             | 35 480 708                             |
| Khumani     | 106 932 480                              | 3 993 047                    | 11 099 352                         | 38 000 000 | –               | 49 099 352             | 9 237 838                              | 57 633 128                             |
| Gloria      | 13 274 039                               | 384 910                      | 4 036 201                          | –          | –               | 4 036 201              | 9 237 838                              | 9 237 838                              |
| Nchwaning   | 27 588 326                               | 905 702                      | 5 851 472                          | –          | –               | 5 851 472              | 21 736 854                             | 21 736 854                             |
| Black Rock  | 44 842 457                               | 1 354 088                    | 12 344 357                         | 20 064 845 | –               | 32 409 202             | 32 498 100                             | 12 433 255                             |
| Dwarsrivier | 27 288 957                               | 802 305                      | 8 033 629                          | 9 267 341  | –               | 17 300 970             | 19 255 328                             | 9 987 987                              |
| Two Rivers  | 25 763 000                               | 1 331 875                    | 3 783 918                          | 27 376 211 | –               | 31 160 129             | 21 979 082                             | (5 397 129)                            |
| Nkomati     | 67 840 007                               | –                            | 46 872 068                         | 3 940 000  | –               | 50 812 068             | 20 967 939                             | 17 027 939                             |
| Modikwa     | 74 084 968                               | 2 184 000                    | 9 079 957                          | 65 013 524 | –               | 74 093 481             | 65 005 011                             | (8 513)                                |



## Biodiversity management

Biodiversity management is a priority for ARM and each operation has a management plan to address site specific issues relating to biodiversity and land management. Certain operations have Biodiversity Action Plans (BAP) and monitoring programmes. The following table provides an overview of biodiversity considerations and activities at each of our operations.

### Biodiversity at a glance

| Mine                | Proximity to area of high biodiversity or protected area?   | Biodiversity Action Plan   | Strategies for addressing impact   | Details of red data or protected species   | Hectares disturbed, not yet rehabilitated | Communities resettled during F2010   |
|---------------------|---|--|--|--|---|--|
| <b>ARM Platinum</b> |   |  |  |  |   |  |
| <b>Modikwa</b>      | No.   | In draft format, being finalised.  | Detailed once BAP finalised.   | None identified.   | 341                                       | None.  |
| <b>Two Rivers</b>   | Yes. The mine is located within the Sekhukhuneland Centre for Plant Endemism. Certain trees on mine land are protected in terms of legislation. | Completed in 2008 and implemented subsequently.                                    | Areas of ecological significance and sensitivity are demarcated and fenced-off, vegetation from areas demarcated for land uses are relocated to a nursery on site.   | Due to location in sensitive area, a long list of sensitive species are indicated in BAP.  | 70  | None.  |
| <b>Nkomati</b>      | No. The mine is situated among commercial forestry operations.  | Yes. In progress for expansion.  | Annual programme for the control and removal of alien vegetation and rehabilitation of impacted areas. Protected flora species have been removed from open-pit areas and an indigenous nursery established on site. Ongoing collaboration between the mine, the forestry industry and the farmers to remove alien vegetation along the river systems. An estimated 700 ha has been cleared on mine property and is now in a maintenance programme. | No red data species. Flora: eight protected species, 12 endangered species. Fauna: 30 threatened species including pangolin, serval, and aardvark. | 620                                       | Three households were relocated from the Onverwacht farm to the Badplaas township. |
| <b>ARM Ferrous</b>  |   |  |  |  |   |  |
| <b>Beeshoek</b>     | No.   | Biodiversity will be managed in terms of the revised EMP which has been submitted. | Plants to be removed and rehabilitated before mining begins.   | Seven endemic and near-endemic plant species identified.   | 850 ha                                    | None.  |
| <b>Khumani</b>      | No.   | Biodiversity is managed in terms of the EMP.                                       | Plants to be removed and rehabilitated before mining begins.   | None identified.   | 700 ha                                    | None.  |



## Responding to our material issues continued

| Mine                    | Proximity to area of high biodiversity or protected area?   | Biodiversity Action Plan   | Strategies for addressing impact   | Details of red data or protected species                        | Hectares disturbed, not yet rehabilitated | Communities resettled during F2010 |
|-------------------------|---|--|--|---|---|------------------------------------|
| <b>ARM Ferrous</b>      |   |  |  |   |   |                                    |
| <b>Black Rock</b>       | No.   | BAP in progress.   | Of the total operational area of 3 688 ha, a game farm of 1 700 ha was established in 1991. The main focus and intention of the game farm is education of the community and children. Employees pay a minimal fee to visit the game farm and utilise the facilities. Income generated is used to purchase new bloodlines.  | None identified.  | 1 441 ha                                  | None.                              |
| <b>Cato Ridge Works</b> | Yes. The new access road (still in project phase) will disturb approximately 20 ha of the protected Ngonigoni grasslands which is south, and south east of the operation. | Yes.   | A Biodiversity Impact Assessment has been performed and confirmed that no significant impact would be caused due to the grassland already being significantly disturbed by activities such as cattle grazing. A memorandum of agreement was signed between Cato Ridge Works, the Wildlands Trust and eThekweni Municipality whereby Cato Ridge will sponsor the Wildlands Trust financially to conserve grasslands in the Inanda dam area. | Protected Ngonigoni grassland.                                  | 93 ha                                     | None.                              |
| <b>Dwarsrivier</b>      | As with Two Rivers, the mine is located within the Sekhukhuneland Centre for Plant Edemism. Certain trees on mine land are protected in terms of legislation.             | BAP completed and in the process of implementation.                          | The mine has established a rehabilitation plan involving backfilling of pits, spreading top soil, planting vegetation, continuous monitoring, erosion control, invasive plant eradication and vegetation propagation monitoring.   | Marula, Shepherd, Sekhukune Bushmans' Tea and Blue Shieldfruit. | 140 ha                                    | None.                              |
| <b>Machadodorp</b>      | Yes.  | Biodiversity has commenced and is expected to be completed in November 2010. | Wetland and rocky outcrop were identified and have been designated as sensitive areas and fenced off.  | None identified to date.  | 976 ha                                    | None.                              |

# Contents

|     |                             |
|-----|-----------------------------|
|     | <b>CORPORATE GOVERNANCE</b> |
| 151 | Corporate governance report |
| 163 | Remuneration report         |
| 168 | Board of Directors          |
| 172 | Steering committee          |

## Corporate governance report

The ARM Board of Directors (the Board) confirms its commitment to the highest standards of corporate governance. Corporate governance encompasses the concept of sound business practice, which is inextricably linked to the management systems, structures and policies of the Company.

ARM, a public company, is listed on the JSE Limited (JSE). The Company complies with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct, as well as the principles set out in the King Report on Corporate Governance for South Africa 2002 (King II) with the exceptions noted in this report. The King Report on Corporate Governance in South Africa 2009 (King III), comes into effect for JSE-listed companies for financial years ending after 1 March 2011.

In August 2010, the Company completed a gap analysis on its compliance with King III and will report more fully on its compliance with King III in F2011.

All Directors and employees are required to maintain high standards of integrity and ethical behaviour to ensure that the Company's business practices are conducted in a reasonable manner, in good faith and in the interests of the Company and all its stakeholders and with due observance of the principles of good corporate governance.

The Board is the foundation of ARM's corporate governance systems and is accountable and responsible for the Company's performance. The Board retains effective control through a clear governance structure and has established committees to assist it, recognising that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common law duties.

To ensure consistent standards of governance and internal controls, the Company's subsidiaries and joint ventures have established boards and committees, as the case may be. The Chief Executives of each division regularly report to the Board regarding the activities of the divisions and joint ventures.

### Board composition

ARM has a unitary Board comprising 16 Directors of whom eight are Independent Non-executive Directors. One is a Non-executive Director and seven are Executive Directors. *Curricula vitae* for the Board members are provided on pages 170 to 171.

The Directors of the Company at the date of this report are as follows:

| Director*                             | Executive (E)<br>Non-executive (N)<br>Independent (I) |
|---------------------------------------|---|
| P T Motsepe (Executive Chairman)      | E   |
| A J Wilkens (Chief Executive Officer) | E   |
| F Abbott <sup>1</sup>                 | N   |
| M Arnold <sup>2</sup>                 | E   |
| Dr M M M Bakane-Tuoane                | I   |
| A D Botha <sup>3</sup>                | I   |
| J A Chissano                          | I   |
| W M Gule                              | E   |
| M W King                              | I   |
| A K Maditsi                           | I   |
| K S Mashalane                         | E   |
| J R McAlpine                          | I   |
| L A Shiels                            | E   |
| Dr R V Simelane                       | I   |
| J C Steenkamp                         | E   |
| Z B Swanepoel                         | I   |

#### Changes during F2010:

\* Mr M V Sisulu resigned on 7 August 2009.

<sup>1</sup> Former Financial Director; became a Non-executive Director on 1 August 2009.

<sup>2</sup> Appointed Financial Director on 1 August 2009.

<sup>3</sup> Appointed on 1 August 2009.

Of the Company's 16 Directors, six Directors, or 38%, are Historically Disadvantaged South Africans (HDSAs). Two Directors, or 13%, are black female Directors.

## Corporate governance continued

### Independence

The Board believes that the Independent Non-executive Directors appointed are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The Independent and Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

The classification of Independent and Non-executive Directors is determined by the Board in accordance with the guidelines set out in King III. In determining the independence of the Independent Non-executive Directors, character and judgement are considered together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement and with due regard to the criteria for determining independence as set out in King III.

Mr M Arnold was appointed as Financial Director on 1 August 2009. Mr F Abbott, the former Financial Director, became a Non-executive Director on 1 August 2009. Mr A D Botha was appointed as an Independent Non-executive Director on 1 August 2009. It was determined that he was independent given that he is free from any business or relationship that could be a conflict.

The Nomination Committee has determined that Mr Z B Swanepoel, formerly a Non-executive Director, became an Independent Non-executive Director on 6 August 2010, three years subsequent to his resignation from Harmony.

The independence of Mr Chissano, who receives consulting fees, was also considered. Given his extensive relationships with leaders of African countries, Mr Chissano assists in the facilitation of high-level business discussions and introductions and his specific assignments are determined by the Executive Chairman and the Chief Executive Officer. The fees paid are market-related and, as such, the Company is satisfied that this aspect does not impair his independence.

In accordance with the independence requirements in the JSE Listings Requirements, none of the Independent Non-executive Directors participate in any share incentive scheme of the Company. Non-executive Directors are not considered independent if they were executives of the Company or a subsidiary within the preceding three financial years.

### Executive Chairman and Chief Executive Officer

The roles of Executive Chairman and Chief Executive Officer are separate and distinct. ARM's Executive Chairman, Mr Patrice Motsepe, contrary to the independence requirements of King II and King III, is an executive representing the Company's largest shareholder, which held 41.26% of the Company's share capital at 30 June 2010. ARM is satisfied that the non-independence of the Executive Chairman is adequately addressed by the composition of the Board and particularly by the appointment of a Lead Independent Non-executive Director, Dr Manana Bakane-Tuoane, in accordance with and as required by King III.

In addition to the general requirements for the re-election of Directors set out in ARM's Articles of Association (the Articles), and discussed below, the Executive Chairman is required to be elected by the Board annually. Mr Motsepe was re-elected as Executive Chairman for the period of one year commencing 1 January 2010. The Chief Executive Officer is appointed by the Board.

### Board Charter

The Board Charter, which was approved in May 2009, provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for self-assessment.

The roles and responsibilities set out in the Board Charter are as follows:

- Providing strategic direction and leadership which conforms with ARM's value system, by assessing and authorising budgets, plans and strategies submitted by senior management.
- Adopting and implementing strategic plans, including mergers, acquisitions and disposals and the capital funding of such plans.
- Determining, implementing and monitoring policy, procedures, practices and systems to ensure the integrity of risk management and internal controls to protect ARM's assets and reputation.
- Identifying and monitoring key performance indicators of the business and the systems used to determine that performance.
- Ensuring compliance with codes of best business practice, corporate governance regulations and all relevant laws.
- Communication with shareholders and relevant stakeholders (both internal and external), promptly and openly.
- Defining levels of materiality, thereby reserving certain powers for itself and delegating other matters to management.
- Monitoring operational performance, including financial and non-financial aspects relevant to ARM.
- Ensuring that the technology and systems employed are adequate and efficient.
- Maintaining full and effective control and monitoring the implementation by management of Board plans and strategies.
- Establishing a communication policy, in addition to its statutory and regulatory reporting requirements, which contains accepted principles of good reporting, including being open, transparent, honest, understandable, clear and consistent in its messages to the media.
- Establishing policies for the selection of new Directors and Director orientation programmes.
- Ensuring that a succession plan for the Executive Directors and senior management is implemented.
- Ensuring that annual financial statements are prepared and presented to a duly convened Annual General Meeting of shareholders.

The Board Charter was reviewed in F2010 and will be updated during F2011 to ensure compliance with King III and the new Companies Act.

## Election, induction, succession and assessment

### Election

The Articles call for one-third of elected Directors, who have been in office longest since their last election, to retire by rotation at each Annual General Meeting. Being eligible, these Directors may seek re-election should they so wish.

The tables below set out the Directors who, being eligible, make themselves available for re-election at the Annual General Meeting to be held on Friday, 3 December 2010, together with the years when the other Directors are required to stand for re-election.

#### Executive Directors: Appointment and re-election dates

|  | Date first appointed to the Board | Year due for re-election <sup>1</sup> |
|--|-----------------------------------|---------------------------------------|
| <b>Executive Directors<sup>1</sup></b> |                                   |                                       |
| P T Motsepe (Executive Chairman)       | 5 May 2003                        | 2012                                  |
| A J Wilkens                            | 26 October 2004                   | 2012                                  |
| M Arnold                               | 1 August 2009                     | 2012                                  |
| W M Gule                               | 1 December 2004                   | 2010                                  |
| K S Mashalane                          | 9 May 2006                        | 2010                                  |
| L A Shiels                             | 20 February 2008                  | 2011                                  |
| J C Steenkamp                          | 12 May 2003                       | 2010                                  |

<sup>1</sup> In terms of the Company's Articles of Association, one-third of the serving Directors shall retire at Annual General Meetings of the Company or, if the total number of serving Directors who shall retire does not constitute a multiple of three, the number of Directors who shall retire shall be the number, adjusted upwards, that is the closest to one-third.

#### Non-executive Directors: Appointment and re-election dates

|  | Date first appointed to the Board | Year due for re-election <sup>1</sup> |
|--|-----------------------------------|---------------------------------------|
| <b>Non-executive Directors<sup>1</sup></b>                       |                                   |                                       |
| Dr M M M Bakane-Tuoane (Lead Independent Non-executive Director) | 30 April 2004                     | 2010                                  |
| F Abbott   | 30 April 2004                     | 2011                                  |
| A D Botha  | 1 August 2009                     | 2012                                  |
| J A Chissano   | 21 April 2005                     | 2012                                  |
| M W King   | 30 April 2004                     | 2010                                  |
| A K Maditsi  | 30 April 2004                     | 2010                                  |
| J R McAlpine   | 7 December 1998                   | 2012                                  |
| Dr R V Simelane  | 30 April 2004                     | 2012                                  |
| M V Sisulu <sup>2</sup>  | 30 April 2004                     | n/a                                   |
| Z B Swanepoel  | 5 May 2003                        | 2011                                  |

<sup>1</sup> In terms of the Company's Articles of Association, one-third of the serving Directors shall retire at Annual General Meetings of the Company or, if the total number of serving Directors who shall retire does not constitute a multiple of three, the number of Directors who shall retire shall be the number, adjusted upwards, that is the closest to one-third.

<sup>2</sup> Mr Sisulu resigned on 7 August 2009.

Dr Bakane-Tuoane and Messrs Gule, King, Maditsi, Mashalane and Steenkamp are required to retire by rotation and make themselves available for re-election. The re-election of all of the above-mentioned Directors is supported by the Board.

The Nomination Committee evaluates nominees and, following an assessment of the credentials and fitness for office of each nominee proposed, recommends such nominees to the Board for election and re-election at Annual General Meetings of shareholders.

Directors appointed by the Board between Annual General Meetings, either to fill a casual vacancy or as an addition to the existing Board, hold office only until the next Annual General Meeting and are eligible for election (but are not included in determining the number of Directors who are to retire by rotation). When appointing Directors upon the recommendation of the Nomination Committee, the Board considers, *inter alia*, whether the candidates have the necessary skills and experience.

 The Directors' curricula vitae may be found on pages 170 to 171.



## Corporate governance continued

### Induction and continuing education

All newly appointed Directors receive a comprehensive induction pack, including the Articles, the Board Charter, terms of reference and charters of the committees of the Board, Board policies and other documents relating to the Company; key legislation and regulations; as well as corporate governance, financial and reporting documents, including minutes and documents of an administrative nature.

Directors are encouraged to attend courses providing education and training relating to their duties, responsibilities, powers and potential liabilities. The Company holds an annual budget planning workshop and a Bosberaad with senior management and the Board to inform Directors about the Company's business. Site visits are also conducted. Regulatory and legislative updates are provided regularly.

### Succession

The Company has a succession plan for Executive Directors and senior management, which provides for the sustainability of the business. ARM continuously strives to improve its talent pool through a comprehensive and focused plan of management and career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Sustainable Development Committee regularly reviews reports on leadership and employment equity programmes, and reports on developments in these areas to the Board. The Remuneration Committee has developed a remuneration framework, which includes incentives to attract and retain management. As a result, the Board is satisfied that the ongoing efforts to strengthen leadership provide short- and long-term management depth.

In 2008, an *ad hoc* committee, consisting of Drs Bakane-Tuoane and Simelane and Mr King, was formed to consider a successor to replace Mr Wilkens, the Chief Executive Officer, who would have been due to retire in November 2008. At the conclusion of the review, Mr Wilkens was invited to delay his retirement for a period of three years and a plan to find a suitable successor is being implemented.

### Assessment

The Board is committed to transparency in assessing the performance of the Board and individual Directors, as well as the governance processes that support Board activities. The effectiveness of the Board and its committees is assessed regularly. In 2010, the Board conducted self-evaluations of the Board itself, its committees, the Executive Chairman, the Chief Executive Officer and the Company Secretary.

Matters considered in the 2010 assessment focused on the effectiveness of the Board, including:

- Effectiveness and composition;
- Governance and accountability;
- Relations with management;

- Relations with stakeholders;
- Individual Directors;
- Committees;
- Financial matters; and
- The Executive Chairman, the Chief Executive Officer and the Company Secretary.

In the evaluation process, consideration was given to the question as to whether or not the Board's diversity, size and demographics make it effective.

The findings of the 2010 assessment were considered by the Board in August 2010 and certain recommendations have been implemented, such as increased reporting to Directors regarding stakeholder engagements.

During 2011, Board evaluations will be conducted by an independent company. Independent external advisors are engaged to assist in the assessment processes as necessary, and the Board is of the view that the involvement of an independent company complements Board self-assessments and assists to ensure a rigorous and impartial evaluation process.

Performance assessments of all of the Executive Directors, including the Executive Chairman and the Chief Executive Officer are completed annually and form the basis of their remuneration, as discussed in the Remuneration report starting on page 163.

### Board meetings

The Board meets at least four times a year to consider the business and strategy of the Company. The Board reviews reports of the Chief Executive Officer, the Financial Director, divisional chief executives and other senior executives, chairmen of the committees and independent advisors. During the financial year ended 30 June 2010, four Board meetings were held. A meeting attendance schedule is set out on the next page. The quorum for Board meetings is the majority of Directors.

The Company holds an annual budget planning workshop in July. Members of the Board and senior executives of the Company consider the budget and determine the Company strategy, for implementation by the Board. In August 2010, the Board held its second annual Bosberaad for Directors and management, to examine the future strategy in detail.

Agendas for Board meetings are prepared by the Company Secretary in consultation with the Executive Chairman, the Chief Executive Officer and the Financial Director. Information provided to the Board is compiled from external sources, such as independent third-party reports, and internally from minutes and plans as well as reports relating to, for example, safety, health, sustainable development, risk, financial, governance and legal matters likely to affect ARM. Meeting materials are delivered to every Director prior to each meeting.

**Board of Directors: Meetings\***

|  | Aug-09 | Nov-09 | Feb-10 | May-10 |
|--|--------|--------|--------|--------|
| P T Motsepe (Executive Chairman)                                 | √      | √      | √      | √      |
| A J Wilkens (Chief Executive Officer)                            | √      | √      | √      | √      |
| M Arnold <sup>1</sup>  | √      | √      | √      | a      |
| F Abbott <sup>2</sup>  | √      | √      | √      | √      |
| Dr M M M Bakane-Tuoane (Lead Independent Non-executive Director) | √      | √      | √      | √      |
| A D Botha <sup>1</sup>   | √      | √      | √      | √      |
| J A Chissano   | a      | √      | √      | √      |
| W M Gule   | √      | a      | a      | √      |
| M W King   | √      | √      | √      | √      |
| A K Maditsi  | a      | √      | √      | √      |
| K S Mashalane  | √      | √      | √      | √      |
| J R McAlpine   | √      | √      | √      | √      |
| L A Shiels   | √      | √      | √      | √      |
| Dr R V Simelane  | √      | √      | √      | √      |
| J C Steenkamp  | √      | √      | √      | √      |
| Z B Swanepoel  | √      | √      | √      | √      |

a = apologies

\* Mr Sisulu resigned on 7 August 2009, prior to the August 2009 Board meeting.

<sup>1</sup> Messrs Arnold and Botha were appointed on 1 August 2009.

<sup>2</sup> Mr Abbott is the former Financial Director; he became a Non-executive Director on 1 August 2009.

**Advice and information**

No restriction is placed on a Director's access to Company information, records, documents and property. Non-executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

**Company Secretary**

All Directors have access to the services and advice of the Company Secretary, Ms Alyson N D'Oyley, who was appointed on 10 July 2009. Mrs Patricia F Smit was Company Secretary until her retirement on 9 February 2009. Mrs Marilyn F Taylor was acting Company Secretary following Mrs Smit's retirement until Ms D'Oyley's appointment. The Board appoints the Company Secretary in accordance with the requirements of the Companies Act.

The Company Secretary is responsible for developing and maintaining the procedures and processes required for the proper administration of Board proceedings, and supports the Board as a whole and Directors individually with guidance as to how to fulfil their responsibilities in the best interests of the Company. The Company Secretary also guides and advises the Board, and is a resource within the Company on, *inter alia*, governance and ethics matters and changes in legislation. To achieve these objectives, independent advisory services are retained by the Company Secretary at the request of the Board or its committees. The Company Secretary oversees the induction of new Directors, as well as the ongoing training of Directors.

**Board committees**

The Board has established committees to assist it with fulfilling its responsibilities. Nonetheless, the Board acknowledges that the granting of authority to its committees does not detract from the Board's responsibility to discharge its duties to the Company's shareholders.

The committees have Terms of Reference, which are reviewed annually. They set out the committees' roles and responsibilities, functions, scope of authority and composition. The annual review takes into account amendments to applicable legislation and developments in international best practices. Committees report to the Board at each Board meeting and make recommendations in accordance with their Terms of Reference.

The Terms of Reference were reviewed by the committees in 2010. Amendments are in progress to reflect the requirements under King III and the new Companies Act.

The membership of the Board committees consists solely of Non-executive Directors with one exception: contrary to King II and King III, ARM's Executive Chairman is currently a member of the Nomination Committee and prior to August 2009, the Nomination Committee Chairman. King III provides that a chairman of a board may be a member of a nomination committee. Each committee is chaired by an Independent Non-executive Director. Attendance schedules for committee meetings held in F2010 are included in each committee report. The Committee Chairmen attend Annual General Meetings to answer any questions from shareholders.

## Corporate governance continued

The Board has established the following permanent committees: Audit Committee, Investment Committee, Nomination Committee, Remuneration Committee and Sustainable Development Committee.

## Audit Committee

### Members:

M W King (Chairman)  
 Dr M M M Bakane-Tuoane  
 A D Botha (appointed to the Committee on 11 June 2010)  
 A K Maditsi  
 J R McAlpine  
 Dr R V Simelane

The Audit Committee comprises six Independent Non-executive Directors, each of whom has extensive financial experience. In accordance with the guidelines in King II and King III, the Audit Committee Chairman is an Independent Non-executive Director and the Chief Executive Officer attends Audit Committee meetings at the Committee's request. The Financial Director is also an invitee at each meeting.

The Audit Committee is constituted as a statutory committee of the Board in terms of Section 269A of the Companies Act and its composition complies with the provisions of that section.

The Audit Committee Terms of Reference meet the requirements of the Corporate Laws Amendment Act. Based on the Terms of Reference, a comprehensive framework is prepared to ensure that all tasks assigned to the Committee are considered at least once a year. Scheduling of the Audit Committee's non-routine work is therefore necessary and tasks have been assigned to the Audit Committee, the external and internal auditors, and management.

The Audit Committee performs its review function over all ARM operations. To assist the Committee with its reviews, all operational subsidiaries and joint ventures have audit committees. The chairmen of the audit committees of the subsidiaries and joint ventures report to the Audit Committee, highlighting areas of concern and remedial actions taken by management. In addition, the minutes of Committee meetings as well as internal and external audit reports of all operations are submitted to the Audit Committee.

The primary objective of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets; the operation of adequate systems, internal controls and control processes; and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Company. It also oversees financial and other risks in conjunction with the Sustainable Development Committee. In fulfilling its oversight responsibilities, the Audit Committee reviews and discusses the audited financial statements with management and the external and internal auditors.

The Audit Committee has oversight of the Company's financial reporting process on behalf of the Board. Management has primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control of such reporting.

The Audit Committee, after due consideration, is of the view that the independent registered audit firm, which is responsible for expressing an opinion on the conformity of the audited financial statements with International Financial Reporting Standards (IFRS), is independent from management and the Company. The Audit Committee has recommended the re-appointment of Ernst & Young Incorporated (E&Y). At the Annual General Meeting, shareholders will be requested to re-appoint E&Y as external auditors of the Company and to confirm the appointment of Mr E A L Botha as the designated individual auditor. E&Y and Mr Botha are registered with the JSE in accordance with the JSE Listings Requirements.

The Audit Committee meets with the internal and external auditors on a regular basis to discuss the results of their examinations, their evaluation of the Company's internal control and the overall quality of the Company's financial reporting. The Committee also discusses the overall scope and plans for the respective audits of the Company's internal and external auditors. The principles of the Audit Committee for the use of external auditors for non-audit services are set out in the formal policy on non-audit services which was adopted on 20 August 2009. The key principle is that annual non-audit services are not to exceed 5% of the annual audit fee. The Financial Director is authorised to engage the external auditors for matters up to R75 000.

### Audit Committee: Meetings\*

|                        | Aug-09 | Aug-09 | Sept-09 | Nov-09 | Feb-10 | March-10 | May-10 |
|------------------------|--------|--------|---------|--------|--------|----------|--------|
| M W King (Chairman)    | √      | √      | √       | √      | √      | √        | √      |
| Dr M M M Bakane-Tuoane | √      | √      | √       | √      | √      | √        | √      |
| A K Maditsi            | √      | √      | a       | √      | √      | a        | √      |
| J R McAlpine           | √      | √      | √       | √      | √      | √        | √      |
| Dr R V Simelane        | √      | √      | √       | √      | √      | √        | √      |

a = apologies

\* Mr A D Botha was appointed to the Audit Committee subsequent to the final Audit Committee meeting of the financial year.


Matters for fees in excess of R75 000 must be pre-approved by the Audit Committee. The policy also prescribes permitted non-audit services.

In accordance with the JSE Listings Requirements, the Company has a Financial Director, Mr Michael (Mike) Arnold, who was appointed to the Board with effect from 1 August 2009 to replace Mr Frank Abbott who retired as Financial Director in 2009, but remains a Non-executive Director of the Company. The Audit Committee is satisfied that the Financial Director and finance function are adequately resourced and that Mr Arnold has the necessary experience and expertise to discharge his responsibilities.

The Management Risk Committee reports to the Audit Committee and its report is included on page 159 of the Corporate Governance report.

During the year under review, the Audit Committee's performance and effectiveness were evaluated. As a result of that evaluation, the Board is satisfied that the Audit Committee has complied with its Terms of Reference.

The Audit Committee acts as a forum for communication between the Board, management and the external and internal auditors. It is required to meet at least three times a year. Seven meetings were held during the 2010 financial year.

 The Report of the Audit Committee may be found on pages 176 to 177.

## Investment Committee

### Members:

Z B Swanepoel (appointed Committee Chairman in August 2009)  
F Abbott (appointed to the Committee in August 2009)  
A D Botha (appointed to the Committee in August 2009)  
M W King  
A K Maditsi (retired as Committee Chairman in August 2009)

The Investment Committee's purpose is to consider investments proposed by management, including projects, acquisitions and disposals of assets, and to make such recommendations to the Board as it considers appropriate. The Investment Committee also reviews the results attained on completion of each project.

In 2009, the Board determined that the Investment Committee's performance would be enhanced by the appointment of additional committee members, which the Board implemented in August 2009.

The Investment Committee meets when considered necessary. Four meetings were held during the 2010 financial year.

## Nomination Committee

### Members:

A K Maditsi (appointed as Committee Chairman in August 2009)  
P T Motsepe (retired as Committee Chairman in August 2009)  
Dr R V Simelane

The Nomination Committee reviews the structure, composition and size of the Board and recommends appointments to the Board and its committees. The Terms of Reference provide for the Nomination Committee to monitor succession planning for the Executive Chairman and the Chief Executive Officer as well as the overall personnel needs of ARM's business.

The Nomination Committee is responsible for developing the criteria used to select Directors. The Nomination Committee is also responsible for designing the orientation programme for newly appointed Directors on their role and responsibilities.

Meetings are convened as and when necessary. One planning meeting was held during the 2010 financial year. The nominations of Messrs Arnold and Botha on 1 August 2009 and the committee chairmanship and membership nominations made in August 2009, June 2010 and August 2010 were considered by Nomination Committee members and approved by round-robin resolutions for recommendation to the Board.

In 2009, the Board determined that the Nomination Committee's performance would be enhanced by appointing an Independent Non-executive Director as the Nomination Committee Chairman, which the Board implemented in August 2009.

### Investment Committee: Meetings

|                                       | July-09 | Nov-09 | Feb-10 | May-10 |
|---------------------------------------|---------|--------|--------|--------|
| Z B Swanepoel (Chairman) <sup>1</sup> | √       | √      | √      | √      |
| F Abbott <sup>2</sup>                 | n/a     | √      | √      | √      |
| A D Botha <sup>2</sup>                | n/a     | a      | √      | √      |
| M W King                              | √       | √      | √      | √      |
| K Maditsi <sup>3</sup>                | √       | √      | √      | √      |

a = apologies

<sup>1</sup> Appointed as Committee Chairman in August 2009.

<sup>2</sup> Appointed as Committee members in August 2009.

<sup>3</sup> Retired as Committee Chairman in August 2009.

## Corporate governance continued

## Remuneration Committee: Meetings

|                                   | Jul-09 | Aug-09 | Feb-10 |
|-----------------------------------|--------|--------|--------|
| Dr M M M Bakane-Tuoane (Chairman) | √      | √      | √      |
| A D Botha <sup>1</sup>            | n/a    | n/a    | √      |
| J R McAlpine                      | √      | √      | √      |
| Z B Swanepoel <sup>2</sup>        | √      | √      | √      |

<sup>1</sup> Appointed as a Committee member in August 2009 subsequent to the August 2009 Remuneration Committee meeting.

<sup>2</sup> Resigned from the Committee in August 2010.

## Remuneration Committee

## Members:

Dr M M M Bakane-Tuoane (Chairman)  
A D Botha (appointed to the Committee in August 2009)  
J R McAlpine  
Z B Swanepoel (resigned from the Committee in August 2010)

The Remuneration Committee's purpose is, *inter alia*, to determine specific remuneration packages for each of the Executive Directors within the remuneration framework approved by the Board and to determine any criteria necessary to measure the performance of Executive Directors in performing their roles and discharging their responsibilities. The Remuneration Committee also considers and recommends to the Board the fees to be paid to Non-executive Directors. The fees proposed, as confirmed by the Board, are submitted to shareholders at the Annual General Meeting for approval prior to implementation.

In 2009, the Board determined that the Remuneration Committee's performance would be enhanced by the appointment of an additional committee member, and therefore the Board appointed another Independent Non-executive Director to the Remuneration Committee in August 2009.

Three meetings were held during the 2010 financial year.

 The Remuneration report may be found on pages 163 to 167.

## Sustainable Development Committee


## Members:

Dr R V Simelane (Chairman)  
Dr M M M Bakane-Tuoane  
Z B Swanepoel (resigned from the Committee in August 2010)

The Sustainable Development Committee's objectives, which are set out in its Terms of Reference, revised in May 2008, are to achieve and maintain world-class performance standards in safety, health (occupational), the environment, HIV & Aids and social investment, as well as to enable HDSAs to enter the mining industry as prescribed by the Minerals and Petroleum Resources Development Act and to ensure compliance with the Scorecard issued by Government. The attainment of these objectives requires the Sustainable Development Committee to advise the Board on policy issues, the efficacy of ARM's management systems for its sustainable development programmes and progress towards set goals and compliance with statutory, regulatory and charter requirements.

The Sustainable Development Committee Terms of Reference provide that the committee must have four members, the majority of whom shall be Independent Non-executive Directors. Currently, the committee has two Independent Non-executive Directors and the appointment of additional committee members is under consideration by the Board.

Four meetings were held during the 2010 financial year.

 The Sustainability Report may be found on pages 97 to 148 of the Integrated Annual Report and in the comprehensive stand-alone Sustainability Report.

## Sustainable Development Committee: Meetings\*

|                            | Aug-09 | Nov-09 | Feb-10 | May-10 |
|----------------------------|--------|--------|--------|--------|
| Dr R V Simelane (Chairman) | √      | √      | √      | √      |
| Dr M M M Bakane-Tuoane     | √      | √      | √      | √      |
| Z B Swanepoel <sup>1</sup> | √      | a      | √      | a      |

a = apologies

\* Mr M V Sisulu resigned on 7 August 2009 prior to the first Sustainable Development Committee meeting of the financial year.

<sup>1</sup> Resigned from the Committee in August 2010.



**Non-executive Directors Committee: Meetings\***

|  | Aug-09 | Nov-09 | Feb-10 | May-10 |
|--|--------|--------|--------|--------|
| Dr M M M Bakane-Tuoane (Chairman) <sup>1</sup> | ✓      | ✓      | ✓      | ✓      |
| F Abbott <sup>2</sup>                          | ✓      | ✓      | ✓      | ✓      |
| A D Botha <sup>3</sup>                         | ✓      | ✓      | ✓      | ✓      |
| J A Chissano                                   | a      | ✓      | a      | ✓      |
| M W King                                       | ✓      | ✓      | ✓      | ✓      |
| A K Maditsi                                    | ✓      | ✓      | ✓      | ✓      |
| J R McAlpine                                   | ✓      | ✓      | ✓      | ✓      |
| Dr R V Simelane                                | ✓      | ✓      | ✓      | ✓      |
| Z B Swanepoel                                  | ✓      | ✓      | ✓      | ✓      |

a = apologies

\* Mr Sisulu resigned on 7 August 2009, prior to the August 2009 meeting.

<sup>1</sup> Dr Bakane-Tuoane is the Lead Independent Non-executive Director.

<sup>2</sup> Mr Abbott is the former Financial Director; he became a Non-executive Director on 1 August 2009.

<sup>3</sup> Mr Botha was appointed as a Director on 1 August 2009.

**Meetings of Non-executive Directors**

The Non-executive Directors meet formally on a quarterly basis without management. Issues of importance to the Company are considered. The meetings are chaired by the Lead Independent Non-executive Director, Dr M M M Bakane-Tuoane. Terms of Reference for the committee are being developed. Four meetings were held during the 2010 financial year.

**Ad Hoc Committees**

The Board has the right to appoint and authorise special *ad hoc* committees, comprising the appropriate Board members, to perform specific tasks as required.

**Management committees****Management Risk Committee****Members:**

A J Wilkens (Chairman)  
M Arnold  
C Blakey-Milner  
N Botes-Schoeman  
J M Bräsler  
W M Gule  
K S Mashalane  
M P Schmidt  
D V Simelane  
J C Steenkamp  
P W Steenkamp

The Management Risk Committee, a management sub-committee of the Audit Committee, assists the Audit Committee in discharging its duties relating to risk matters by implementing, co-ordinating and monitoring a risk management programme to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance.

The Management Risk Committee is chaired by the Chief Executive Officer and its membership includes the Financial

Director, the chief executives of the operations, the Leader: Risk Management and the Group Manager: Sustainable Development Reporting. The Chairman of the Management Risk Committee and the Leader: Risk Management attend Audit Committee meetings and report on the activities of the sub-committee. The Chief Executive Officer and the Chairman of the Audit Committee report on risk matters to the Board. The Leader: Risk Management and the Group Manager: Sustainable Development Reporting attend Board meetings to respond to any risk-related matters raised by the Directors. The Management Risk Committee met four times during the 2010 financial year.

A table of ARM's principal risks and uncertainties is set out on pages 28 to 29 of the Integrated Annual Report, and additional information on ARM's risk management programme is provided on the next page.

**Steering Committee**

The Steering Committee is charged with the implementation of approved corporate strategy and other operational matters. The Steering Committee is chaired by the Chief Executive Officer and its membership includes Executive Directors and senior management. It meets quarterly, or more often as circumstances warrant. The Steering Committee members are listed on page 172.

**Treasury Committee**

The Treasury Committee meets monthly and, if required, more frequently, under the chairmanship of the Financial Director. The committee membership includes the ARM Finance Executive: Operations, the ARM Finance Executive: Corporate and the Company Financial Manager. Representatives of Andisa Treasury Solutions (Proprietary) Limited (Andisa), to whom the treasury function is outsourced, attend meetings by invitation. The Treasury Committee reviews operational cash flows, currency and interest rate exposures as well as funding issues within the Company. While not performing an executive or decisive role in the deliberations, Andisa implements decisions taken when required. Advice is also sought from other advisors on an ongoing basis.

## Corporate governance continued

**Ethics**

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of the Company. These principles are set out in ARM's Code of Ethics (the Code), which was amended in 2008. The Code was reviewed in 2010 and amendments are in progress to reflect the Company's obligations under King III and the new Companies Act.



The Code may be found on ARM's corporate website [www.arm.co.za](http://www.arm.co.za).

**Whistleblowers' facility**

An independent service provider operates ARM's whistleblowers' facility to enable employees and other stakeholders to report confidentially and anonymously any unethical or risky behaviour. Information about the facility is included in the Code and contact information is posted in each Company office. Initiatives to heighten awareness of the whistleblowers' facility are implemented on an ongoing basis. Formal procedures in place result in each whistleblowing report being investigated, and policy and procedures revised where applicable with feedback reports being provided to the operators of the ARM whistleblowers' facility. No material non-compliance incidents were reported during the year under review.

**Conflicts of interest**

The Code includes a policy prohibiting the acceptance of any gift which may be construed as an attempt to influence an employee, regardless of value. The acceptance of any gift is subject to the approval of a member of the executive.

**Disclosure**

The Code includes a policy regarding communications, which encourages complete, accurate and timely communications with the public.

The Chief Executive Officer, the Financial Director, the Head of Investor Relations and the Company Secretary oversee compliance with the disclosure requirements contained, *inter alia*, in the JSE Listings Requirements.

**Internal control and internal audit**

The Board, with the assistance of the Audit Committee, the Management Risk Committee and the internal auditors (outsourced to KPMG Services (Proprietary) Limited), reviews the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit Committee, the internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management. The results of these reviews, together with updates on the corrective action taken by management to improve control systems, are reported to the Audit Committee and the Board.

**Going concern**

On the recommendation of the Audit Committee, the Board annually considers the going concern basis in the preparation of the year-end financial statements.

**Risk management programme**

ARM has an effective and well-developed risk management process which has been in place for a number of years.

A firm commitment to comprehensive and effective risk management is an imperative at all levels within ARM. The Company recognises that integrating risk management philosophy and practice into the culture of an organisation is an ongoing challenge which, to be effective, must be a continuous, dynamic and developing process that addresses risks across the spectrum, from risks associated with strategy and its implementation, to operational, legal and reputational risks.

The Board tasks the Audit Committee with oversight for risk management. In view of the importance of this function, the Audit Committee has established a management sub-committee, the Management Risk Committee (MRC), to assist it to manage and report on risk management processes and procedures. The MRC is chaired by the Chief Executive Officer and its members include chief executives of divisions, the Financial Director and members of the ARM Steering Committee.

ARM's integrated approach to risk management includes an Enterprise Risk Management (ERM) process and Balanced Scorecard approach. This integrated approach not only assists in ensuring appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk within ARM.

The risk management process encompasses four main functions, which are overseen and reported on by the MRC. These are explained below.

**ERM process/risk register**

*Ensures that a robust system of identifying, quantifying, monitoring, managing and reporting risks and opportunities is applied consistently throughout the Company.*

The ERM Framework and the Internal Control and Enterprise Risk Management Policy govern the ERM process and, *inter alia*, ensure that the external consultants, to whom the internal audit function is outsourced, assist in the facilitation of the following activities at least annually:

- Identifying and recording risks and opportunities;
- Establishing the likelihood of them occurring;
- Ensuring the appropriate controls are in place;
- Assessing the effectiveness of controls;
- Taking appropriate action to reduce the likelihood of loss; and
- Taking appropriate action to mitigate against the possible extent of loss.

The internal auditors also periodically review the ERM Framework and Policy to ensure these remain current and are compliant with good corporate governance. The internal auditors use the risk registers to ensure the annual Audit Plan covers the high-risk areas identified. The risk register is regularly updated throughout the Company.

### Physical risk management

*Ensures physical risk grading, risk improvement and other risk controls are appropriate, and maintains and enhances performance against agreed international risk standards.*

While operational management remains accountable for risk management, external consultants assist with identifying risk, rating and benchmarking risk performance, and providing recommendations to improve risk preparedness and to address any potential loss-producing events. This is done by measuring the performance of each operation against ARM's Balanced Scorecard. The Balanced Scorecard measures the quality of risk management at individual operations, expressed in rating percentages, and provides a risk profile for each operation.

ARM's objective is that all its operations achieve an 80% overall performance rating against the international risk management standards contained in the Balanced Scorecard.

ARM also benchmarks its risk preparedness against some 400 mining operations worldwide rated by International Mining Industry Underwriters (IMIUI). The majority of ARM's operations are rated in the top quartile of worldwide operations rated by IMIUI.

### Risk financing and insurance

*Ensures ARM's risk financing and insurance programmes are comprehensive and adequately protect the Company against catastrophic risk.*

Continuing improvement in ARM's risk profile as a result of focused risk control initiatives ensure that cost-effective risk financing and insurance programmes are in place to avoid or reduce adverse effects on financial results and Company performance.

### Monitoring new developments

*Ensures that the risks arising from new developments in ARM's operating environment are considered on an ongoing basis.*

ARM's risk management department constantly monitors risk issues that stem from new developments, such as non-compliance with changes in corporate governance requirements or codes of practice, to ensure that risk management within ARM remains relevant.

Risk and control dashboards are now consistently used at divisional and ARM Audit Committee forums, providing a consistent and measurable management assurance metric on the control effectiveness of a broad spectrum of risks and processes.

### Legal compliance

Internal and external audits are regularly conducted at all operations and any instances of non-compliance with regulatory requirements are reported to management for corrective action.

Internal audits are undertaken annually and external audits of safety, health and environmental (SHE) performance at all of ARM's operations, are undertaken bi-annually. The most recent external SHE audit, conducted in F2009, identified certain areas requiring attention, which were addressed during F2010. In the first instance, certain rectification applications were submitted to the authorities in terms of Section 24G of the National Environmental Management Act (NEMA). This resulted in the Nkomati Mine paying an administrative penalty of R351 000 (the mine having an approved Environmental Management Programme Report, but not environmental authorisations in terms of NEMA for certain specified activities), and the Black Rock Manganese Mine paying an administrative penalty of R161 000 (for not having an environmental authorisation in terms of NEMA for the startup of a housing development). The F2009 audit also identified the need for corporate standards either to be updated or developed. The corporate standards have been revised and compiled and are being implemented and include corporate standards on risk assessment, legal compliance, water management, waste management, contractor management, biodiversity, waste and emissions management.

The Company did not receive any other administrative penalties nor was it fined nor has it been prosecuted for any anti-competitive practices or non-compliance with any governance or legislative obligations.

A draft legal compliance policy for the Company is currently under consideration and will be finalised in F2011.

### Mining Charter

ARM is committed to the spirit of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter), which is to bring about "a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans". The Mining Charter was developed through a consultative process between Government, labour and the mining industry, and was ratified in October 2002. Measures for assessing the contribution of mining companies to the socio-economic goals of the Mining Charter were developed. These include the mining scorecard and focus on nine key elements: human resource development; employment equity; migrant labour; mine community and rural development; housing and living conditions; procurement; ownership and joint ventures; beneficiation; and reporting. The Mining Charter was revised in September 2010. Revisions included amendments to the scorecard and the nine key elements.

A table setting out the progress ARM has made against the requirements of the 2002 Mining Charter is provided in the Sustainability report on pages 97 to 148.

## Corporate governance continued

**Dealings in securities and insider trading policy**

ARM enforces closed periods prior to the publication of interim and provisional financial results, in December and June, respectively. During these times, Directors, officers and designated persons are precluded from dealing in ARM securities. All Directors and employees are provided with relevant extracts from the Security Services Act, and the Company's procedures in this regard. Directors and employees are reminded of their obligations in terms of insider trading and the penalties for contravening the regulations. The policy was reviewed and updated in the 2008 financial year. The policy is currently under further review following amendments to the JSE Listings Requirements in April 2010.



*The complete policy governing dealing in Company securities and insider trading may be found on ARM's corporate website [www.arm.co.za](http://www.arm.co.za)*

**Donations to political parties**

ARM supports South Africa's democratic processes and makes contributions to political parties. A policy relating to making donations to political parties has been adopted by the Company. In the year under review, donations were made to political parties in accordance with the policy and the budget approved by the Board.

**Investor relations and communication with stakeholders**

ARM is committed to transparent, comprehensive and objective communications with its stakeholders. The Company maintains a website, which provides information regarding the Company's operations, financial performance and other information.

Shareholders are encouraged to attend the Annual General Meeting and to use this opportunity to engage with the Board and senior management. Summaries of the results of decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.

ARM's investor relations department is responsible for communication with institutional shareholders, the investment community and the media. The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors in South Africa, the United Kingdom and North America, as well as investor roadshows and conferences.



*Additional information regarding investor relations and communication with stakeholders may be found in the Investor Relations report on pages 262 to 265 and in the Sustainability report on pages 97 to 148.*

**Annual General Meeting**

The Notice of the Annual General Meeting may be found on pages 268 to 272.

**Sponsor**

Deutsche Securities (SA) (Proprietary) Limited is the Company's sponsor, in compliance with the JSE Listings Requirements.

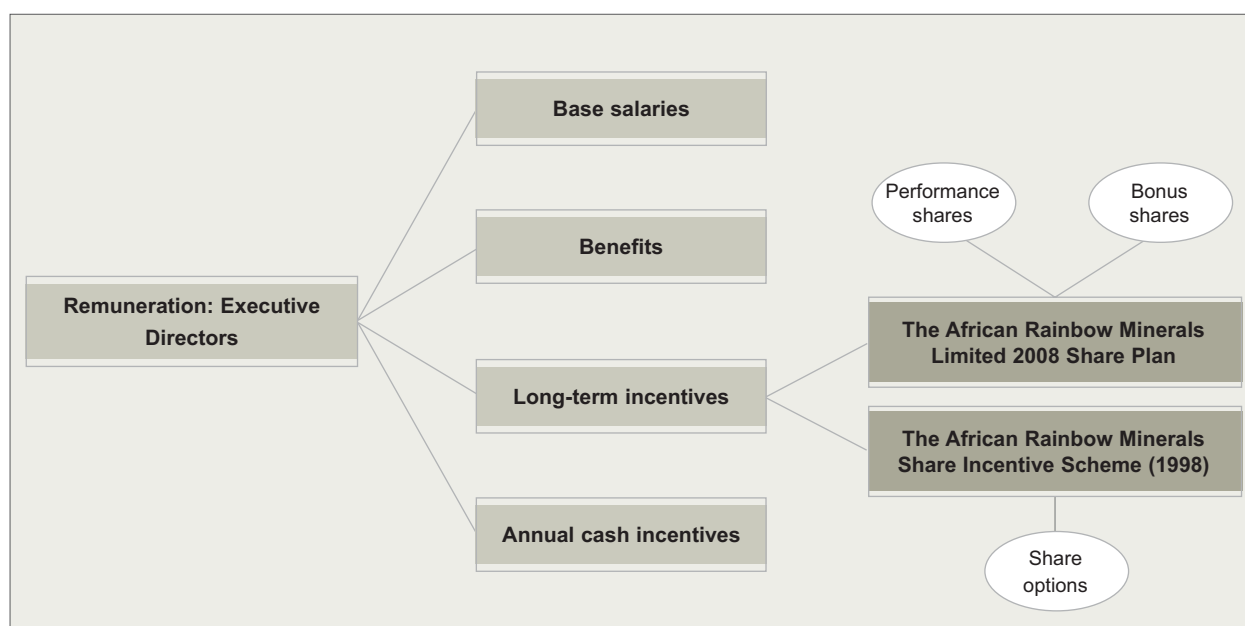
# Remuneration report

## Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board. Its purpose is to recommend appropriate levels of fees to be paid to Non-executive Directors; to design remuneration packages for Executive Directors; to determine the overall policy for the remuneration of the Company's employees, which includes basic salaries, performance-based short- and long-term incentives, pensions and other benefits; and to oversee the design and management of the Company's long-term (share-based) incentives.

No Director was involved in deciding his or her own remuneration. In F2010, the Remuneration Committee was advised by the Company's finance and human resources departments, as well as by Deloitte, which provided, *inter alia*: market benchmarking information and advised on and assisted with the design, implementation and verification of calculations pertaining to short-term incentive targets, and allocations, awards and grants pursuant to long-term (share-based) incentives.

The Chairman of the Remuneration Committee attends Annual General Meetings to answer any questions from shareholders.



## Composition of the Remuneration Committee

### Members:

Dr M M M Bakane-Tuoane (Chairman)  
 A D Botha (appointed to the Committee in August 2009)  
 J R McAlpine  
 Z B Swanepoel (resigned from the Committee in August 2010)

The Remuneration Committee met three times during the 2010 financial year with full attendance at each meeting.

In accordance with King III, the Remuneration Committee consists entirely of Independent Non-executive Directors. The Board considers the composition of the Committee to be appropriate in terms of the necessary blend of knowledge, skills and experience.

The Chief Executive Officer attends Committee meetings by invitation and assists the Committee in its deliberations, except when issues relating to his own remuneration are discussed.

## Remuneration Philosophy and Policy: Executive remuneration

### Principles of executive remuneration

ARM's executive remuneration philosophy aims to attract and retain high-calibre executives, and to motivate and reward them for developing and implementing the Company's strategy to deliver consistent and sustainable shareholder value.

The remuneration policy conforms to best international practice and is based on the following principles:

- **Total rewards** are competitive with those offered in the mining and resources sector.
- **Incentive-based** rewards are earned through the achievement of performance targets consistent with shareholder expectations over the short- and long-term.
- **Annual cash incentives**, together with performance measures and targets, are structured to reward effective operational performance.

Long-term (share-based) incentives are used to align the long-term interests of management with shareholders and are



## Remuneration report continued

responsibly implemented, so as not to expose shareholders to unreasonable or unexpected financial impact.

### Elements of executive remuneration

- Base salaries
- Benefits
- Annual cash incentives
- Long-term (share-based) incentives

The Remuneration Committee seeks to ensure an appropriate balance between the fixed- and performance-related elements of executive remuneration, and between those aspects of the package linked to short-term financial performance, and those linked to longer-term shareholder value creation. The Committee considers each element of remuneration relative to the market and takes into account the performance of the Company and the individual executive in determining both quantum and design.

In establishing the balance between guaranteed pay and variable pay for performance, the Company has adopted a policy of targeting a pay mix for the average Executive Director as follows:

|  |       |
|--|-------|
| ● Base salary  | 53.0% |
| ● On-target annual bonus                                 | 23.5% |
| ● Expected value from long-term (share-based) incentives | 23.5% |

These percentages will vary in real terms in accordance with actual individual and Company performance in any one year, together with share price performance and vesting and exercise patterns.

The policies relating to the four components of executive remuneration are summarised below.

### Base salaries

The base salaries of executives, on a total cost-to-company basis, are subject to annual review. ARM's policy is to be competitive at the median level, with reference to market practice in companies comparable in size, sector, business complexity and international scope. Base salaries of certain key individuals and incumbents in key roles, however, are aligned with salaries in the upper quartile of the market. Company performance, individual performance and changes in responsibilities are also considered when determining increases to base salaries.

### Benefits

Benefits for executives include membership in a retirement fund and a medical aid plan, to which the full contributions are made by the executives. The retirement fund is managed by eight trustees: 50% appointed by ARM and 50% elected by employees. The fund is administrated by Alexander Forbes. Executives participate in any independently managed medical aid plan of their choice.

### Annual cash incentives

Annual cash incentives are offered to executives in the Out Performance Bonus (OPB) scheme, in which sustained performance against comparative and absolute targets is rewarded.

On-target bonus percentages are established by the Remuneration Committee in terms of ARM's overall reward strategy; however, the OPB payable at year-end depends upon actual Company performance against a weighting of the following two measures of performance:

- Targeted profit from operations in each of the operational clusters; and
- Targeted unit cost of sales in each of the mineral clusters.

The weighting of the above metrics is applied to each member of the executive in relation to his or her sphere of influence.

The Remuneration Committee establishes thresholds and targets for each metric based on the Board approved business plan, and reviews the measures annually to ensure that they are appropriate given the economic climate and the performance expectations for the Company.

A performance managed incentive scheme based on annual profit targets applies to non-executive employees.

The main aim of the OPB is to incentivise executives to improve profits on an annual basis.

The targets for the OPB and the performance managed incentive scheme for non-executive employees are set in considering expected economic conditions against which the Company (and individuals) must out-perform. As a result, bonuses could be low if the Company underperforms in unexpectedly positive economic conditions and, conversely, could be relatively high if the Company over-performs in unexpectedly negative economic conditions.

For future bonuses, ARM is working to reduce the effect of planned economic conditions and to further emphasise those factors which management controls.

Bonuses paid to executives were substantially higher in F2010 relative to F2009. In F2010, ARM increased volumes substantially and unit controllable costs were mostly down, thus justifying the higher bonuses. Rand metal prices were higher than those planned and, in spite of a significantly stronger than anticipated Rand, those prices also contributed to profits exceeding budget. In F2010, the Company delivered on its aggressive 2 x 2010 growth strategy.

In F2009, profits were substantially below budget mostly due to lower than expected Rand metal prices. This resulted in the very low bonuses.

Non-executive Directors are not incentivised.

### Long-term (share-based) incentives

Prior to 2008, ARM's only form of long-term incentive was a long-standing vanilla share option scheme inherited from Anglovaal Mining Limited (Avmin), now referred to as The African Rainbow Minerals Share Incentive Scheme (the Scheme).

Following developments in the tax, accounting and regulatory treatments of share-based incentives, together with evolving local and international best practice, various adjustments were made to the manner of its implementation, within the parameters of original JSE and shareholder approval, to bring it in line with these developments.

Additionally its reward impact was reduced, but then supplemented by The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan), approved by shareholders at the 2008 Annual General Meeting.

ARM's long-term (share-based) incentives now consist of:

- Performance shares
- Bonus shares
- Share options

Performance shares are awarded and bonus shares are granted pursuant to the Share Plan. Share options are offered under the Scheme.

The resulting compound (hybrid), share-based incentive aligns ARM with best international practice; provides for the inclusion of a number of performance conditions, designed to align the interests of executives with those of the Company's shareholders; acts as a retention tool; and rewards executives for Company performance above that of the performance of the economy or the mining and resources sector. All ARM corporate employees at managerial levels are eligible participants.

The implementation of the three elements is described below.

#### *Performance share method*

In terms of the Share Plan, annually since 2008, conditional awards of full value shares are made to executives. The shares only vest after a three-year period subject to the Company's achievement of a weighted combination of performance measures over this period, selected from:

- Comparative total shareholder return, in relation to a peer group;
- Return on capital employed against a prescribed target; and
- Growth in headline earnings per share in relation to an inflation index.

These performance measures have been selected on the basis that, individually or in aggregate, they clearly foster the creation of shareholder value. The performance share method aligns

the interests of shareholders and executives by rewarding superior shareholder return and financial performance in the future, and by encouraging executives to build a shareholding in ARM.

#### *Bonus share method*

In terms of the Share Plan, annually since 2008, executives receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares are only settled to participants after three years, conditional on continued employment.

The bonus share method is an additional share-based incentive for those executives who, through their performance on an annual basis, have demonstrated their value to the Company, and further encourages executives to build a shareholding in ARM.

#### *Share option scheme*

Annual allocations of share options in terms of the Scheme are made to executives, but at a reduced scale following the adoption of the Share Plan.

Share options vest in total on the third anniversary of their allocation. Executives may elect to defer exercising any share option up until the eighth anniversary of its allocation.

#### *Combined Offers*

The numbers of performance shares, bonus shares and share options offered to and accepted by participants, along with an analysis of share-based payments accruing to Executive Directors, and to the top three most highly-paid senior executives who are not Directors, is provided in the Directors' report on pages 183 to 186.

#### *Amendments pursuant to Schedule 14 of the JSE Listings Requirements: Share incentive schemes*

In terms of the revised JSE Listings Requirements, all issuers are required to make appropriate amendments to their existing share incentive schemes by no later than 1 January 2011 in order to comply with the revised Schedule 14. Provision to obtain shareholder approval to amend the Company's existing share incentive schemes together with salient features of the proposed amendments, are included in the Notice of Annual General Meeting scheduled for Friday, 3 December 2010 as provided for on pages 268 to 272 of the Integrated Annual Report.

These proposed amendments have been recommended by the Remuneration Committee and approved by the JSE.

## Remuneration report continued

**Service contracts: Executive Directors**

Employment agreements have been entered into between the Company and the Executive Directors, namely Messrs Motsepe (Executive Chairman), Wilkens (Chief Executive Officer), Arnold (Financial Director), Gule (Chief Executive: ARM Coal), Mashalane (Chief Executive: ARM Platinum), Shiels (Executive Director: Business Development) and Steenkamp (Chief Executive: ARM Ferrous). These contracts are subject to a one calendar month's notice period by either party. None of the employment contracts is a fixed-term contract. The remuneration paid pursuant to the executive employment agreements with the Executive Directors is set out in detail on page 181 of the Directors' report.

The Company has not concluded any agreements with its Executive Directors to pay a fixed sum of money on termination of employment.

There are no other service contracts between the Company and its Executive Directors.

**Remuneration policy: Non-executive Directors' remuneration****Non-executive Directors' fees**

The Board appoints high-calibre Non-executive Directors who provide a material contribution to the Company's strategic direction. On the advice of the Remuneration Committee, which engages independent third-party advisors to assist with the benchmarking of Directors' fees to comparable companies, the Board considers and makes recommendations to shareholders regarding Directors' fees payable.


In its determination, consideration is given, *inter alia*, to the importance of attracting and retaining experienced Non-executive

Directors, market dynamics and the increasingly demanding responsibilities of Directors as well as the contributions of each Director and their participation in the activities of the Board and its committees.

Board retainers and Board and committee attendance fees are paid quarterly and in arrears. Board attendance fees are paid for site visits and seminars.

The proposed 10% per annum increase in Board and Committee fees to be paid to Non-executive Directors (rounded to the nearest R50) will be submitted to shareholders at the Annual General Meeting scheduled to be held on Friday, 3 December 2010. Please refer to the Notice of Annual General Meeting on pages 268 to 272.

The Company reimburses reasonable travel, subsistence and accommodation expenses to attend meetings; however, office costs, including telecommunication costs, are deemed to be included in the Board retainers.

 Full details regarding the fees paid to Non-executive Directors are provided in the Directors' report on page 182.

**Board retainers and per meeting attendance fees**

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an annual retainer and per meeting fees for attendance at Board meetings payable to Non-executive Directors. The fees payable to Non-executive Directors for the period commencing on 1 July 2009 were approved by shareholders at the 27 November 2009 Annual General Meeting.

Executive Directors do not usually receive Directors' fees; however, Mr Abbott received such fees during his secondment from ARM to Harmony.

**Annual Board retainers and meeting attendance fees are as follows:**

|                                    | 2010/11<br>Fees (Rand) <sup>1</sup> |                | 2009/10<br>Fees (Rand) <sup>2</sup> |                |
|------------------------------------|-------------------------------------|----------------|-------------------------------------|----------------|
|                                    | Annual                              | Per<br>meeting | Annual                              | Per<br>meeting |
| Independent Non-executive Director | 297 000                             | 14 300         | 270 000                             | 12 960         |
| Non-executive Director             | 237 600                             | 14 300         | 216 000                             | 12 960         |

<sup>1</sup> Effective 1 July 2010, should the increase be approved by shareholders at the Annual General Meeting.

<sup>2</sup> Effective 1 July 2009.

### Committee attendance fees

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an increase in the per committee meeting attendance fees payable to Non-executive Directors. The level of such fees reflects the impact,

influence and risk component of a committee's role in achieving the Company's objectives as well as the experience of committee members. The fees provide compensation for preparation for and attendance at meetings.

### Committee meeting attendance fees are as follows:

|  | 2010/11<br>Fees<br>(Rand) <sup>1</sup> | 2009/10<br>Fees<br>(Rand) <sup>2</sup> |
|--|--|--|
| <b>Audit Committee</b>   |  |  |
| Chairman   | 74 250                                 | 67 500                                 |
| Member   | 29 700                                 | 27 000                                 |
| <b>Investment, Nomination, Remuneration and Sustainable Development Committees</b> |  |  |
| Chairman   | 17 800                                 | 16 200                                 |
| Member   | 11 900                                 | 10 800                                 |

<sup>1</sup> Effective 1 July 2010, should the increase be approved by shareholders at the Annual General Meeting.

<sup>2</sup> Effective 1 July 2009.

### Fee for the Lead Independent Non-executive Director

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders the introduction, effective 1 July 2010, of a fee of R17 800 to be paid to the Lead Independent Non-executive Director for chairing the formal, quarterly meetings of the Non-executive Directors' Committee, which are held without management.

A consultancy agreement has been entered into between the Company and Mr Chissano to undertake work on behalf of the Company. The renewable contract is subject to one month's notice by either party.

There are no other service contracts between the Company and its Non-executive Directors.

### Service contracts: Non-executive Directors

In addition to Directors' fees, Non-executive Directors may receive consulting fees pursuant to consultancy agreements, or other service contracts, concluded at market rates, for defined and pre-approved services.

No agreements to pay a fixed sum of money on termination of contract have been concluded between the Company and any of its Non-executive Directors.

## Board of Directors



**1 Patrice Motsepe**  
[48] Executive Chairman  
*BA (Legal), LLB*

**2 André Wilkens**  
[61] Chief Executive Officer  
*Mine Managers Certificate of Competency, MDPA (Unisa), RMIIA*

**3 Mike Arnold**  
[53] Financial Director  
*BSc Eng (Mining Geology), BCompt (Hons), CA(SA)*  
Appointed 1 August 2009

**4 Mangisi Gule**  
[58] Executive Director:  
ARM Coal  
*BA (Hons) Wits, P & DM (Wits Business School)*



**5 Stompie Shiels**  
[54] Executive Director:  
Business Development  
*BSc (Min Eng), MBL, Mine Managers Certificate*

**6 Jan Steenkamp**  
[56] Chief Executive:  
ARM Ferrous  
*National Met Diploma, Mine Managers Certificate, MDP, Cert. Eng*

**7 Steve Mashalane**  
[48] Chief Executive:  
ARM Platinum  
*BCom (Hons), PMD (Harvard Business School)*

**8 Dr Manana Bakane-Tuoane**  
[62] Independent  
Non-executive Director  
*BA, MA, PhD (Economics)*



**9 Frank Abbott**

[55] Non-executive Director  
*BCom, CA(SA), MBL*  
 Financial Director to  
 31 July 2009 – thereafter  
 Non-executive Director

**10 Joaquim Chissano**

[70] Independent  
 Non-executive Director  
*PhD*

**11 Mike King**

[73] Independent  
 Non-executive Director  
*CA(SA), FCA*

**12 Alex Maditsi**

[48] Independent  
 Non-executive Director  
*BProc, LLB, LLM*

**13 Roy McAlpine**

[69] Independent  
 Non-executive Director  
*BSc, CA*

**14 Dr Rejoice Simelane**

[58] Independent  
 Non-executive Director  
*BA (Econ and Acc), MA,  
 PhD (Econ)*

**15 Bernard Swanepoel**

[49] Independent  
 Non-executive Director  
*BSc (Min Eng), BCom  
 (Hons)*

**16 Anton Botha**

[57] Independent  
 Non-executive Director  
*BCom (Marketing), BProc,  
 BCom (Hons), SEP  
 (Stanford)*  
 Appointed 1 August 2009

## Board of Directors continued

**1 Patrice Motsepe**

Appointed to the Board in 2003. Patrice Motsepe became Executive Chairman during 2004. Patrice was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the take over of Anglovaal Mining (Avmin). In 2002 he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was the winner of the Ernst & Young Best Entrepreneur of the Year Award. He is also the Non-executive Chairman of Harmony and the Deputy Chairman of Sanlam. His various business responsibilities included being President of Business Unity South Africa (BUSA) from January 2004 to May 2008, BUSA is the representative voice of organised business in South Africa. He is also President of Mamelodi Sundowns Football Club.

**2 André Wilkens**

Appointed to the Board in 2004. André Wilkens was appointed the Chief Executive Officer of ARMgold. He was then appointed the Chief Operating Officer of Harmony following the merger of ARMgold with Harmony in 2003. André subsequently served as Chief Executive of ARM Platinum, a division of ARM. André Wilkens was appointed as Chief Executive Officer to ARM in 2004 and appointed to its Board in the same year. The balance of André Wilkens' 40 years mining experience was gained with Anglo American Corporation of South Africa, where he commenced his career in 1969 and culminated in his appointment as Mine Manager at Vaal Reefs in 1991.

**3 Mike Arnold**

Appointed to the Board in 2009. Mike Arnold's working career started in the mining industry in 1980 when he was employed as a geologist at Anglo American Corporation. He qualified as a Chartered Accountant (SA) in 1987 and completed his articles at a large South African auditing firm. Mike joined ARM in 1999 as the Group Financial Manager of Avgold Limited and in 2003 was appointed as its Financial Director. Most recently, he was the Chief Financial Officer of ARM.

**4 Mangisi Gule**

Appointed to the Board in 2004. Mangisi Gule was appointed Chief Executive of ARM Platinum on 27 February 2005 and in May 2007 he was appointed Chief Executive of ARM Coal. He has extensive experience in the field of management, training, human resources, communications, corporate affairs and business development. Apart from his qualifications in business management from Wits Business School, Mangisi has proven experience in leadership and mentorship. He has been a lecturer, as well as chairman of various professional bodies and a member of various executive committees and associations. He has also been an executive director and board member for ARMgold as well as an executive director and board member of Harmony. He is currently a director of ARM Coal, ARM Mining Consortium Limited and Modikwa Mining Personnel Services (Pty) Limited.

**5 Stompie Shiels**

Appointed to the Board in 2008. Stompie Shiels joined ARM in May 2005 after 14 years with Lonmin Platinum where he was the Operations Director for the mines. Prior to that he was employed by Rand Mines in the Gold and Platinum Division. After graduating he worked at E.R.P.M. from miner to manager. He then commissioned the T.G.M.E. mine and plant before going to Crocodile River Mine after Rand Mines acquired it. He started his mining career as a learner surveyor at Delmas Collieries prior to attending university to study mining.

**6 Jan Steenkamp**

Appointed to the Board in 2005. Jan Steenkamp started his career with the Anglovaal Group in 1973. Trained as a mining engineer, he has worked at and managed group mining operations within the gold, copper, manganese, iron ore and chrome sections. He was appointed as Managing Director of Avgold Limited in September 2002 and also serves on the board of Assmang Limited. In May 2003, Jan was appointed to the Avmin board and was appointed Chief Executive Officer of Avmin on 1 July 2003 after serving as Chief Operating Officer. Jan currently holds the position of Chief Executive of ARM Ferrous.

**7 Steve Mashalane**

Appointed to the Board in 2006. Steve Mashalane had been the Head of Department of Economic Affairs and Tourism in Limpopo for ten years prior to joining ARM. He has extensive experience in management, research and business development. He is a member of the Economic Research Council and is affiliated with various professional bodies. Steve joined ARM in 2005 and was appointed as the Company's Senior Executive for Business Development. Following the formation of ARM Coal in February 2006, Steve was appointed as the Chief Executive of that division in July 2006 and was appointed Chief Executive of ARM Platinum in May 2007.

**8 Dr Manana Bakane-Tuoane**

Appointed to the Board in 2004. Dr Manana Bakane-Tuoane became the Lead Independent Non-executive Director in 2009. Manana has extensive experience in the economics field. Her 20-year career in the academic field included lecturing at various institutions, including the University of Botswana, Lesotho and Swaziland (UBLS), National University of Lesotho (NUL), University of Saskatchewan (Sectional Lecturer) and the University of Fort Hare as Head of Department and Associate Professor. During this part of her career she was seconded to work in the public service, where she has held various senior management positions since 1995. Concurrent with the above, Manana has been a member and office bearer of several international organisations, including Winrock International and the African Economic Research Consortium (AERC).

**9 Frank Abbott**

Appointed to the Board in 2004. Frank Abbott joined the Rand Mines Group in 1981, where he obtained broad financial management experience at an operational level. He was a director of various listed gold mining companies and was appointed as financial director of Harmony Gold Mining Company in 1997. Frank was appointed financial director of ARM in 2004 while remaining on Harmony's board as a non-executive director. In August 2007, Frank was seconded to Harmony as interim financial director and in August 2009 Frank retired as ARM's financial director. He is now a Non-executive Director of ARM.

**10 Joaquim Chissano**

Appointed to the Board in 2005. Joaquim Chissano is a former President of Mozambique who has served that country in many capacities, initially as a founding member of the Frelimo movement during that country's struggle for independence. Subsequent to independence in 1975 he was appointed foreign minister and on the death of Samora Machel in 1986 assumed the office of President. Frelimo contested and won the multi-party elections in 1994 and 1999, returning Joaquim to the presidency on both occasions. He declined to stand for a further term of office in 2004. His presidency commenced during a devastating civil war and ended with the economy in the process of being reconstructed. He served a term as chairman of the African Union from 2003 to 2004. Joaquim is also a non-executive director on Harmony's board. In 2006, Joaquim was awarded the annual Chatham House Prize, which is awarded for significant contributions to the improvement of international relations. He was the recipient of the inaugural Mo Ibrahim Prize for Achievement in African Leadership in 2007.

**11 Mike King**

Appointed to the Board in 2004. Mike King served his articles with Deloitte, Plender, Griffiths, Annan & Co. (now Deloitte) and qualified as a chartered accountant (SA). He later became a Fellow of The Institute of Chartered Accountants in England and Wales (FCA). After 13 years with merchant bank Union Acceptances Limited, he joined Anglo American Corporation of South Africa Limited in 1973 as a manager in the finance division and in 1979 was appointed Finance Director. In 1997, he was appointed Executive Deputy Chairman of Anglo American Corporation. He was the Executive Vice-chairman of Anglo American plc from its formation in May 1999 until his retirement in May 2001. Mike is a non-executive director of a number of companies.

**12 Alex Maditsi**

Appointed to the Board in 2004. Alex Maditsi is employed by Coca-Cola South Africa as a Franchise Director for South Africa. Previously, he was Country Manager for Kenya, Senior Director Operations Planning and Legal Director for Coca-Cola Southern and East Africa. Prior to joining Coca-Cola, Alex was the Legal Director for Global Business Connections in Detroit, Michigan. He also spent time at Lewis, White and Clay, The Ford Motor Company and Schering-Plough in the USA, practising as an attorney. Alex was a Fulbright Scholar and a member of the Harvard LLM Association.

**13 Roy McAlpine**

Appointed to the Board in 1998. Roy McAlpine joined Liberty Life in 1969 and retired as an executive director in 1998 in order to diversify his interests. He is a former Chairman of the Association of Unit Trusts of South Africa and currently serves on the boards of a number of listed companies.

**14 Dr Rejoice Simelane**

Appointed to the Board in 2004. An economist by training, Dr Rejoice Simelane commenced her career at the University of Swaziland, as a lecturer in economics. Since then she has worked at the National Department of Trade and Industry, in the Macroeconomic Policy Unit and at the National Treasury where she headed the Public Utility Pricing and Regulation sub-directorate of the Macroeconomic Policy Chief Directorate. She later served in the capacity of Special Adviser, Economics, to the Premier of Mpumalanga until mid-2004, when she assumed the position of Chief Executive of Ubuntu-Botho Investments. Rejoice's board directorships include ARM, Sanlam, Mamelodi Sundowns Football Club and the Council of Medical Schemes. A recipient of the CIDA Scholarship and a Fulbright Fellow, she is also a member of the Advisory Board of the Bureau for Economic Policy Analysis (BEPa) of the University of Pretoria.

























**15 Bernard Swanepoel**

Appointed to the Board in 2003. Bernard Swanepoel started his career with Gengold in 1983, culminating in his appointment as General Manager of Beatrix Mines in 1993. He joined Randgold in 1995 as Managing Director of the Harmony mine. He was appointed Chief Executive Officer of Harmony in 1997. In August 2007, he left Harmony to start To-the-Point Growth Specialists. Bernard is a Non-executive board member of Sanlam Limited. He became a Director of Simmer & Jack Mines Limited in February 2010 and Chairman of its board in September 2010.

**16 Anton Botha**

Appointed to the Board in 2009. Anton Botha is a director and co-owner of Imalivest, a private investment group that manages proprietary capital provided by its owners, the Imalivest Flexible Funds and a private hedge fund. He also serves as a non-executive director on the boards of the JSE Limited, the University of Pretoria, Vukile Property Fund Limited (Chairman), Sanlam Limited and certain Sanlam subsidiaries. He is a past president of the AHI (Afrikaanse Handelsinstituut). Anton spent most of his career as Chief Executive Officer of Gensec, building it into a leading South African investment banking group that became a wholly-owned subsidiary of Sanlam Limited in 2000.

## Steering committee

|   |  |   |  |   |
|---|--|---|--|---|
|    |       |    |    |    |
| <b>André Wilkens</b><br>Chief Executive Officer                                     | <b>Mike Arnold</b><br>Financial Director   | <b>Steve Mashalane</b><br>Chief Executive:<br>ARM Platinum                          | <b>Mangisi Gule</b><br>Chief Executive:<br>ARM Coal                                  | <b>Imrhan Paruk</b><br>Executive: Corporate<br>Development                            |
|    |       |    |    |    |
| <b>Jan Steenkamp</b><br>Chief Executive:<br>ARM Ferrous                             | <b>Stompie Shiels</b><br>Executive Director:<br>Business Development                   | <b>Dan Simelane</b><br>Chief Executive:<br>ARM Copper and<br>Exploration            | <b>Jongisa Klaas</b><br>Head of Investor<br>Relations and Corporate<br>Development   | <b>Mike Schmidt</b><br>Executive: Platinum<br>Operations                              |
|  |     |  |  |  |
| <b>Director Matlala</b><br>Leader: Transformation                                   | <b>Chris Blakey-Milner</b><br>Leader: Risk<br>Management                               | <b>Graham Butler</b><br>Executive: ARM Ferrous                                      | <b>Deon Pieterse</b><br>Executive: Human<br>Resources                                | <b>Rilette Avenant-Buys</b><br>Executive: Logistics                                   |
|  |     |  |  |  |
| <b>Busi Mashiane</b><br>Human Resources<br>Manager                                  | <b>Nerine Botes-Schoeman</b><br>Group Manager:<br>Sustainable<br>Development Reporting | <b>Sandile Langa</b><br>Executive: ARM Ferrous                                      | <b>Mark Bräsler</b><br>Executive: Operations<br>Support                              | <b>Alyson D'Oyley</b><br>Company Secretary  |
|  |     |  |  |   |
| <b>Claus Schlegel</b><br>Executive: ARM<br>Exploration                              | <b>André Joubert</b><br>Executive: ARM Ferrous<br>Operations                           | <b>Peter Steenkamp</b><br>Executive: Coal<br>Operations                             | <b>Peter Manda</b><br>Executive Legal  |   |

# Contents

| ANNUAL FINANCIAL STATEMENTS |  |
|-----------------------------|--|
| 175                         | Directors' responsibility  |
| 175                         | Certificate of the Company Secretary                                   |
| 176                         | Report of the Audit Committee  |
| 178                         | Report of the independent auditors                                     |
| 179                         | Directors' report  |
| 188                         | Statements of financial position                                       |
| 189                         | Income statements  |
| 192                         | Statements of comprehensive income                                     |
| 194                         | Statements of changes in equity  |
| 196                         | Statements of cash flows   |
| 197                         | Notes to the financial statements                                      |
| 252                         | Report on subsidiary companies   |
| 253                         | Principal subsidiary companies   |
| 254                         | Principal associate companies,<br>joint ventures and other investments |
| 255                         | Convenience translation into US Dollars                                |
| 256                         | Statement of financial position<br>US Dollar convenience translation   |
| 257                         | Income statement<br>US Dollar convenience translation                  |
| 258                         | Statement of comprehensive income<br>US Dollar convenience translation |
| 259                         | Statement of changes in equity<br>US Dollar convenience translation    |
| 260                         | Statement of cash flows<br>US Dollar convenience translation           |
| 261                         | Financial summary and statistics<br>US Dollar convenience translation  |
| 262                         | Investor relations report  |
| 266                         | Glossary of terms and acronyms   |
| 268                         | Notice of annual general meeting                                       |
| 273                         | Form of proxy  |
| 274                         | Notes to the proxy   |
| IBC                         | Contact details and administration                                     |
| IBC                         | Forward looking statements   |



## Directors' responsibility

### Directors' responsibility for annual financial statements

The Company's Directors are responsible for the overall co-ordination of the preparation and fair presentation to shareholders of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Audit Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Company and Group annual financial statements. A description of the Audit Committee's functions is included in the Corporate Governance report on pages 151 to 162 of the Integrated Annual Report.

The Board considers that in preparing the financial statements the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements

and estimates in accordance with IFRS. The Directors are satisfied that the financial statements fairly present the results of operations and the financial position for the Group at year-end and that the additional information included in the Integrated Annual Report is accurate and consistent with the financial statements.

The responsibility of the external auditors, Ernst & Young Incorporated, is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of the Company and Group. The Audit Committee has satisfied itself that the external auditors were independent of the Company during the period under review.

The annual financial statements and Group annual financial statements on pages 175 to 261, were approved by the Board and are signed on its behalf by:

**Patrice Motsepe**  
*Executive Chairman*

**André Wilkens**  
*Chief Executive Officer*

Johannesburg  
15 October 2010

## Certificate of the Company Secretary

In my capacity as Company Secretary, I hereby confirm that, in terms of the Companies Act, for the year ended 30 June 2010, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

**Alyson D'Oyley**  
*Company Secretary*

Johannesburg  
15 October 2010

## Report of the Audit Committee

This report is provided by the Audit Committee appointed in respect of the 2010 financial year of ARM in compliance with Section 270A of the Companies Act, 1973, as amended (the Act).

Information on the membership and composition of the Audit Committee, its Terms of Reference and its procedures are described more fully in the Corporate Governance report on pages 156 to 157 of the Integrated Annual Report, of which the annual financial statements form a part.

### Execution of functions of the Audit Committee

The Audit Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference as they relate to ARM's accounting, internal auditing, internal control and financial reporting practices.

During the year under review:

In respect of the external auditor and the external audit, the Audit Committee, *inter alia*:

- ensured that the appointment of the external auditor complied with the Act and all applicable legal and regulatory requirements for the appointment of auditor. The Audit Committee confirms that the external auditor and designated auditor are accredited by the JSE;
- approved the external audit plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit, evaluated the effectiveness of the auditor and their independence;
- obtained an annual written statement from the auditor that their independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor;
- pre-approved all permissible non-audit services provided by the external auditor in terms of its Policy on the Approval of Audit Services and the Pre-Approval of Non-Audit Services; and
- nominated Ernst & Young Inc. as the external auditor and Mr E A L Botha as the designated auditor to the shareholders for appointment for the financial year ending 30 June 2011. It will be Mr Botha's first year as designated auditor of the Company.

In respect of the financial statements, the Audit Committee, *inter alia*:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- examined and reviewed the interim and annual financial statements, as well as all financial information, disclosed to the public prior to submission and approval by the Board;
- ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and prospects of the

Company and of the Group;

- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- considered management's recommendation to the Board on the dividend paid to shareholders; and
- met separately with management, external audit and internal audit.

In respect of internal control and internal audit, the Audit Committee, *inter alia*:

- reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal auditor;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control, including financial controls, business risk management and maintaining effective internal control systems;
- reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings; and
- based on the above, we formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

In respect of risk management, the Audit Committee, in its oversight role of the Management Risk Committee:

- reviewed the Enterprise Risk Management Framework setting out ARM's policies on risk assessment and risk management; and
- considered and reviewed the findings and recommendations of the Management Risk Committee.

In respect of legal and regulatory requirements to the extent that they may have an impact on the financial statements, the Audit Committee, *inter alia*:

- reviewed with management, and to the extent deemed necessary, internal and/or external counsel legal matters that could have a material impact on the Company;
- monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

The Audit Committee also considered the experience and expertise of the Financial Director and concluded that these were appropriate.

### Independence of external auditor

The Audit Committee is satisfied that Ernst & Young Inc. is independent of ARM. The conclusion was arrived at, *inter alia*, after taking into account the following factors:

- representations made by Ernst & Young Inc. to the Audit Committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company;
- the external auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor; and
- the external auditor's independence was not prejudiced as a result of any previous appointment as auditor.

Following our review of the annual financial statements for the year ended 30 June 2010, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Act and International Financial Reporting Standards as issued by the International Accounting Standards Board, and fairly present the consolidated and separate results of operations, cash flows, and the financial position of ARM. On this basis, the Audit Committee recommended the consolidated and separate annual financial statements of ARM as set out in the Integrated Annual Report for approval to the Board. The Board subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

On behalf of the Audit Committee

**Michael W King**

*Chairman of the Audit Committee*

15 October 2010

## Report of the independent auditors

### TO THE MEMBERS OF AFRICAN RAINBOW MINERALS LIMITED

#### Report on the financial statements

We have audited the annual financial statements and Group annual financial statements of African Rainbow Minerals Limited, which comprises the Directors' report, the statements of financial position as at 30 June 2010, the income statements, the statements of changes in equity, the statements of comprehensive income, statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 179 to 254.

#### Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 30 June 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*Ernst & Young Inc.*

Registered Auditor

Johannesburg

15 October 2010

## Directors' report

The Directors have pleasure in presenting their report on the annual financial statements of African Rainbow Minerals Limited (ARM or the Company) for the year ended 30 June 2010.

### Nature of business

African Rainbow Minerals Limited (ARM) is a niche, diversified South African mining company with excellent long-life, low-cost operating assets in key commodities. ARM, its subsidiaries, joint ventures and associates explore, develop, operate and hold interests in the mining and minerals industry. The current operational focus is on precious metals, ferrous metals and alloys, which include platinum group metals, nickel, iron ore, manganese ore, chrome ore, ferromanganese and ferrochrome alloys. ARM has an investment in Harmony. ARM's partners at the various South African operations are Anglo Platinum, Assore, Impala Platinum, Norilsk Nickel and Xstrata Coal South Africa.

ARM's assets in the rest of Africa are held in a 50:50 joint venture with Vale, which agreement was concluded in March 2009, and consist of development projects and exploration areas, including a copper development in Zambia and a copper/cobalt project in the Democratic Republic of Congo (DRC).

### Holding company

The Company's largest shareholder is African Rainbow Minerals & Exploration Investments (Proprietary) Limited (ARMI), holding 41.26% of the issued ordinary share capital as at 30 June 2010. The sole shareholder of ARMI is a company which is owned by trusts established for the benefit of Mr Patrice Motsepe and that of his immediate family.

ARM is one of the largest black-controlled mineral resources companies in South Africa. ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act, and the Broad-Based Socio-Economic Charter for the South African Mining Industry (the Mining Charter). To this end and for the benefit of historically disadvantaged South Africans (HDSAs), the Company has created the ARM Broad-Based Economic Empowerment Trust (BBEE Trust). A rigorous process of allocating 20.4 million shares equivalent to approximately 10% of ARM's issued share capital to various trust beneficiaries, which includes several South African communities and leaders, church groups, union representatives, a women's upliftment trust and seven regional upliftment trusts, has been completed. The BBEE Trust has been able to distribute R8.9 million to beneficiaries during the past year arising from ARM's Dividend No 3.

### Review of operations

The reader is referred to reviews by the Executive Chairman, the Chief Executive Officer, the Financial Director and the review of operations, which report on the Group's activities and results for the year ended 30 June 2010, on pages 10 to 76.

### Corporate governance

The Board is committed to high standards of corporate governance. These standards are evident throughout the Company in systems of internal controls, practices, policies and procedures. They provide the framework for innovation while ensuring the sustainability of the business. The Board continuously reviews governance matters and control systems to ensure that these are in line with international best practices. The Board considers that for the year under review, the Company complied with King II, with the exceptions noted in the Corporate Governance report on pages 151 to 162.

The process is underway to comply with King III by 30 June 2011.

### Financial results

The annual financial statements and Group annual financial statements and accounting policies appear on pages 175 to 261 of this report. The results for the year ended 30 June 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, in the manner required by the Companies Act, as amended, and the JSE Listings Requirements. The annual and Group financial statements fairly present the state of affairs of the Company and of the Group and adequate accounting records have been maintained.

### Borrowings and cash

Total interest-bearing borrowings at 30 June 2010 amounted to R3.3 billion, which are at slightly lower levels than F2009 (R3.7 billion). Cash and cash equivalents decreased by R0.5 billion to R3.0 billion at 30 June 2010. As a result, the net debt to equity percentage increased to 1.7% (F2009: 1.4%).

ARM's borrowing powers are in accordance with its Articles of Association and are unlimited subject to any regulation that may be made by the Company in general meeting. There are at present no such regulations.

### Going concern

To make a determination as to whether the Company is considered to be a going concern, the Directors have considered facts and assumptions, including the Company's cash flow forecasts for the period to the end of June 2011. The Board believes that the Company has adequate resources to continue business in the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

### Taxation

The latest tax assessment for the Company relates to the year ended June 2000.

All tax submissions up to and including June 2009 have been submitted. The assessments for 2001 to 2009 have not yet been issued by the South African Revenue Services (SARS). The tax return for June 2010 will be submitted during F2011.



## Directors' report continued

**Subsidiaries, joint ventures, associates and investments**

The Company's direct and indirect interests in its principal subsidiaries, joint ventures, associates and investments are reflected in separate schedules presented on pages 252 to 254.

**Dividend**

The fourth annual dividend declared on 30 August 2010 amounts to a distribution of R425 million. The dividend was paid to shareholders on 27 September 2010. The Board determined that the capital remaining after the payment of the dividend is sufficient to support current operations and sustain the business.

**Capital expenditure**

Capital expenditure for F2010 amounted to R2.7 billion (F2009: R3.3 billion). Full details are set out in the Financial review on pages 20 to 25 and in the Operational reviews on pages 30 to 76.

**Events after the reporting period**

There have been no significant events after 30 June 2010 which required adjustment to the provisional results to 30 June 2010.

**Share capital**

The share capital of the Company, both authorised and issued, is set out in note 13 to the annual financial statements. No share repurchases took place during the year under review.

**Shareholder analysis**

A comprehensive analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 5% of the ordinary shares of the Company at 30 June 2010, is set out in the Investor Relations report on pages 262 to 265.

**Directorate**

The composition of the Board is set out on page 151. *Curricula vitae* may be found on pages 170 to 171.

Mr Max V Sisulu resigned as an Independent Non-executive Director on 7 August 2009. On 1 August 2009, Mr Mike Arnold was appointed Financial Director, Mr Frank Abbott, the former Financial Director became a Non-executive Director and Mr Anton D Botha was appointed as an Independent Non-executive Director. The Nomination Committee determined that Mr Z Bernard Swanepoel, a Non-executive Director, became an Independent Non-executive Director on 6 August 2010, three years subsequent to his resignation from Harmony.

The Articles of Association provide for one-third of the previously elected Directors to retire by rotation. The Directors affected by this requirement are Messrs W M Gule, M W King, A K Maditsi, K S Mashalane and J C Steenkamp and Dr M M M Bakane-Tuoane.

**Interests of Directors**

The direct and indirect beneficial and non-beneficial interests of the Directors of the Company in the issued share capital of the Company at 30 June 2010 were as follows:

|             | 30 June 2010 |                |            |                | 30 June 2009 |                |            |                |
|-------------|--------------|----------------|------------|----------------|--------------|----------------|------------|----------------|
|             | Direct       |                | Indirect   |                | Direct       |                | Indirect   |                |
|             | Beneficial   | Non-beneficial | Beneficial | Non-beneficial | Beneficial   | Non-beneficial | Beneficial | Non-beneficial |
| P T Motsepe | –            | –              | 87 750 417 | –              | –            | –              | 87 750 417 | –              |
| A D Botha*  | –            | –              | 10 000     | –              | –            | –              | –          | –              |
| L A Shiels  | 2 000        | –              | –          | –              | 2 000        | –              | –          | –              |
| Total       | 2 000        | –              | 87 760 417 | –              | 2 000        | –              | 87 750 417 | –              |

\* Between 30 June 2010 and the date of this report, Mr Botha acquired an indirect, beneficial interest of an additional 5 000 shares in the Company.

The Directors of the Company declare their interest in any transactions with the Company. No material contracts involving Directors' interests were entered into during the year under review.

## Directors' remuneration

### Executive Directors and senior executives

The remuneration of Executive Directors and senior executives consists of base salaries, annual cash incentives, and long-term (share-based) incentives. With the exception of Mr Frank Abbott, the former Financial Director who received Directors' fees during his secondment to Harmony, Executive Directors do not receive Directors' fees. Additional information regarding the fixed and variable components of Executive Directors' remuneration packages are detailed in the Remuneration report found on pages 163 to 167.

The table below sets out the emoluments paid during the year ended 30 June 2010 to Executive Directors and the three most highly-paid senior executives who are not Directors.

### Emoluments paid to Executive Directors and three senior executives

| All figures in R000                  | Salary | Accrued bonus | Pension scheme contributions | Allowances | Total F2010   | Total F2009 |
|--------------------------------------|--------|---------------|------------------------------|------------|---------------|-------------|
| <b>Executive Directors</b>           |        |               |                              |            |               |             |
| P T Motsepe                          | 5 891  | 5 754         |                              | 70         | 11 715        | 6 745       |
| A J Wilkens                          | 4 862  | 6 808         | 567                          | 724        | 12 961        | 6 977       |
| M Arnold*                            | 2 060  | 2 924         | 229                          | 279        | 5 492         | n/a         |
| W M Gule                             | 1 828  | 2 468         | 208                          | 370        | 4 874         | 2 505       |
| K S Mashalane                        | 2 049  | 2 409         | 177                          | 219        | 4 854         | 2 520       |
| L A Shiels                           | 1 817  | 2 468         | 238                          | 293        | 4 816         | 2 472       |
| J C Steenkamp                        | 3 172  | 4 890         | 403                          | 599        | 9 064         | 4 365       |
| <b>Total for Executive Directors</b> |        |               |                              |            | <b>53 776</b> | 25 584      |
| <b>Senior Executives**</b>           | 5 301  | 7 334         | 536                          | 796        | <b>13 967</b> | –           |

\* Mr Arnold was appointed to the Board on 1 August 2009, subsequent to the F2009 year-end.

\*\* The Company has not previously reported emoluments paid to the three most highly-paid senior executives who are not Directors.

The accrued bonuses indicated for F2010 are based upon performance in F2010.

The Company enters into employment agreements with Executive Directors and senior executives on a total cost-to-company basis. Executive Directors and senior executives structure their total salary packages to allow for pension contributions, medical aid contributions, travel allowances and other benefits in accordance with their individual requirements.

Bonuses paid to executives were substantially higher in F2010 relative to F2009. In F2010, ARM increased volumes substantially and unit controllable costs were mostly down, thus justifying the higher bonuses. Rand metal prices were higher than those planned and, in spite of a stronger than anticipated Rand, those prices also contributed to profits exceeding budget. In F2010, the Company delivered on its aggressive 2 x 2010 growth strategy.

In F2009, profits were substantially below budget mostly due to lower than expected Rand metal prices. This resulted in the very low bonuses.

## Directors' report continued

**Non-executive Directors**

The remuneration of Non-executive Directors consists of Directors' fees. Board and committee retainers and attendance fees are paid quarterly and in arrears. Mr Frank Abbott, the former Financial Director and a Non-executive Director since 1 August 2009, received Directors' fees during his secondment to Harmony. The Board and committee fees may be found on pages 166 and 167.

The Board has agreed to recommend an increase in Non-executive Directors' fees, effective from 1 July 2010, to ensure that Non-executive Directors' fees remain competitive. The Board further agreed to recommend the introduction of a fee payable to the Lead Independent Non-executive Director for chairing the quarterly *in camera* meetings of Non-executive Directors. At the Annual General Meeting, shareholders will be requested to approve the increase in Directors' fees and the Lead Independent Non-executive Director fee, as set out in the Notice of Annual General Meeting.

The table below sets out the emoluments paid to Non-executive Directors during the year ended 30 June 2010.

**Emoluments paid to Non-executive Directors**

| All figures in R000                        | Board and committee fees | Consultancy fees | Out of office payments | Total F2010  | Total F2009  |
|--|--------------------------|------------------|------------------------|--------------|--------------|
| <b>Non-executive Directors<sup>1</sup></b> |                          |                  |                        |              |              |
| Dr M M M Bakane-Tuoane                     | 667                      |                  |                        | 667          | 503          |
| F Abbott <sup>2</sup>                      | 326                      |                  |                        | 326          | 260          |
| A D Botha <sup>3</sup>                     | 383                      |                  |                        | 383          | n/a          |
| J A Chissano                               | 322                      | 500              |                        | 822          | 810          |
| M W King                                   | 902                      |                  |                        | 902          | 680          |
| A K Maditsi                                | 561                      |                  |                        | 561          | 466          |
| J R McAlpine                               | 595                      |                  |                        | 595          | 473          |
| R P Menell <sup>4</sup>                    | —                        |                  |                        | —            | 128          |
| Dr R V Simelane                            | 651                      |                  |                        | 651          | 507          |
| M V Sisulu <sup>5</sup>                    | 28                       |                  |                        | 28           | 286          |
| Z B Swanepoel                              | 407                      |                  |                        | 407          | 370          |
| <b>Total</b>                               | <b>4 842</b>             | <b>500</b>       |                        | <b>5 342</b> | <b>4 483</b> |
| <b>All figures in US\$000s</b>             |                          |                  |                        |              |              |
| <b>Paid by subsidiary<sup>6</sup></b>      |                          |                  |                        |              |              |
| J A Chissano                               |                          |                  |                        | —            | 70           |
| R P Menell <sup>4</sup>                    |                          |                  |                        | —            | 1 062        |
| M W King                                   |                          |                  |                        | —            | 88           |
| <b>Total</b>                               |                          |                  |                        | <b>—</b>     | <b>1 220</b> |

<sup>1</sup> Payments for the reimbursement of out-of-pocket expenses have been excluded.

<sup>2</sup> Mr Abbott received Directors' fees during his secondment to Harmony. His full salary and bonus to 31 December 2009 were recovered from Harmony. He became a Non-executive Director of ARM on 1 August 2009.

<sup>3</sup> Mr Botha was appointed on 1 August 2009 subsequent to the F2009 year-end.

<sup>4</sup> Mr Menell retired on 28 November 2008.

<sup>5</sup> Mr Sisulu resigned on 7 August 2009.

<sup>6</sup> Fees payable by the subsidiary to Messrs Motsepe, Wilkens and Abbott, ARM Executive Directors, were paid to ARM.

## Performance shares

Conditional awards of full value ARM shares are made to Executive Directors pursuant to The African Rainbow Minerals 2008 Share Plan (the Share Plan). The shares only vest after a three-year period subject to the Company's achievement of a weighted combination of performance measures over this period. On 3 December 2011, the first performance shares awarded under the Share Plan will vest, subject to the fulfilment of the conditions.

The total number of performance shares awarded in October 2009 and April 2010 was 128 530. During the year under review, 332 performance shares, held by employees who either retired or were retrenched during the year, were settled and 3 610 performance shares were forfeited. The total number of performance shares as at 30 June 2010 was 262 553.

Between 30 June 2010 and the date of this report, no performance shares were settled and 5 900 performance shares were forfeited.

The number of performance shares awarded to Executive Directors is summarised below.

### Performance shares

| Executive Directors                                     | P T Motsepe      | F Abbott <sup>2</sup> | M Arnold <sup>3</sup> | W M Gule     | K S Mashalane | L A Shiels   | J C Steenkamp | A J Wilkens   |
|---|------------------|-----------------------|-----------------------|--------------|---------------|--------------|---------------|---------------|
|   | Number of shares |                       |                       |              |               |              |               |               |
| Opening balance as at 1 July 2009                       | 20 448           | 5 250                 | 3 663                 | 4 101        | 4 278         | 4 090        | 9 167         | 20 564        |
| Performance shares awarded 15 October 2009 <sup>1</sup> | 13 079           | –                     | 4 383                 | 2 623        | 2 736         | 2 616        | 5 864         | 13 154        |
| <b>Closing balance as at 30 June 2010</b>               | <b>33 527</b>    | <b>5 250</b>          | <b>8 046</b>          | <b>6 724</b> | <b>7 014</b>  | <b>6 706</b> | <b>15 031</b> | <b>33 718</b> |

<sup>1</sup> Vesting date 16 October 2012 (conditional on performance measures).

<sup>2</sup> Mr Abbott retired as the Financial Director on 1 August 2009 and remains a Non-executive Director.

<sup>3</sup> Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

The number of performance shares awarded to the three most highly-paid senior executives is summarised below.

### Performance shares

#### Senior executives

|   | Number of shares |
|---|------------------|
| Opening balance as at 1 July 2009                       | 10 877           |
| Performance shares awarded 15 October 2009 <sup>1</sup> | 7 064            |
| <b>Closing balance as at 30 June 2010</b>               | <b>17 941</b>    |

<sup>1</sup> Vesting date 16 October 2012 (conditional on performance measures).

## Directors' report continued

**Bonus shares**

Pursuant to the Share Plan, executives receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares are only settled to participants after three years, conditional on continued employment. On 3 December 2011, the first bonus shares granted under the Share Plan will vest, subject to the fulfilment of the conditions.

The total number of bonus shares granted in October 2009 was 11 479. During the year under review, 1 703 bonus shares, held by employees who either retired or were retrenched during the year, were settled and 2 414 bonus shares were forfeited. The total number of bonus shares as at 30 June 2010 was 130 045.

Between 30 June 2010 and the date of this report, no bonus shares were settled or forfeited.

The number of bonus shares granted to Executive Directors is summarised below.

**Bonus shares**

| Executive Directors                               | P T Motsepe      | F Abbott <sup>2</sup> | M Arnold <sup>3</sup> | W M Gule     | K S Mashalane | L A Shiels   | J C Steenkamp | A J Wilkens   |
|---|------------------|-----------------------|-----------------------|--------------|---------------|--------------|---------------|---------------|
|   | Number of shares |                       |                       |              |               |              |               |               |
| Opening balance as at 1 July 2009                 | 20 445           | 5 397                 | 4 217                 | 4 325        | 3 626         | 4 228        | 8 704         | 13 468        |
| Bonus shares granted 15 October 2009 <sup>1</sup> | 2 919            | —                     | 523                   | 585          | 450           | 584          | 1 152         | 2 935         |
| <b>Closing balance as at 30 June 2010</b>         | <b>23 364</b>    | <b>5 397</b>          | <b>4 740</b>          | <b>4 910</b> | <b>4 076</b>  | <b>4 812</b> | <b>9 856</b>  | <b>16 403</b> |

<sup>1</sup> Vesting date 16 October 2012.

<sup>2</sup> Mr Abbott retired as the Financial Director on 1 August 2009 and remains a Non-executive Director.

<sup>3</sup> Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

The number of bonus shares granted to the three most highly-paid senior executives is summarised below.

**Bonus shares****Senior executives**

|   | Number of shares |
|---|------------------|
| Opening balance as at 1 July 2009                 | 10 660           |
| Bonus shares granted 15 October 2009 <sup>1</sup> | 1 352            |
| <b>Closing balance as at 30 June 2010</b>         | <b>12 012</b>    |

<sup>1</sup> Vesting date 16 October 2012.



## Share option scheme

Annual allocations of share options in terms of The African Rainbow Minerals Share Incentive Scheme (the Scheme) are made to Executive Directors and senior executives, but at a much reduced scale following the adoption of the Share Plan. Schedules of share option entitlements accruing to Executive Directors and the three most highly-paid senior executives and the transactions that occurred during the year to 30 June 2010 are set out below.

### Schedule of share option entitlements

| Executive Directors                                   | P T Motsepe      |              | F Abbott <sup>2</sup> |               | M Arnold <sup>3</sup> |              | W M Gule       |              |
|---|------------------|--------------|-----------------------|---------------|-----------------------|--------------|----------------|--------------|
|   | No of options    | Avg price R  | No of options         | Avg price R   | No of options         | Avg price R  | No of options  | Avg price R  |
| Opening balance as at 1 July 2009                     | 1 040 200        | 50.16        | 220 263               | 82.17         | 138 062               | 86.21        | 199 355        | 71.59        |
| Options granted                                       | 10 707           | 155.20       |                       |               | 5 316                 | 155.20       | 4 771          | 155.20       |
| Options exercised                                     |                  |              | 169 112               |               |                       |              | 63 952         |              |
| Average issue price per option                        |                  |              |                       | 67.13         |                       |              |                | 61.27        |
| Gross sale price per option                           |                  |              |                       | 193.45        |                       |              |                | 176.12       |
| Options forfeited and lapsed                          | –                |              | –                     |               | –                     |              | –              |              |
| <b>Closing balance as at 30 June 2010<sup>1</sup></b> | <b>1 050 907</b> | <b>51.23</b> | <b>51 151</b>         | <b>131.93</b> | <b>143 378</b>        | <b>88.77</b> | <b>140 174</b> | <b>79.15</b> |
| Grant date of options                                 |                  |              |                       |               |                       |              |                |              |
| 15 December 2004                                      | 550 000          | 27.00        |                       |               | 4 001                 | 27.00        | 35 000         | 27.00        |
| 10 October 2005                                       | 133 784          | 37.00        |                       |               | 13 264                | 37.00        | 10 573         | 37.00        |
| 1 November 2006                                       | 254 468          | 73.99        |                       |               | 88 888                | 73.99        | 49 024         | 73.99        |
| 16 October 2007                                       | 85 880           | 139.73       | 41 982                | 139.73        | 21 598                | 139.73       | 33 646         | 139.73       |
| 21 May 2008   |                  |              |                       |               | 3 914                 | 279.50       |                |              |
| 5 December 2008                                       | 16 068           | 96.20        | 9 169                 | 96.20         | 6 397                 | 96.20        | 7 160          | 96.20        |
| 15 October 2009                                       | 10 707           | 155.20       |                       |               | 5 316                 | 155.20       | 4 771          | 155.20       |

| Executive Directors                                   | K S Mashalane  |              | L A Shiels     |              | J C Steenkamp  |              | A J Wilkens    |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|   | No of options  | Avg price R  | No of options  | Avg price R  | No of options  | Avg price R  | No of options  | Avg price R  |
| Opening balance as at 1 July 2009                     | 169 657        | 83.37        | 264 104        | 56.23        | 292 381        | 79.52        | 634 460        | 58.95        |
| Options granted                                       | 4 978          | 155.20       | 4 759          | 155.20       | 8 000          | 155.20       | 12 668         | 155.20       |
| Options exercised                                     | 55 283         |              | 21 892         |              | 1 500          |              |                |              |
| Average issue price per option                        |                | 37.35        |                | 73.99        |                | 37.00        |                |              |
| Gross sale price per option                           |                | 181.96       |                | 158.31       |                | 196.00       |                |              |
| Options forfeited and lapsed                          | –              |              | –              |              | –              |              | –              |              |
| <b>Closing balance as at 30 June 2010<sup>1</sup></b> | <b>119 352</b> | <b>95.47</b> | <b>246 971</b> | <b>59.40</b> | <b>298 881</b> | <b>81.76</b> | <b>647 128</b> | <b>60.84</b> |
| Grant date of options                                 |                |              |                |              |                |              |                |              |
| 15 December 2004                                      |                |              |                |              |                |              | 216 313        | 27.00        |
| 15 June 2005  |                |              | 140 000        | 32.00        |                |              |                |              |
| 10 October 2005                                       |                |              |                |              | 52 635         | 37.00        | 112 865        | 37.00        |
| 1 November 2006                                       | 76 573         | 73.99        | 68 756         | 73.99        | 175 220        | 73.99        | 219 714        | 73.99        |
| 16 October 2007                                       | 30 330         | 139.73       | 26 314         | 139.73       | 51 020         | 139.73       | 66 557         | 139.73       |
| 5 December 2008                                       | 7 471          | 96.20        | 7 142          | 96.20        | 12 006         | 96.20        | 19 011         | 96.20        |
| 15 October 2009                                       | 4 978          | 155.20       | 4 759          | 155.20       | 8 000          | 155.20       | 12 668         | 155.20       |

<sup>1</sup> The latest expiry date is 15 October 2017.

<sup>2</sup> Mr Abbott retired as Financial Director on 1 August 2009 and remains as a Non-executive Director.

<sup>3</sup> Mr Arnold was appointed to the Board as the Financial Director on 1 August 2009.

## Directors' report continued

A schedule of share option entitlements accruing to the three most highly-paid senior executives and the transactions that occurred during the year to 30 June 2010 is set out below.

**Schedule of share option entitlements**

| Senior executives                          | No of options  | Avg price R   |
|--|----------------|---------------|
| Opening balance as at 1 July 2009          | 228 585        | 99.42         |
| Options granted                            | 12 851         | 155.20        |
| Options exercised                          | 60 298         |               |
| Average issue price per option             |                | 66.01         |
| Gross sale price per option                |                | 176.79        |
| Options forfeited and lapsed               | —              |               |
| <b>Closing balance as at 30 June 2010*</b> | <b>181 138</b> | <b>114.50</b> |
| Grant date of options                      |                |               |
| 10 October 2005                            | 1              | 37.00         |
| 1 November 2006                            | 59 978         | 73.99         |
| 16 October 2007                            | 89 314         | 139.73        |
| 5 December 2008                            | 18 994         | 96.20         |
| 15 October 2009                            | 12 851         | 155.20        |

\* The latest expiry date is 15 October 2017.

**Schedule of performance share vesting dates**

Performance shares vest on the third anniversary of the award date, subject to the Company's achievement of a weighted combination of performance measures.

|   | Number of shares |
|---|------------------|
| <b>Performance shares outstanding at 30 June 2010</b> | <b>262 553</b>   |
| Vesting on  |                  |
| 3 December 2011                                       | 129 963          |
| 18 March 2012   | 4 466            |
| 16 October 2012                                       | 123 429          |
| 26 April 2013   | 4 695            |

**Schedule of bonus share vesting dates**

Bonus shares vest on the third anniversary of the grant date, conditional on continued employment.

|   | Number of shares |
|---|------------------|
| <b>Bonus shares outstanding at 30 June 2010</b> | <b>130 045</b>   |
| Vesting on                                      |                  |
| 3 December 2011                                 | 118 092          |
| 18 March 2012                                   | 474              |
| 16 October 2012                                 | 11 479           |

**Vesting dates**

Schedules of vesting dates may be found below.

Options granted before 1 December 2008: No options may be exercised prior to the first anniversary of the issue date relative to such options. Up to a third of such options may be exercised each year until the third anniversary of the issue date.

Options granted after 1 December 2008: No options may be exercised prior to the third anniversary of the issue date relative to such options.

Options may not be exercised later than the eighth anniversary of the issue date, after which such options lapse.

**Schedule of option vesting dates**

|  |               | Number of options | Issue price per option |
|--|---------------|-------------------|------------------------|
| <b>Options outstanding at 30 June 2010</b> |               | <b>4 335 942</b>  | <b>R76.18</b>          |
| Vested                                     |               |                   |                        |
| 3  | May 2004      | 51 797            | R36.70                 |
| 17   | December 2005 | 183 333           | R27.00                 |
| 11   | October 2006  | 100 134           | R37.00                 |
| 17   | December 2006 | 313 074           | R27.00                 |
| 17   | June 2007     | 59 375            | R32.00                 |
| 11   | October 2007  | 132 971           | R37.00                 |
| 2  | November 2007 | 191 697           | R73.99                 |
| 17   | December 2007 | 496 086           | R27.00                 |
| 6  | June 2008     | 46 665            | R119.00                |
| 17   | June 2008     | 106 782           | R32.00                 |
| 11   | October 2008  | 174 588           | R37.00                 |
| 17   | October 2008  | 210 227           | R139.73                |
| 2  | November 2008 | 228 665           | R73.99                 |
| 16   | April 2009    | 13 821            | R271.00                |
| 22   | May 2009      | 1 304             | R279.50                |
| 6  | June 2009     | 46 665            | R119.00                |
| 17   | October 2009  | 212 195           | R139.73                |
| 2  | November 2009 | 502 971           | R73.99                 |
| 16   | April 2010    | 13 821            | R271.00                |
| 22   | May 2010      | 1 304             | R279.50                |
| 6  | June 2010     | 64 669            | R119.00                |
| Vesting on                                 |               |                   |                        |
| 17   | October 2010  | 213 818           | R139.73                |
| 2  | November 2010 | 253 116           | R139.73                |
| 16   | April 2011    | 13 824            | R271.90                |
| 22   | May 2011      | 1 306             | R279.50                |
| 6  | June 2011     | 17 999            | R119.00                |
| 2  | November 2011 | 253 144           | R73.99                 |
| 6  | December 2011 | 216 030           | R96.20                 |
| 18   | March 2012    | 11 110            | R120.80                |
| 6  | June 2012     | 18 002            | R119.00                |
| 16   | October 2012  | 180 641           | R155.20                |
| 27   | April 2013    | 4 808             | R195.60                |

## Share incentive movements

Total share incentives exercised and settled by participants under the Scheme and the Share Plan, respectively, together with any other plan, shall not exceed 10 581 294 shares. A schedule of share incentive movements is set out below.

### Share incentive movements

|   | Options          |                  | Performance shares* |                | Bonus shares*  |                |
|---|------------------|------------------|---------------------|----------------|----------------|----------------|
|   | F2010            | F2009            | F2010               | F2009          | F2010          | F2009          |
| Opening balance as at 30 June 2009        | 4 834 037        | 5 124 907        | 137 965             | –              | 122 683        | –              |
| Exercised                                 | (624 153)        | (511 945)        |                     |                |                |                |
| Settled                                   |                  |                  | (332)               | (865)          | (1 703)        | (8 827)        |
| Granted/awarded/granted                   | 185 952          | 249 292          | 128 530             | 146 650        | 11 479         | 132 308        |
| Forfeited                                 | (59 894)         | (28 217)         | (3 610)             | (7 820)        | (2 414)        | (798)          |
| <b>Closing balance as at 30 June 2010</b> | <b>4 335 942</b> | <b>4 834 037</b> | <b>262 553</b>      | <b>137 965</b> | <b>130 045</b> | <b>122 683</b> |

\* Conditional.

 Additional information regarding Directors' remuneration may be found in the Remuneration report on pages 163 to 167.

## External auditors

Ernst & Young Incorporated (E&Y) continued in office as external auditors for the Company. At the Annual General Meeting, shareholder approval will be sought for the reappointment of E&Y as ARM's external auditors for the 2011 financial year and confirmation of Mr E A L Botha as the individual registered auditor.

## Secretary

Ms Alyson D'Oyley is Company Secretary of ARM. Her business and postal addresses appear on the inside back cover of the report. Changes to the office of the Company Secretary during the year are set out on page 155.

## Special resolutions

No special resolutions were passed by ARM and its subsidiaries during the period 1 July 2009 to the date of this report.

## Listings

The Company's shares are listed on the JSE Limited (JSE) under General Mining.

An unsponsored Level 1 American Depositary Receipt programme is also available to investors for over-the-counter or private transactions.

## STRATE (Share Transactions Totally Electronic)

The Company's shares were dematerialised on 5 November 2001. Should shareholders wish to trade certificated ARM (previously Avmin) shares on the JSE they are urged to deposit them with a CSDP (Central Securities Depository Participant) or qualifying stockbroker, as soon as possible. Trading in the Company's shares on the JSE is only possible if they exist in electronic format in the STRATE environment. If members have any queries, they should contact the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, whose details are reflected on the inside back cover of this report.

## Convenience translation into United States Dollars

To assist users of this report, translations of convenience into United States Dollars are provided in the Company's financial statements. These translations are based upon average rates of exchange for income statement and cash flow statement items and at those rates prevailing at year-end for statement of financial position items. These statements are included on pages 255 to 261 and do not form part of the audited financial statements.

# Statements of financial position

at 30 June

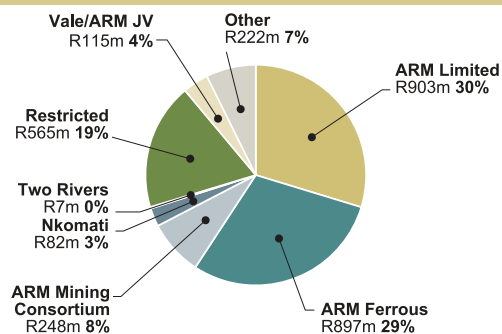
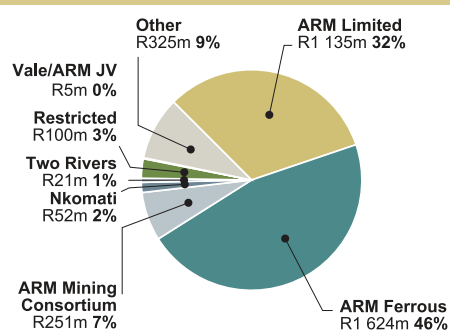
|   |       | Group         |               | Company       |               |
|---|-------|---------------|---------------|---------------|---------------|
|   | Notes | F2010<br>Rm   | F2009<br>Rm   | F2010<br>Rm   | F2009<br>Rm   |
| <b>Assets</b>                                       |       |               |               |               |               |
| <b>Non-current assets</b>                           |       |               |               |               |               |
| Property, plant and equipment                       | 3     | 13 256        | 11 500        | 1 933         | 1 477         |
| Investment property                                 | 4     | 12            | 12            | –             | –             |
| Intangible assets                                   | 5     | 212           | 213           | –             | –             |
| Deferred tax assets                                 | 15    | 44            | 32            | 43            | 32            |
| Loans and long-term receivables                     | 7     | 51            | 134           | 10            | 9             |
| Financial assets                                    | 8     | 84            | 78            | –             | –             |
| Inventories   | 10    | 148           | 169           | 15            | 35            |
| Investment in associate                             | 6     | 1 292         | 1 327         | 432           | 432           |
| Other investments                                   | 9     | 5 191         | 5 101         | 8 383         | 8 312         |
|   |       | 20 290        | 18 566        | 10 816        | 10 297        |
| <b>Current assets</b>                               |       |               |               |               |               |
| Inventories   | 10    | 1 834         | 1 854         | 65            | 54            |
| Trade and other receivables                         | 11    | 3 026         | 1 565         | 324           | 208           |
| Taxation  | 34    | 44            | 1             | –             | –             |
| Cash and cash equivalents                           | 12    | 3 039         | 3 513         | 1 047         | 1 266         |
|   |       | 7 943         | 6 933         | 1 436         | 1 528         |
| <b>Total assets</b>                                 |       | <b>28 233</b> | <b>25 499</b> | <b>12 252</b> | <b>11 825</b> |
| <b>Equity and liabilities</b>                       |       |               |               |               |               |
| <b>Capital and reserves</b>                         |       |               |               |               |               |
| Ordinary share capital                              | 13    | 11            | 11            | 11            | 11            |
| Share premium                                       | 13    | 3 803         | 3 759         | 3 803         | 3 759         |
| Other reserves                                      |       | 728           | 600           | 498           | 375           |
| Retained earnings                                   |       | 13 223        | 11 779        | 5 754         | 5 423         |
| <b>Equity attributable to equity holders of ARM</b> |       | <b>17 765</b> | <b>16 149</b> | <b>10 066</b> | <b>9 568</b>  |
| Non-controlling interest                            |       | 764           | 602           | –             | –             |
| <b>Total equity</b>                                 |       | <b>18 529</b> | <b>16 751</b> | <b>10 066</b> | <b>9 568</b>  |
| <b>Non-current liabilities</b>                      |       |               |               |               |               |
| Long-term borrowings                                | 14    | 2 582         | 1 364         | 784           | –             |
| Deferred tax liabilities                            | 15    | 2 961         | 2 277         | 407           | 312           |
| Long-term provisions                                | 16    | 500           | 401           | 131           | 111           |
|   |       | 6 043         | 4 042         | 1 322         | 423           |
| <b>Current liabilities</b>                          |       |               |               |               |               |
| Trade and other payables                            | 17    | 2 315         | 1 637         | 311           | 262           |
| Short-term provisions                               | 18    | 268           | 158           | 134           | 13            |
| Taxation  | 34    | 314           | 531           | 90            | 116           |
| Overdrafts and short-term borrowings                |       |               |               |               |               |
| – interest-bearing                                  | 19    | 764           | 2 380         | 38            | 1 152         |
| – non-interest-bearing                              | 19    | –             | –             | 291           | 291           |
|   |       | 3 661         | 4 706         | 864           | 1 834         |
| <b>Total equity and liabilities</b>                 |       | <b>28 233</b> | <b>25 499</b> | <b>12 252</b> | <b>11 825</b> |

# Income statements

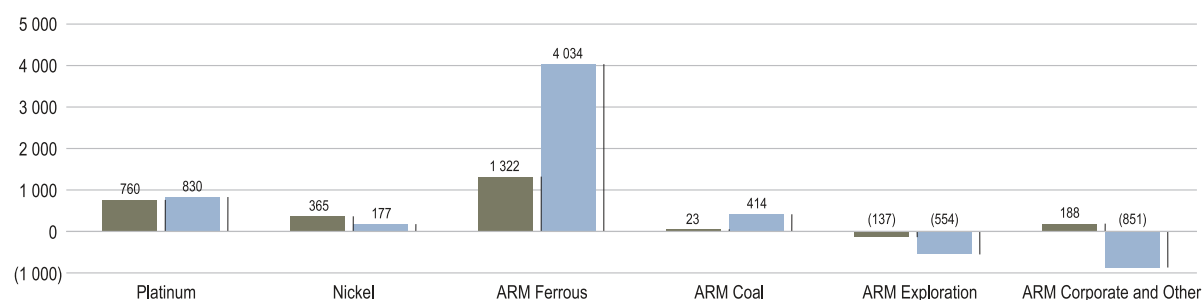
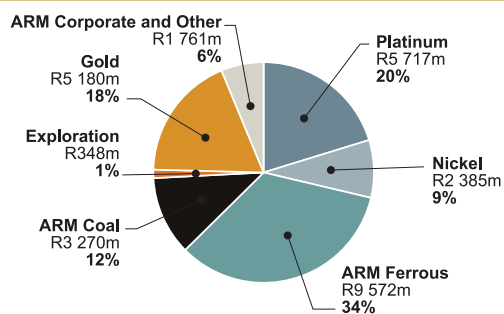
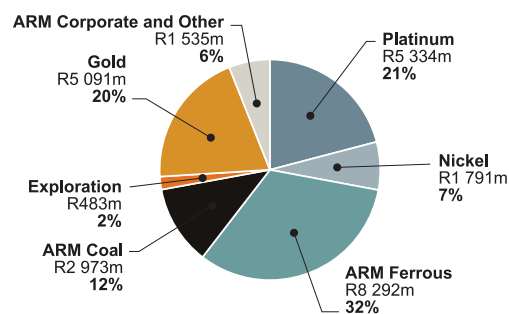
for the year ended 30 June

|  |       | Group          |             | Company      |             |
|--|-------|----------------|-------------|--------------|-------------|
|  | Notes | F2010<br>Rm    | F2009<br>Rm | F2010<br>Rm  | F2009<br>Rm |
| <b>Revenue</b>   | 22    | <b>11 425</b>  | 10 712      | <b>2 264</b> | 3 328       |
| <b>Sales</b>   | 22    | <b>11 022</b>  | 10 094      | <b>1 224</b> | 543         |
| Cost of sales  | 23    | <b>(7 480)</b> | (6 048)     | <b>(902)</b> | (493)       |
| <b>Gross profit</b>  |       | <b>3 542</b>   | 4 046       | <b>322</b>   | 50          |
| Other operating income   | 24    | <b>408</b>     | 916         | <b>417</b>   | 391         |
| Other operating expenses   | 25    | <b>(1 030)</b> | (1 255)     | <b>(520)</b> | (335)       |
| <b>Profit from operations before exceptional items</b>                                       | 26    | <b>2 920</b>   | 3 707       | <b>219</b>   | 106         |
| Income from investments  | 27    | <b>209</b>     | 414         | <b>679</b>   | 2 473       |
| Finance costs  | 28    | <b>(192)</b>   | (385)       | <b>(100)</b> | (176)       |
| (Loss)/income from associate*  | 6     | <b>(51)</b>    | 147         |              |             |
| <b>Profit before taxation and exceptional items</b>  |       | <b>2 886</b>   | 3 883       | <b>798</b>   | 2 403       |
| Exceptional items  | 29    | <b>97</b>      | 514         | <b>(2)</b>   | (54)        |
| <b>Profit before taxation</b>  |       | <b>2 983</b>   | 4 397       | <b>796</b>   | 2 349       |
| Taxation   | 30    | <b>(1 009)</b> | (1 727)     | <b>(94)</b>  | (72)        |
| <b>Profit for the year</b>   |       | <b>1 974</b>   | 2 670       | <b>702</b>   | 2 277       |
| <b>Attributable to:</b>  |       |                |             |              |             |
| Non-controlling interest   |       | <b>162</b>     | (198)       |              |             |
| Equity holders of ARM  |       | <b>1 812</b>   | 2 868       | <b>702</b>   | 2 277       |
|  |       | <b>1 974</b>   | 2 670       | <b>702</b>   | 2 277       |
| <b>Additional information</b>  |       |                |             |              |             |
| Headline earnings (R million)  | 32    | <b>1 714</b>   | 2 317       |              |             |
| Headline earnings per share (cents)  | 31    | <b>807</b>     | 1 094       |              |             |
| Basic earnings per share (cents)   | 31    | <b>854</b>     | 1 355       |              |             |
| Diluted headline earnings per share (cents)  | 31    | <b>798</b>     | 1 079       |              |             |
| Diluted basic earnings per share (cents)   | 31    | <b>844</b>     | 1 336       |              |             |
| Number of shares in issue at end of year (thousands)   |       | <b>212 692</b> | 212 068     |              |             |
| Weighted average number of shares in issue (thousands)                                       |       | <b>212 289</b> | 211 707     |              |             |
| Weighted average number of shares used in calculating diluted earnings per share (thousands) | 31    | <b>214 763</b> | 214 737     |              |             |
| Net asset value per share (cents)  | 31    | <b>8 352</b>   | 7 615       |              |             |
| EBITDA (R million)   |       | <b>3 907</b>   | 4 484       |              |             |
| * Exceptional items included in income from associate (R million)                            |       | <b>—</b>       | 27          |              |             |
| Dividend declared after year-end (cents per share)   | 31    | <b>200</b>     | 175         | <b>200</b>   | 175         |

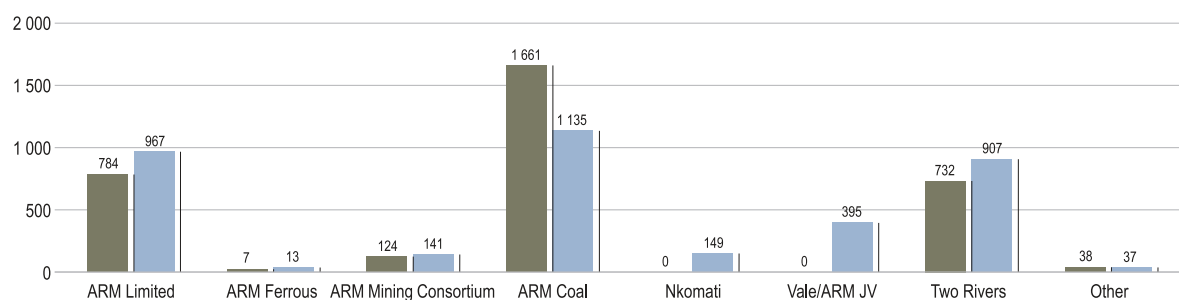


**Cash and cash equivalents – statement of financial position F2010 (R million)****Cash and cash equivalents – statement of financial position F2009 (R million)****Cash inflow/(outflow) from operating activities (R million) (refer note 2)**

■ F2010 ■ F2009

**Segment assets F2010 (R million) (refer note 2)****Segment assets F2009 (R million) (refer note 2)****Long- and short-term borrowings (R million) (refer notes 14 and 19)**

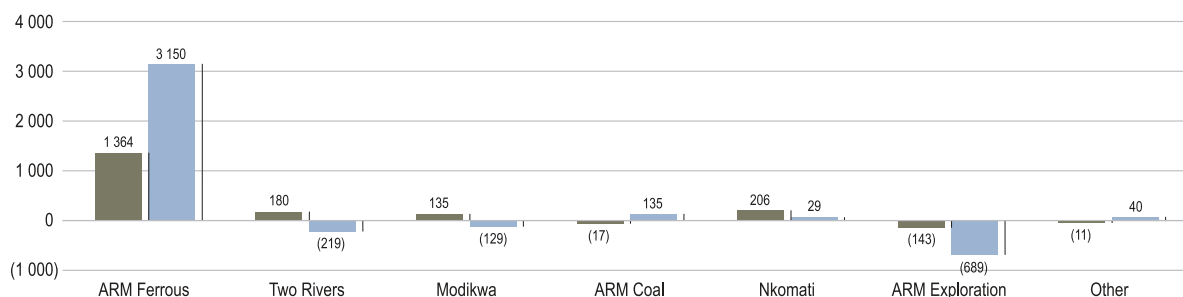
■ F2010 ■ F2009



### Headline earnings

(R million) (refer note 2)

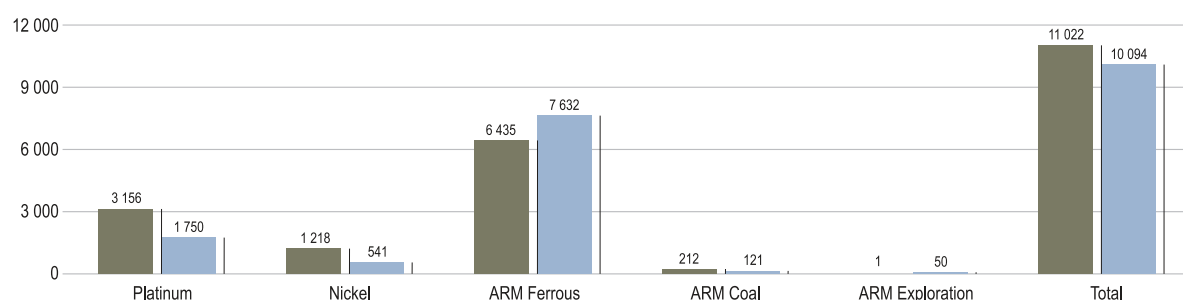
■ F2010 ■ F2009



### Sales

(R million) (refer note 2)

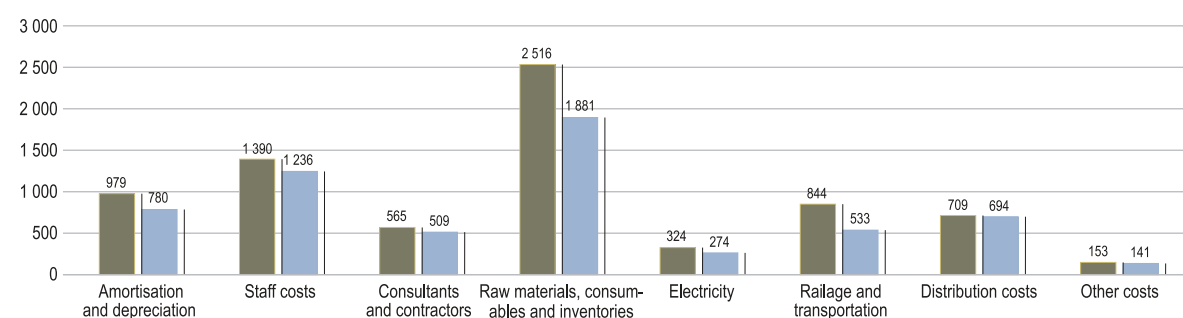
■ F2010 ■ F2009



### Cost of sales

(R million) (refer note 23)

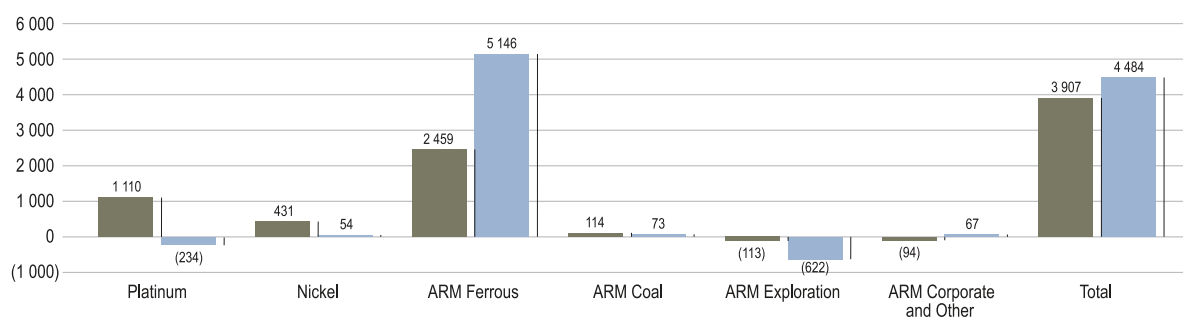
■ F2010 ■ F2009



### EBITDA

(R million) (refer note 2)

■ F2010 ■ F2009



## Statements of comprehensive income

for the year ended 30 June

|  |       | Group                                   |             |                            |  |                                       |              |
|--|-------|---|-------------|----------------------------|--|---------------------------------------|--------------|
|  | Notes | Available-<br>for-sale<br>reserve<br>Rm | Other<br>Rm | Retained<br>earnings<br>Rm | Total<br>share-<br>holders<br>of ARM<br>Rm | Non-<br>controlling<br>interest<br>Rm | Total<br>Rm  |
| <b>For the year ended 30 June 2009</b>                 |       |   |             |                            |  |                                       |              |
| Profit for the year                                    |       | –                                       | –           | 2 868                      | 2 868                                      | (198)                                 | <b>2 670</b> |
| Other comprehensive income                             |       |   |             |                            |  |                                       |              |
| Revaluation of listed investment                       | 9     | (954)                                   | –           | –                          | (954)                                      | –                                     | <b>(954)</b> |
| Deferred tax on revaluation of listed investment       |       | 134                                     | –           | –                          | 134  | –                                     | <b>134</b>   |
| Net impact of revaluation of listed investment         |       | (820)                                   | –           | –                          | (820)                                      | –                                     | <b>(820)</b> |
| Realignment of currency, including dilution<br>in TEAL |       | –                                       | (43)        | –                          | (43)                                       | –                                     | <b>(43)</b>  |
| Foreign currency translation reserve realised          |       | –                                       | 19          | –                          | 19   |                                       | <b>19</b>    |
| Other  |       | –                                       | 2           | –                          | 2  | –                                     | <b>2</b>     |
| Total other comprehensive income                       |       | (820)                                   | (22)        | –                          | (842)                                      | –                                     | <b>(842)</b> |
| <b>Total comprehensive income for the year</b>         |       | (820)                                   | (22)        | 2 868                      | 2 026                                      | (198)                                 | <b>1 828</b> |
| <b>For the year ended 30 June 2010</b>                 |       |   |             |                            |  |                                       |              |
| Profit for the year                                    |       | –                                       | –           | 1 812                      | 1 812                                      | 162                                   | <b>1 974</b> |
| Other comprehensive income                             |       |   |             |                            |  |                                       |              |
| Revaluation of listed investment                       | 9     | <b>89</b>                               | –           | –                          | <b>89</b>                                  | –                                     | <b>89</b>    |
| Deferred tax on revaluation of listed investment       |       | <b>(13)</b>                             | –           | –                          | <b>(13)</b>                                | –                                     | <b>(13)</b>  |
| Net impact of revaluation of listed investment         |       | <b>76</b>                               | –           | –                          | <b>76</b>                                  | –                                     | <b>76</b>    |
| Foreign exchange on loans to foreign Group entity      |       | –                                       | <b>(6)</b>  | –                          | <b>(6)</b>                                 | –                                     | <b>(6)</b>   |
| Cash flow hedge reserve                                |       | –                                       | <b>16</b>   | –                          | <b>16</b>                                  | –                                     | <b>16</b>    |
| Realignment of currency                                |       | –                                       | <b>(2)</b>  | –                          | <b>(2)</b>                                 | –                                     | <b>(2)</b>   |
| Total other comprehensive income                       |       | <b>76</b>                               | <b>8</b>    | –                          | <b>84</b>                                  | –                                     | <b>84</b>    |
| <b>Total comprehensive income for the year</b>         |       | <b>76</b>                               | <b>8</b>    | <b>1 812</b>               | <b>1 896</b>                               | <b>162</b>                            | <b>2 058</b> |

|  |       | Company                                 |                            |             |
|--|-------|---|----------------------------|-------------|
|  | Notes | Available-<br>for-sale<br>reserve<br>Rm | Retained<br>earnings<br>Rm | Total<br>Rm |
| <b>For the year ended 30 June 2009</b>           |       |   |                            |             |
| Profit for the year                              |       | –                                       | 2 277                      | 2 277       |
| Other comprehensive income                       |       |   |                            |             |
| Revaluation of listed investment                 | 9     | (954)                                   | –                          | (954)       |
| Deferred tax on revaluation of listed investment |       | 134                                     | –                          | 134         |
| Net impact of revaluation of listed investment   |       | (820)                                   | –                          | (820)       |
| Total other comprehensive income                 |       | (820)                                   | –                          | (820)       |
| <b>Total comprehensive income for the year</b>   |       | (820)                                   | 2 277                      | 1 457       |
| <b>For the year ended 30 June 2010</b>           |       |   |                            |             |
| Profit for the year                              |       | –                                       | 702                        | 702         |
| Other comprehensive income                       |       |   |                            |             |
| Revaluation of listed investment                 | 9     | 89                                      | –                          | 89          |
| Deferred tax on revaluation of listed investment |       | (13)                                    | –                          | (13)        |
| Net impact of revaluation of listed investment   |       | 76                                      | –                          | 76          |
| Total other comprehensive income                 |       | 76                                      | –                          | 76          |
| <b>Total comprehensive income for the year</b>   |       | 76                                      | 702                        | 778         |

## Statements of changes in equity

for the year ended 30 June

|  |       | Group                           |                                  |              |                         |                                  |                                |               |
|--|-------|---------------------------------|----------------------------------|--------------|-------------------------|----------------------------------|--------------------------------|---------------|
|  | Notes | Share capital and premium<br>Rm | Available-for-sale reserve<br>Rm | Other*<br>Rm | Retained earnings<br>Rm | Total share-holders of ARM<br>Rm | Non-controlling interest<br>Rm | Total<br>Rm   |
| <b>Balance at 30 June 2008</b>                                   |       | 3 744                           | 1 190                            | 176          | 9 766                   | 14 876                           | 800                            | <b>15 676</b> |
| Profit for the year  |       | –                               | –                                | –            | 2 868                   | 2 868                            | (198)                          | <b>2 670</b>  |
| Other comprehensive income                                       |       | –                               | (820)                            | (22)         | –                       | (842)                            | –                              | <b>(842)</b>  |
| Total comprehensive income for the year                          |       | –                               | (820)                            | (22)         | 2 868                   | 2 026                            | (198)                          | <b>1 828</b>  |
| Share-based payments   |       | –                               | –                                | 64           | –                       | 64                               | –                              | <b>64</b>     |
| Share options paid in cash                                       |       | –                               | –                                | (25)         | –                       | (25)                             | –                              | <b>(25)</b>   |
| Share options exercised  |       | 13                              | 26                               | –            | –                       | 26                               | –                              | <b>26</b>     |
| Share appreciation rights: TEAL – non-controlling interest share |       |                                 | –                                | –            | 14                      | –                                | 14                             | <b>14</b>     |
| Premium paid on purchase in non-controlling interest             |       |                                 | –                                | –            | 15                      | –                                | 15                             | <b>15</b>     |
| Dividend paid  |       | 31                              | –                                | –            | –                       | (847)                            | –                              | <b>(847)</b>  |
| Other  |       |                                 | –                                | –            | 8                       | (8)                              | –                              | <b>–</b>      |
| <b>Balance at 30 June 2009</b>                                   |       | 3 770                           | 370                              | 230          | 11 779                  | 16 149                           | 602                            | <b>16 751</b> |
| Profit for the year  |       | –                               | –                                | –            | 1 812                   | 1 812                            | 162                            | <b>1 974</b>  |
| Other comprehensive income                                       |       | –                               | 76                               | 8            | –                       | 84                               | –                              | <b>84</b>     |
| Total comprehensive income for the year                          |       | –                               | 76                               | 8            | 1 812                   | 1 896                            | 162                            | <b>2 058</b>  |
| Share-based payments   |       |                                 | –                                | –            | 47                      | –                                | 47                             | <b>47</b>     |
| Share options exercised  |       | 13                              | 44                               | –            | –                       | 44                               | –                              | <b>44</b>     |
| Dividend paid  |       | 31                              | –                                | –            | –                       | (371)                            | –                              | <b>(371)</b>  |
| Other  |       |                                 | –                                | –            | (3)                     | 3                                | –                              | <b>–</b>      |
| <b>Balance at 30 June 2010</b>                                   |       | <b>3 814</b>                    | <b>446</b>                       | <b>282</b>   | <b>13 223</b>           | <b>17 765</b>                    | <b>764</b>                     | <b>18 529</b> |

|  | F2010 Rm   | F2009 Rm   | F2008 Rm   |
|--|------------|------------|------------|
| * Other reserves consist of the following:           |            |            |            |
| General reserve                                      | 32         | 32         | 32         |
| Insurance contingency                                | 15         | 18         | 8          |
| Share-based payments                                 | 267        | 220        | 167        |
| Cash flow hedge reserve                              | 16         | –          | –          |
| Foreign exchange on loans to Group entity            | (6)        | –          | –          |
| Foreign currency translation reserve (FCTR)          | (28)       | (26)       | (2)        |
| Premium paid on purchase of non-controlling interest | (14)       | (14)       | (29)       |
| <b>Total</b>   | <b>282</b> | <b>230</b> | <b>176</b> |



| Company                                 |       |                              |                               |            |                      |               |
|---|-------|------------------------------|-------------------------------|------------|----------------------|---------------|
|   | Notes | Share capital and premium Rm | Available-for-sale reserve Rm | Other* Rm  | Retained earnings Rm | Total Rm      |
| <b>Balance at 30 June 2008</b>          |       | 3 744                        | 984                           | 163        | 3 991                | <b>8 882</b>  |
| Profit for the year                     |       | –                            | –                             | –          | 2 277                | <b>2 277</b>  |
| Other comprehensive income              |       | –                            | (820)                         | –          | –                    | <b>(820)</b>  |
| Total comprehensive income for the year |       | –                            | (820)                         | –          | 2 277                | <b>1 457</b>  |
| Dividend paid                           | 31    | –                            | –                             | –          | (847)                | <b>(847)</b>  |
| Share-based payments                    |       | –                            | –                             | 49         | –                    | <b>49</b>     |
| Share options paid in cash              |       | –                            | –                             | (1)        | –                    | <b>(1)</b>    |
| Share options exercised                 | 13    | 26                           | –                             | –          | –                    | <b>26</b>     |
| Other                                   |       | –                            | –                             | –          | 2                    | <b>2</b>      |
| <b>Balance at 30 June 2009</b>          |       | 3 770                        | 164                           | 211        | 5 423                | <b>9 568</b>  |
| Profit for the year                     |       | –                            | –                             | –          | 702                  | <b>702</b>    |
| Other comprehensive income for the year |       | –                            | 76                            | –          | –                    | <b>76</b>     |
| Total comprehensive income for the year |       | –                            | 76                            | –          | 702                  | <b>778</b>    |
| Dividend paid                           | 31    | –                            | –                             | –          | (371)                | <b>(371)</b>  |
| Share-based payments                    |       | –                            | –                             | 47         | –                    | <b>47</b>     |
| Share options exercised                 | 13    | 44                           | –                             | –          | –                    | <b>44</b>     |
| <b>Balance at 30 June 2010</b>          |       | <b>3 814</b>                 | <b>240</b>                    | <b>258</b> | <b>5 754</b>         | <b>10 066</b> |

|  |                 |          |          |
|--|-----------------|----------|----------|
|  | <b>F2010 Rm</b> | F2009 Rm | F2008 Rm |
| * Other reserves consist of the following: |                 |          |          |
| General reserve                            | <b>35</b>       | 35       | 35       |
| Share-based payments                       | <b>223</b>      | 176      | 128      |
| Total                                      | <b>258</b>      | 211      | 163      |

# Statements of cash flows

for the year ended 30 June

|   |       | Group       |             | Company     |             |
|---|-------|-------------|-------------|-------------|-------------|
|   | Notes | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>Cash flow from operating activities</b>                        |       |             |             |             |             |
| Cash receipts from customers                                      |       | 9 992       | 13 432      | 1 524       | 930         |
| Cash paid to suppliers and employees                              |       | (6 562)     | (6 754)     | (1 043)     | (637)       |
| Cash generated from operations                                    | 33    | 3 430       | 6 678       | 481         | 293         |
| Interest received   |       | 176         | 406         | 103         | 204         |
| Interest paid   |       | (135)       | (328)       | (77)        | (177)       |
| Dividends received  |       | 33          | 118         | 532         | 2 269       |
| Dividend paid   |       | (371)       | (847)       | (371)       | (847)       |
| Taxation paid   | 34    | (612)       | (1 977)     | (48)        | (88)        |
| <b>Net cash inflow from operating activities</b>                  |       | 2 521       | 4 050       | 620         | 1 654       |
| <b>Cash flow from investing activities</b>                        |       |             |             |             |             |
| Additions to property, plant and equipment to maintain operations |       | (519)       | (927)       | (12)        | (5)         |
| Additions to property, plant and equipment to expand operations   |       | (1 981)     | (2 337)     | (551)       | (863)       |
| Proceeds on disposal of property, plant and equipment             |       | 13          | 9           | –           | –           |
| Proceeds/(cost) on disposal of 15% in TEAL                        | 35    | –           | 120         | –           | (53)        |
| Proceeds on disposal of Otjikoto                                  | 36    | 107         | –           | –           | –           |
| Decrease in investment loans and receivables                      |       | 56          | –           | 41          | 164         |
| <b>Net cash outflow from investing activities</b>                 |       | (2 324)     | (3 135)     | (522)       | (757)       |
| <b>Cash flow from financing activities</b>                        |       |             |             |             |             |
| Proceeds on exercise of share options                             |       | 44          | 27          | 44          | 27          |
| Share options settled in cash                                     |       | –           | (25)        | –           | (1)         |
| Long-term borrowings raised                                       |       | 848         | 259         | 609         | –           |
| Long-term borrowings repaid                                       |       | (834)       | (312)       | (800)       | (300)       |
| (Decrease)/increase in short-term borrowings                      |       | (787)       | (120)       | (172)       | 149         |
| <b>Net cash outflow from financing activities</b>                 |       | (729)       | (171)       | (319)       | (125)       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |       | (532)       | 744         | (221)       | 772         |
| Cash and cash equivalents at beginning of year                    |       | 3 325       | 2 594       | 1 230       | 458         |
| Foreign currency translation on cash balance                      |       | (2)         | (13)        | –           | –           |
| <b>Cash and cash equivalents at end of year</b>                   | 12    | 2 791       | 3 325       | 1 009       | 1 230       |
| Cash generated from operations per share (cents)                  | 31    | 1 616       | 3 154       | 227         | 138         |

# Notes to the financial statements

for the year ended 30 June

## 1 Accounting policies

### Statement of compliance

The consolidated Group and Company annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as adopted by the International Accounting Standards Board (IASB), requirements of the South African Companies Act, 1973 as amended, the AC 500 standards, as issued by the Accounting Practice Board or its successor and the Listings Requirements of the JSE Limited.

### Impact of new standards

During the current financial year, the following new and revised accounting standards were adopted by ARM but have had no financial impact on the financial statements other than as noted below and certain disclosure changes:

IAS 1: Presentation of Financial Statements

IAS 23: Borrowing Costs

IAS 27: Amendments to Consolidated and Separate Financial Statements

IAS 32: Amendments to IAS 32 – Financial Instruments: Presentation

IAS 39: Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedge items

IFRS 1 Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Cost of investment in a subsidiary, jointly controlled entity or associate

IFRS 2 Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

IFRS 3 Business Combinations

IFRS 7 Amendment to Financial Instruments: Disclosures

IFRS 8 Operating Segments

IFRIC 15 Agreements for the construction of real estate

IFRIC 16 Hedges of a net investment in a foreign operation

IFRIC 17 Distribution of non-cash assets

IFRIC 18 Transfer of assets from investments

Implication of adopting the above new standards on the Group and Company financial statements are as follows:

### IAS 1

The updated version of IAS 1 uses new titles for a number of the statements. In addition to the income statement, a new statement, called statement of comprehensive income is introduced.

### Financial impact on adopting IAS 27

The revised IAS 27 par 28 requires losses incurred by subsidiaries to be allocated to non-controlling shareholders for their share thereof. The effect of this change was a benefit of R21 million attributable after tax for the current year.

### IFRS 7

The revised IFRS 7 requires additional disclosures and the reader is referred to notes 2.4 and 37(g).

### IFRS 8

IFRS 8 has replaced IAS 14, however, this change did not have any effect as the operating segments in IFRS 8 are the same as the business segments in IAS 14 and are in line with the requirements of the Chief Operating Decision Maker (refer note 2).

None of the other new or revised standards had any impact on the Group or Company financial statements.

### Basis of preparation

The principal accounting policies as set out below are consistent in all material aspects with those applied in the previous years except for the above-mentioned new and revised standards and comply with IFRS.

The consolidated Group and Company financial statements have been prepared on the historical cost basis except for certain financial instruments that are fairly valued by market-to-market.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) unless otherwise indicated.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of African Rainbow Minerals Limited and its subsidiaries, joint ventures and associates at 30 June each year.

### Inter-company transactions and balances

Consolidation principles relating to the elimination of inter-company transactions and balances and adjustments for unrealised inter-company profits are applied in all intra-group dealings, for all transactions with subsidiaries, associated companies or joint ventures.

### Subsidiary companies

Subsidiary companies are investments in entities in which the Company has control over the financial and operating decisions of the entity.

Subsidiaries are consolidated in full from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases. Non-controlling interest represents the portion of income statement and equity not held by the Group and is presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance. Before 1 January 2009, losses in subsidiaries were carried by the Group only.

## Notes to the financial statements continued

Investments in subsidiaries in the Company financial statements are accounted for at cost less impairment.

### **Joint ventures**

Joint ventures are contractual agreements whereby the Group has joint control over the financial and operating policy decisions of the enterprise. The Group's attributable share of the assets, liabilities, income and expenses and cash flows of such jointly controlled entities are proportionately consolidated on a line-by-line basis in the Group financial statements.

Unincorporated joint ventures are consolidated in the Company financial statements on the same basis as above.

Jointly controlled entities are accounted for in the Company financial statements at cost less impairment (refer note 20).

### **Investment in an associate**

An associate is an investment in an entity in which the Group has significant influence and is neither a subsidiary nor a joint venture of the Group. At Group level investments in associates are accounted for using the equity method of accounting. Investments in the associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The income statement reflects the Group's share of the post-acquisition profit after tax of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment losses.

Investments in associates in the Company financial statements are accounted for at cost less impairment.

### **Business combinations**

The acquisition method of accounting is used to account for the acquisition of subsidiaries, joint ventures and associates by the Group. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition is expensed in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interest is measured at each business combination at either the proportionate share of the identifiable net assets or at fair value.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested for impairment on an annual basis. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

When an acquisition is achieved in stages and control is achieved the fair values of all the identifiable assets and liabilities are recognised. The difference between the previous equity held interest value and the current fair value for the same equity is recognised in the income statement.

When there is a change in the interest of a subsidiary that does not result in the loss of control, the difference between the fair value of the consideration transferred and the change in non-controlling interest is recognised directly in the statement of changes in equity.

### **Current taxation**

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantially enacted at statement of financial position date that are applicable to the taxable income. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax amounts are recognised directly in equity.

### **Deferred taxation**

A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability and its tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the reporting date and is not discounted.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax arising on investments in subsidiaries, associates and joint ventures is recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except for (a) where the VAT incurred on a purchase of an asset or service cannot be recovered from the taxation authorities, and (b) receivables and payables that are stated with the VAT included. The net amount of VAT recoverable or payable is included under receivables or payables in the statement of financial position.

### Secondary taxation on companies (STC)

Secondary tax on companies is recognised on the declaration date of all dividends and is included in the taxation expense in the income statement in the related period. Unutilised credits are raised as deferred tax assets to the extent that a dividend is expected to be paid in the foreseeable future.

### Provisions

Provisions are recognised when the following conditions have been met:

- A present legal or constructive obligation to transfer economic benefits as a result of past events exists; and
- A reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Environmental rehabilitation obligation

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration, is based on current legal requirements and existing technology and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of assets.

### Decommissioning

The present value of estimated decommissioning obligations, being the cost to dismantle all structures and rehabilitate the land on which it is located that arose through establishing the mine, is included in long-term provisions. The unwinding of the obligation is included in the income statement under finance cost. The initial related decommissioning asset is recognised in property plant and equipment.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes

in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

### Restoration

The present value of the estimated cost of restoration, being the cost to correct damage caused by ongoing mining operations, is included in long-term provisions. This estimate is revised annually and any movement is expensed in the income statement. Expenditure on ongoing rehabilitation is charged to the income statement under cost of sales as incurred.

### Environmental rehabilitation trust funds

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds are carried at cost in the Company. These funds are consolidated as ARM Group companies are the sole contributors to the funds and exercise full control through the respective boards of trustees. The balances are included under restricted cash.

### Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, investments, trade and other receivables, trade and other payables and long and short-term borrowings. The recognition methods adopted are disclosed in the individual policy statements associated with each item. The Group does not apply hedge accounting, except where it recognised its share of an associate's cash flow hedge reserve as part of the equity accounted investment in the associate.

### Financial assets

Financial assets are initially measured at fair value plus transaction costs.

Financial assets at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Loans and receivables are measured at amortised cost less impairment losses or reversals which are recognised in the income statement.

Available-for-sale financial assets are measured at fair value with gains and losses being recognised directly in equity. Impairment losses are recognised in the income statement.

Any impairment reversals on debt instruments classified as available-for-sale are recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment are recognised directly in equity.

## Notes to the financial statements continued

**Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence as a result of one or more events that has occurred after the initial recognition, that a financial asset or a group of financial assets is impaired.

**Assets carried at amortised cost**

If there is an indication that an impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account.

**Available-for-sale assets**

In the case of equity securities, if there is a continuous drop in the fair value of the security below its cost, the security is impaired. The cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised on the security, is then recognised in the income statement.

**Financial liabilities**

Financial liabilities at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

**Financial guarantees**

Financial Guarantee Contracts, that are not considered to be insurance contracts, are initially recognised at fair value and subsequently remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

**Derivative instruments**

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the income statement. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the income statement.

**Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

Cash that is subject to legal or contractual restrictions on use is included in cash but indicated as restricted.

**Investments**

Investments, other than investments in subsidiaries, associates and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in fair values of available-for-sale investments are reflected in the revaluation reserve in other comprehensive income. On disposal of an investment, the balance in the revaluation reserve is recognised in the income statement. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date. Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost. All regular purchases and sales of financial assets are recognised on the trade date, ie the date the Group commits to purchasing the asset.

**Receivables**

Trade receivables, which generally have 30 – 90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the effective interest rate. Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the income statement. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

**Payables**

Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently at amortised cost and classified as financial liabilities at amortised cost.

**Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.



### Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

### Set-off

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

### Intangible assets

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production. The amortisation expense on intangible assets with finite lives is recognised in

the income statement in the expense category consistent with the function of the intangible asset.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. This is done individually or at the cash generating unit level. The assessment of the indefinite life is reviewed annually to see if it is supportable, if not supportable it is changed prospectively to finite.

### Investment property

Investment properties are carried at cost and depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. Where the residual value exceeds the carrying amount, amortisation is continued at a zero charge until its residual value subsequently decreases to an amount below the carrying amount. Where the building has changed from owner occupied to investment property in order to earn rentals and for capital appreciation, the cost deemed is the carrying amount if applicable. An impairment is taken in the income statement when the recoverable amount is less than the carrying amount.

### Property, plant and equipment

Property, plant and equipment other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

### Land and buildings

Land and buildings are carried at cost. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

### Mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, as well as the decommissioning thereof, are capitalised. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Development cost capitalised is classified under Mine development and decommissioning assets. Development costs to maintain production are expensed as incurred.

## Notes to the financial statements continued

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

**Mineral rights**

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

**Plant and machinery**

Mining plant and machinery is depreciated on the units-of-production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in a depreciated calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the income statement.

**Mine properties**

Mine properties (including houses, schools and administration blocks) are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

**Furniture equipment and vehicles**

Furniture equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

**Finance leases**

Finance leases are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

**Depreciation rates**

Depreciation rates that are based on units-of-production take into account, proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

The annual depreciation rates generally used in the Group are:

- furniture and equipment 10% to 33%;
- mine properties 4% to 7%;
- motor vehicles 20%;
- mine development plant and machinery, and mineral rights and land 10 to 25 years;
- investment properties 2%; and
- intangible assets over life-of-mine to a maximum of 25 years.

**Exploration expenditure**

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Company utilises several different sources of information and also differentiates projects by levels of risks, including:

- Degree of certainty over the mineralisation of the ore body.
- Commercial risks, including but not limited to country risk.
- Prior exploration knowledge available about the target ore body.

Exploration expenditure on greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a pre-feasibility study that the future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

**Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly

probable and the asset (or disposal group) is available for sale in its present condition. For the sale to be highly probable management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair value less cost to sell and are not depreciated.

### Impairment of non-financial assets

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated. The recoverable amount is the higher of fair value less cost to sell or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate.

Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the income statement. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

Intangible assets with an indefinite life are tested annually for impairment.

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the income statement as incurred.

### Inventories

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

- Consumables and maintenance spares are valued at average cost.

- Ore stockpiles are valued at weighted average cost.
- Finished products are valued at weighted average cost. Unallocated overhead costs due to below normal capacity are expensed as shortworkings.
- Houses are valued at their individual cost.
- Work-in-process is valued at weighted average cost, including an appropriate portion of direct overhead costs. Unallocated overhead costs due to below normal capacity are expensed as shortworkings.
- Raw materials are valued at weighted average cost.
- By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

### Foreign currency translations

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency.

#### Foreign entities

Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity, are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date.
- Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.
- Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.
- Fair value adjustments of the foreign entity are translated at the closing rate.
- Goodwill is considered to relate to the reporting entity and is translated at the closing rate.
- Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the income statement.

### Foreign currency transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the income statement.

## Notes to the financial statements continued

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to control the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**Employee benefits**

The Group operates two defined contribution pension schemes, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when incurred.

**Other long-term benefits**

The Group provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

**Share-based payments**

The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using the Black Scholes option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

One of the subsidiaries issued cash or equity-settled options which were measured at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

When the Company settles rights in cash, the grants are remeasured at each reporting date. For equity-settled options the services received and a liability to pay for those services are recognised over the expected vesting period.

**Black economic empowerment (BEE) transactions**

When entering into BEE share-based transactions any excess of the fair value of the shares over the consideration received is recognised as an expense in that period.

**Revenue recognition**

Revenue which includes by-products, is recognised when the risks and rewards of ownership have been transferred and when it is probable that the economic benefits associated with a transaction flow to the Group and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

**Dividend income**

Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

**Mining products**

Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the sale price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) are recognised on the date of loading and CIF (cost in freight) is recognised when it arrives at its destination.

In the case of certain commodities the final sale price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

### **Rental income**

Rental income on investment properties is accounted for on a straight-line basis over the term of the lease.

### **Interest**

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

### **Cost of sales**

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses.

When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

### **Early settlement discounts and rebates**

These are deducted from revenue and cost of inventories when applicable.

### **Reinsurance**

Premiums are disclosed on a gross basis in the other operating income note (refer note 24). Claims are presented on a gross basis in receivables and payables. The Group cedes insurance risk in the normal course of business for the majority of its business.

### **Segment reporting**

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance. There is discrete financial information available for each operation (refer note 2 for the operating segments).

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

### **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

### **Significant accounting judgements and estimates**

The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, amongst others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described below.

#### **Mine rehabilitation provision** (refer note 16)

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the income statement.

#### **Ore reserves and resource estimates** (refer Mineral Resources and Reserves section)

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the



## Notes to the financial statements continued

carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

**Units of production depreciation**

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production depreciation methodologies are available to choose from; the Group adopts a Run of the Mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

**Impairment of assets** (refer note 26)

Each cash generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

The key prices used in the impairment calculations for F2009 performed were as follows:

- For platinum a price of between 1 231 and 1 500 US Dollars per ounce up to 2014 and thereafter an increase of 2% per annum;
- For nickel a price of between 14 503 and 17 500 US Dollars per tonne up to 2014 and thereafter an increase of 2% per annum; and
- For chrome, current market prices.

There were no impairment indicators in F2010 and therefore no impairment calculations were performed.

**Deferred taxation asset** (refer note 15)

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

**Asset life and residual values**

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

**Share-based payments** (refer note 42)

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

**Definitions****Cash and cash equivalents**

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. For cash flow purposes overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

**Cash restricted for use**

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

**Active markets**

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

**Basic earnings per share**

Earnings divided by the weighted average number of shares in issue.

**Headline earnings per share**

Headline earnings comprise earnings for the year, adjusted for profits/losses as a remeasurement in accordance with the requirements of Circular 3 of 2009 issued by the South African Institute of Chartered Accountants. Adjustments against earnings take account of attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

**Amortised cost**

This is calculated using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.



***Fair value***

Where an active market is available it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

***Effective interest method***

This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

***Diluted earnings per share***

Diluted earnings per share is arrived at by dividing earnings (as used in calculating basic earnings per share) by the weighted average number of ordinary shares, adjusted for any financial instruments or other contracts that may entitle the holder thereof to ordinary shares. Fully diluted headline earnings per share are calculated on the same basis as fully diluted earnings per share.

***Cash generated from operations per share***

Cash generated from operations divided by the weighted average number of shares in issue during the year.

***Exceptional items***

These are items that are of a capital nature and not part of operating activities and that qualify for adjustment to the calculation of headline earnings.

***EBITDA before exceptional items and income from associates***

This comprises basic earnings, to which is added back taxation, exceptional items, income from associates, finance cost, income from investments and amortisation and depreciation.

## Notes to the financial statements continued

**New standards**

The following new standards have been issued but are only effective for future periods:

|         | <b>Standard or interpretation</b>  | <b>Effective date</b> | <b>Date issued</b> |
|---------|--|-----------------------|--------------------|
| IFRS 1  | First-time adoption of International Reporting Standards – Additional Exceptions for first-time adopters                                 | 1 January 2010        | July 2009          |
| IFRS 1  | First-time adoption of International Reporting Standards – Limited exemption from comparative IFRS 7 Disclosures for first-time adopters | 1 July 2010           | November 2009      |
| IFRS 2  | Group cash-settled share-based payment arrangements  | 1 January 2010        | June 2009          |
| IFRS 9  | Financial instruments  | 1 January 2013        | November 2009      |
| IAS 24  | Related party disclosures  | 1 January 2011        | November 2009      |
| IAS 32  | Amendment Financial instruments: Presentation – Classification of rights issues  | 1 February 2010       | October 2009       |
| IFRIC14 | Prepayments of a minimum funding requirement (Amendment)   | 1 January 2011        | November 2009      |
| IFRIC19 | Extinguishing Financial liabilities with equity instruments  | 1 July 2010           | November 2009      |

**Impact of the above**

None of the above standards or interpretations are expected to have a significant effect on the results of operation or the financial position of the Group.

**2 Primary segmental information****Business segments**

For management purposes, the Group is organised into four major operating divisions. The operating divisions are ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal and ARM Exploration.

ARM has a strategic holding in Harmony (gold).

Platinum comprises Two Rivers Platinum Mine as a 55% subsidiary and ARM Mining Consortium Limited through which ARM holds an effective 41.5% interest in the Modikwa Platinum Mine.

Nickel comprises Nkomati Mine as a 50% joint venture for both its nickel and chrome operations. In the corporate structure, nickel is included under ARM Platinum.

ARM Ferrous comprises Assmang as a 50% joint venture. Assmang comprises iron ore, manganese and chrome operations.

ARM Coal, a 51% joint venture for accounting purposes, consists of a 10.2% participating investment in the existing coal operations of XCSA and a 26% joint venture interest in the Goedgevonden Mine. In addition, ARM has a direct 10% participating investment in the existing coal operations of XCSA.

ARM Exploration comprises the Vale/ARM 50% joint venture from March 2009 and prior to this it was held as TEAL, a 64.9% subsidiary. This division is involved in identifying and assessing exploration and mineral business opportunities in sub-Saharan Africa.

The commodity groupings predominantly reflect the risks and rewards of trading and the operating divisions are therefore identified as the reporting segments.

|  | ARM Platinum<br>Platinum<br>Rm | Nickel<br>Rm | ARM<br>Ferrous<br>Rm | ARM<br>Coal<br>Rm | ARM<br>Exploration<br>Rm | *Corporate<br>and other<br>Rm | Gold<br>Rm | Total<br>Rm    |
|--|--------------------------------|--------------|----------------------|-------------------|--------------------------|-------------------------------|------------|----------------|
| <b>2 Primary segmental information</b><br><i>(continued)</i> |                                |              |                      |                   |                          |                               |            |                |
| <b>2.1 Year to 30 June 2010</b>                              |                                |              |                      |                   |                          |                               |            |                |
| Total sales  | 3 156                          | 1 224        | 6 435                | 212               | 1                        | –                             | –          | <b>11 028</b>  |
| Inter-group sales to<br>ARM Ferrous                          | –                              | 6            | –                    | –                 | –                        | –                             | –          | <b>6</b>       |
| Sales  | 3 156                          | 1 218        | 6 435                | 212               | 1                        | –                             | –          | <b>11 022</b>  |
| Cost of sales  | (2 294)                        | (896)        | (4 160)              | (157)             | –                        | 27                            | –          | <b>(7 480)</b> |
| Other operating income                                       | 11                             | 37           | 148                  | –                 | –                        | 212                           | –          | <b>408</b>     |
| Other operating expenses                                     | (79)                           | (72)         | (423)                | (1)               | (120)                    | (335)                         | –          | <b>(1 030)</b> |
| <b>Segment result</b>  | 794                            | 287          | 2 000                | 54                | (119)                    | (96)                          | –          | <b>2 920</b>   |
| Income from investments                                      | 23                             | 7            | 86                   | –                 | –                        | 61                            | 32         | <b>209</b>     |
| Finance cost   | (38)                           | (2)          | (7)                  | (7)               | (46)                     | (1)                           | –          | <b>(101)</b>   |
| Finance cost Implants:<br>Shareholders' loan<br>Two Rivers   | (41)                           | –            | –                    | –                 | –                        | –                             | –          | <b>(41)</b>    |
| Finance cost ARM:<br>Shareholders' loan<br>Two Rivers        | (50)                           | –            | –                    | –                 | –                        | –                             | –          | <b>(50)</b>    |
| Loss from associate  | –                              | –            | –                    | (51)              | –                        | –                             | –          | <b>(51)</b>    |
| Exceptional items  | –                              | (2)          | 3                    | –                 | 96                       | –                             | –          | <b>97</b>      |
| Taxation   | (199)                          | (85)         | (715)                | (13)              | 1                        | 2                             | –          | <b>(1 009)</b> |
| Non-controlling interest                                     | (174)                          | –            | –                    | –                 | 21                       | (9)                           | –          | <b>(162)</b>   |
| <b>Contribution to basic earnings</b>                        | 315                            | 205          | 1 367                | (17)              | (47)                     | (43)                          | 32         | <b>1 812</b>   |
| <b>Contribution to headline earnings</b>                     | 315                            | 206          | 1 364                | (17)              | (143)                    | (43)                          | 32         | <b>1 714</b>   |
| <b>Other information</b>                                     |                                |              |                      |                   |                          |                               |            |                |
| Segment assets, including<br>investment in associate         | 5 717                          | 2 385        | 9 572                | 3 270             | 348                      | 1 761                         | 5 180      | <b>28 233</b>  |
| Investment in associate                                      | –                              | –            | –                    | 1 292             | –                        | –                             | –          | <b>1 292</b>   |
| Segment liabilities  | 1 540                          | 213          | 1 171                | 1 746             | 59                       | 1 700                         | –          | <b>6 429</b>   |
| Unallocated liabilities<br>(tax and deferred tax)            |                                |              |                      |                   |                          |                               |            | <b>3 275</b>   |
| <b>Consolidated total liabilities</b>                        |                                |              |                      |                   |                          |                               |            | <b>9 704</b>   |
| Cash inflow/(outflow) from<br>operating activities           | 760                            | 365          | 1 322                | 23                | (137)                    | 188                           | –          | <b>2 521</b>   |
| Cash (outflow)/inflow from<br>investing activities           | (116)                          | (557)        | (1 534)              | (259)             | 149                      | (7)                           | –          | <b>(2 324)</b> |
| Cash (outflow)/inflow from<br>financing activities           | (295)                          | (150)        | 1                    | 239               | (8)                      | (516)                         | –          | <b>(729)</b>   |
| Capital expenditure  | 148                            | 601          | 1 601                | 339               | 44                       | 5                             | –          | <b>2 738</b>   |
| Amortisation and<br>depreciation                             | 316                            | 144          | 459                  | 60                | 6                        | 2                             | –          | <b>987</b>     |
| Impairment   | –                              | 3            | –                    | –                 | 7                        | –                             | –          | <b>10</b>      |
| EBITDA   | 1 110                          | 431          | 2 459                | 114               | (113)                    | (94)                          | –          | <b>3 907</b>   |

\* Corporate, other companies and consolidation adjustments.

## Notes to the financial statements continued

|  | ARM Platinum<br>Platinum<br>Rm | Nickel<br>Rm | ARM<br>Ferrous<br>Rm | ARM<br>Coal<br>Rm | ARM<br>Exploration<br>Rm | *Corporate<br>and other<br>Rm | Gold<br>Rm | Total<br>Rm    |
|--|--------------------------------|--------------|----------------------|-------------------|--------------------------|-------------------------------|------------|----------------|
| <b>2 Primary segmental information (continued)</b>         |                                |              |                      |                   |                          |                               |            |                |
| <b>2.1 Year to 30 June 2009</b>                            |                                |              |                      |                   |                          |                               |            |                |
| Total sales  | 1 750                          | 543          | 7 632                | 121               | 50                       | –                             | –          | <b>10 096</b>  |
| Inter-group sales to ARM Ferrous                           | –                              | 2            | –                    | –                 | –                        | –                             | –          | <b>2</b>       |
| Sales  | 1 750                          | 541          | 7 632                | 121               | 50                       | –                             | –          | <b>10 094</b>  |
| Cost of sales  | (2 317)                        | (491)        | (3 007)              | (84)              | (177)                    | 28                            | –          | <b>(6 048)</b> |
| Other operating income                                     | 8                              | 24           | 615                  | 1                 | –                        | 268                           | –          | <b>916</b>     |
| Other operating expenses                                   | 2                              | (48)         | (462)                | (1)               | (515)                    | (231)                         | –          | <b>(1 255)</b> |
| <b>Segment result</b>                                      | (557)                          | 26           | 4 778                | 37                | (642)                    | 65                            | –          | <b>3 707</b>   |
| Income from investments                                    | 69                             | 8            | 220                  | –                 | 6                        | 111                           | –          | <b>414</b>     |
| Finance cost   | (60)                           | (1)          | (36)                 | (15)              | (49)                     | (68)                          | –          | <b>(229)</b>   |
| Finance cost Implants:<br>Shareholders' loan<br>Two Rivers | (70)                           | –            | –                    | –                 | –                        | –                             | –          | <b>(70)</b>    |
| Finance cost ARM:<br>Shareholders' loan<br>Two Rivers      | (86)                           | –            | –                    | –                 | –                        | –                             | –          | <b>(86)</b>    |
| Income from associate                                      | –                              | –            | –                    | 147               | –                        | –                             | –          | <b>147</b>     |
| Exceptional items  | 1                              | (1)          | –                    | –                 | 567                      | (53)                          | –          | <b>514</b>     |
| Taxation   | 152                            | (4)          | (1 802)              | (7)               | (4)                      | (62)                          | –          | <b>(1 727)</b> |
| Non-controlling interest                                   | 204                            | –            | –                    | –                 | –                        | (6)                           | –          | <b>198</b>     |
| <b>Contribution to basic earnings</b>                      | (347)                          | 28           | 3 160                | 162               | (122)                    | (13)                          | –          | <b>2 868</b>   |
| <b>Contribution to headline earnings</b>                   | (348)                          | 29           | 3 150                | 135               | (689)                    | 40                            | –          | <b>2 317</b>   |
| <b>Other information</b>                                   |                                |              |                      |                   |                          |                               |            |                |
| Segment assets, including investment in associate          | 5 334                          | 1 791        | 8 292                | 2 973             | 483                      | 1 535                         | 5 091      | <b>25 499</b>  |
| Investment in associate                                    | –                              | –            | –                    | 1 327             | –                        | –                             | –          | <b>1 327</b>   |
| Segment liabilities  | 1 535                          | 332          | 815                  | 1 463             | 497                      | 1 298                         | –          | <b>5 940</b>   |
| Unallocated liabilities (tax and deferred tax)             |                                |              |                      |                   |                          |                               |            | <b>2 808</b>   |
| Consolidated total liabilities                             |                                |              |                      |                   |                          |                               |            | <b>8 748</b>   |
| Cash inflow/(outflow) from operating activities            | 830                            | 177          | 4 034                | 414               | (554)                    | (851)                         | –          | <b>4 050</b>   |
| Cash (outflow)/inflow from investing activities            | (475)                          | (866)        | (1 388)              | (498)             | 147                      | (55)                          | –          | <b>(3 135)</b> |
| Cash (outflow)/inflow from financing activities            | (270)                          | 149          | (263)                | 211               | 276                      | (274)                         | –          | <b>(171)</b>   |
| Capital expenditure  | 524                            | 878          | 1 335                | 572               | 22                       | 2                             | –          | <b>3 333</b>   |
| Amortisation and depreciation                              | 323                            | 28           | 378                  | 36                | 20                       | 2                             | –          | <b>787</b>     |
| Impairment   | –                              | 1            | –                    | –                 | 42                       | –                             | –          | <b>43</b>      |
| EBITDA   | (234)                          | 54           | 5 146                | 73                | (622)                    | 67                            | –          | <b>4 484</b>   |

\* Corporate, other companies and consolidation adjustments.

|   | ARM Platinum     |               |              |
|---|------------------|---------------|--------------|
|   | Two Rivers<br>Rm | Modikwa<br>Rm | Total<br>Rm  |
| <b>2 Primary segmental information (continued)</b>  |                  |               |              |
| <b>2.2 Year to 30 June 2010</b>                     |                  |               |              |
| <b>Sales</b>  |                  |               |              |
| External sales                                      | 2 099            | 1 057         | 3 156        |
| Cost of sales                                       | (1 507)          | (787)         | (2 294)      |
| Other operating income                              | 10               | 1             | 11           |
| Other operating expenses                            | (23)             | (56)          | (79)         |
| <b>Segment result</b>                               | <b>579</b>       | <b>215</b>    | <b>794</b>   |
| Income from investments                             | 3                | 20            | 23           |
| Finance cost  | (35)             | (3)           | (38)         |
| Finance cost Implats: Shareholders' loan Two Rivers | (41)             | –             | (41)         |
| Finance cost ARM: Shareholders' loan Two Rivers     | (50)             | –             | (50)         |
| Taxation  | (130)            | (69)          | (199)        |
| Non-controlling interest                            | (146)            | (28)          | (174)        |
| <b>Contribution to basic earnings</b>               | <b>180</b>       | <b>135</b>    | <b>315</b>   |
| <b>Contribution to headline earnings</b>            | <b>180</b>       | <b>135</b>    | <b>315</b>   |
| <b>Other information</b>                            |                  |               |              |
| Segment and consolidated assets                     | 3 046            | 2 671         | 5 717        |
| Segment liabilities                                 | 1 007            | 533           | 1 540        |
| Unallocated liabilities (tax and deferred tax)      |                  |               | 871          |
| Consolidated total liabilities                      |                  |               | 2 411        |
| Cash inflow from operating activities               | 551              | 209           | 760          |
| Cash outflow from investing activities              | (75)             | (41)          | (116)        |
| Cash outflow from financing activities              | (275)            | (20)          | (295)        |
| Capital expenditure                                 | 97               | 51            | 148          |
| Amortisation and depreciation                       | 238              | 78            | 316          |
| EBITDA  | 817              | 293           | 1 110        |
| <b>Year to 30 June 2009</b>                         |                  |               |              |
| <b>Sales</b>  |                  |               |              |
| External sales                                      | 1 022            | 728           | 1 750        |
| Cost of sales                                       | (1 373)          | (944)         | (2 317)      |
| Other operating income                              | 7                | 1             | 8            |
| Other operating expenses                            | (7)              | 9             | 2            |
| <b>Segment result</b>                               | <b>(351)</b>     | <b>(206)</b>  | <b>(557)</b> |
| Income from investments                             | 19               | 50            | 69           |
| Finance cost  | (39)             | (21)          | (60)         |
| Finance cost Implats: Shareholders' loan Two Rivers | (70)             | –             | (70)         |
| Finance cost ARM: Shareholders' loan Two Rivers     | (86)             | –             | (86)         |
| Exceptional items                                   | 1                | –             | 1            |
| Taxation  | 131              | 21            | 152          |
| Non-controlling interest                            | 177              | 27            | 204          |
| <b>Contribution to basic earnings</b>               | <b>(218)</b>     | <b>(129)</b>  | <b>(347)</b> |
| <b>Contribution to headline earnings</b>            | <b>(219)</b>     | <b>(129)</b>  | <b>(348)</b> |
| <b>Other information</b>                            |                  |               |              |
| Segment and consolidated assets                     | 2 853            | 2 481         | 5 334        |
| Segment liabilities                                 | 1 117            | 418           | 1 535        |
| Unallocated liabilities (tax and deferred tax)      |                  |               | 638          |
| Consolidated total liabilities                      |                  |               | 2 173        |
| Cash inflow from operating activities               | 450              | 380           | 830          |
| Cash outflow from investing activities              | (294)            | (181)         | (475)        |
| Cash outflow from financing activities              | (168)            | (102)         | (270)        |
| Capital expenditure                                 | 340              | 184           | 524          |
| Amortisation and depreciation                       | 251              | 72            | 323          |
| EBITDA  | (100)            | (134)         | (234)        |

## Notes to the financial statements continued

|  | Iron ore<br>Division<br>Rm | Manganese<br>Division<br>Rm | Chrome<br>Division<br>Rm | Total<br>Rm   | Attributable<br>to ARM<br>Rm |
|--|----------------------------|-----------------------------|--------------------------|---------------|------------------------------|
| <b>2 Primary segmental information (continued)</b> |                            |                             |                          |               |                              |
| <b>Pro forma analysis of the Ferrous segment</b>   | 100%                       | 100%                        | 100%                     | 100%          | 50%                          |
| <b>2.3 Year to 30 June 2010</b>                    |                            |                             |                          |               |                              |
| <b>Sales</b>                                       | <b>4 993</b>               | <b>6 287</b>                | <b>1 590</b>             | <b>12 870</b> | <b>6 435</b>                 |
| Other operating income                             | 119                        | 187                         | 29                       | 335           | 148                          |
| Other operating expense                            | 201                        | 436                         | 248                      | 885           | 423                          |
| Operating profit                                   | 2 003                      | 2 235                       | (239)                    | 3 999         | 2 000                        |
| <b>Contribution to earnings</b>                    | <b>1 437</b>               | <b>1 480</b>                | <b>(185)</b>             | <b>2 732</b>  | <b>1 367</b>                 |
| <b>Contribution to headline earnings</b>           | <b>1 436</b>               | <b>1 478</b>                | <b>(185)</b>             | <b>2 729</b>  | <b>1 364</b>                 |
| <b>Other information</b>                           |                            |                             |                          |               |                              |
| Consolidated total assets                          | 8 729                      | 8 922                       | 1 920                    | 19 571        | 9 572                        |
| Consolidated total liabilities                     | 2 532                      | 2 596                       | 722                      | 5 850         | 1 171                        |
| Capital expenditure                                | 2 304                      | 743                         | 289                      | 3 336         | 1 601                        |
| Amortisation and depreciation                      | 544                        | 250                         | 142                      | 936           | 459                          |
| Cash inflow from operating activities              | 1 985                      | (122)                       | (219)                    | 1 644         | 1 322                        |
| Cash outflow from investing activities             | (2 133)                    | (666)                       | (267)                    | (3 066)       | (1 534)                      |
| Cash outflow from financing activities             | –                          | 4                           | (1)                      | 3             | 1                            |
| <b>EBITDA</b>                                      | <b>2 547</b>               | <b>2 485</b>                | <b>(97)</b>              | <b>4 935</b>  | <b>2 459</b>                 |
| <b>Year to 30 June 2009</b>                        |                            |                             |                          |               |                              |
| <b>Sales</b>                                       | <b>5 018</b>               | <b>8 436</b>                | <b>1 809</b>             | <b>15 263</b> | <b>7 632</b>                 |
| Other operating income                             | 329                        | 914                         | 145                      | 1 388         | 615                          |
| Other operating expense                            | 182                        | 532                         | 368                      | 1 082         | 462                          |
| Operating profit                                   | 3 080                      | 6 199                       | 277                      | 9 556         | 4 778                        |
| <b>Contribution to earnings</b>                    | <b>2 170</b>               | <b>3 956</b>                | <b>193</b>               | <b>6 319</b>  | <b>3 160</b>                 |
| <b>Contribution to headline earnings</b>           | <b>2 160</b>               | <b>3 927</b>                | <b>213</b>               | <b>6 300</b>  | <b>3 150</b>                 |
| <b>Other information</b>                           |                            |                             |                          |               |                              |
| Consolidated total assets                          | 6 506                      | 8 350                       | 2 038                    | 16 894        | 8 292                        |
| Consolidated total liabilities                     | 1 745                      | 2 506                       | 654                      | 4 905         | 815                          |
| Capital expenditure                                | 1 529                      | 854                         | 397                      | 2 780         | 1 335                        |
| Amortisation and depreciation                      | 409                        | 236                         | 127                      | 772           | 378                          |
| Cash inflow from operating activities              | 2 844                      | 610                         | 312                      | 3 766         | 4 034                        |
| Cash outflow from investing activities             | (1 541)                    | (840)                       | (395)                    | (2 776)       | (1 388)                      |
| Cash inflow/(outflow) from financing activities    | (492)                      | –                           | (34)                     | (526)         | (263)                        |
| <b>EBITDA</b>                                      | <b>3 478</b>               | <b>6 406</b>                | <b>424</b>               | <b>10 308</b> | <b>5 146</b>                 |



|   |  | Group       |             |
|---|--|-------------|-------------|
|   |  | F2010<br>Rm | F2009<br>Rm |
| <b>2</b>  | <b>Primary segmental information (continued)</b> |             |             |
| <b>2.4</b>  | <b>Geographical segments</b>                     |             |             |
| The Group operates principally in South Africa, however, the Vale/ARM joint venture operates in Zambia, the DRC, Namibia and other countries. |  |             |             |
| Assets by geographical area in which the assets are located are as follows:   |  |             |             |
| – South Africa  |  | 26 515      | 25 122      |
| – Europe  |  | 828         | 73          |
| – Americas  |  | 65          | 114         |
| – Far and Middle East   |  | 466         | 86          |
| – Other   |  | 359         | 104         |
|   |  | 28 233      | 25 499      |
| Sales by geographical area  |  |             |             |
| – South Africa  |  | 3 879       | 2 393       |
| – Europe  |  | 2 270       | 2 070       |
| – Far and Middle East   |  | 4 292       | 4 558       |
| – Americas  |  | 335         | 458         |
| – Other   |  | 246         | 615         |
|   |  | 11 022      | 10 094      |
| Sales to major customers  |  |             |             |
| The only segment that is affected by the requirement to show this analysis is the platinum segment and the breakdown is as follows:           |  |             |             |
| Rustenburg Platinum Mines Limited   |  | 1 057       | 728         |
| Impala Platinum Limited   |  | 2 099       | 3 333       |
| Capital expenditure   |  |             |             |
| – South Africa  |  | 2 723       | 3 311       |
| – Rest of Africa  |  | 15          | 22          |
|   |  | 2 738       | 3 333       |

## Notes to the financial statements continued

**3 Property, plant and equipment**

| Group  | Mine development and decommissioning assets<br>Rm | Plant and machinery<br>Rm | Land and buildings<br>Rm | Mineral rights<br>Rm | Mine properties<br>Rm | Furniture, equipment and vehicles<br>Rm | Finance leases<br>Rm | Total property, plant and equipment<br>Rm |
|--|---|---------------------------|--------------------------|----------------------|-----------------------|---|----------------------|---|
| <b>Cost</b>  |   |                           |                          |                      |                       |   |                      |   |
| <b>Balance at 30 June 2008</b>                               | <b>2 868</b>                                      | <b>4 486</b>              | <b>389</b>               | <b>1 940</b>         | <b>422</b>            | <b>757</b>                              | <b>157</b>           | <b>11 019</b>                             |
| Additions  | 757   | 1 900                     | 24                       | 62                   | 79                    | 460                                     | 51                   | 3 333                                     |
| Reclassifications  | 8   | (129)                     | –                        | –                    | 39                    | 82                                      | –                    | –   |
| Change in holding in TEAL                                    | (24)  | (35)                      | (6)                      | –                    | –                     | (15)                                    | –                    | (80)                                      |
| Disposals  | –   | (45)                      | –                        | –                    | –                     | (31)                                    | (20)                 | (96)                                      |
| Realignment of currencies                                    | 5   | 8                         | 1                        | –                    | –                     | 3                                       | –                    | 17  |
| <b>Balance at 30 June 2009</b>                               | <b>3 614</b>                                      | <b>6 185</b>              | <b>408</b>               | <b>2 002</b>         | <b>540</b>            | <b>1 256</b>                            | <b>188</b>           | <b>14 193</b>                             |
| Additions  | 745   | 1 608                     | 58                       | 51                   | 60                    | 185                                     | 30                   | 2 737                                     |
| Reclassifications  | (649)   | 583                       | 13                       | –                    | –                     | 50                                      | –                    | (3)                                       |
| Derecognition  | (2)   | (4)                       | –                        | –                    | –                     | (1)                                     | –                    | (7)                                       |
| Change in estimates  | (11)  | –                         | 36                       | –                    | –                     | –                                       | (1)                  | 24  |
| Disposals  | –   | (8)                       | (1)                      | –                    | –                     | (27)                                    | (12)                 | (48)                                      |
| <b>Balance at 30 June 2010</b>                               | <b>3 697</b>                                      | <b>8 364</b>              | <b>514</b>               | <b>2 053</b>         | <b>600</b>            | <b>1 463</b>                            | <b>205</b>           | <b>16 896</b>                             |
| <b>Accumulated amortisation, depreciation and impairment</b> |   |                           |                          |                      |                       |   |                      |   |
| <b>Balance at 30 June 2008</b>                               | <b>564</b>  | <b>859</b>                | <b>54</b>                | <b>98</b>            | <b>28</b>             | <b>321</b>                              | <b>71</b>            | <b>1 995</b>                              |
| Charge for the year  | 150   | 315                       | 16                       | 23                   | 16                    | 197                                     | 68                   | 785                                       |
| Impairments  | –   | 12                        | (1)                      | –                    | –                     | 1                                       | –                    | 12  |
| Disposals  | –   | (35)                      | –                        | –                    | –                     | (28)                                    | (20)                 | (83)                                      |
| Change in holding in TEAL                                    | (2)   | (6)                       | (1)                      | –                    | –                     | (5)                                     | –                    | (14)                                      |
| Realignment of currencies                                    | –   | (3)                       | –                        | –                    | –                     | 1                                       | –                    | (2)                                       |
| <b>Balance at 30 June 2009</b>                               | <b>712</b>  | <b>1 142</b>              | <b>68</b>                | <b>121</b>           | <b>44</b>             | <b>487</b>                              | <b>119</b>           | <b>2 693</b>                              |
| Charge for the year  | 263   | 390                       | 20                       | 30                   | 15                    | 231                                     | 33                   | 982                                       |
| Impairments  | (1)   | 2                         | 2                        | –                    | –                     | –                                       | –                    | 3   |
| Reclassification   | 52  | 1                         | –                        | 3                    | –                     | (56)                                    | –                    | –   |
| Disposals  | –   | (7)                       | –                        | –                    | –                     | (19)                                    | (12)                 | (38)                                      |
| <b>Balance at 30 June 2010</b>                               | <b>1 026</b>                                      | <b>1 528</b>              | <b>90</b>                | <b>154</b>           | <b>59</b>             | <b>643</b>                              | <b>140</b>           | <b>3 640</b>                              |
| <b>Carrying value at 30 June 2009</b>                        | <b>2 902</b>                                      | <b>5 043</b>              | <b>340</b>               | <b>1 881</b>         | <b>496</b>            | <b>769</b>                              | <b>69</b>            | <b>11 500</b>                             |
| <b>Carrying value at 30 June 2010</b>                        | <b>2 671</b>                                      | <b>6 836</b>              | <b>424</b>               | <b>1 899</b>         | <b>541</b>            | <b>820</b>                              | <b>65</b>            | <b>13 256</b>                             |

### 3 Property plant and equipment (continued)

#### a. Borrowing costs

Borrowing costs incurred at prime overdraft and overnight call rates applicable during the year, amounting to R80 million, were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2010 (2009: R77 million).

#### b. Capital work-in-progress

Included in mine development and decommissioning assets and plant and machinery above are R1 960 million (2009: R2 274 million) of assets relating to projects in progress. Included in this amount are: (i) R1 764 million in respect of the Khumani iron ore plant and mine expansion from 10 to 16 million tonnes per annum; and (ii) R163 million in respect of MMZ development and the plant upgrade from 100 kt to 250 kt per month at Nkomati.

#### c. Pledged assets

The carrying value of assets pledged as security for loans amounts to R1.9 billion (2009: R1.7 billion). Refer to note 14 for security granted in respect of loans to Two Rivers and ARM Coal.

#### d. Exploration and evaluation assets

These assets are included under mine development and decommissioning assets and amount to R32 million (2009: R22 million).

| Company  | Mine development and decommissioning assets<br>Rm | Plant and machinery<br>Rm | Land and buildings<br>Rm | Mineral rights<br>Rm | Furniture, equipment and vehicles<br>Rm | Total property, plant and equipment<br>Rm |
|--|---|---------------------------|--------------------------|----------------------|---|---|
| <b>Cost</b>  |   |                           |                          |                      |   |   |
| <b>Balance at 30 June 2008</b>                               | <b>228</b>  | <b>401</b>                | <b>9</b>                 | <b>144</b>           | <b>82</b>                               | <b>864</b>                                |
| Additions  | 126   | 733                       | 12                       | —                    | 8                                       | 879                                       |
| Derecognition  | (1)   | —                         | —                        | —                    | —                                       | (1)                                       |
| <b>Balance at 30 June 2009</b>                               | <b>353</b>  | <b>1 134</b>              | <b>21</b>                | <b>144</b>           | <b>90</b>                               | <b>1 742</b>                              |
| Additions  | 282   | 295                       | 13                       | —                    | 16                                      | 606                                       |
| Derecognition  | (2)   | (4)                       | —                        | —                    | (1)                                     | (7)                                       |
| Reclassification   | (428)   | 375                       | —                        | —                    | 53                                      | —   |
| <b>Balance at 30 June 2010</b>                               | <b>205</b>  | <b>1 800</b>              | <b>34</b>                | <b>144</b>           | <b>158</b>                              | <b>2 341</b>                              |
| <b>Accumulated amortisation, depreciation and impairment</b> |   |                           |                          |                      |   |   |
| <b>Balance at 30 June 2008</b>                               | <b>94</b>   | <b>95</b>                 | <b>1</b>                 | <b>—</b>             | <b>46</b>                               | <b>236</b>                                |
| Charge for the year  | 7   | 10                        | —                        | —                    | 12                                      | 29  |
| <b>Balance at 30 June 2009</b>                               | <b>101</b>  | <b>105</b>                | <b>1</b>                 | <b>—</b>             | <b>58</b>                               | <b>265</b>                                |
| Charge for the year  | 100   | 38                        | 1                        | —                    | 7                                       | 146                                       |
| Impairment   | —   | (3)                       | —                        | —                    | —                                       | (3)                                       |
| Reclassification   | 1   | 38                        | —                        | —                    | (39)                                    | —   |
| <b>Balance at 30 June 2010</b>                               | <b>202</b>  | <b>178</b>                | <b>2</b>                 | <b>—</b>             | <b>26</b>                               | <b>408</b>                                |
| <b>Carrying value at 30 June 2009</b>                        | <b>252</b>  | <b>1 029</b>              | <b>20</b>                | <b>144</b>           | <b>32</b>                               | <b>1 477</b>                              |
| <b>Carrying value at 30 June 2010</b>                        | <b>3</b>  | <b>1 622</b>              | <b>32</b>                | <b>144</b>           | <b>132</b>                              | <b>1 933</b>                              |

#### a. Borrowing costs

Borrowing costs incurred at prime overdraft and overnight call rates applicable during the year, amounting to R29 million were capitalised in respect of mine development and decommissioning assets and plant and machinery for the year to 30 June 2010 (2009: R9 million).

#### b. Capital work-in-progress

Included in mine development and decommissioning assets and plant and machinery above are R163 million (2009: R993 million) of assets relating to the plant upgrade from 100 kt to 250 kt per month at Nkomati and the MMZ development.

A register containing details of mineral and mining rights and land and buildings is available for inspection during business hours at the registered address of the Company by members or their duly authorised agents.

## Notes to the financial statements continued

|   |   | Group       |             |
|---|---|-------------|-------------|
|   |   | F2010<br>Rm | F2009<br>Rm |
| <b>4</b>  | <b>Investment property</b>              |             |             |
|   | <b>Cost</b>                             |             |             |
|   | Opening balance                         | 20          | 20          |
|   | Accumulated depreciation and impairment |             |             |
|   | Opening balance                         | 8           | 8           |
|   | <b>Carrying value</b>                   | <b>12</b>   | <b>12</b>   |
| <p>The investment property is situated at 56 Main Street, Johannesburg, South Africa. Management's estimated fair value of the building ranges between R20 million and R30 million as at 30 June 2010. The value was arrived at after reviewing the market conditions in the area. Current lease contracts terminate between 2010 and 2011. Annual rental escalations are between 8% and 10%. Refer note 24 for rental income derived from this property. The movements for additions and depreciation during the year were less than R1 million.</p> |   |             |             |

|          |   | RBCT<br>entitlement<br>Rm | Other<br>Rm | Total<br>Rm |
|----------|---|---------------------------|-------------|-------------|
| <b>5</b> | <b>Intangible asset</b>                           |                           |             |             |
|          | <b>Group</b>                                      |                           |             |             |
|          | <b>Cost</b>                                       |                           |             |             |
|          | Balance at 30 June 2008                           | 220                       | 2           | 222         |
|          | Balance at 30 June 2009                           | 220                       | 2           | 222         |
|          | Additions   | –                         | 1           | 1           |
|          | Reclassification                                  | –                         | 3           | 3           |
|          | Balance at 30 June 2010                           | 220                       | 6           | 226         |
|          | <b>Accumulated amortisation, and depreciation</b> |                           |             |             |
|          | Balance at 30 June 2008                           | 7                         | –           | 7           |
|          | Charge for the year                               | 2                         | –           | 2           |
|          | Balance at 30 June 2009                           | 9                         | –           | 9           |
|          | Charge for the year                               | 5                         | –           | 5           |
|          | Balance at 30 June 2010                           | 14                        | –           | 14          |
|          | Carrying value at 30 June 2009                    | 211                       | 2           | 213         |
|          | Carrying value at 30 June 2010                    | 206                       | 6           | 212         |

Finite life intangible assets which are amortised comprise of: (i) the RBCT entitlement held by the Goedgevonden joint venture of R206 million (2009: R211 million); and (ii) R6 million (2009: R2 million) patents, trademarks and software. The remaining amortisation period of the RBCT entitlement is limited to 25 years. There are no indefinite life intangible assets.

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>6 Investment in associate</b>   |             |             |             |             |
| Through ARM's 51% investment in ARM Coal, the Group holds an effective 10.2% investment in the existing coal operations of XCSA. |             |             |             |             |
| Opening balance  | 758         | 676         | –           | –           |
| Original investment (10.2%)  | 400         | 400         | –           | –           |
| Additional investment (ATCOM and ATC Collieries)*  | 9           | 9           | –           | –           |
| Retained income  | 349         | 267         | –           | –           |
| Income from associate current year   | (33)        | 82          | –           | –           |
| Cash flow hedge  | 8           | –           | –           | –           |
|  | 733         | 758         | –           | –           |
| ARM invested directly in 10% of the existing coal operations of XCSA on 1 September 2007.  |             |             |             |             |
| Opening balance  | 707         | 642         | 432         | 432         |
| Original investment  | 400         | 400         | 400         | 400         |
| Additional investment (ATCOM and ATC Collieries)   | 32          | 32          | 32          | 32          |
| Retained income  | 275         | 210         | –           | –           |
| Income from associate current year   | (18)        | 65          | –           | –           |
| Cash flow hedge  | 8           | –           | –           | –           |
|  | 697         | 707         | 432         | 432         |
| Less: dividend received prior years  | 138         | 138         | –           | –           |
| Total investment   | 1 292       | 1 327       | 432         | 432         |
| <i>* Treated as a long-term loan and receivable in ARM Company which eliminates on consolidation (refer note 7).</i>             |             |             |             |             |
| <b>Group's interest in sales of associate</b>  | 1 256       | 1 606       |             |             |
| <b>Group's interest in associate statement of financial position</b>   |             |             |             |             |
| Non-current assets   | 3 505       | 3 240       |             |             |
| Current assets   | 673         | 1 112       |             |             |
| <b>Total assets</b>  | 4 178       | 4 352       |             |             |
| Less liabilities   |             |             |             |             |
| Non-current liabilities  | 2 686       | 2 349       |             |             |
| Current liabilities  | 200         | 676         |             |             |
| <b>Net assets</b>  | 1 292       | 1 327       |             |             |

## Notes to the financial statements continued

|          |  | Group       |             | Company     |             |
|----------|--|-------------|-------------|-------------|-------------|
|          |  | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>7</b> | <b>Loans and long-term receivables</b>   |             |             |             |             |
|          | Long-term receivables  | 51          | 134         | 10          | 9           |
|          | <b>Total</b>   | <b>51</b>   | <b>134</b>  | <b>10</b>   | <b>9</b>    |
|          | Long-term loans held as follows:   |             |             |             |             |
|          | Vale/ARM joint venture   | –           | 114         | –           | –           |
|          | Assmang  | 32          | –           | –           | –           |
|          | ARM Platinum (Modikwa)   | 19          | 20          | –           | –           |
|          | ARM Coal (refer note 6)  | –           | –           | 9           | 9           |
|          | ARM Coal   | –           | –           | 1           | –           |
|          |  | 51          | 134         | 10          | 9           |
|          | In F2009, the Vale/ARM joint venture loan represented the portion ARM funded in excess of its shareholding proportion.   |             |             |             |             |
|          | Assmang – relates to loans to employees for houses built at the Khumani iron ore mine in the Northern Cape (refer note 10). These loans are interest bearing at prime less 2%.   |             |             |             |             |
|          | ARM Platinum (Modikwa) is a loan due by the communities (non-controlling interest) around the Modikwa Mine and will be repaid as and when a dividend is declared from ARM Mining Consortium.   |             |             |             |             |
| <b>8</b> | <b>Financial asset</b>   |             |             |             |             |
|          | Structured investment  | 84          | 78          | –           | –           |
|          | The investment is a structured product, invested with ABSA Bank, over a fixed term made with the strategic intention to attract, retain, motivate and reward eligible senior employees. The investment capital growth is linked to the higher of the JSE Top 40 index growth, or CPI. The investment maturity dates are 29 November 2011 and 29 November 2013. This asset is carried at fair value through the income statement. |             |             |             |             |



|  | Group        |             | Company      |             |
|--|--------------|-------------|--------------|-------------|
|  | F2010<br>Rm  | F2009<br>Rm | F2010<br>Rm  | F2009<br>Rm |
| <b>9 Other investments</b>                             |              |             |              |             |
| <b>Listed – other investments*</b>                     |              |             |              |             |
| <b>Opening balance</b>                                 | <b>5 091</b> | 6 045       | <b>5 091</b> | 6 045       |
| Unrealised revaluation gain/(loss) for the year        | <b>89</b>    | (954)       | <b>89</b>    | (954)       |
| <b>Total – listed investments (available-for-sale)</b> | <b>5 180</b> | 5 091       | <b>5 180</b> | 5 091       |
| <b>Market value of listed investments</b>              | <b>5 180</b> | 5 091       | <b>5 180</b> | 5 091       |
| (Determined by reference to market share price)        |              |             |              |             |
| <b>Unlisted joint ventures</b>                         |              |             |              |             |
| Investment in joint ventures**                         |              |             | <b>812</b>   | 812         |
| Loans*** (refer page 254)                              |              |             | <b>674</b>   | 303         |
| <b>Preference shares</b>                               | <b>11</b>    | 10          | –            | –           |
| <b>Unlisted – subsidiary companies</b>                 |              |             |              |             |
| Cost of investments                                    |              |             | <b>481</b>   | 481         |
| Loans*** (refer page 253)                              |              |             | <b>1 236</b> | 1 625       |
| <b>Total unlisted</b>                                  | <b>11</b>    | 10          | <b>3 203</b> | 3 221       |
| <b>Total carrying amount of other investments</b>      | <b>5 191</b> | 5 101       | <b>8 383</b> | 8 312       |

Investments in unquoted equity instruments are measured at cost. Their market value cannot be measured reliably due to the significant uncertainties which exist in estimating parameters such as exchange rates, commodity prices and general market conditions. Investments valued at cost amount to R481 million (F2009: R481 million) as reflected above in the Company column.

Certain listed and unlisted shares have been pledged as security for the ARM corporate loan which at 30 June 2010 was R784 million (2009: R967 million) (refer note 14). The book value of the pledged shares amounts to R3 051 million (2009: R2 472 million).

A report on investments appears on pages 252 to 254.

\* Harmony 63 632 922 shares at R81.40 per share (2009: R80.00).

\*\* ARM Coal (Proprietary) Limited, Assmang and Vale/ARM joint venture.

\*\*\* These loans are interest free with no fixed terms of repayment except for:

(i) the loan to Two Rivers Platinum Mine which bears interest at 8% (2009: 12%) per annum;

(ii) the loan to Venture Building Trust which bears interest at 2% below the prime bank overdraft rate; and

(iii) Vale/ARM joint venture loans included under joint ventures R335 million which currently bears interest at 4% and R339 million (2009: R303 million) bears interest at prime.

## Notes to the financial statements continued

|  |  | Group        |              | Company     |             |
|--|--|--------------|--------------|-------------|-------------|
|  |  | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>10 Inventories</b>  |  |              |              |             |             |
| <b>Inventories (non-current)</b>   |  |              |              |             |             |
| Stockpiles   |  | 148          | 169          | 15          | 35          |
|  |  | 148          | 169          | 15          | 35          |
| Inventory consists of copper fines and lumpy material, high and low grade, and chrome which were mined and stockpiled, not expected to be turned to account within a year.                                 |  |              |              |             |             |
| <b>Inventories (current)</b>   |  |              |              |             |             |
| Ore stockpiles   |  | 589          | 695          | –           | –           |
| Consumable stores  |  | 289          | 240          | 21          | 2           |
| Raw material   |  | 192          | 191          | –           | –           |
| Work-in-progress   |  | 60           | 187          | 24          | 22          |
| Khumani housing  |  | 108          | –            | –           | –           |
| Finished goods   |  | 596          | 541          | 20          | 30          |
|  |  | 1 834        | 1 854        | 65          | 54          |
| Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.   |  |              |              |             |             |
| Value of inventory carried at net realisable value is R149 million (F2009: R657 million).  |  |              |              |             |             |
| Refer to note 23 for the expense of inventory written down or up and the amount of inventories expensed during the year.   |  |              |              |             |             |
| Inventories to the value of R79 million (F2009: R39 million) have been pledged as security for loans in ARM Coal (Proprietary) Limited (2009: ARM Coal (Proprietary) Limited and Modikwa) (refer note 14). |  |              |              |             |             |
| <b>11 Trade and other receivables</b>  |  |              |              |             |             |
| Trade receivables  |  | 2 457        | 1 210        | 224         | 134         |
| Related parties  |  | –            | –            | 30          | 21          |
| Other receivables  |  | 569          | 355          | 70          | 53          |
|  |  | 3 026        | 1 565        | 324         | 208         |
| Trade and other receivables are non-interest-bearing and are generally on 30 – 60 day payment terms.   |  |              |              |             |             |
| Payment terms which vary from the norm are:  |  |              |              |             |             |
| – PGM which are paid approximately four months after delivery; and   |  |              |              |             |             |
| – 20% of nickel delivered which is paid approximately five months after delivery   |  |              |              |             |             |
| <b>Debtors outstanding longer than their terms and that are not impaired:</b>  |  |              |              |             |             |
| Outstanding on terms – normal cycle  |  | 2 878        | 1 468        | 317         | 208         |
| Outstanding longer than 30 days outside normal cycle   |  | 81           | 28           | –           | –           |
| Outstanding longer than 60 days outside normal cycle   |  | 36           | 23           | –           | –           |
| Outstanding longer than 90 days outside normal cycle   |  | 17           | 10           | –           | –           |
| Outstanding longer than +120 days outside normal cycle   |  | 14           | 36           | 7           | –           |
| <b>Total</b>   |  | <b>3 026</b> | <b>1 565</b> | <b>324</b>  | <b>208</b>  |

A provision of R7 million has been raised in F2010 on debtors outstanding longer than 120 days (F2009: R11 million) while the balance is considered recoverable. Total provision at year-end amounted to R14 million (2009: R11 million).

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>12 Cash and cash equivalents</b>  |             |             |             |             |
| Cash at bank and on deposit  | 2 474       | 3 413       | 978         | 1 224       |
| Restricted cash  |             |             |             |             |
| – Rehabilitation trust funds (refer note 21)   | 109         | 92          | 44          | 42          |
| – Other*   | 456         | 8           | 25          | –           |
| Cash and cash equivalents per statement of financial position  | 3 039       | 3 513       | 1 047       | 1 266       |
| Less: overdrafts (refer note 19)   | (248)       | (188)       | (38)        | (36)        |
| Cash and cash equivalents per statement of cash flows  | 2 791       | 3 325       | 1 009       | 1 230       |
| Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.                                      |             |             |             |             |
| * Guarantees issued as follows:  |             |             |             |             |
| – Two Rivers – to DMR and Eskom amounting to R45 million (2009: R8 million).   |             |             |             |             |
| – Nkomati – to DMR and Eskom amounting to R26 million (2009: R nil).   |             |             |             |             |
| – Restricted cash held by Mannequin Insurance PCC Limited (Cell AVL 18) amounting to R385 million in terms of an insurance contract. |             |             |             |             |
| <b>13 Share capital and share premium</b>  |             |             |             |             |
| <b>Share capital</b>   |             |             |             |             |
| <b>Authorised</b>  |             |             |             |             |
| 500 000 000 (2009: 500 000 000) ordinary shares of 5 cents each  | 25          | 25          | 25          | 25          |
|  | 25          | 25          | 25          | 25          |
| <b>Issued</b>  |             |             |             |             |
| Opening balance  | 11          | 11          | 11          | 11          |
| 624 153 shares issued for cash (2009: 511 945)   | –           | –           | –           | –           |
| 212 692 376 (2009: 212 068 223) ordinary shares of 5 cents each  | 11          | 11          | 11          | 11          |
| <b>Share premium</b>   | 3 803       | 3 759       | 3 803       | 3 759       |
| – Balance at beginning of the year   | 3 759       | 3 733       | 3 759       | 3 733       |
| – Premium on shares issued   | 44          | 26          | 44          | 26          |
| Total issued share capital and share premium   | 3 814       | 3 770       | 3 814       | 3 770       |

## Notes to the financial statements continued

|           |   | Group       |             | Company     |             |
|-----------|---|-------------|-------------|-------------|-------------|
|           |   | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>14</b> | <b>Long-term borrowings</b>   |             |             |             |             |
|           | <b>Secured</b>  |             |             |             |             |
|           | <b>Loan facility (Two Rivers – mine housing project)</b>  | <b>125</b>  | 143         | –           | –           |
|           | This loan is repayable in bi-annual instalments over a scheduled eight-year period, which commenced on 31 March 2008. The interest rate was linked to the prime overdraft rate until completion of the project, and is now linked to JIBAR. At year-end the rate was 8.1% (2009: 12.1%). The loan is secured by a mortgage bond over the property and a cession of insurances.  |             |             |             |             |
|           | <b>Loan facility (ARM Corporate)</b>  | <b>784</b>  | 967         | <b>784</b>  | 967         |
|           | This loan is repayable in August 2012. The interest rate is linked to JIBAR. At year-end the rate was 9.595%. This loan has been secured by a pledge of shares (refer note 9). The cover ratio of the market value of the pledged shares or alternative security to loan indebtedness must exceed 2.1 times cover. At year-end it was 4.9:1.  |             |             |             |             |
|           | In F2009, the loan was repayable on 9 August 2009. The interest rate was linked to JIBAR. At year-end the rate was 9.692%. The interest rate on this loan increased approximately 0.71% per annum should the Company net debt to market capitalisation ratio exceed 45%. At year-end the ratio was less than 1%. The cover ratio of the market value of the pledged shares or alternative security to loan indebtedness must exceed 2.5 times cover. This loan was refinanced in August 2009. |             |             |             |             |
|           | <b>Leases (Two Rivers)</b>  | <b>62</b>   | 86          | –           | –           |
|           | Finance leases over property, plant and equipment with a book value of R54 million (2009: R53 million) bear interest at 2.65% (2009: 2.65%) below the prime overdraft rate and are payable in varying monthly instalments over a maximum period of 60 months which commenced on 30 November 2005 (refer note 39).   |             |             |             |             |
|           | <b>Leases (Assmang)</b>   | <b>6</b>    | 14          | –           | –           |
|           | Finance leases over property, plant and equipment with a book value of R9 million (2009: R11 million) bear interest at 1.28% (2009: 1.28%) below the prime overdraft rate and are payable in varying monthly instalments over 60 months which commenced on 31 October 2004 (refer note 39).   |             |             |             |             |
|           | <b>Leases (ARM Mining Consortium Limited)</b>   | <b>2</b>    | 3           | –           | –           |
|           | Finance leases over property, plant and equipment with a book value of R3 million (2009: R4 million) bear interest at 9.75 % (2009: 9.75%) which commenced in January 2008 for a period of five years (refer note 39).  |             |             |             |             |

|   | Group        |             | Company     |             |
|---|--------------|-------------|-------------|-------------|
|   | F2010<br>Rm  | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>14 Long-term borrowings (continued)</b>  |              |             |             |             |
| <b>Loan facility (ARM Coal – partner loan)</b>  | <b>1 568</b> | 1 126       | –           | –           |
| <p>This loan is with Xstrata SA (XSA) and is related to the acquisition and development of the GGV Thermal Coal Mine. The loan consists of an acquisition facility of R629 million (2009: R583 million), a Phase 1 project facility of R761 million (2009: R543 million) and a Phase 2 project facility of R178 million (2009: R nil) All these loans bear interest at the prime bank overdraft rate and repayments are expected to commence after 2012.</p> <p>These are secured by:</p> <p>a cession in favour of XSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint venture;</p> <p>a cession in favour of XSA creating a first ranking security interest over all the preference shares in XSA held by ARM Coal;</p> <p>a cession in favour of XSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint venture account;</p> <p>mortgage bonds to be registered by ARM Coal in favour of XSA over all immovable property of ARM Coal; and</p> <p>notarial bonds to be registered by ARM Coal in favour of XSA over all movable assets owned by ARM Coal.</p> |              |             |             |             |
| <b>Loan (Vale/ARM joint venture)</b>  | –            | 328         | –           | –           |
| <p>The loan is from Standard Chartered Bank and amounts to \$42.5 million. The loan carries interest at LIBOR linked interest rate plus 1.25%. The loan has been translated at the year-end closing R/US Dollar exchange rate.</p> <p>The loan is secured via a guarantee of support from ARM and was repayable on 31 August 2009.</p> <p>This loan was settled in August 2009.</p>   |              |             |             |             |
| <b>Unsecured</b>  |              |             |             |             |
| <b>Loan ARM Coal (partner loan)</b>   | <b>85</b>    | 4           | –           | –           |
| <p>This loan is with Xstrata Schweiz (AG) and is interest free and no repayment terms have been specified.</p>  |              |             |             |             |
| <b>Loan ARM Coal (partner loan)</b>   | <b>5</b>     | 5           | –           | –           |
| <p>This loan is with XSA and is interest free and no repayment terms have been specified.</p>   |              |             |             |             |
| <b>Loan (ARM Coal)</b>  | <b>4</b>     | –           | –           | –           |
| <p>Third party loan relating to a property acquisition. This loan bears interest at the prime bank overdraft rate plus 2% and is repayable on 1 February 2011.</p>  |              |             |             |             |
| <b>Loan facility (Modikwa)</b>  | <b>114</b>   | 132         | –           | –           |
| <p>This loan is from our partner Anglo Platinum and does not carry any interest and has no fixed repayment terms.</p>   |              |             |             |             |

## Notes to the financial statements continued

|  | Group        |              | Company     |             |
|--|--------------|--------------|-------------|-------------|
|  | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>14 Long-term borrowings (continued)</b>   |              |              |             |             |
| <b>Loan (Vale/ARM joint venture)</b>   | –            | 60           |             |             |
| This loan is from Vale International SA and carries interest at Wall Street Journal Prime (3.25% at year-end) plus 2% (total 5.25%) and was repayable on 1 April 2014. This loan was repaid during the current year.   |              |              |             |             |
| <b>Loan (Vale/ARM joint venture)</b>   | –            | 7            | –           | –           |
| In April 2008, TEAL acquired Korea Zinc Company Limited's 30% interest in the five mining licence areas in Zambia at no interest. This loan has been discounted to fair value at the average borrowing rate of 4.6%. This loan was repaid during the current year. |              |              |             |             |
| <b>Total borrowings</b>  | <b>2 755</b> | <b>2 875</b> | <b>784</b>  | <b>967</b>  |
| Less: repayable within one year included in short-term borrowings  | <b>173</b>   | <b>1 511</b> | <b>–</b>    | <b>967</b>  |
| <b>Total SA Rand long-term borrowings</b>  | <b>2 582</b> | <b>1 364</b> | <b>784</b>  | <b>–</b>    |
| <b>Held as follows:</b>  |              |              |             |             |
| – African Rainbow Minerals Limited   | <b>784</b>   | –            | <b>784</b>  | –           |
| – Assmang Limited  | <b>3</b>     | 6            | –           | –           |
| – ARM Mining Consortium Limited  | <b>1</b>     | 3            | –           | –           |
| – ARM Coal (Proprietary) Limited   | <b>1 657</b> | 1 135        | –           | –           |
| – Two Rivers Platinum (Proprietary) Limited  | <b>137</b>   | 160          | –           | –           |
| – Vale/ARM joint venture   | –            | 60           | –           | –           |
|  | <b>2 582</b> | <b>1 364</b> | <b>784</b>  | <b>–</b>    |

## Repayments schedule – undiscounted cash flows, excluding accounting adjustments

| Group   | Total<br>borrowings<br>F2010<br>Rm | Repayable during the year ending 30 June |              |              |              |                          |
|---|------------------------------------|--|--------------|--------------|--------------|--------------------------|
|   |                                    | F2011<br>Rm                              | F2012<br>Rm  | F2013<br>Rm  | F2014<br>Rm  | F2015 –<br>onwards<br>Rm |
| <b>Secured loans</b>                              |                                    |  |              |              |              |                          |
| Loan facility (Two Rivers – mine housing project) | <b>125</b>                         | 26                                       | 25           | 23           | 22           | 29                       |
| Loan facility (ARM Coal – partner loan)           | <b>1 568</b>                       | –  | –            | 23           | 35           | 1 510                    |
| Loan facility (ARM Corporate)                     | <b>784</b>                         | –  | –            | 784          | –            | –                        |
| <b>Unsecured loans</b>                            | <b>2 477</b>                       | 26                                       | 25           | 830          | 57           | 1 539                    |
| Loan ARM Coal (partner loan)                      | <b>90</b>                          | –  | –            | –            | –            | 90                       |
| Loan ARM Coal                                     | <b>4</b>                           | 4  | –            | –            | –            | –                        |
| Anglo Platinum (partner loan)                     | <b>114</b>                         | 114                                      | –            | –            | –            | –                        |
| Finance leases – Assmang                          | <b>6</b>                           | 4  | 2            | –            | –            | –                        |
| – ARM Mining Consortium                           | <b>2</b>                           | 1  | 1            | –            | –            | –                        |
| – Two Rivers                                      | <b>62</b>                          | 24                                       | 20           | 15           | 3            | –                        |
| <b>Total borrowings at 30 June 2010</b>           | <b>2 755</b>                       | <b>173</b>                               | <b>48</b>    | <b>845</b>   | <b>60</b>    | <b>1 629</b>             |
|   |                                    |  |              |              |              |                          |
|   | <b>F2009</b>                       | <b>F2010</b>                             | <b>F2011</b> | <b>F2012</b> | <b>F2013</b> | <b>F2014</b>             |
| <b>Total borrowings at 30 June 2009</b>           | <b>2 875</b>                       | <b>1 511</b>                             | <b>55</b>    | <b>42</b>    | <b>38</b>    | <b>1 229</b>             |



|   | Group        |              | Company     |             |
|---|--------------|--------------|-------------|-------------|
|   | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>15 Deferred taxation</b>                           |              |              |             |             |
| Deferred tax asset                                    |              |              |             |             |
| Assessed loss   | 1            | –            | –           | –           |
| STC   | 43           | 32           | 43          | 32          |
| <b>Deferred tax asset</b>                             | <b>44</b>    | <b>32</b>    | <b>43</b>   | <b>32</b>   |
| <b>Deferred tax liability</b>                         |              |              |             |             |
| Property, plant and equipment                         | 2 770        | 2 338        | 279         | 205         |
| Intangible assets                                     | 59           | 59           | –           | –           |
| Provisions  | (131)        | (128)        | (11)        | (24)        |
| Capital gains tax on revaluation of listed investment | 163          | 151          | 163         | 151         |
| Inventories   | 129          | (16)         | –           | –           |
| Assessed losses                                       | (3)          | (106)        | –           | –           |
| Post-retirement healthcare provisions                 | (26)         | (21)         | (24)        | (20)        |
| <b>Deferred tax liability</b>                         | <b>2 961</b> | <b>2 277</b> | <b>407</b>  | <b>312</b>  |
| <b>Reconciliation of opening and closing balance</b>  |              |              |             |             |
| Opening deferred tax liability                        | 2 277        | 2 154        | 312         | 456         |
| Opening deferred tax asset                            | (32)         | (20)         | (32)        | (20)        |
| <b>Net deferred tax liability opening balance</b>     | <b>2 245</b> | <b>2 134</b> | <b>280</b>  | <b>436</b>  |
| Temporary differences from:                           | 672          | 111          | 84          | (156)       |
| Property, plant and equipment                         | 432          | 402          | 74          | 15          |
| Provisions  | (3)          | (46)         | 13          | (28)        |
| Revaluation of investments – directly in equity       | 11           | (133)        | 12          | (133)       |
| Assessed loss   | 103          | (90)         | –           | –           |
| Post-retirement healthcare provisions                 | (5)          | 1            | (4)         | 2           |
| Inventories   | 145          | (11)         | –           | –           |
| STC   | (11)         | (12)         | (11)        | (12)        |
| Deferred tax liability                                | 2 961        | 2 277        | 407         | 312         |
| Deferred tax asset                                    | (44)         | (32)         | (43)        | (32)        |
| <b>Net deferred tax liability – closing balance</b>   | <b>2 917</b> | <b>2 245</b> | <b>364</b>  | <b>280</b>  |

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits. Future taxable profits are estimated based on approved business plans which include estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

## Notes to the financial statements continued

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>16 Long-term provisions</b>  |             |             |             |             |
| <b>Environmental rehabilitation obligation</b>  |             |             |             |             |
| <b>Provision for decommissioning</b>  |             |             |             |             |
| Balance at beginning of year  | 169         | 153         | 12          | 17          |
| Provision for the year  | 23          | 24          | 4           | 3           |
| TEAL changed from subsidiary to joint venture   | –           | (7)         | –           | –           |
| Unwinding discount rate   | 13          | 12          | 1           | 1           |
| Reallocation  | 3           | (13)        | –           | (9)         |
| Balance at end of year  | 208         | 169         | 17          | 12          |
| <b>Provision for restoration</b>  |             |             |             |             |
| Balance at beginning of year  | 82          | 35          | 27          | 3           |
| Reallocation  | (3)         | 13          | –           | 9           |
| Unwinding of discount rate  | 5           | 3           | –           | –           |
| Provision for the year  | –           | 31          | (1)         | 15          |
| Balance at end of the year  | 84          | 82          | 26          | 27          |
| <b>Total environmental rehabilitation obligation</b>  | <b>292</b>  | <b>251</b>  | <b>43</b>   | <b>39</b>   |
| The net present value of current rehabilitation liabilities is based on discount rates of between 8% and 13% (2009: 8% – 9%), inflation rates of between 4% and 8% (2009: 3% – 9%) and life-of-mines of between 3 and 25 years (2009: 3 and 25 years). Refer to note 21 for amounts held in trust funds. These provisions are based upon estimates of cash flows which are expected to occur at the end of life-of-mines. These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation. |             |             |             |             |
| <b>Post-retirement healthcare benefits</b>  |             |             |             |             |
| Balance at beginning of year  | 83          | 83          | 72          | 74          |
| Benefits paid   | (7)         | (9)         | (7)         | (9)         |
| Service cost  | –           | 1           | –           | –           |
| Interest cost   | 6           | 8           | 6           | 7           |
| Actuarial loss  | 16          | –           | 17          | –           |
| Balance at end of the year (refer note 41)  | 98          | 83          | 88          | 72          |
| <b>Other long-term provisions</b>   |             |             |             |             |
| Balance at beginning of year  | 67          | 53          | –           | –           |
| Change in estimate of variable purchase price for mine properties   | 28          | (10)        | –           | –           |
| Payments  | (2)         | –           | –           | –           |
| Provision for the year  | 17          | 24          | –           | –           |
| Balance at end of the year  | 110         | 67          | –           | –           |
| <b>Total long-term provisions at end of the year</b>  | <b>500</b>  | <b>401</b>  | <b>131</b>  | <b>111</b>  |

Other long-term provisions include: – long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees; – compensation for potential loss of future income payable by Two Rivers to Assmang due to Two Rivers having a tailings dam on part of the mining area of Assmang.

|           |   | Group        |              | Company     |             |
|-----------|---|--------------|--------------|-------------|-------------|
|           |   | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>17</b> | <b>Trade and other payables</b>   |              |              |             |             |
|           | Trade   | 854          | 656          | 184         | 158         |
|           | Financial liabilities through profit and loss (refer note 37)   | –            | 16           | –           | 16          |
|           | Other   | 1 461        | 965          | 127         | 88          |
|           | <b>Total trade and other payables</b>   | <b>2 315</b> | <b>1 637</b> | <b>311</b>  | <b>262</b>  |
|           | Trade and other payables are generally non-interest-bearing and are typically on 30 – 90 day payment terms. |              |              |             |             |
| <b>18</b> | <b>Short-term provisions</b>  |              |              |             |             |
|           | <b>Bonus provision</b>  |              |              |             |             |
|           | Balance at beginning of year  | 27           | 79           | 3           | 57          |
|           | Provision for the period  | 157          | 14           | 118         | 3           |
|           | Payments made during the year   | (32)         | (66)         | (3)         | (57)        |
|           | <b>Balance at end of the year</b>   | <b>152</b>   | <b>27</b>    | <b>118</b>  | <b>3</b>    |
|           | <b>Leave pay provision</b>  |              |              |             |             |
|           | Balance at beginning of year  | 55           | 50           | 10          | 7           |
|           | Provision for the period  | 21           | 11           | 10          | 5           |
|           | Payments made during the year   | (5)          | (6)          | (4)         | (2)         |
|           | <b>Balance at end of the year</b>   | <b>71</b>    | <b>55</b>    | <b>16</b>   | <b>10</b>   |
|           | <b>Other provisions</b>   |              |              |             |             |
|           | Balance at beginning of year  | 76           | 55           | –           | –           |
|           | Provision for the period  | (23)         | 21           | –           | –           |
|           | Payments made   | (8)          | –            | –           | –           |
|           | <b>Balance at end of the year</b>   | <b>45</b>    | <b>76</b>    | <b>–</b>    | <b>–</b>    |
|           | <b>Total short-term provisions</b>  | <b>268</b>   | <b>158</b>   | <b>134</b>  | <b>13</b>   |

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on a combination of total pensionable salary packages multiplied by the leave days due at year-end. Other provisions – environmental rehabilitation and retrenchment provisions.

## Notes to the financial statements continued

|           |   | Group        |              | Company     |             |
|-----------|---|--------------|--------------|-------------|-------------|
|           |   | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>19</b> | <b>Overdrafts and short-term borrowings</b>                   |              |              |             |             |
|           | Overdrafts  | 248          | 188          | 38          | 36          |
|           | Short-term borrowings   | 343          | 681          | 291         | 440         |
|           | Current portion of long-term borrowings (refer note 14)       | 173          | 1 511        | –           | 967         |
|           |   | 764          | 2 380        | 329         | 1 443       |
|           | Overdrafts and short-term borrowings are held as follows:     |              |              |             |             |
|           | – African Rainbow Minerals Limited                            | 38           | 1 004        | 38          | 1 152       |
|           | – Assmang Limited   | 4            | 7            | –           | –           |
|           | – ARM Mining Consortium Limited                               | 123          | 138          | –           | –           |
|           | – ARM Coal (Proprietary) Limited                              | 4            | –            | –           | –           |
|           | – Nkomati   | –            | 149          | –           | –           |
|           | – Vale/ARM joint venture                                      | –            | 335          | –           | –           |
|           | – Two Rivers Platinum (Proprietary) Limited – Bank loans      | 252          | 208          | –           | –           |
|           | – Two Rivers Platinum (Proprietary) Limited – Impala Platinum | 343          | 539          | –           | –           |
|           | – Loans from subsidiaries                                     | –            | –            | 291         | 291         |
|           |   | 764          | 2 380        | 329         | 1 443       |
|           | Unutilised short-term borrowing and overdraft facilities      |              |              |             |             |
|           | – African Rainbow Minerals Limited                            | 430          | 430          | 430         | 430         |
|           | – Assmang Limited – 50%                                       | 971          | 1 234        |             |             |
|           | – ARM Mining Consortium Limited                               | 41           | 35           |             |             |
|           | – Two Rivers Platinum (Proprietary) Limited                   | 247          | 361          |             |             |
|           | <b>Total</b>  | <b>1 689</b> | <b>2 060</b> | <b>430</b>  | <b>430</b>  |

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>20 Joint ventures</b>  |             |             |             |             |
| The proportionate share of the following joint ventures have been incorporated into the Group results:                                    |             |             |             |             |
| – 50% share in the Nkomati Nickel and Chrome Mine.  |             |             |             |             |
| – 50% share in Assmang which includes Cato Ridge Alloys at 25%.   |             |             |             |             |
| – 51% share in ARM Coal (Proprietary) Limited which includes the ARM Coal. 51% interest in the Goedgevonden joint venture.                |             |             |             |             |
| – 50% share in Modikwa joint venture which is held as a 83% subsidiary through ARM Mining Consortium and is consolidated as a subsidiary. |             |             |             |             |
| – 50% share in Vale/ARM joint venture since 1 March 2009.   |             |             |             |             |
| The Company results include the proportionate share of the following unincorporated joint venture:  |             |             |             |             |
| – 50% share in the Nkomati Nickel and Chrome Mine.  |             |             |             |             |
| The aggregate amounts of joint ventures proportionately consolidated in the financial statements are:                                     |             |             |             |             |
| <b>Income statements</b>  |             |             |             |             |
| Sales   | 8 929       | 9 024       | 1 224       | 543         |
| Cost of sales   | (6 006)     | (4 525)     | (902)       | (493)       |
| Other operating income  | 186         | 641         | 37          | 24          |
| Other operating expenses  | (672)       | (638)       | (72)        | (48)        |
| Income from investments   | 113         | 283         | 7           | 8           |
| Finance costs   | (64)        | (90)        | (2)         | (1)         |
| Income from associate   | (33)        | 82          | –           | –           |
| Exceptional items   | 97          | (11)        | (2)         | –           |
| Profit before tax   | 2 550       | 4 766       | 290         | 33          |
| Taxation  | (864)       | (1 792)     | (85)        | (4)         |
| Profit for the year after taxation  | 1 686       | 2 974       | 205         | 29          |
| <b>Statements of financial position</b>   |             |             |             |             |
| Non-current assets  | 12 122      | 10 585      | 1 930       | 1 508       |
| Current assets  | 5 428       | 4 889       | 455         | 285         |
| Non-current liabilities (interest-bearing)  | 3           | 86          | –           | –           |
| Non-current liabilities (non-interest-bearing)  | 4 264       | 3 224       | 287         | 199         |
| Current liabilities (non-interest-bearing)  | 1 940       | 2 017       | 199         | 315         |
| Current liabilities (interest-bearing)  | 16          | 629         | –           | 149         |
| <b>Statements of cash flows</b>   |             |             |             |             |
| Net cash inflow from operating activities   | 1 782       | 4 451       | 365         | 177         |
| Net cash outflow from investing activities  | (2 242)     | (2 786)     | (557)       | (866)       |
| Net cash inflow from financing activities   | 62          | 271         | (150)       | 149         |

## Notes to the financial statements continued

|           |  | Group         |               | Company      |              |
|-----------|--|---------------|---------------|--------------|--------------|
|           |  | F2010<br>Rm   | F2009<br>Rm   | F2010<br>Rm  | F2009<br>Rm  |
| <b>21</b> | <b>Environmental rehabilitation trust funds</b>  |               |               |              |              |
|           | Balance at beginning of year   | 92            | 66            | 42           | 28           |
|           | Contributions  | 11            | 20            | –            | 12           |
|           | Interest earned  | 6             | 6             | 2            | 2            |
|           | <b>Total (included in cash and cash equivalents)<br/>(refer note 12)</b>   | <b>109</b>    | <b>92</b>     | <b>44</b>    | <b>42</b>    |
|           | Total environmental rehabilitation obligations<br>(refer note 16)  | 292           | 251           | 43           | 39           |
|           | Less: amounts in trust funds (see above)   | (109)         | (92)          | (44)         | (42)         |
|           | <b>Unfunded portion of liability</b>   | <b>183</b>    | <b>159</b>    | <b>(1)</b>   | <b>(3)</b>   |
|           | Part of the unfunded portion of the liability is secured<br>by guarantees in favour of the Department of Mineral<br>Resources as required, R96 million (2009: R72 million)<br>(refer note 38). |               |               |              |              |
| <b>22</b> | <b>Sales</b>   |               |               |              |              |
|           | Sales – mining and related products  | 11 022        | 10 094        | 1 224        | 543          |
|           | Made up as follows:  |               |               |              |              |
|           | Local sales  | 3 857         | 2 492         | 115          | 174          |
|           | Export sales   | 7 164         | 7 552         | 1 109        | 369          |
|           | Sales by foreign entity  | 1             | 50            | –            | –            |
|           |  | 11 022        | 10 094        | 1 224        | 543          |
|           | <b>Revenue</b>   | <b>11 425</b> | <b>10 712</b> | <b>2 264</b> | <b>3 328</b> |
|           | Sales – mining and related products  | 11 022        | 10 094        | 1 224        | 543          |
|           | Interest received  | 177           | 414           | 147          | 204          |
|           | Dividends received   | 32            | –             | 532          | 2 269        |
|           | Fees received  | 179           | 160           | 361          | 312          |
|           | Property rental income   | 7             | 6             | –            | –            |
|           | Net insurance premium received   | 8             | 38            | –            | –            |
| <b>23</b> | <b>Cost of sales</b>   |               |               |              |              |
|           | Amortisation and depreciation  | 979           | 780           | 145          | 28           |
|           | Staff costs  | 1 390         | 1 236         | 112          | 60           |
|           | – salaries and wages   | 1 201         | 1 085         | 103          | 54           |
|           | – pension – defined contribution and benefit plans   | 78            | 66            | 7            | 5            |
|           | – long service rewards   | 60            | 42            | –            | –            |
|           | – medical aid  | 51            | 43            | 2            | 1            |
|           | Consultants and contractors  | 565           | 509           | 6            | 2            |
|           | Electricity  | 324           | 274           | –            | –            |
|           | Inventory written down   | –             | 238           | –            | –            |
|           | Raw materials, consumables used and change in inventories  | 2 516         | 1 643         | 627          | 396          |
|           | Railage and transportation   | 844           | 533           | –            | –            |
|           | Provisions – long-term   | 12            | 7             | –            | 2            |
|           | – short-term   | 50            | 23            | 12           | 5            |
|           | Distribution costs   | 709           | 694           | –            | –            |
|           | Other costs  | 91            | 111           | –            | –            |
|           |  | 7 480         | 6 048         | 902          | 493          |



|   | Group        |             | Company     |             |
|---|--------------|-------------|-------------|-------------|
|   | F2010<br>Rm  | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>24 Other operating income</b>                                      |              |             |             |             |
| <b>Fees received</b>  | <b>179</b>   | 242         | <b>361</b>  | 348         |
| Unrealised foreign exchange gain                                      | <b>86</b>    | 2           | <b>35</b>   | –           |
| Realised foreign exchange gain  | <b>73</b>    | 497         | –           | 23          |
| Commission received   | <b>4</b>     | 7           | <b>4</b>    | 7           |
| Gross insurance premiums received                                     | <b>252</b>   | 408         | –           | –           |
| Less: ceded to reinsurers   | <b>(244)</b> | (370)       | –           | –           |
| Net insurance received  | <b>8</b>     | 38          | –           | –           |
| Rental income from investment property                                | <b>5</b>     | 5           | –           | –           |
| Other   | <b>53</b>    | 125         | <b>17</b>   | 13          |
|   | <b>408</b>   | 916         | <b>417</b>  | 391         |
| <b>25 Other operating expenses</b>                                    |              |             |             |             |
| Auditors' remuneration – audit fees                                   | <b>14</b>    | 14          | <b>5</b>    | 4           |
| Exploration   | <b>59</b>    | 128         | –           | –           |
| Depreciation  | <b>8</b>     | 7           | <b>2</b>    | 1           |
| Direct operating expenses of investment property                      | <b>5</b>     | 4           | –           | –           |
| Insurance   | <b>77</b>    | 46          | –           | –           |
| Operating lease payments  | <b>3</b>     | 5           | –           | 1           |
| Rent paid   | <b>6</b>     | 7           | <b>6</b>    | 6           |
| Mineral royalty tax   | <b>20</b>    | –           | <b>1</b>    | –           |
| Staff cost  | <b>163</b>   | 205         | <b>141</b>  | 127         |
| – salaries and wages  | <b>150</b>   | 196         | <b>128</b>  | 118         |
| – pension – defined contribution and benefit plans                    | <b>8</b>     | 6           | <b>8</b>    | 6           |
| – long service rewards  | <b>1</b>     | –           | <b>1</b>    | –           |
| – training  | <b>4</b>     | 3           | <b>4</b>    | 3           |
| Consulting fees   | <b>29</b>    | 25          | <b>22</b>   | 14          |
| Realised foreign exchange loss  | <b>47</b>    | –           | <b>47</b>   | –           |
| Unrealised foreign exchange loss                                      | –            | 151         | <b>4</b>    | 53          |
| Net loss on financial liability at fair value through profit and loss | –            | 16          | –           | 16          |
| Provisions – long-term  | <b>19</b>    | 47          | <b>16</b>   | –           |
| – short-term  | <b>105</b>   | 23          | <b>115</b>  | 3           |
| Share transfer, secretarial and financial services                    | <b>3</b>     | 3           | <b>3</b>    | 3           |
| Shortworkings   | <b>142</b>   | 150         | –           | –           |
| Share-based payments  | <b>47</b>    | 64          | <b>47</b>   | 49          |
| Other   | <b>283</b>   | 360         | <b>111</b>  | 58          |
|   | <b>1 030</b> | 1 255       | <b>520</b>  | 335         |
| <b>26 Profit from operations</b>                                      |              |             |             |             |
| Profit from operations includes:                                      |              |             |             |             |
| (Surplus)/loss on disposal of property, plant and equipment           | <b>(3)</b>   | 4           | –           | –           |
| Amortisation and depreciation (refer notes 3 and 5)                   |              |             |             |             |
| – buildings   | <b>20</b>    | 16          | <b>1</b>    | –           |
| – intangible assets   | <b>5</b>     | 2           | –           | –           |
| – mine development, exploration and decommissioning assets            | <b>263</b>   | 150         | <b>100</b>  | 7           |
| – mineral rights  | <b>30</b>    | 23          | –           | –           |
| – plant and machinery   | <b>390</b>   | 315         | <b>38</b>   | 10          |
| – mine properties   | <b>15</b>    | 16          | <b>7</b>    | 12          |
| – finance leases  | <b>33</b>    | 68          | –           | –           |
| – furniture equipment and vehicles                                    | <b>231</b>   | 197         | –           | –           |
| Impairment of plant and equipment (refer notes 2 and 3)               | <b>10</b>    | 43          | <b>3</b>    | 1           |

## Notes to the financial statements continued

|           |  | Group       |             | Company     |             |
|-----------|--|-------------|-------------|-------------|-------------|
|           |  | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>27</b> | <b>Income from investments</b>   |             |             |             |             |
|           | Dividend income – listed   | 32          | –           | 32          | –           |
|           | – unlisted   | –           | –           | 500         | 2 269       |
|           | Interest received – subsidiary companies   | –           | –           | 95          | 107         |
|           | – environmental trust funds<br>(refer note 21)   | 6           | 6           | 2           | 2           |
|           | – short-term bank deposits   | 171         | 408         | 50          | 95          |
|           |  | 209         | 414         | 679         | 2 473       |
|           | The interest received is from financial assets categorised<br>as loans and receivables (refer note 37).                        |             |             |             |             |
| <b>28</b> | <b>Finance cost</b>  |             |             |             |             |
|           | Interest on finance leases   | 7           | 10          | –           | –           |
|           | Gross interest paid – long and short-term borrowings<br>and overdrafts   | 253         | 422         | 127         | 184         |
|           | Unwinding of discount rate   | 12          | 30          | 2           | 1           |
|           | Less: capitalised (refer note 3)   | (80)        | (77)        | (29)        | (9)         |
|           |  | 192         | 385         | 100         | 176         |
|           | The interest paid is on financial liabilities categorised as other<br>financial liabilities at amortised cost (refer note 37). |             |             |             |             |
| <b>29</b> | <b>Exceptional items</b>   |             |             |             |             |
|           | Surplus/(loss) on dilution in TEAL to 50%  | –           | 557         | –           | (53)        |
|           | Profit on sale of Otjikoto   | 103         | –           | –           | –           |
|           | Profit on sale of fixed assets   | 3           | –           | –           | –           |
|           | Capital portion of insurance claim at Nkomati  | 1           | –           | 1           | –           |
|           | Impairments of property, plant and equipment   | (10)        | (43)        | (3)         | (1)         |
|           | <b>Exceptional items per income statement</b>  | <b>97</b>   | <b>514</b>  | <b>(2)</b>  | <b>(54)</b> |
|           | Taxation   | 1           | –           | 1           | –           |
|           | Profit on asset swap in the DTJV – ARM Coal  | –           | 27          | –           | –           |
|           | Capital portion of insurance claim at Cato Ridge   | –           | 14          | –           | –           |
|           | Loss on disposal of property, plant and equipment  | –           | (4)         | –           | –           |
|           | Total amount adjusted for headline earnings  | 98          | 551         | (1)         | (54)        |

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>30 Taxation</b>  |             |             |             |             |
| South African normal taxation   |             |             |             |             |
| – current year  | 271         | 979         | 22          | 94          |
| – mining  | 213         | 814         | –           | 1           |
| – non-mining  | 58          | 165         | 22          | 93          |
| – prior year  | (52)        | 50          | –           | –           |
| State's share of profits  | 80          | 234         | –           | –           |
| Deferred taxation   |             |             |             |             |
| – current year  | 607         | 248         | 72          | (22)        |
| – prior year  | 52          | –           | –           | –           |
| STC   | 51          | 216         | –           | –           |
|   | 1 009       | 1 727       | 94          | 72          |
| Dealt with as follows:  |             |             |             |             |
| Attributable to profit before exceptional items   | 1 010       | 1 727       | 95          | 72          |
| Attributable to exceptional items (refer note 29)   | (1)         | –           | (1)         | –           |
|   | 1 009       | 1 727       | 94          | 72          |
| South African mining tax is calculated based on taxable income less capital expenditure.  |             |             |             |             |
| Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure. |             |             |             |             |
| <b>Reconciliation of rate of taxation:</b>  | %           | %           | %           | %           |
| Standard rate of Company taxation   | 28          | 28          | 28          | 28          |
| Adjusted for:   |             |             |             |             |
| Disallowed expenditure  | 2           | 2           | 7           | 3           |
| Exempt income   | (1)         | (5)         | (20)        | (27)        |
| Effects of mining taxes – State's share of profits  | 2           | 4           | –           | –           |
| STC   | 1           | 5           | (1)         | –           |
| Estimated assessed losses not raised as deferred tax assets   | 2           | 5           | –           | –           |
| Other   | –           | –           | (2)         | (1)         |
| Effective rate of taxation  | 34          | 39          | 12          | 3           |
| Estimated assessed losses available for reduction of future taxable income  | 304         | 977         | –           | –           |
| No deferred tax asset has been raised on the estimated assessed losses of R287 million in the Vale/ARM joint venture Group (2009: R131 million).      |             |             |             |             |
| Unredeemed capital expenditure available for reduction of future mining income*   | 2 953       | 1 989       | 943         | 809         |

\* Deferred tax has been raised on these estimated tax benefits.

The Company had unutilised credits in respect of STC of R1 782 million at 30 June 2010 (2009: R1 620 million). A deferred tax asset has been raised on a portion of these credits amounting to R43 million (2009: R32 million). The post year-end dividend declared will bear STC at 10% (2009: 10%). No STC will be payable on the dividend as the existing STC credits together with STC credits arising from the post year-end dividend receipt from Assmang will exceed any STC payable. The latest tax assessment for the Company relates to the year ended June 2000. All returns up to and including June 2009 have been submitted.

## Notes to the financial statements continued

|  |                               | Group       |             |
|--|-------------------------------|-------------|-------------|
|  |                               | F2010<br>Rm | F2009<br>Rm |
| <b>31</b>  | <b>Calculations per share</b> |             |             |
| <p>The calculation of basic earnings per share is based on basic earnings of R1 812 million (2009: R2 868 million and a weighted average of 212 289 thousand (2009: 211 707 thousand) shares in issue during the year.</p> <p>The calculation of headline earnings per share is based on headline earnings of R1 714 million (2009: R2 317 million), and a weighted average of 212 289 thousand (2009: 211 707 thousand) shares in issue during the year.</p> <p>The calculation of diluted basic earnings per share is based on basic earnings of R1 812 million (2009: R2 868 million), with no reconciling items to derive at diluted earnings, and a weighted average of 214 763 thousand (2009: 214 737 thousand) shares, calculated as follows:</p> <p>Weighted average number of shares used in calculating basic earnings per share (thousands)</p> <p>Potential ordinary shares due to share options granted (thousands)</p>  |                               | 212 289     | 211 707     |
|  |                               | 2 474       | 3 030       |
| <p>Weighted average number of shares used in calculating diluted earnings per share (thousands)</p>  |                               | 214 763     | 214 737     |
| <p>The calculation of diluted headline earnings per share is based on headline earnings of R1 714 million (2009: R2 317 million) and a weighted average of 214 763 thousand (2009: 214 737 thousand) shares.</p> <p>The calculation of net asset value per share is based on net assets of R17 765 million (2009: R16 149 million) and the number of shares at year-end of 212 692 thousand (2009: 212 068 thousand) shares.</p> <p>The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R3 430 million (2009: R6 678 million) and the weighted average number of shares in issue of 212 289 thousand (2009: 211 707 thousand).</p> <p><b>Dividend per share</b></p> <p>After the year-end, a dividend of 200 cents per share (2009: 175 cents per share, 2008: 400 cents per share) was declared which approximates R425 million (2009: R371 million, 2008: R847 million). This dividend was declared before approval of the financial statements but was not recognised as a distribution to owners during the period to June 2010.</p> |                               |             |             |
| <b>32</b>  | <b>Headline earnings</b>      |             |             |
| Basic earnings per income statement  |                               | 1 812       | 2 868       |
| – Surplus on dilution in TEAL to 50%   |                               | –           | (557)       |
| – Profit on sale of Otjikoto   |                               | (103)       | –           |
| – Impairments of property, plant and equipment   |                               | 10          | 43          |
| – Capital portion of insurance claim at Cato Ridge   |                               | –           | (14)        |
| – Capital portion of insurance claim at Nkomati  |                               | (1)         | –           |
| – (Profit)/loss on disposal of property, plant and equipment   |                               | (3)         | 4           |
| – Profit on asset swap in the DTJV – ARM Coal  |                               | –           | (27)        |
|  |                               | 1 715       | 2 317       |
| Taxation   |                               | (1)         | –           |
| Headline earnings  |                               | 1 714       | 2 317       |

|           |  | Group          |              | Company     |              |
|-----------|--|----------------|--------------|-------------|--------------|
|           |  | F2010<br>Rm    | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm  |
| <b>33</b> | <b>Reconciliation of net profit before tax to cash generated from operations</b> |                |              |             |              |
|           | <b>Profit from operations before exceptional items</b>                           | <b>2 920</b>   | <b>3 707</b> | <b>219</b>  | <b>106</b>   |
|           | (Loss)/income from associate   | (51)           | 147          | –           | –            |
|           | Exceptional items  | 97             | 514          | (2)         | (54)         |
|           | <b>Profit from operations after exceptional items</b>                            | <b>2 966</b>   | <b>4 368</b> | <b>217</b>  | <b>52</b>    |
|           | Adjusted for:  | <b>1 062</b>   | <b>694</b>   | <b>308</b>  | <b>156</b>   |
|           | – Amortisation and depreciation of property, plant and equipment                 | <b>987</b>     | <b>787</b>   | <b>147</b>  | <b>29</b>    |
|           | – Impairment provided for  | <b>4</b>       | <b>11</b>    | <b>–</b>    | <b>7</b>     |
|           | – Long and short-term provisions   | <b>186</b>     | <b>100</b>   | <b>142</b>  | <b>10</b>    |
|           | – Impairment of property, plant and equipment                                    | <b>10</b>      | <b>43</b>    | <b>3</b>    | <b>1</b>     |
|           | – (Profit)/loss on disposal of property, plant and equipment                     | <b>(3)</b>     | <b>4</b>     | <b>–</b>    | <b>–</b>     |
|           | – Surplus on disposal of investments   | <b>(103)</b>   | <b>(558)</b> | <b>–</b>    | <b>53</b>    |
|           | – Unrealised foreign exchange gains/(losses)                                     | <b>(86)</b>    | <b>149</b>   | <b>(31)</b> | <b>–</b>     |
|           | – Associate income   | <b>51</b>      | <b>(147)</b> | <b>–</b>    | <b>–</b>     |
|           | – Inventory written off  | <b>–</b>       | <b>238</b>   | <b>–</b>    | <b>–</b>     |
|           | – Share options  | <b>47</b>      | <b>64</b>    | <b>47</b>   | <b>49</b>    |
|           | – Sale of houses   | <b>(32)</b>    | <b>–</b>     | <b>–</b>    | <b>–</b>     |
|           | – Other non-cash flow items  | <b>1</b>       | <b>3</b>     | <b>–</b>    | <b>7</b>     |
|           | <b>Cash from operations before working capital changes</b>                       | <b>4 028</b>   | <b>5 062</b> | <b>525</b>  | <b>208</b>   |
|           | Decrease/(increase) in inventories   | <b>39</b>      | <b>(922)</b> | <b>10</b>   | <b>17</b>    |
|           | (Increase)/decrease in receivables   | <b>(1 393)</b> | <b>2 374</b> | <b>(82)</b> | <b>(3)</b>   |
|           | Increase in payables and provisions  | <b>756</b>     | <b>164</b>   | <b>28</b>   | <b>71</b>    |
|           | <b>Cash generated from operations</b>  | <b>3 430</b>   | <b>6 678</b> | <b>481</b>  | <b>293</b>   |
| <b>34</b> | <b>Taxation paid</b>   |                |              |             |              |
|           | Balance at beginning of year   | <b>530</b>     | <b>1 033</b> | <b>116</b>  | <b>110</b>   |
|           | Current taxation as per income statement   | <b>350</b>     | <b>1 479</b> | <b>22</b>   | <b>94</b>    |
|           | Normal tax   | <b>219</b>     | <b>1 029</b> | <b>22</b>   | <b>94</b>    |
|           | State's share of profits   | <b>80</b>      | <b>234</b>   | <b>–</b>    | <b>–</b>     |
|           | STC  | <b>51</b>      | <b>216</b>   | <b>–</b>    | <b>–</b>     |
|           | TEAL changed from subsidiary to joint venture                                    | <b>–</b>       | <b>(5)</b>   | <b>–</b>    | <b>–</b>     |
|           | Royalty  | <b>2</b>       | <b>–</b>     | <b>–</b>    | <b>–</b>     |
|           | Balance at end of year   | <b>(270)</b>   | <b>(530)</b> | <b>(90)</b> | <b>(116)</b> |
|           | Tax payable  | <b>(314)</b>   | <b>(531)</b> | <b>(90)</b> | <b>(116)</b> |
|           | Tax receivable   | <b>44</b>      | <b>1</b>     | <b>–</b>    | <b>–</b>     |
|           | <b>Taxation paid</b>   | <b>612</b>     | <b>1 977</b> | <b>48</b>   | <b>88</b>    |

## Notes to the financial statements continued

|           |  | Group       |             |
|-----------|--|-------------|-------------|
|           |  | F2010<br>Rm | F2009<br>Rm |
| <b>35</b> | <b>Sale of interest in TEAL</b>  |             |             |
|           | Fixed assets   | –           | 66          |
|           | Long-term borrowings   | –           | (137)       |
|           | Stock  | –           | 132         |
|           | Debtors  | –           | 37          |
|           | Cash and cash equivalents  | –           | 17          |
|           | Creditors  | –           | (89)        |
|           | Taxation   | –           | (5)         |
|           | Short-term borrowings and overdrafts   | –           | (441)       |
|           | Net assets sold  | –           | (420)       |
|           | Profit with disposal   | –           | 610         |
|           | Proceeds   | –           | 190         |
|           | Less: cash and cash equivalents  | –           | (17)        |
|           | Transaction cost – Company   | –           | (53)        |
|           | Net cash effect  | –           | 120         |
| <b>36</b> | <b>Sale of interest in Otjikoto</b>  |             |             |
|           | In June 2010, TEAL Minerals finalised an agreement where it sold its investment in TEAL Namibia (B) Inc for a cash consideration of US\$28 million (ARM's share US\$14 million). |             |             |
|           | Net assets sold  | (1)         | –           |
|           | Profit with disposal   | 103         | –           |
|           | Net proceeds   | 102         | –           |
|           | Transaction costs  | 5           | –           |
|           | Gross cash effect  | 107         | –           |



## 37 Financial instruments and risk management

The Group is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Group does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

### a. Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Group's cash flows to foreign exchange currency risks.

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars or Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Group against these risks include forward sale and purchase contracts as well as forward exchange contracts.

The use of these derivative instruments is considered on a month-by-month basis when appropriate.

|   | Foreign<br>currency<br>amount | Year-end<br>exchange<br>rate |
|---|-------------------------------|------------------------------|
| <b>Financial assets</b>   |                               |                              |
| Foreign currency denominated items included in receivables:                         |                               |                              |
| 30 June 2010  | US\$179 million               | 7.67                         |
| 30 June 2009  | US\$118 million               | 7.72                         |
| Foreign currency denominated items included in cash and cash equivalents:           |                               |                              |
| 30 June 2010  | US\$20 million                | 7.67                         |
| 30 June 2009  | US\$20 million                | 7.72                         |
| <b>Financial liabilities</b>  |                               |                              |
| Foreign currency denominated items included in payables:                            |                               |                              |
| 30 June 2010  | US\$6 million                 | 7.67                         |
| 30 June 2009  | US\$12 million                | 7.72                         |
| Foreign currency denominated items included in overdrafts and short-term borrowings |                               |                              |
| 30 June 2010  | US\$nil million               | 7.67                         |
| 30 June 2009  | US\$42,5 million              | 7.72                         |

### Foreign currency contract

A forward exchange contract was taken out in May 2009 to cover US\$42.5 million at a rate of R8.1720/US\$, payable on 31 August 2009. At F2009 year-end there was an unrealised loss on this contract included in payables (refer note 17) of R16 million and recognised in the income statement.

During the year under review, Xstrata took out a number of foreign exchange contracts (FECs) whereby US\$ revenue is hedged to a maximum of the forecast net local South African Rand operating costs of the Participating Coal Business (PCB) for a period of 12 months forward. The fair value movement of the open effective FECs at year-end was reported in the statement of comprehensive income resulting in R16 million being recorded, at Group level, for the share of the cash flow hedge reserve in the PCB.

### b. Liquidity risk management

The Group's executive meets regularly to review long and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

## Notes to the financial statements continued

**37 Financial instruments and risk management (continued)**

The table below summarises the maturity profile of the Group's financial liabilities at 30 June based on undiscounted cash flows.

## Group F2010

|  | Within<br>one year | Two to<br>five years | Over<br>five years | Total        |
|--|--------------------|----------------------|--------------------|--------------|
| Long-term borrowings (refer note 14)                 | 173                | 953                  | 1 629              | 2 755        |
| Trade and other payables (refer note 17)             | 2 315              | –                    | –                  | 2 315        |
| Overdrafts and short-term borrowings (refer note 19) | 591                | –                    | –                  | 591          |
| <b>Total</b>   | <b>3 079</b>       | <b>953</b>           | <b>1 629</b>       | <b>5 661</b> |

## Group F2009

| Long-term borrowings (refer note 14)                 | 1 511        | 229        | 1 135        | 2 875        |
|--|--------------|------------|--------------|--------------|
| Trade and other payables (refer note 17)             | 1 637        | –          | –            | 1 637        |
| Overdrafts and short-term borrowings (refer note 19) | 869          | –          | –            | 869          |
| <b>Total</b>   | <b>4 017</b> | <b>229</b> | <b>1 135</b> | <b>5 381</b> |

**c. Credit risk**

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Group minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties. The maximum exposure is the carrying amounts disclosed in note 11. Major trade receivables include Impala Platinum R631 million (2009: R363 million) and Rustenburg Platinum Mines R352 million (2009: R264 million).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 12.

The available-for-sale assets (which is mostly the Harmony investment) exposure is the carrying value of the assets as per note 9.

**d. Treasury risk management**

The treasury function is outsourced to Andisa Capital (Pty) Limited (Andisa), specialists in the management of third-party treasury operations.

Together with ARM executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A treasury committee, consisting of senior managers in the Company and representatives from Andisa meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Group. The committee reviews the treasury operation's dealings to ensure compliance with Group policies and counterparty exposure limits.

**e. Commodity price risk**

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings. Most of these prices are US Dollar and EURO-based and are internationally determined in the open market. From these base prices contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

The Nkomati, Two Rivers and Modikwa operations recognise revenue at the month-end during which delivery of concentrate has occurred, at the closing spot price for the contained metal. There is a risk that the spot price does not realise when the metal price fixes on out-turn at the refinery. Management is of the opinion that this method of revenue recognition is the most appropriate as opposed to using forward prices as an estimate. The risk is that where there are significant changes in metal prices after a reporting period-end that the next reporting period is impacted. The value of accounts receivable for these three entities included in trade and other receivables (refer note 11) is R1 207 million (2009: R764 million). Refer to the sensitivity calculations which follow note (j) below.

### 37 Financial instruments and risk management (continued)

#### f. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk

|   |                | Book value<br>at year-end<br>Rm | Maturity<br>date | Effective<br>interest<br>rate                  |
|---|----------------|---------------------------------|------------------|--|
| <b>Financial assets</b>   |                |                                 |                  |  |
| <b>Year ended 30 June 2010</b>  |                |                                 |                  |  |
| Cash – financial institutions   | US\$21 million | 160                             | Overnight        | 0% to 1%                                       |
| – financial institutions  |                | 2 542                           | call deposit     | 6% to 8%                                       |
| – fixed   |                | 337                             | July 2010        | 6% to 8%                                       |
|   |                | 3 039                           |                  |  |
| <b>Year ended 30 June 2009</b>  |                |                                 |                  |  |
| Cash – financial institutions   | US\$20 million | 157                             | Overnight        | 0% to 1%                                       |
| – financial institutions  |                | 2 447                           | call deposit     | 7% to 11%                                      |
| – fixed   |                | 909                             | July 2009        | 7% to 8%                                       |
|   |                | 3 513                           |                  |  |
| <b>Financial liabilities</b>  |                |                                 |                  |  |
| <b>Year ended 30 June 2010</b>  |                |                                 |                  |  |
| <b>Long-term borrowings</b>   |                |                                 |                  |  |
| Leases  |                | 70                              | 2012             | Year-end rate<br>1.28% to 2.65%<br>below prime |
| Loan facility (Two Rivers<br>– mine housing project)                          |                | 125                             | 2016             | 8.1%   |
| Loan facility (Modikwa) – Rustenburg<br>Platinum Mines Limited (partner loan) |                | 114                             |                  | No terms<br>or interest<br>applicable          |
| Loan facility (ARM Corporate)   |                | 784                             | 2013             | 9.6%   |
| Loan facility (ARM Coal – partner loan)                                       |                | 90                              |                  | No terms<br>or interest<br>applicable          |
| Loan (ARM Coal)   |                | 4                               | 2011             | Prime plus 2%                                  |
| Loan facility (ARM Coal – partner loan)                                       |                | 1 568                           | 2025             | Prime  |
|   |                | 2 755                           |                  |  |
| Less: transferred to short-term   |                | (173)                           |                  |  |
| <b>Total</b>  |                | 2 582                           |                  |  |

#### Summary of variable and fixed rates

|                | Transfer to<br>short-term |     |       |
|----------------|---------------------------|-----|-------|
| Variable rates | 2 551                     | 59  | 2 492 |
| Fixed rates    | 204                       | 114 | 90    |
| <b>Total</b>   | 2 755                     | 173 | 2 582 |

## Notes to the financial statements continued

**37 Financial instruments and risk management (continued)****f. Interest rate risk (continued)**

The table quantifies the interest rate risk

| Financial assets  | Book value<br>at year-end<br>Rm   |            | Maturity<br>date | Effective<br>interest<br>rate   |
|---|-----------------------------------|------------|------------------|---|
| <b>Year ended 30 June 2009</b>  |                                   |            |                  |   |
| <b>Long-term borrowings</b>   |                                   |            |                  |   |
| Leases  | 103                               |            | 2012             | 1.28% to 2.65%<br>below prime   |
| Loan facility (Two Rivers<br>– mine housing project)                        | 143                               |            | 2016             | 12.08%  |
| Loan facility (Vale/ARM joint venture)                                      | 60                                |            | 2014             | 5.25%   |
| Loan facility (Vale/ARM joint venture)                                      | 328                               |            | 2010             | LIBOR plus 1.25%  |
| Loan facility (Vale/ARM joint venture)                                      | 7                                 |            | 2010             | 4.60%   |
| Loan facility (ARM Corporate)   | 967                               |            | 2010             | 9.69%   |
| Loan facility (ARM Coal<br>– partner loan)                                  | 9                                 |            |                  | No terms of<br>interest applicable  |
| Loan facility (Modikwa) Rustenburg<br>Platinum Mines Limited (partner loan) | 132                               |            |                  | No terms of<br>interest applicable  |
| Loan facility (ARM Coal<br>– partner loan)                                  | 1 126                             |            | 2025             | Prime   |
|   | 2 875                             |            |                  |   |
| Less: transferred to short-term   | (1 511)                           |            |                  |   |
| <b>Total</b>  | 1 364                             |            |                  |   |
|   | <b>Transfer to<br/>short term</b> |            |                  |   |
| <b>Summary of variable and fixed rates</b>                                  |                                   |            |                  |   |
| Variable rates  | 2 734                             | 1 379      | 1 355            |   |
| Fixed rates   | 141                               | 132        | 9                |   |
| <b>Total</b>  | 2 875                             | 1 511      | 1 364            |   |
|   | <b>Repricing<br/>date</b>         |            |                  |   |
|   | <b>Maturity<br/>date</b>          |            |                  |   |
| <b>Short-term financial liabilities</b>                                     |                                   |            |                  |   |
| <b>Year ended 30 June 2010</b>  |                                   |            |                  |   |
| – Financial institutions  | 307                               | 30/06/2010 | 30/06/2010       | Variable rate between<br>9% and 15%   |
| – Anglo Platinum (partner loan)   | 114                               |            |                  | No interest   |
| – Implats   | 343                               |            |                  | Variable rate at<br>year-end 8%   |
| <b>Total</b>  | 764                               |            |                  |   |
| <b>Year ended 30 June 2009</b>  |                                   |            |                  |   |
| <b>Short-term financial liabilities</b>                                     |                                   |            |                  |   |
| – Financial institutions  | 1 381                             | 30/06/2009 | 30/06/2009       | Variable rate between<br>9% and 15%   |
| – Financial institutions  | 328                               | 30/06/2009 | 30/06/2009       | LIBOR plus .06% on<br>first 20 million US\$<br>LIBOR plus 1% on<br>next 30 million US\$ |
| – Anglo Platinum (partner loan)   | 132                               | 30/06/2009 | 30/06/2009       | No interest   |
| – Implats (partner loan)  | 539                               |            |                  | Variable rate at<br>year-end 11%  |
| <b>Total</b>  | 2 380                             |            |                  |   |

### 37 Financial instruments and risk management (continued)

#### g. Fair value risk

Except for interest-free loans given by the Company to its subsidiaries, the carrying amounts of trade receivables, cash and cash equivalents and trade and other payables approximate fair value because of the short-term duration of these instruments.

#### Fair value hierarchy

The Group uses the following hierarchy for determining the level confidants in the valuation technique used:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – techniques where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – techniques where all inputs that have an impact on the value are not observable

#### Financial instruments by categories

Group F2010

| Category                                 | Loans and receivables | At fair value through profit and loss | Available-for-sale assets | Other liabilities at amortised cost | Total book value | Total fair value | Fair value hierarchy level |
|--|-----------------------|---------------------------------------|---------------------------|-------------------------------------|------------------|------------------|----------------------------|
| Investments – listed                     | –                     | –                                     | 5 191                     | –                                   | 5 191            | 5 191            | 1                          |
| Trade and other receivables              | 1 819                 | 1 207                                 | –                         | –                                   | 3 026            | 3 026            | 3                          |
| Loans and long-term receivable           | 51                    | –                                     | –                         | –                                   | 51               | 51               | 2                          |
| Financial assets – structured investment | –                     | 84                                    | –                         | –                                   | 84               | 84               | 2                          |
| Trade and other payables                 | –                     | –                                     | –                         | (2 315)                             | (2 315)          | (2 315)          | 3                          |
| Cash and cash equivalents                | 3 039                 | –                                     | –                         | –                                   | 3 039            | 3 039            | 2                          |
| Long-term borrowings                     | –                     | –                                     | –                         | (2 582)                             | (2 582)          | (2 582)          | 2                          |
| Short-term borrowings                    | –                     | –                                     | –                         | (516)                               | (516)            | (516)            | 2                          |
| Overdrafts                               | –                     | –                                     | –                         | (248)                               | (248)            | (248)            | 2                          |

#### Financial instruments by categories

Group F2009

| Category                                 | Loans and receivables | At fair value through profit and loss | Available-for-sale assets | Other liabilities at amortised cost | Total book value | Total fair value | Fair value hierarchy level |
|--|-----------------------|---------------------------------------|---------------------------|-------------------------------------|------------------|------------------|----------------------------|
| Investments – listed                     | –                     | –                                     | 5 101                     | –                                   | 5 101            | 5 101            | 1                          |
| Loans and long-term receivable           | 134                   | –                                     | –                         | –                                   | 134              | 134              | 2                          |
| Financial assets – structured investment | –                     | 78                                    | –                         | –                                   | 78               | 78               | 2                          |
| Foreign exchange contract                | –                     | (16)                                  | –                         | –                                   | (16)             | (16)             | 2                          |
| Trade and other receivables              | 801                   | 764                                   | –                         | –                                   | 1 565            | 1 565            | 3                          |
| Trade and other payables                 | –                     | –                                     | –                         | (1 621)                             | (1 621)          | (1 621)          | 3                          |
| Cash and cash equivalents                | 3 513                 | –                                     | –                         | –                                   | 3 513            | 3 513            | 2                          |
| Long-term borrowings                     | –                     | –                                     | –                         | (1 364)                             | (1 364)          | (1 364)          | 2                          |
| Short-term borrowings                    | –                     | –                                     | –                         | (2 192)                             | (2 192)          | (2 192)          | 2                          |
| Overdrafts                               | –                     | –                                     | –                         | (188)                               | (188)            | (188)            | 2                          |

## Notes to the financial statements continued

**37 Financial instruments and risk management (continued)****h. Acquisition risk**

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

**i. Capital risk management**

The management and maintenance of capital in ARM is a central focus of the Board and senior management especially as ARM has a declared policy of growth. The ability to continue as a going concern and to safeguard assets while optimally funding expansion is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to life-of-mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial positions plus debt.

**j. Sensitivity**

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year-end.

It is relevant to note that the accounts receivable balance in (e) above of R1 207 million (F2009: 764 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R7.67 (2009: R7.72); (ii) platinum price of \$1 532/oz (2009:\$1 186/oz); (iii) palladium price of \$446/oz (2009: \$249/oz); rhodium of \$2 375 oz (2009: \$1 350/oz); and a nickel price of \$19 430/tonne (2009: \$16 010/tonne).

The sensitivity was applied to profit or loss before taxation and non-controlling interest.

|  | Group       |             |
|--|-------------|-------------|
|  | F2010<br>Rm | F2009<br>Rm |
| The increase in profit before tax if:          |             |             |
| The Rand/US Dollar exchange rate weakens by R1 | 193         | 119         |
| The price of nickel increases by 10%           | 37          | 18          |
| The price of PGM increases by 10%              | 82          | 56          |
| The interest rate increases by 1%              | 4           | 9           |

The interest change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

|  | Group        |              | Company     |             |
|--|--------------|--------------|-------------|-------------|
|  | F2010<br>Rm  | F2009<br>Rm  | F2010<br>Rm | F2009<br>Rm |
| <b>38 Commitments and contingent liabilities</b> |              |              |             |             |
| <b>Commitments</b>                               |              |              |             |             |
| Commitments in respect of capital expenditure:   |              |              |             |             |
| Approved by directors                            |              |              |             |             |
| – contracted for                                 | 2 921        | 3 647        | 220         | 242         |
| – not contracted for                             | 505          | 908          | 170         | 597         |
| <b>Total commitments</b>                         | <b>3 426</b> | <b>4 555</b> | <b>390</b>  | <b>839</b>  |
| <b>Commitments allocated as follows</b>          |              |              |             |             |
| Assmang Limited                                  | 2 938        | 3 587        | –           | –           |
| ARM Mining Consortium Limited                    | 52           | 37           | –           | –           |
| ARM Coal (Proprietary) Limited                   | 34           | 68           | –           | –           |
| Nkomati  | 390          | 839          | 390         | 839         |
| Two Rivers Platinum (Proprietary) Limited        | 3            | 24           | –           | –           |
| Vale/ARM joint venture                           | 9            | –            | –           | –           |
|  | <b>3 426</b> | <b>4 555</b> | <b>390</b>  | <b>839</b>  |

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be incurred over an estimated two-year period and will be financed from operating cash flows and by utilising available cash and borrowing resources.

### Contingent liabilities

#### Taxation

The Company has a contingent liability arising from its dispute with the South African Revenue Services (SARS) over the deductibility of a loan stock redemption premium claimed in the Company's 1998 tax submission. The matter is currently under appeal and no trial date has been set by SARS.

The outcome of this dispute is not clear and as such the Directors of the Company are of the opinion that no provision should be raised in these results.

The potential liability for tax is R107 million, excluding interest. The interest thereon is estimated at R155 million to June 2010 (2009: R142 million).

#### Disputes

- The Modikwa joint venture with Rustenburg Platinum Mines have a contingent liability for approximately R10 million brought by Ubuntu Small Scale Mining claiming breach of contract.
- Two Rivers Platinum Mine is defending a claim for approximately R8.5 million brought by Mabotha Business Trading claiming breach of contract.
- Two Rivers Platinum Mine is defending a claim for approximately R1.8 million brought by Imbali Crude claiming breach of contract.

#### Other

- The Vale/ARM joint venture has a potential contingent liability of US\$15 million (US\$7.5 million attributable to ARM) arising from the DRC government review of a mining licence granted. The ultimate potential liability will only be the present value of the above amount that will need to be accrued in the capital cost of the mine, with payments in incremental instalments thereafter, should a decision be made by the Vale/ARM joint venture to develop a mine on this property.

#### Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of guarantees issued to bankers by Assore (for Assmang) to secure a short-term export finance agreement facility of R180 million (2009: R180 million). Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2010 were R nil (2009: R nil).

ARM has provided an irrevocable and unconditional guarantee to Copperbelt Energy Corporation plc (CEC) and the Development Bank of Southern Africa Limited (DBSA) for the due and punctual payment by Chambishi Metals plc (Chambishi) of the capital charge component of the power supply assets installed and owned by CEC for which financing was obtained by CEC from DBSA. The total outstanding capital charge obligation started in 2002 at \$10 million and will reduce over ten years ending June 2012 as capital charge payments are made by Chambishi. ARM has a contractual right to have this guarantee replaced by the current owners of Chambishi.

Guarantees to the Department of Mineral Resources for rehabilitation provision amounting to R96 million (2009: R72 million).

Guarantees to Eskom amounting to R28 million (2009: R4 million).



## Notes to the financial statements continued

**39 Leases**

Finance leases (refer note 3)

|  | Group               |                                 |                     |                                 |
|--|---------------------|---------------------------------|---------------------|---------------------------------|
|  | F2010<br>Rm         |                                 | F2009<br>Rm         |                                 |
|  | Minimum<br>payments | Present<br>value of<br>payments | Minimum<br>payments | Present<br>value of<br>payments |
| Within one year  | 32                  | 28                              | 55                  | 48                              |
| After one year but not more than five years                              | 48                  | 42                              | 64                  | 55                              |
| Total minimum lease payments   | 80                  | 70                              | 119                 | 103                             |
| Less: amounts representing finance charges                               | (10)                | –                               | (16)                | –                               |
| Present value of minimum lease payments                                  | 70                  | 70                              | 103                 | 103                             |
| <b>Operating leases – Group as lessee</b>                                |                     |                                 |                     |                                 |
| This is in respect of office building rentals paid                       |                     |                                 |                     |                                 |
| Within one year  | 4                   |                                 | 5                   |                                 |
| After one year but not more than five years                              | 2                   |                                 | 4                   |                                 |
| Total minimum lease payments   | 6                   |                                 | 9                   |                                 |
| <b>Operating leases – Group as lessor</b>                                |                     |                                 |                     |                                 |
| This is in respect of office building rentals received<br>(refer note 4) |                     |                                 |                     |                                 |
| Within one year  | 1                   |                                 | 5                   |                                 |
| After one year but not more than five years                              | –                   |                                 | 2                   |                                 |
| Total minimum lease payments   | 1                   |                                 | 7                   |                                 |

#### 40 Retirement plans

The Group facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R86 million (2009: R72 million).

#### 41 Post-retirement healthcare benefits

The Group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised.

The liability is assessed periodically by an independent actuary. This assessment uses the following principal actuarial assumptions:

- A real discount rate of between 1% and 2% per annum.
- An increase in healthcare costs at a rate of between 6% and 9% per annum.
- A 1% change in the net discount rate used is estimated to have an impact of 9.5% (2009: 9.68%) on the liability.
- The average expected working lifetime of eligible members was nine (2009: 11) years at the date of the valuation in 2010.

The provisions raised in respect of post-retirement healthcare benefits amounted to R98 million (2009: R83 million) at the end of the year. Of this amount, R16 million (2009: R nil) was charged against income in the current year (refer note 16).

The liabilities raised based on present values of the post-retirement benefit, have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in 2010 and the next one will be in 2013.

At retirement members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively, the Group will continue to fund a portion of the retiring employee's medical aid contributions.

|                                | F2010 | F2009 | F2008 | F2007 | F2006 |
|--------------------------------|-------|-------|-------|-------|-------|
| Balance at 30 June (R million) | 98    | 83    | 83    | 82    | 86    |

## Notes to the financial statements continued

|   | <b>F2010<br/>Share<br/>options</b> | F2009<br>Share<br>options | <b>F2010<br/>Average<br/>price<br/>Cents</b> | F2009<br>Average<br>price<br>Cents |
|---|------------------------------------|---------------------------|--|------------------------------------|
| <b>42 Share-based payment plans</b>   |                                    |                           |  |                                    |
| <b>Equity-settled plan</b>  |                                    |                           |  |                                    |
| The Company uses three plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.   |                                    |                           |  |                                    |
| <b>Share options</b>  |                                    |                           |  |                                    |
| The Company grants share options to certain employees under a share incentive scheme. The exercise price of the options is equal to the market price of the shares on the date of the grant. Before July 2008 the options start to vest one year after the grant date in three equal tranches over three years and from 1 July 2008 the options vest after three years. Both schemes are subject to continued employment. |                                    |                           |  |                                    |
| Outstanding at the beginning of the period  | <b>4 834 037</b>                   | 5 124 907                 | <b>7 374</b>                                 | 7 098                              |
| Granted during the period   | <b>185 952</b>                     | 249 292                   | <b>15 624</b>                                | 9 730                              |
| Forfeited during the period   | <b>(59 894)</b>                    | (28 217)                  | <b>18 822</b>                                | 17 589                             |
| Exercised during the period   | <b>(624 153)</b>                   | (511 945)                 | <b>7 046</b>                                 | 5 185                              |
| Outstanding at the end of the period  | <b>4 335 942</b>                   | 4 834 037                 | <b>7 617</b>                                 | 7 374                              |
| Exercisable at the end of the period  | <b>3 152 144</b>                   | 1 746 774                 |  |                                    |
| Range of strike prices of options exercised (cents)   |                                    |                           | <b>2 700 to<br/>13 973</b>                   | 2 700 to<br>9 620                  |
| Range of strike prices of outstanding options (cents)   |                                    |                           | <b>2 700 to<br/>27 950</b>                   | 2 700 to<br>27 950                 |

**Bonus shares method**

Annually, eligible employees receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares will be settled to participants after three years, conditional on continued employment. The bonus share method of the plan provides an additional element of share-based retention to executives and senior management who through their performance, on an annual basis, have demonstrated their value to the Company, and by further encouraging executives and senior management to build up a shareholding in ARM.

## Group

|  | <b>F2010<br/>Bonus<br/>shares</b> | F2009<br>Bonus<br>shares |
|--|-----------------------------------|--------------------------|
| Outstanding at the beginning of the period | <b>122 683</b>                    | –                        |
| Granted during the period                  | <b>11 479</b>                     | 132 308                  |
| Forfeited during the period                | <b>(2 414)</b>                    | (798)                    |
| Shares vested*                             | <b>(1 703)</b>                    | (8 827)                  |
| Outstanding at the end of the period       | <b>130 045</b>                    | 122 683                  |

\* This represents shares that vested during the period as a result of no-fault termination.

## 42 Share-based payment plans *(continued)*

### Performance share method

Annual conditional awards of full value shares are made to eligible employees. Performance shares vest after a three-year period subject to continued employment and the Company's achievement against a weighted combination of challenging performance measures over this period, selected from:

- comparative total shareholder return in relation to a peer group;
- return on capital employed against a prescribed target; and
- growth in headline earnings per share in relation to an inflation index.

The selection of performance metrics has been made on the basis that, individually or in combination, they clearly foster the creation of shareholder value. The performance share method closely aligns the interest of shareholders, executives and senior management by rewarding superior shareholder and financial performance in the future, and by encouraging executives and senior management to build up a shareholding in ARM.

|  | Group                                   |                                |
|--|---|--------------------------------|
|  | <b>F2010<br/>Performance<br/>shares</b> | F2009<br>Performance<br>shares |
| Outstanding at the beginning of the period | <b>137 965</b>                          | –                              |
| Granted during the period                  | <b>128 530</b>                          | 146 650                        |
| Forfeited during the period                | <b>(3 610)</b>                          | (7 820)                        |
| Shares vested*                             | <b>(332)</b>                            | (865)                          |
| Outstanding at the end of the period       | <b>262 553</b>                          | 137 965                        |

\* This represents shares that vested during the period as a result of no-fault termination.

The fair value of shares granted in these plans are estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the range of inputs to the model used on the grant date for the years ended 30 June 2010 and 30 June 2009.

|  | Group         |        |
|--|---------------|--------|
|  | <b>F2010</b>  | F2009  |
| Dividend yield (%)   | <b>1.35</b>   | 1.43   |
| Expected volatility (%)  | <b>54.3</b>   | 54.9   |
| Risk-free interest rate (%)  | <b>7.49</b>   | 7.96   |
| Expected life of options (years)   | <b>2 – 5</b>  | 2 – 6  |
| Weighted average share price (cents)   | <b>16 596</b> | 14 568 |
| Fair value of options issued during the year (Rm)  | <b>32</b>     | 30     |
| Fair value of options per option issued during the year (cents)  | <b>9 745</b>  | 6 017  |
| The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. |               |        |
| The effect on the income statement for the Group and Company was a charge of (Rm)  | <b>47</b>     | 49     |

## Notes to the financial statements continued

**42 Share-based payment plans (continued)****Share appreciation rights plan**

TEAL, a former subsidiary of ARM, had established a share appreciation rights plan in order to provide incentive compensation to Directors, senior management, employees and consultants of TEAL. The exercise price could not be lower than the average list price on 15 November 2005 on the Toronto Stock Exchange (TSX). The exercise period was within eight years. The vesting was 40% on the second anniversary, 30% on the third and 30% on the fourth anniversary from the date of the grant. A holder who exercised share appreciation rights was entitled to receive an amount equal to the weighted average trading price of the Common Shares on the TSX for the five trading days prior to the exercise date, less the exercise price and any applicable taxes, such amount to be paid by TEAL, at the option of TEAL, either in cash or common shares.

As a result of the plan of arrangement that came into effect on 1 March 2009 and the related transactions, all share options were deemed to be vested and an offer of CAD 3.00 (R19) per share was made to all appreciation right holders.

|   | Group |             |
|---|-------|-------------|
|   | F2010 | F2009       |
| Outstanding at the beginning of the period  | —     | 5 233 198   |
| Granted during the period   | —     | —           |
| Forfeited during the period   | —     | (1 388 840) |
| Exercised during the period   | —     | (3 844 358) |
| Outstanding at the end of the period  | —     | —           |
| <b>Exercisable at the end of the period</b>   | —     | —           |
| The fair value of cash-settled share options granted was estimated as at the date of the grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used on the grant date for the years ended 30 June.   |       |             |
| Dividend yield (%)  | —     | Nil         |
| Expected volatility (%)   | —     | 77%         |
| Historical volatility (%)   | —     | n/a         |
| The expected life of the options was based on the industry norm and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends which may also not be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. |       |             |
| The effect on the income statement for the Group was a charge of (Rm)   | —     | 15          |

### 43 Related party transactions

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies and joint ventures.

A report on investments in subsidiaries, associated companies and joint ventures, that indicates the relationship and degree of control exercised by the Company, appears on pages 252 to 254.

Transactions between the Company, its subsidiaries, associated companies and joint ventures relate to fees, dividends, rents and interest and are regarded as intra-group transactions and eliminated on consolidation.

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| Assmang  |             |             |             |             |
| – provision of services  |             |             | 179         | 299         |
| – dividends received   |             |             | 500         | 2 151       |
| ARM Coal (Proprietary) Limited – dividends received                                      |             |             | –           | 117         |
| Venture Building Trust (Proprietary) Limited – interest received                         |             |             | 1           | 1           |
| Two Rivers Platinum (Proprietary) Limited  |             |             |             |             |
| – interest received  |             |             | 50          | 86          |
| – provision of services  |             |             | 2           | 2           |
| Vale/ARM joint venture – provision of services   |             |             | –           | 8           |
| – interest   |             |             | 44          | 20          |
| Mannequin insurances received  |             |             |             |             |
| – various Group Companies  | 169         | 207         | –           | –           |
| Mannequin fees paid – Kingfisher   | 27          | 35          | –           | –           |
| Kingfisher insurances received   |             |             |             |             |
| – various Group Companies  | 32          | 19          | –           | –           |
| Venture Building Trust (Proprietary) Limited   |             |             |             |             |
| – rent received from Vale/ARM joint venture  | –           | 1           | –           | –           |
| Nkomati – chrome sales to Assmang  | 6           | 2           | 6           | 2           |
| Nkomati – receivable iro Assmang   | –           | –           | 2           | 2           |
| Venture Building Trust (Proprietary) Limited – rent received from Vale/ARM joint venture | –           | 1           | –           | –           |
| Nkomati – chrome sales to Assmang  | 6           | 2           | –           | –           |
| Nkomati – receivable iro Assmang   | –           | –           | 2           | 2           |
| <b>Amounts outstanding at year-end owing to ARM on current account</b>                   |             |             |             |             |
| Assmang  |             |             | 22          | 16          |
| Vale/ARM joint venture   |             |             | –           | 1           |
| Venture Building Trust   |             |             | 2           | 3           |

## Notes to the financial statements continued

|   |  | Group       |             |
|---|--|-------------|-------------|
|   |  | F2010<br>Rm | F2009<br>Rm |
| <b>43 Related party transactions (continued)</b>  |  |             |             |
| <b>Key management personnel</b>   |  |             |             |
| Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and comprise members of the Board of Directors and senior management. |  |             |             |
| Key management personnel: senior management compensation  |  |             |             |
| Salary  |  | 13          | 18          |
| Accrued bonuses   |  | 2           | 3           |
| Pension scheme contributions  |  | 1           | 2           |
| Reimbursive allowances  |  | 1           | 3           |
| <b>Total</b>  |  | <b>17</b>   | <b>26</b>   |

**Share options**

|                             | Number of<br>options | Average<br>price | Average<br>gross<br>selling price |
|-----------------------------|----------------------|------------------|-----------------------------------|
| Held on 1 July 2008         | 815 902              | R94.34           |                                   |
| Granted during the year     | 72 584               | R96.20           |                                   |
| Staff movements             | 196 892              | R79.45           |                                   |
| Exercised during the year   | (81 262)             | R50.29           | R132.24                           |
| Held on 1 July 2009         | 1 004 116            | R109.19          |                                   |
| Granted during the year     | 21 281               | R161.45          |                                   |
| Staff movements             | (711 536)            | R99.36           |                                   |
| <b>Held on 30 June 2010</b> | <b>313 861</b>       | <b>R101.70</b>   |                                   |

**Bonus and performance shares**

|                                 | Number of<br>bonus<br>shares | Number of<br>performance<br>shares |
|---------------------------------|------------------------------|------------------------------------|
| Held on 1 July 2008             | –                            | –                                  |
| Granted/awarded during the year | 41 475                       | 39 986                             |
| Vested during the year*         | (8 827)                      | (865)                              |
| Forfeited during the year*      | –                            | (7 287)                            |
| Held on 30 June 2009            | 32 648                       | 31 834                             |
| Granted/awarded during the year | 979                          | 19 802                             |
| Staff movements                 | (26 275)                     | (24 560)                           |
| Vested during the year*         | –                            | –                                  |
| Forfeited during the year*      | –                            | –                                  |
| <b>Held on 30 June 2010</b>     | <b>7 352</b>                 | <b>27 076</b>                      |

\* This represents shares that vested during the period as a result of no-fault termination.



|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | F2010<br>Rm | F2009<br>Rm | F2010<br>Rm | F2009<br>Rm |
| <b>43 Related party transactions (continued)</b><br>Details relating to Directors' emoluments, share options and shareholdings in the Company are disclosed in the Directors' report.<br><br><b>Shareholders</b><br>The principal shareholders of the Company are detailed in the Shareholder Analysis report.<br><br>ARM's Executive Chairman, Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Mr Motsepe's director's emoluments, share options and shareholding in the Company are disclosed in the Directors' report.<br><br>Rental paid for offices at 29 Impala Road, Chislehurst, Sandton.<br><br>This rental is similar to rentals paid to third parties in the same area for similar buildings. |             |             |             |             |
|   | 1           | 1           | 1           | 1           |

## Report on subsidiary companies

for the year ended 30 June

|   | Company     |             |
|---|-------------|-------------|
|   | F2010<br>Rm | F2009<br>Rm |
| <b>Investments</b>  |             |             |
| Listed: market value R5 180 million – Harmony   | 5 180       | 5 091       |
| Unlisted  | 481         | 481         |
|   | 5 661       | 5 572       |
| Amounts owing by subsidiaries (refer note 9)  | 1 236       | 1 625       |
| Amounts owing to subsidiaries (refer note 19)   | (291)       | (291)       |
|   | 6 606       | 6 906       |
| <b>Income from subsidiaries</b>   |             |             |
| Fees – management advisory services   | 2           | 10          |
|   | 2           | 10          |
| <b>Members' aggregate interest in profits and losses after taxation of subsidiaries</b> |             |             |
| Profits   | 315         | –           |
| Losses  | –           | 789         |

## Principal subsidiary companies

Book value of the Company's interest

|  |       | Issued capital amount<br>R million |       | Direct interest in capital<br>% |       | R million |       | Indebtedness by/(to)<br>R million |       |
|--|-------|------------------------------------|-------|---------------------------------|-------|-----------|-------|-----------------------------------|-------|
| Name   | Class | F2010                              | F2009 | F2010                           | F2009 | F2010     | F2009 | F2010                             | F2009 |
| African Rainbow Minerals   |       |                                    |       |                                 |       |           |       |                                   |       |
| Platinum (Proprietary) Limited – platinum mining                   | Ord   | –                                  | –     | 100                             | 100   | 257       | 257   | 803                               | 951   |
| Anglovaal Air (Proprietary) Limited – air charter operator         | Ord   | –                                  | –     | 100                             | 100   | 89        | 89    | (212)                             | (212) |
| Atscot (Proprietary) Limited – investment company                  | Ord   | 1                                  | 1     | 100                             | 100   | 10        | 10    | (23)                              | (23)  |
| Avmin Limited – mining investment                                  | Ord   | –                                  | –     | 100                             | 100   | –         | –     | (17)                              | (17)  |
| Bitcon's Investments (Proprietary) Limited – investment company    | Ord   | –                                  | –     | 100                             | 100   | 2         | 2     | (2)                               | (2)   |
| Jesdene Limited – share dealer                                     | Ord   | –                                  | –     | 100                             | 100   | –         | –     | 6                                 | 6     |
| Kingfisher Insurance Co Limited – insurance                        | Ord   | –                                  | –     | 100                             | 100   | 35        | 35    | –                                 | –     |
| Lavino (Proprietary) Limited – investment company                  | Ord   | –                                  | –     | 100                             | 100   | 4         | 4     | (9)                               | (9)   |
| Letaba Copper & Zinc Corp Limited – prospecting company            | Ord   | 1                                  | 1     | 94                              | 94    | –         | –     | –                                 | –     |
| Mannequin Insurance PCC Limited (Cell AVL18)* – insurance          | Ord   | 4                                  | 4     | 100                             | 100   | 4         | 4     | –                                 | –     |
| Prieska Copper Mines Limited – investment company                  | Ord   | 27                                 | 27    | 97                              | 97    | –         | –     | –                                 | –     |
| Sheffield Minerals (Proprietary) Limited – investment company      | Ord   | –                                  | –     | 100                             | 100   | –         | –     | (4)                               | (4)   |
| South African Base Minerals Limited – investment company           | Ord   | –                                  | –     | 100                             | 100   | –         | –     | –                                 | –     |
| Tasrose Investments (Proprietary) Limited – mining investment      | Pref  | –                                  | –     | 100                             | 100   | 24        | 24    | (24)                              | (24)  |
| Two Rivers Platinum (Proprietary) Limited – platinum mining        | Ord   | 100                                | 100   | 55                              | 55    | 55        | 55    | 419                               | 660   |
| Vallum Investments (Proprietary) Limited – investment company      | Ord   | –                                  | –     | 100                             | 100   | –         | –     | –                                 | –     |
| Venture Building Trust (Proprietary) Limited – property investment | Ord   | –                                  | –     | 100                             | 100   | 1         | 1     | 8                                 | 8     |

Ord – Ordinary shares

Pref – Preference shares

Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.

\* Incorporated in Guernsey, December year-end. Audited June figures are consolidated.

## Principal associate companies, joint ventures and other investments

|  | Group                    |            | Company                  |            | Group                           |       | Indebtedness by (to)<br>Rm |       |
|--|--------------------------|------------|--------------------------|------------|---------------------------------|-------|----------------------------|-------|
|  | Number of<br>shares held |            | Number of<br>shares held |            | Effective<br>percentage holding |       |                            |       |
| Name of company  | F2010                    | F2009      | F2010                    | F2009      | F2010                           | F2009 | F2010                      | F2009 |
| <b>Associated companies</b>  |                          |            |                          |            |                                 |       |                            |       |
| <b>Unlisted</b>  |                          |            |                          |            |                                 |       |                            |       |
| Lucas Block Minerals Limited (1936) Ordinary shares of 200 cents per share   | 121                      | 121        | 102                      | 102        | 30                              | 30    |                            |       |
| Xstrata South Africa (Proprietary) Limited* Non-convertible participating preference shares of 100 cents per share | 800                      | 800        | 400                      | 400        | 20.2                            | 20.2  |                            |       |
| <b>Investment in other companies</b>   |                          |            |                          |            |                                 |       |                            |       |
| <b>Listed</b>  |                          |            |                          |            |                                 |       |                            |       |
| Harmony Gold Mining Company Limited Ordinary shares of 50 cents per share  | 63 632 922               | 63 632 922 | 63 632 922               | 63 632 922 | 14.84                           | 14.94 |                            |       |
| <b>Unlisted</b>  |                          |            |                          |            |                                 |       |                            |       |
| Business Partners Limited  | 323 177                  | 323 177    | 323 177                  | 323 177    | 0.2                             | 0.2   |                            |       |
| <b>Joint ventures and partnerships</b>   |                          |            |                          |            |                                 |       |                            |       |
| ARM Coal (Proprietary) Limited (including Goedgevonden)  | 51                       | 51         | 51                       | 51         | 51                              | 51    |                            |       |
| Cato Ridge Alloys (Proprietary) Limited  | 19 400                   | 19 400     | –                        | –          | 12.5                            | 12.5  |                            |       |
| Modikwa joint venture*   | –                        | –          | –                        | –          | 41.5                            | 41.5  |                            |       |
| Nkomati joint venture  | –                        | –          | –                        | –          | 50                              | 50    | 903                        | 504   |
| Assmang Limited (including Cato Ridge Alloys)  | 1 774 103                | 1 774 103  | 1 774 103                | 1 774 103  | 50                              | 50    |                            |       |
| Vale/ARM joint venture   | 500                      | 500        | 500                      | 500        | 50                              | 50    | 674                        | 303   |

\* December year-end. Audited June figures are consolidated.

## Convenience translation into US Dollars

For the benefit of international investors, the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group, presented in South African Rands and set out on pages 188 to 196, have been translated into US Dollars and are presented on this page and pages 256 to 260.

This information is only supplementary and is not required by any accounting standard and does not represent US GAAP.

The statement of financial position is translated at the rate of exchange ruling at the close of business at 30 June each year and the income statements and statement of cash flows are translated at the average exchange rates for the years reported except for the opening and closing cash balances of cash flows which are translated at the rate ruling at the close of business at 30 June each year. The statement of comprehensive income is translated at the average rate of the years reported.

The statement of changes in equity is translated at the rate ruling at the close of business at 30 June each year.

The following exchange rates were used:

|  | <b>F2010<br/>R/US\$</b> | F2009<br>R/US\$ |
|--|-------------------------|-----------------|
| Statement of financial position              | <b>R7.67</b>            | R7.72           |
| Income statement and statement of cash flows | <b>R7.59</b>            | R9.03           |

The US Dollar denominated statement of financial position, income statements, statement of comprehensive income, statements of changes in equity and statements of cash flows should be read in conjunction with the accounting policies of the Group as set out on pages 197 to 208 and with the notes to the financial statements on pages 208 to 251.

# Statement of financial position

## US Dollar convenience translation

for the year ended 30 June

|   |       | Group          |                |
|---|-------|----------------|----------------|
|   | Notes | F2010<br>US\$m | F2009<br>US\$m |
| <b>Assets</b>   |       |                |                |
| <b>Non-current assets</b>                               |       |                |                |
| Property, plant and equipment                           | 3     | 1 728          | 1 490          |
| Investment property                                     | 4     | 2              | 2              |
| Intangible assets                                       | 5     | 28             | 28             |
| Deferred tax assets                                     | 15    | 6              | 4              |
| Loans and long-term receivables                         | 7     | 7              | 17             |
| Financial assets  | 8     | 11             | 10             |
| Inventories   | 10    | 19             | 22             |
| Investment in associate                                 | 6     | 168            | 172            |
| Other investments                                       | 9     | 677            | 661            |
|   |       | <b>2 646</b>   | <b>2 406</b>   |
| <b>Current assets</b>                                   |       |                |                |
| Inventories   | 10    | 239            | 240            |
| Trade and other receivables                             | 11    | 395            | 203            |
| Taxation  | 34    | 6              | –              |
| Cash and cash equivalents                               | 12    | 396            | 455            |
|   |       | <b>1 036</b>   | <b>898</b>     |
| <b>Total assets</b>                                     |       | <b>3 682</b>   | <b>3 304</b>   |
| <b>Equity and liabilities</b>                           |       |                |                |
| <b>Capital and reserves</b>                             |       |                |                |
| Ordinary share capital                                  | 13    | 1              | 1              |
| Share premium   | 13    | 496            | 487            |
| Other reserves  |       | 95             | 79             |
| Retained earnings                                       |       | 1 724          | 1 526          |
| <b>Equity attributable to equity holders of ARM</b>     |       | <b>2 316</b>   | <b>2 093</b>   |
| Non-controlling interest                                |       | 100            | 78             |
| <b>Total equity</b>                                     |       | <b>2 416</b>   | <b>2 171</b>   |
| <b>Non-current liabilities</b>                          |       |                |                |
| Long-term borrowings                                    | 14    | 337            | 177            |
| Deferred tax liabilities                                | 15    | 386            | 295            |
| Long-term provisions                                    | 16    | 65             | 52             |
|   |       | <b>788</b>     | <b>524</b>     |
| <b>Current liabilities</b>                              |       |                |                |
| Trade and other payables                                | 17    | 302            | 212            |
| Short-term provisions                                   | 18    | 35             | 20             |
| Taxation  | 34    | 41             | 69             |
| Overdrafts and short-term borrowings – interest-bearing | 19    | 100            | 308            |
|   |       | <b>478</b>     | <b>609</b>     |
| <b>Total equity and liabilities</b>                     |       | <b>3 682</b>   | <b>3 304</b>   |

# Income statement

## US Dollar convenience translation

for the year ended 30 June

|  |       | Group          |                |
|--|-------|----------------|----------------|
|  | Notes | F2010<br>US\$m | F2009<br>US\$m |
| <b>Revenue</b>   | 22    | <b>1 505</b>   | 1 182          |
| <b>Sales</b>   | 22    | <b>1 452</b>   | 1 118          |
| Cost of sales  | 23    | (986)          | (670)          |
| <b>Gross profit</b>                                    |       | <b>466</b>     | 448            |
| Other operating income                                 | 24    | 54             | 101            |
| Other operating expenses                               | 25    | (136)          | (139)          |
| <b>Profit from operations before exceptional items</b> | 26    | <b>384</b>     | 410            |
| Income from investments                                | 27    | 28             | 46             |
| Finance costs  | 28    | (25)           | (43)           |
| Income from associate                                  | 6     | (7)            | 16             |
| <b>Profit before taxation and exceptional items</b>    |       | <b>380</b>     | 429            |
| Exceptional items                                      | 29    | 13             | 57             |
| <b>Profit before taxation</b>                          |       | <b>393</b>     | 486            |
| Taxation   | 30    | (133)          | (191)          |
| <b>Profit for the year</b>                             |       | <b>260</b>     | 295            |
| <b>Attributable to:</b>                                |       |                |                |
| Non-controlling interest                               |       | 21             | (22)           |
| Equity holders of ARM                                  |       | 239            | 317            |
|  |       | <b>260</b>     | 295            |
|  |       |                |                |
| <b>Additional information</b>                          |       |                |                |
| Headline earnings                                      | 32    | 226            | 257            |
| Headline earnings per share (cents)                    | 31    | 106            | 121            |
| Basic earnings per share (cents)                       | 31    | 113            | 150            |
| Diluted headline earnings per share (cents)            | 31    | 105            | 119            |
| Diluted basic earnings per share (cents)               | 31    | 111            | 148            |



# Statement of comprehensive income

## US Dollar convenience translation

for the year ended 30 June

|  |       | Group                                      |                |                               |                                      |  |                |
|--|-------|--|----------------|-------------------------------|--------------------------------------|--|----------------|
|  | Notes | Available-<br>for-sale<br>reserve<br>US\$m | Other<br>US\$m | Retained<br>earnings<br>US\$m | Share-<br>holders<br>of ARM<br>US\$m | Non-<br>controlling<br>interest<br>US\$m | Total<br>US\$m |
| <b>For the year ended 30 June 2009</b>           |       |  |                |                               |                                      |  |                |
| Profit for the year                              |       | –  | –              | 317                           | 317                                  | (22)                                     | 295            |
| Other comprehensive income                       |       |  |                |                               |                                      |  |                |
| Revaluation of listed investment                 | 9     | (106)                                      | –              | –                             | (106)                                | –  | (106)          |
| Deferred tax on revaluation of listed investment |       | 15   | –              | –                             | 15                                   | –  | 15             |
| Net impact of revaluation of listed investment   |       | (91)                                       | –              | –                             | (91)                                 | –  | (91)           |
| Realignment of currency in dilution in TEAL      |       | –  | (5)            | –                             | (5)                                  | –  | (5)            |
| Foreign currency translation reserve realised    |       | –  | 2              | –                             | 2                                    | –  | 2              |
| Total other comprehensive income                 |       | (91)                                       | (3)            | –                             | (94)                                 | –  | (94)           |
| Total comprehensive income for the year          |       | (91)                                       | (3)            | 317                           | 223                                  | (22)                                     | 201            |
| <b>For the year ended 30 June 2010</b>           |       |  |                |                               |                                      |  |                |
| Profit for the year                              |       | –  | –              | 239                           | 239                                  | 21                                       | 260            |
| Other comprehensive income                       |       |  |                |                               |                                      |  |                |
| Revaluation of listed investment                 | 9     | 12   | –              | –                             | 12                                   | –  | 12             |
| Deferred tax on revaluation of listed investment |       | (2)  | –              | –                             | (2)                                  | –  | (2)            |
| Net impact of revaluation of listed investment   |       | 10   | –              | –                             | 10                                   | –  | 10             |
| Foreign exchange reversal on loans               |       | –  | (1)            | –                             | (1)                                  | –  | (1)            |
| Cash flow hedge reserve                          |       | –  | 2              | –                             | 2                                    | –  | 2              |
| Total other comprehensive income                 |       | 10   | 1              | –                             | 11                                   | –  | 11             |
| <b>Total comprehensive income for the year</b>   |       | <b>10</b>                                  | <b>1</b>       | <b>239</b>                    | <b>250</b>                           | <b>21</b>                                | <b>271</b>     |

# Statement of changes in equity

## US Dollar convenience translation

for the year ended 30 June

|  |       | Group                              |                                     |                |                          |                               |                                   |                |
|--|-------|------------------------------------|-------------------------------------|----------------|--------------------------|-------------------------------|-----------------------------------|----------------|
|  | Notes | Share capital and premium<br>US\$m | Available-for-sale reserve<br>US\$m | Other<br>US\$m | Retained profit<br>US\$m | Share-holders of ARM<br>US\$m | Non-controlling interest<br>US\$m | Total<br>US\$m |
| <b>Balance at 30 June 2008</b>                                   |       | 478                                | 152                                 | 23             | 1 247                    | 1 900                         | 102                               | 2 002          |
| Profit for the year  |       | –                                  | –                                   | –              | 317                      | 317                           | (22)                              | 295            |
| Other comprehensive income                                       |       | –                                  | (91)                                | (3)            | –                        | (94)                          | –                                 | (94)           |
| Total comprehensive income for the year                          |       | –                                  | (91)                                | (3)            | 317                      | 223                           | (22)                              | 201            |
| Translation adjustments  |       | 7                                  | (13)                                | 3              | 57                       | 54                            | (2)                               | 52             |
| Share-based payments   |       | –                                  | –                                   | 7              | –                        | 7                             | –                                 | 7              |
| Share options paid in cash                                       |       | –                                  | –                                   | (3)            | –                        | (3)                           | –                                 | (3)            |
| Share options exercised  |       | 3                                  | –                                   | –              | –                        | 3                             | –                                 | 3              |
| Share appreciation rights: TEAL – non-controlling interest share |       | –                                  | –                                   | 1              | –                        | 1                             | –                                 | 1              |
| Premium paid on purchase of non-controlling interest             |       | –                                  | –                                   | 2              | –                        | 2                             | –                                 | 2              |
| Dividend paid  |       | –                                  | –                                   | –              | (94)                     | (94)                          | –                                 | (94)           |
| Other  |       | –                                  | –                                   | 1              | (1)                      | –                             | –                                 | –              |
| <b>Balance at 30 June 2009</b>                                   |       | 488                                | 48                                  | 31             | 1 526                    | 2 093                         | 78                                | 2 171          |
| Profit for the year  |       | –                                  | –                                   | –              | 239                      | 239                           | 21                                | 260            |
| Other comprehensive income                                       |       | –                                  | 10                                  | 1              | –                        | 11                            | –                                 | 11             |
| Total comprehensive income for the year                          |       | –                                  | 10                                  | 1              | 239                      | 250                           | 21                                | 271            |
| Translation adjustments  |       | 3                                  | –                                   | (1)            | 8                        | 10                            | 1                                 | 11             |
| Share-based payments   |       | –                                  | –                                   | 6              | –                        | 6                             | –                                 | 6              |
| Share options exercised  |       | 6                                  | –                                   | –              | –                        | 6                             | –                                 | 6              |
| Dividend paid  |       | –                                  | –                                   | –              | (49)                     | (49)                          | –                                 | (49)           |
| <b>Balance at 30 June 2010</b>                                   |       | 497                                | 58                                  | 37             | 1 724                    | 2 316                         | 100                               | 2 416          |

# Statement of cash flows

## US Dollar convenience translation

for the year ended 30 June

|   |      | Group          |                |
|---|------|----------------|----------------|
|   | Note | F2010<br>US\$m | F2009<br>US\$m |
| <b>Cash flow from operating activities</b>                        |      |                |                |
| Cash receipts from customers                                      |      | 1 316          | 1 487          |
| Cash paid to suppliers and employees                              |      | (865)          | (748)          |
| Cash generated from operations                                    | 33   | 451            | 739            |
| Translation adjustment  |      | 4              | 18             |
| Interest received   |      | 23             | 45             |
| Interest paid   |      | (18)           | (36)           |
| Dividends received  |      | 4              | 13             |
| Dividends paid  |      | (49)           | (94)           |
| Taxation paid   | 34   | (81)           | (219)          |
| <b>Net cash inflow from investing activities</b>                  |      | 334            | 466            |
| <b>Cash flow from investing activities</b>                        |      |                |                |
| Additions to property, plant and equipment to maintain operations |      | (68)           | (103)          |
| Additions to property, plant and equipment to expand operations   |      | (261)          | (259)          |
| Proceeds on disposal of property, plant and equipment             |      | 2              | 1              |
| Proceeds on disposal of 15% in TEAL                               | 35   | –              | 13             |
| Proceeds on disposal of Otjikoto                                  | 36   | 14             | –              |
| Decrease in investment loans and receivables                      |      | 7              | –              |
| <b>Net cash outflow from investing activities</b>                 |      | (306)          | (348)          |
| <b>Cash flow from financing activities</b>                        |      |                |                |
| Proceeds on exercise of share options                             |      | 6              | 3              |
| Share options settled in cash                                     |      | –              | (3)            |
| Long-term borrowings raised                                       |      | 112            | 29             |
| Long-term borrowings repaid                                       |      | (110)          | (35)           |
| (Decrease)/increase in short-term borrowings                      |      | (104)          | (13)           |
| <b>Net cash outflow from financing activities</b>                 |      | (96)           | (19)           |
| <b>Net increase in cash and cash equivalents</b>                  |      | (68)           | 99             |
| <b>Cash and cash equivalents at beginning of year</b>             |      | 431            | 332            |
| <b>Cash and cash equivalents at end of year</b>                   | 12   | 363            | 431            |

## Financial summary and statistics

### US Dollar convenience translation

for the year ended 30 June

Group

|  | F2010<br>US\$m | F2009<br>US\$m | F2008<br>US\$m | F2007<br>US\$m | F2006<br>US\$m | F2005<br>US\$m | F2004<br>US\$m |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Income statement</b>                                |                |                |                |                |                |                |                |
| Sales  | 1 452          | 1 118          | 1 725          | 854            | 722            | 883            | 563            |
| Headline earnings                                      | 226            | 257            | 550            | 168            | 72             | 55             | 7              |
| Basic earnings per share (cents)                       | 113            | 150            | 292            | 81             | 46             | 36             | 125            |
| Headline earnings per share (cents)                    | 106            | 121            | 261            | 81             | 35             | 27             | 5              |
| Dividend declared after year-end<br>per share (cents)  | 26             | 23             | 51             | n/a            | n/a            | n/a            | n/a            |
| <b>Statement of financial position</b>                 |                |                |                |                |                |                |                |
| Total assets   | 3 682          | 3 304          | 3 178          | 2 576          | 2 041          | 1 769          | 1 831          |
| Cash and cash equivalents                              | 396            | 455            | 340            | 150            | 61             | 43             | 57             |
| Shareholders' equity                                   | 2 416          | 2 171          | 2 002          | 1 587          | 1 452          | 1 199          | 1 271          |
| <b>Cash flow</b>                                       |                |                |                |                |                |                |                |
| Cash generated from operations                         | 451            | 739            | 709            | 352            | 194            | 267            | 97             |
| Net cash outflow from<br>investing activities          | 306            | 348            | 334            | 374            | 226            | 133            | 100            |
| Net cash (outflow)/inflow<br>from financing activities | (96)           | (19)           | (24)           | 217            | 140            | (88)           | 41             |
| <b>JSE Limited performance</b>                         |                |                |                |                |                |                |                |
| Ordinary shares (cents)                                |                |                |                |                |                |                |                |
| – high   | 2 714          | 3 217          | 4 205          | 1 917          | 816            | 612            | 696            |
| – low  | 1 542          | 842            | 1 414          | 739            | 500            | 411            | 471            |
| – year-end   | 2 099          | 1 683          | 3 576          | 1 747          | 674            | 511            | 543            |

## Investor relations report

ARM's primary listing is on the JSE Limited. The Company also has an unsponsored Level 1 American Depositary Receipt (ADR) programme which is available to investors for over-the-counter or private transactions.

### Share information

|   |  |
|---|--|
| <b>Ticker code</b>                                | ARI  |
| <b>Sector</b>                                     | General Mining   |
| <b>Nature of business</b>                         | ARM is a diversified mining and minerals company with assets in ferrous, platinum group metals, coal base metals and copper. ARM holds a significant interest in the gold mining sector through its shareholding in Harmony. |
| <b>Issued share capital at 30 June 2010</b>       | 212 692 376  |
| <b>Market capitalisation at 30 June 2010</b>      | R34 billion<br>US\$4.5 billion   |
| <b>Closing share price at 30 June 2010</b>        | R161.40  |
| <b>12 month high (1 July 2009 – 30 June 2010)</b> | R205.99  |
| <b>12 month low (1 July 2009 – 30 June 2010)</b>  | R116.51  |
| <b>Average volume traded for the 12 months</b>    | 550 761 shares per day   |

### Shareholders' diary

|   |                         |
|---|-------------------------|
| <b>Annual General Meeting</b>           | Friday, 3 December 2010 |
| <b>Financial year-end</b>               | June 2011               |
| <b>Integrated Annual Report issued</b>  | October 2011            |
| <b>Interim results announcement</b>     | March 2011              |
| <b>Provisional results announcement</b> | September 2011          |

## Shareholder analysis

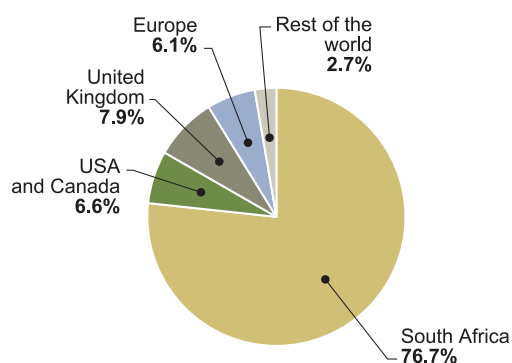
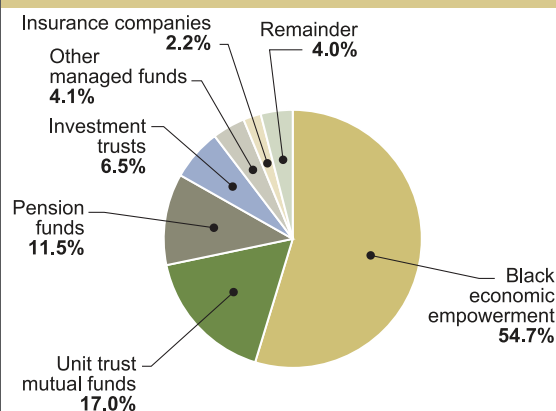
| Shares held                 | Number of shareholders | % of shareholders | Number of shares held | % of issued share capital |
|-----------------------------|------------------------|-------------------|-----------------------|---------------------------|
| 1 to 1 000 shares           | 3 953                  | 74.57             | 1 068 117             | 0.49                      |
| 1 001 to 10 000 shares      | 869                    | 16.39             | 2 929 347             | 1.38                      |
| 10 001 to 100 000 shares    | 362                    | 6.83              | 11 308 048            | 5.32                      |
| 100 001 to 1 000 000 shares | 99                     | 1.87              | 28 239 501            | 13.28                     |
| 1 000 001 shares and above  | 18                     | 0.34              | 169 147 363           | 79.53                     |
| <b>Total</b>                | <b>5 301</b>           | <b>100.00</b>     | <b>212 692 376</b>    | <b>100.00</b>             |

| Distribution of shareholders | Number of shares held | % of issued share capital |
|------------------------------|-----------------------|---------------------------|
| Black Economic Empowerment   | 116 365 157           | 54.71                     |
| Unit Trusts/Mutual Fund      | 36 183 266            | 17.01                     |
| Pension Funds                | 24 400 118            | 11.47                     |
| Investment Trusts            | 13 749 442            | 6.46                      |
| Other Managed Funds          | 8 769 780             | 4.12                      |
| Insurance Companies          | 4 715 739             | 2.22                      |
| Foreign Government           | 3 063 542             | 1.44                      |
| Private Investors            | 2 601 560             | 1.22                      |
| Custodians                   | 1 617 438             | 0.76                      |
| Corporate Holding            | 202 000               | 0.09                      |
| University                   | 166 627               | 0.08                      |
| Charity                      | 88 100                | 0.06                      |
| Remainder                    | 769 607               | 0.36                      |
| <b>Total</b>                 | <b>212 692 376</b>    | <b>100.00</b>             |

| Public/non-public shareholders | Number of shareholders | % of total shareholders | Number of shares held | % of issued share capital |
|--------------------------------|------------------------|-------------------------|-----------------------|---------------------------|
| Non-public shareholders        | 5                      | 0.09                    | 116 579 157           | 54.81                     |
| Public shareholders            | 5 296                  | 99.91                   | 96 113 219            | 45.19                     |
| <b>Total</b>                   | <b>5 301</b>           | <b>100.00</b>           | <b>212 692 376</b>    | <b>100.00</b>             |

| Investment management and beneficial interest (more than 3%) | Number of shares held | %            |
|--|-----------------------|--------------|
| BlackRock Inc.   | 22 563 412            | 10.61        |
| Public Investment Corporation Limited                        | 10 973 507            | 5.16         |
| Fidelity Investments   | 8 863 585             | 4.17         |
| Allan Gray Investment Council                                | 8 030 776             | 3.77         |
| <b>Total</b>   | <b>50 431 280</b>     | <b>23.71</b> |

## Investor relations report continued

**Geographic split of beneficial shareholders****Beneficial shareholder split by category****Top 20 shareholders**

| Shareholder  | Number of shares held | % holding of shares in issue |
|--|-----------------------|------------------------------|
| 1 African Rainbow Minerals & Exploration Investments (Pty) Limited | 87 750 417            | 41.26                        |
| 2 ARM Broad-Based Economic Empowerment Trust                       | 28 614 740            | 13.45                        |
| 3 BlackRock Inc.   | 22 563 412            | 10.61                        |
| 4 Public Investment Corporation Limited                            | 10 973 507            | 5.16                         |
| 5 Fidelity Investments   | 8 863 585             | 4.17                         |
| 6 Allan Gray Investment Council                                    | 8 030 776             | 3.78                         |
| 7 Investec Asset Management  | 5 626 472             | 2.65                         |
| 8 RMB Asset Management   | 4 405 051             | 2.07                         |
| 9 STANLIB Asset Management   | 3 008 192             | 1.41                         |
| 10 The Vanguard Group  | 1 841 048             | 0.87                         |
| 11 Dimensional Fund Advisors                                       | 1 750 089             | 0.82                         |
| 12 Government Singapore Investment Corporation                     | 1 632 617             | 0.77                         |
| 13 Coronation Fund Managers  | 1 524 619             | 0.72                         |
| 14 Jennison Associates LLC   | 1 350 700             | 0.64                         |
| 15 Kagiso Asset Management (Pty) Limited                           | 1 344 803             | 0.63                         |
| 16 Old Mutual Asset Managers                                       | 948 735               | 0.45                         |
| 17 Rand Merchant Bank  | 885 432               | 0.42                         |
| 18 Metropolitan Asset Managers                                     | 830 911               | 0.39                         |
| 19 State Street Global Advisors                                    | 781 927               | 0.37                         |
| 20 Nomura Asset Management   | 730 047               | 0.34                         |



## Share liquidity

Number of shares traded on the JSE Limited during F2010

| Month          | Volume             |
|----------------|--------------------|
| July 2009      | 12 745 174         |
| August 2009    | 12 505 937         |
| September 2009 | 11 254 438         |
| October 2009   | 9 310 395          |
| November 2009  | 9 114 367          |
| December 2009  | 9 206 052          |
| January 2010   | 14 978 491         |
| February 2010  | 15 373 890         |
| March 2010     | 11 805 684         |
| April 2010     | 10 387 803         |
| May 2010       | 10 981 977         |
| June 2010      | 10 577 027         |
| <b>Total</b>   | <b>138 241 235</b> |

## Investor relations

### Jongisa Klaas

Head of Investor Relations and Corporate Development

Telephone: +27 11 779 1507

Fax: +27 11 779 1312

E-mail: [jongisa.klaas@arm.co.za](mailto:jongisa.klaas@arm.co.za)

### Corné Dippenaar

Corporate Development

Telephone: +27 11 779 1478

Fax: +27 11 779 1312

E-mail: [corne.dippenaar@arm.co.za](mailto:corne.dippenaar@arm.co.za)

### Ursula Anyamene

Corporate Development and Investor Relations Assistant

Telephone: +27 11 779 1466

Fax: +27 11 779 1312

E-mail: [ursula.anyamene@arm.co.za](mailto:ursula.anyamene@arm.co.za)

The 2010 ARM Integrated Annual Report and the Sustainability Report are available in electronic format on the Company's website at [www.arm.co.za](http://www.arm.co.za). Printed copies can also be requested from the Company's Investor Relations Department.

## Glossary of terms and acronyms

|                  |   |
|------------------|---|
| 4E               | Platinum, palladium, rhodium and gold   |
| 6E               | Platinum, palladium, rhodium, gold, ruthenium and iridium   |
| Anglo Platinum   | Anglo Platinum Limited  |
| a                | The a referred to in tabulation and graphic analysis refers to actual numbers                                     |
| ARM              | African Rainbow Minerals Limited  |
| ARM BBEE Trust   | ARM Broad-Based Economic Empowerment Trust  |
| ARMI             | African Rainbow Minerals & Exploration Investments (Pty) Limited  |
| Assmang          | Assmang Limited   |
| Assore           | Assore Limited  |
| BEE              | Black Economic Empowerment  |
| BBBEE            | Broad-Based Black Economic Empowerment  |
| Btu – lb         | British Thermal Unit per pound  |
| C1 cost          | Cash cost net of revenue from by-products   |
| CO <sub>2</sub>  | Carbon dioxide  |
| COM              | Chamber of Mines  |
| CPI              | Consumer Price Index  |
| CPIX             | Consumer Price Index, excluding interest  |
| CSA              | Coal Supply Agreement   |
| CSI              | Corporate Social Investment   |
| DEAT             | Department of Environmental Affairs and Tourism   |
| DME              | Department of Minerals and Energy   |
| DMR              | Department of Mineral Resources   |
| DoL              | Department of Labour  |
| DRC              | Democratic Republic of the Congo  |
| DTJV             | Douglas Tavistock joint venture   |
| DWAF             | Department of Water Affairs and Forestry  |
| DWEA             | Department of Water and Environmental Affairs   |
| e                | The e referred to in tabulation and graphic analysis refers to estimated numbers                                  |
| EBIT             | Earnings before interest and tax  |
| EBITDA           | Earnings before interest, tax, depreciation, amortisation, excluding exceptional items and income from associates |
| EIA              | Environmental Impact Assessment   |
| EMPR             | Environmental Management Programme Report   |
| F2010            | Financial year starting 1 July 2009 ending 30 June 2010   |
| F2009            | Financial year starting 1 July 2008 ending 30 June 2009   |
| F2008            | Financial year starting 1 July 2007 ending 30 June 2008   |
| FOB              | Free on board   |
| FOG              | Fall of ground  |
| FOR              | Free on rail  |
| FTSE             | Financial Times and London Stock Exchange   |
| GAR              | Gross as received   |
| GHG              | Greenhouse gas  |
| Goedgevonden/GGV | Goedgevonden Thermal Coal Project   |
| H1               | First six months of financial year  |
| H2               | Second six months of financial year   |
| Harmony Gold     | Harmony Gold Mining Company Limited   |
| HDSA             | Historically Disadvantaged South African  |
| HIV              | Human immuno-deficiency virus   |

|                   |   |
|-------------------|---|
| IAS               | International Accounting Standards  |
| IBC               | Inside back cover   |
| ICMM              | International Council on Mining and Metals  |
| IDP               | Integrated Development Plan   |
| IFRS              | International Financial Reporting Standards   |
| Implats           | Impala Platinum Holdings Limited  |
| IRS               | Impala Refining Services Limited  |
| JORC Code         | Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code   |
| JSE               | JSE Limited – Johannesburg Stock Exchange   |
| JV                | Joint venture   |
| Kalplats AOI      | Kalplats Area Of Influence  |
| King II           | King Report on Corporate Governance in South Africa 2002  |
| King III          | King Report on Governance for South Africa 2009 and the King Code of Governance Principles  |
| LED               | Local Economic Development  |
| LoM               | Life of mine  |
| LTIFR             | Lost Time Injury Frequency Rate – A rate expressed per million man hours for a work-related injury that results in the employee being unable to attend work at his/her place of work, performing his/her assigned duties on the next calendar day (whether a scheduled work day or not) after the day of injury. If the appointed medical professional advises that the injured person is unable to attend work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a lost time injury is deemed to have occurred. |
| MHSA              | Mine Health and Safety Act  |
| Mining Charter    | Broad-Based Socio-Economic Empowerment Charter signed in 2002   |
| MMZ               | Main Mineralised Zone   |
| MPRDA             | Minerals and Petroleum Resources Development Act  |
| MSB               | Massive Sulphide Body   |
| NPI               | Nickel Pig Iron   |
| NUM               | National Union of Mineworkers   |
| NUMSA             | National Union of Metal Workers   |
| OHSA              | Occupational Health and Safety Act  |
| PCB               | Participating Coal Business: Xstrata Coal South Africa existing operations, excluding Goedgevonden  |
| PCMZ concentrator | Chromititic Peridotite Mineralised Zone concentrator  |
| PCR               | Chromititic Peridotite  |
| PGMs              | Platinum Group Metals   |
| PLA               | Platinum Australia  |
| RBCT              | Richards Bay Coal Terminal  |
| RIFR              | Reportable Injury Frequency Rate  |
| SAMREC Code       | South African Code for Reporting Mineral Resources and Mineral Reserves   |
| SHE               | Safety, Health and Environment Department   |
| SME               | Small and Medium-sized Enterprise   |
| SMME              | Small, Medium and Micro Enterprise  |
| STC               | Secondary Tax on Companies  |
| UASA              | United Association of South Africa  |
| UG2               | Upper group 2 – second level of three chromitite layers   |
| Vale              | Vale SA (formerly Companhia Vale do Rio Doce)   |
| VCT               | Voluntary counselling and testing   |
| XCSA              | Xstrata Coal South Africa   |
| XSA               | Xstrata South Africa  |
| ZCCM-IH           | ZCCM Investment Holdings Plc  |

## Notice of annual general meeting

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")

Notice is hereby given that the 77th Annual General Meeting of members of African Rainbow Minerals Limited will be held in Boardrooms 6 and 7, Sandton Convention Centre, corner of Fifth Avenue and Maude Street, Sandton, on Friday, 3 December 2010 at 11:00, South African time, for considering and, if deemed fit, passing, with or without modification, the resolutions set out below:

### Ordinary business

#### Acceptance of financial statements

Ordinary resolution number 1 is proposed to receive and consider the annual financial statements for the Company and the Group, for the most recent financial year. The annual financial statements and Group annual financial statements are included within the Integrated Annual Report.

#### Ordinary resolution number 1

1. "Resolved that the annual financial statements and Group annual financial statements for the year ended 30 June 2010 and the Directors' and auditors' reports thereon be and are hereby received and accepted."

#### Re-election of Directors

Ordinary resolutions numbers 2 – 7 are proposed to re-elect Directors who retire by rotation as Directors of the Company in accordance with the provisions of the Company's Articles of Association, and who, being eligible, offer themselves for re-election. The Directors' *curricula vitae* appear in the Integrated Annual Report on pages 170 and 171. The ARM Board of Directors (the "Board") recommends the re-election of these Directors.

#### Ordinary resolution number 2 – Re-election of Dr M M M Bakane-Tuoane

2. "Resolved that Dr M M M Bakane-Tuoane, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Ordinary resolution number 3 – Re-election of Mr W M Gule

3. "Resolved that Mr W M Gule, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Ordinary resolution number 4 – Re-election of Mr M W King

4. "Resolved that Mr M W King, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Ordinary resolution number 5 – Re-election of Mr A K Maditsi

5. "Resolved that Mr A K Maditsi, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Ordinary resolution number 6 – Re-election of Mr K S Mashalane

6. "Resolved that Mr K S Mashalane, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Ordinary resolution number 7 – Re-election of Mr J C Steenkamp

7. "Resolved that Mr J C Steenkamp, who retires by rotation in terms of the Company's Articles of Association and who is eligible and available for re-election, be and is hereby re-elected as a Director of the Company."

#### Reappointment of external auditors and confirmation of designated auditor

Ordinary resolution number 8 is proposed to approve the reappointment of Ernst & Young Incorporated as the external auditors of the Company and to confirm Mr E A L Botha as the person designated to act on behalf of the external auditors for the financial year ending 30 June 2011 and to remain in office until the conclusion of the next annual general meeting.

#### Ordinary resolution number 8 – Reappointment of auditors and confirmation of designated auditor

8. "Resolved that the reappointment of Ernst & Young Incorporated as the external auditors of the Company be and is hereby approved and that Mr E A L Botha be and is hereby confirmed as the designated auditor for the financial year ending 30 June 2011 and to remain in office until the conclusion of the next annual general meeting."

#### Remuneration of Directors

Ordinary resolutions numbers 9 – 12 are proposed to ensure that Directors' fees attract and retain Directors.

#### Ordinary resolution number 9 – Increase in annual retainer fees

9. "Resolved that with effect from 1 July 2010, the annual retainer fees of Directors be increased by 10% per annum (rounded to the nearest R50) from R270 000 to R297 000 per annum for Independent Non-executive Directors and from R216 000 to R237 600 per annum for Non-executive Directors."

#### Ordinary resolution number 10 – Increase in the Board meeting attendance fees

10. "Resolved that with effect from 1 July 2010, the per Board meeting attendance fees payable to Directors be increased by 10% per annum (rounded to the nearest R50) from R12 960 to R14 300 per meeting."

**Ordinary resolution number 11 – Increase in the Committee meeting attendance fees**

11. “Resolved that with effect from 1 July 2010, the per meeting attendance fees for Committee meetings be increased by 10% per annum (rounded to the nearest R50) as follows:

|  | 2010/11<br>per Meeting<br>Fees (Rand) | 2009/10<br>per Meeting<br>Fees (Rand) |
|--|---------------------------------------|---------------------------------------|
| <b>Audit Committee</b>   |                                       |                                       |
| Chairman   | 74 250                                | 67 500                                |
| Member   | 29 700                                | 27 000                                |
| <b>Investment, Nomination, Remuneration and Sustainable Development Committees</b> |                                       |                                       |
| Chairman   | 17 800                                | 16 200                                |
| Member   | 11 900                                | 10 800                                |

**Ordinary resolution number 12 – Introduction of a fee for the Lead Independent Non-executive Director**

12. “Resolved that with effect from 1 July 2010, the fee for the Lead Independent Non-executive Director to chair quarterly *in camera* meetings of Non-executive Directors be R17 800 per meeting.”

**Amendments to the Company’s Share Incentive Schemes pursuant to Schedule 14 of the JSE Listings Requirements**

Ordinary resolutions numbers 13 and 14 are proposed to bring the African Rainbow Minerals Share Incentive Scheme, as amended (the “Scheme”), and The African Rainbow Minerals Limited 2008 Share Plan (the “Share Plan”) in line with the amendments to Schedule 14 of the JSE Listings Requirements, which must be implemented by no later than 1 January 2011.

**Ordinary resolution number 13 – Amendments to the Scheme**

13. “Resolved that the sixth amending deed to the Scheme, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved.”

The salient features of the proposed amendments to the Scheme appear in Annexure 1 on page 271. Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company’s 2010 Integrated Annual Report; (ii) the Scheme and the five registered amendments to the Scheme; (iii) a consolidated version of the Scheme, as previously amended, incorporating the proposed amendments to the Scheme; and (iv) the proposed sixth amendment to the Scheme.

Pursuant to the JSE Listings Requirements, ordinary resolution number 13 is required to be passed by achieving a 75% majority of the votes cast by all equity securities holders entitled to vote and who are present in person or represented by proxy at the Annual General Meeting. Votes cast in terms of shares held by the Scheme as defined will not be taken into account in respect of this resolution.

**Ordinary resolution number 14 – Amendments to the Share Plan**

14. “Resolved that the 2010 amended version of the Share Plan, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved.”

The salient features of the proposed amendments to the Share Plan appear in Annexure 2 on page 272. Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Annual Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting: (i) the Company’s 2010 Integrated Annual Report; (ii) the Share Plan; and (iii) the proposed amendments to the Share Plan.

Pursuant to the JSE Listings Requirements, ordinary resolution number 14 is required to be passed by achieving a 75% majority of the votes cast by all equity securities holders entitled to vote and who are present in person or represented by proxy at the Annual General Meeting. Votes cast in terms of shares held by the Share Plan as defined will not be taken into account in respect of this resolution.

**Authorisation of Directors**

Ordinary resolution number 15 is proposed to authorise Executive Directors to implement the resolutions approved by shareholders.

## Notice of annual general meeting continued

### **Ordinary resolution number 15**

15. "Resolved that subject to the passing of the above resolutions, any one Executive Director of the Company be and is hereby authorised to do, or cause to be done, all such things and sign, or cause to be signed, all such documents and take all such action as considered necessary to implement the resolutions set out in this Notice of Annual General Meeting."

### **Voting and proxies**

Each shareholder of the Company who is registered as such and who, being an individual, is present in person or by proxy or which, being a Company, is represented, at the Annual General Meeting is entitled to one vote on a show of hands. On a poll, each shareholder present in person or by proxy or represented shall have one vote for every share held by such shareholder.

### **Certificated shareholders/dematerialised shareholders with own name registrations**

Shareholders who have not yet dematerialised their shares with own name registrations ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholders' stead. The person so appointed need not be a member of the Company. A form of proxy is attached for use by those Entitled Shareholders who wish to be represented at the Annual General Meeting. Such Entitled Shareholders should complete the attached form of proxy in accordance with the instructions contained therein and deposit it at the transfer secretaries, Computershare Investor Services (Pty) Limited, 7th Floor, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department Fax +27 11 688 5238).

### **Dematerialised shareholders**

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with the relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting or send a proxy to represent them at the Annual General Meeting, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend.

By order of the Board

**A N D'Oyley (Ms)**  
*Company Secretary*

15 October 2010

## Annexure number 1:

### Explanatory Notes to Ordinary Resolution Number 13

Schedule 14 of the JSE Listings Requirements governs the requirements for share incentive schemes. The JSE Limited amended Schedule 14 and, as a result, all listed companies are required to make appropriate amendments to their existing share incentive schemes by no later than 1 January 2011. Ordinary resolution number 13 deals with these amendments.

### **SALIENT FEATURES OF PROPOSED AMENDMENTS TO THE AFRICAN RAINBOW MINERALS SHARE INCENTIVE SCHEME (THE “SCHEME”)**

Capitalised terms in this annexure shall bear the same meanings as in the Integrated Annual Report and all other words and expressions defined in the Scheme shall bear the same meanings in this document.

It is proposed to amend the Scheme as set out below. These proposed amendments have been approved by the JSE Limited and the trustees of the Scheme, but must be approved by the Company in general meeting and lodged with the Master of the High Court. The reasons for the amendments are to bring the Scheme in line with the amendments to Schedule 14 of the JSE Listings Requirements.

The salient features of the proposed amendments are to provide that:

- Executive Directors may not be trustees of the Scheme;
- the maximum number of shares which may be acquired by participants under the Scheme, or any other share incentive scheme of the Company, is 10 581 294 shares;
- the maximum number of shares which may be acquired by any one participant under the Scheme, or any other share incentive scheme of the Company, is 1 058 129 shares;
- amendments to the provisions relating to matters contained in Schedule 14.1 of the JSE Listings Requirements may only be effected with the approval of an ordinary resolution of 75% (seventy-five percent) of the shareholders of the Company, in accordance with the JSE Listings Requirements;
- three further categories of amendments (the basis on which awards are made, the rights attaching to the Scheme shares and the treatment of share options in instances of mergers, takeovers and corporate actions by or in respect of the Scheme) are included in clause 6.3 of the Scheme; and
- the trustees may acquire shares as required by the Scheme through the market.



## Annexure number 2:

### Explanatory Notes to Ordinary Resolution Number 14

Schedule 14 of the JSE Listings Requirements governs the requirements for share incentive schemes. The JSE Limited amended Schedule 14 and, as a result, all listed companies are required to make appropriate amendments to their existing share incentive schemes by no later than 1 January 2011. Ordinary resolution number 14 deals with these amendments.

### **SALIENT FEATURES OF PROPOSED AMENDMENTS TO THE AFRICAN RAINBOW MINERALS LIMITED 2008 SHARE PLAN (THE “SHARE PLAN”)**

Capitalised terms in this annexure shall bear the same meanings as in the Integrated Annual Report or the Share Plan, as the context requires.

It is proposed to amend the Share Plan as set out below. These proposed amendments have been approved by the JSE Limited and management, but must be approved by the Company in general meeting. The reason for the amendments is to bring the Share Plan in line with the amendments to Schedule 14 of the JSE Listings Requirements.

The salient features of the proposed amendments are the following:

- To ensure that Shares may only be issued or purchased for purposes of the Share Plan once a Participant (or group of Participants) to whom they will be Granted or Awarded has been formally identified.
- To ensure that Shares held for purposes of the Share Plan will not have their votes at general/annual general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements or for purposes of determining categorisations as detailed in Section 9 of the JSE Listings Requirements.
- To require the prior approval, if required, of any securities exchange on which Shares are listed, and the prior authority of the shareholders of the Company in general meeting if the aggregate number of Shares which may be acquired by Participants under the Share Plan together with Any Other Plan is to exceed 10 581 294 Shares.
- To require the prior approval, if required, of any securities exchange on which Shares are listed, and the prior authority of the shareholders of the Company in general meeting if the aggregate number of Shares that may be acquired by any one Participant in terms of the Share Plan together with Any Other Plan is to exceed 1 058 129 Shares.
- To provide that in the determination of the number of Shares which may be acquired by Participants in terms of clauses 8.1 and 8.2 of the Share Plan Rules, Shares shall not be taken into account, which have been purchased through the market.
- To require that no adjustments shall be required in terms of clause 22.1 of the Share Plan Rules in the event of the issue of equity securities as consideration for an acquisition in terms of clause 22.4 of the Share Plan Rules, the issue of securities for cash and the issue of equity securities for a vendor consideration placing.
- To provide that any proposed amendment of the following matters shall not be competent unless it is approved by ordinary resolution of 75% (seventy-five percent) of the shareholders of the Company in general meeting, excluding all of the votes attached to Shares owned or controlled by existing Participants in the Share Plan:
  - the voting, dividend, transfer or other rights (including rights on liquidation of the Company) which may attach to any Grant or Award;
  - the provisions in these Rules dealing with the rights (whether conditional or otherwise) in and to the Bonus Shares or Performance Shares of Participants who leave the employment of the Group prior to Vesting;
  - the basis for Grants and Awards in terms of these Rules; and
  - the provisions of clause 22.4 of the Share Plan Rules, which is the clause dealing with adjustments in the equity capital of the Company.

## Form of proxy

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")

**A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of ARM) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.**

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant ("CSDP") or broker with their voting instructions in terms of the custody agreement entered into with their relevant CSDP or broker. Should such shareholders wish to attend the Annual General Meeting of the Company, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary letter of representation to attend and vote their ARM shares.

For completion by shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration. Shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration ("Entitled Shareholders") may appoint one or more proxies to attend, speak and vote or to abstain from voting in such shareholder's stead. The person so appointed need not be a member of the Company. This form of proxy is for the use of those Entitled Shareholders who wish to be so represented. Such Entitled Shareholders should complete this form of proxy in accordance with the instructions contained herein and return it to the transfer secretaries, to be received by the time and date stipulated herein.

If you are unable to attend the 77th Annual General Meeting of shareholders of African Rainbow Minerals Limited convened for Friday, 3 December 2010 at 11:00, South African time, but wish to be represented thereat you should complete and return this form of proxy as soon as possible, but in any event to be received by not later than 11:00, South African time, on Wednesday, 1 December 2010.

I/We \_\_\_\_\_ (name in block letters)

of \_\_\_\_\_ (address)

being the holder of \_\_\_\_\_ shares in the issued share capital of

the Company, do hereby appoint \_\_\_\_\_

\_\_\_\_\_ or failing him/her,

\_\_\_\_\_ or failing him/her,

the Chairman of the Board of Directors, or failing him/her the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11:00, South African time, on Friday, 3 December 2010 and at any adjournment thereof and in particular in respect of the following resolutions:

Indicate with an X in the spaces below how votes are to be cast.

| Ordinary Resolutions |   | For | Against | Abstain |
|----------------------|---|-----|---------|---------|
| 1.                   | To receive and accept the annual financial statements and Group annual financial statements for the year ended 30 June 2010 and the Directors' and auditors' reports thereon.   |     |         |         |
| 2.                   | To re-elect Dr M M M Bakane-Tuoane as a Director.   |     |         |         |
| 3.                   | To re-elect Mr W M Gule as a Director.  |     |         |         |
| 4.                   | To re-elect Mr M W King as a Director.  |     |         |         |
| 5.                   | To re-elect Mr A K Maditsi as a Director.   |     |         |         |
| 6.                   | To re-elect Mr K S Mashalane as a Director.   |     |         |         |
| 7.                   | To re-elect Mr J C Steenkamp as a Director.   |     |         |         |
| 8.                   | To reappoint Ernst & Young Incorporated as external auditors and to appoint Mr E A L Botha as the person designated to act on behalf of the external auditors.  |     |         |         |
| 9.                   | With effect from 1 July 2010, the annual retainer fees of Directors be increased by 10% per annum.  |     |         |         |
| 10.                  | With effect from 1 July 2010, the per Board meeting attendance fees of Directors be increased by 10% per annum.   |     |         |         |
| 11.                  | With effect from 1 July 2010, the per Committee meeting attendance fees of Committee members be increased by 10% per annum.   |     |         |         |
| 12.                  | With effect from 1 July 2010, a fee be introduced for the Lead Independent Non-executive Director.  |     |         |         |
| 13.                  | To amend the Scheme in accordance with amendments to Schedule 14 of the JSE Listings Requirements.  |     |         |         |
| 14.                  | To amend the Share Plan in accordance with amendments to Schedule 14 of the JSE Listings Requirements.  |     |         |         |
| 15.                  | That subject to the passing of the above resolutions, any one Executive Director of the Company be and is hereby authorised to do, or cause to be done, all such things and sign, or cause to be signed, all such documents and take all such action as considered necessary to implement the resolutions set out in this Notice of Annual General Meeting. |     |         |         |
| Number of shares     | Unless this section is completed for a lesser number, the Company is authorised to insert in the said section the total number of shares registered in my/our name(s) one business day before the meeting.  |     |         |         |

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2010

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Please see notes overleaf ►

## Notes to the proxy

### Instructions on signing and lodging the form of proxy

Please read the notes below:

1. The completion and lodging of this form of proxy will not preclude the Entitled Shareholder who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should he or she wish to do so.
2. Every member present in person or represented by proxy and entitled to vote shall, on a show of hands, have only one vote and upon a poll every member shall have a vote for every ordinary share held.
3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose. The person whose name appears first on the form of proxy and who is present at this meeting will be entitled to act as a proxy to the exclusion of those whose names follow.
4. When there are joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders for which purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding. Only that holder whose name appears first in the register need sign this form of proxy.
5. If the form of proxy is signed under the authority of a power of attorney or on behalf of a company or any other juristic person, then it must be accompanied by such power of attorney or a certified copy of the relevant enabling resolution or other authority of such company or other juristic person, unless proof of such authority has been recorded by the Company.
6. If the Entitled Shareholder does not indicate in the appropriate place on the face hereof how he or she wishes to vote in respect of a resolution, his or her proxy shall be entitled to vote as he or she deems fit in respect of that resolution.
7. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
8. The Chairman of the meeting may, in his or her absolute discretion, reject any form of proxy which is completed other than in accordance with these instructions.
9. Forms of proxy, powers of attorney or any other authority appointing a proxy shall be deposited at the transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, South Africa (or posted to PO Box 61051, Marshalltown 2107, South Africa) (or faxed to the Proxy Department +27 11 688 5238) so as to be received not later than 11:00, South African time, on Wednesday, 1 December 2010 (in respect of the meeting) or 48 hours, excluding Saturdays, Sundays and public holidays, before the time appointed for holding of any adjourned meeting.
10. No form of proxy shall be valid after the expiration of six months from the date when it was signed except at an adjourned meeting in cases where the meeting was originally held within six months from the aforesaid date.

## Contact details

### African Rainbow Minerals Limited

Registration number: 1933/004580/06  
Incorporated in the Republic of South Africa  
ISIN: ZAE 000054045

### Registered and corporate office

ARM House  
29 Impala Road  
Chislehurst  
Sandton  
2196

PO Box 786136, Sandton, 2146

**Telephone:** +27 11 779 1300  
**Fax:** +27 11 779 1312  
**E-mail:** [ir.admin@arm.co.za](mailto:ir.admin@arm.co.za)  
**Website:** <http://www.arm.co.za>

### Company secretary

Alyson D'Oyley  
**Telephone:** +27 11 779 1300  
**Fax:** +27 11 779 1318  
**E-mail:** [alyson.doyley@arm.co.za](mailto:alyson.doyley@arm.co.za)

### New business development

Stompie Shiels  
**Telephone:** +27 11 779 1476  
**Fax:** +27 11 779 1312  
**E-mail:** [stompie.shiels@arm.co.za](mailto:stompie.shiels@arm.co.za)

### Investor relations

Jongisa Klaas  
Head of Investor Relations and Corporate Development  
**Telephone:** +27 11 779 1507  
**Fax:** +27 11 779 1312  
**E-mail:** [jongisa.klaas@arm.co.za](mailto:jongisa.klaas@arm.co.za)

### Directors

P T Motsepe (Executive Chairman)  
A J Wilkens (Chief Executive Officer)  
F Abbott\*  
M Arnold

Dr M M M Bakane-Tuoane\*\*  
A D Botha\*\*  
J A Chissano (Mozambican)\*\*  
W M Gule

M W King\*\*  
A K Maditsi\*\*  
K S Mashalane  
J R McAlpine\*\*

L A Shiels  
Dr R V Simelane\*\*  
J C Steenkamp  
Z B Swanepoel\*\*

\* Non-executive \*\* Independent Non-executive

Corné Dippenaar

Corporate Development

**Telephone:** +27 11 779 1478

**Fax:** +27 11 779 1312

**E-mail:** [corne.dippenaar@arm.co.za](mailto:corne.dippenaar@arm.co.za)

Ursula Anyamene

Corporate Development and Investor Relations Assistant

**Telephone:** +27 11 779 1466

**Fax:** +27 11 779 1312

**E-mail:** [ursula.anyamene@arm.co.za](mailto:ursula.anyamene@arm.co.za)

### Auditors

External auditors

Ernst & Young Incorporated

Internal auditors

KPMG

### Bankers

ABSA Bank Limited

FirstRand Bank Limited

Nedbank Limited

The Standard Bank of South Africa Limited

### Sponsors

Deutsche Securities SA (Proprietary) Limited

### Transfer secretaries

Computershare Investor Services (Pty) Limited

Ground Floor, 70 Marshall Street

Johannesburg 2001

PO Box 61051, Marshalltown, 2107

**Telephone:** +27 11 370 5000

**Fax:** +27 11 688 5222

**E-mail:** [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)

**Website:** <http://www.computershare.co.za>

## Forward-looking statements

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 HIV & 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.